

Standard Valuation Law Interest Rate Modernization Update



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SPIA Valuation Issue

- Issue: Applicability of AG IX-B in VM-22
 - ▣ That is, treatment of non-level payments in new framework
 - ▣ AG IX-B developed in part to deal with reinvestment risk
- Discussed approaches under old framework
 - ▣ “Carve-out” and “Graded Interest” Methods
- Discussed possible approaches for applying AG IX-B with VM-22 Valuation Rates
- “Considerations” drafted by John Robinson to be available for YE 2019



Non-SPIA Valuation Rates

- Must coordinate with ARWG
 - Ben Slutsker now vice chairperson of SVL Work Group
 - Should facilitate coordination between the two groups
- Current Plan: Refresh current valuation rates using similar methodology as was used to develop current rates
 - Solve for interest rate on projected liabilities which produces equivalent projected investment income on assets
 - Examining three interest rate scenarios: level, rising, falling
 - Looking at whether to retain single locked-in rate at issue or require future unlocking
- Same scope: produce valuation rates for all non-SPIA annuities



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Non-SPIA Valuation Rates

- Contemplated Changes to Current Framework
 - New Reference Index: Treasuries + VM-20 Spreads
 - Potential Differentiators:
 - Surrender Charge Period
 - Market Value Adjustment
 - Partial Free Withdrawals
 - Single Premium vs. Flexible Premium
 - Multi-year guarantee vs. annual reset
 - Work started on Multi-Year Guarantee and Annual Reset annuities
 - Guaranteed Living Benefits (GLBs) to be examined next
 - Proposed Effective Date: 1/1/22



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Questions?

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