Non-SPIA* Valuation Rates (*Single Premium Immediate Annuity)

- Must coordinate with the Annuity Reserves Work Group (ARWG)
  - Working plan is to develop valuation rates for products which pass under-development exclusion test

- Current Plan: Refresh current valuation rates using similar methodology as was used to develop current rates
  - Generally, calculate the weighted average yield over the life of the business, taking into account the time value of money
  - Specifically, calculate the present value of benefits and expenses using portfolio book yields (including realized gains and losses)
    - Determine single rate that will produce the same present value as described above.
    - Consistent with VM-20 Deterministic Reserve
Non-SPIA Valuation Rates

- **Current Plan (cont.):**
  - Examining three interest rate scenarios: level, rising, falling
  - **Open issues**
    - How to use valuation rates produced from the three scenarios.
    - Whether to retain single locked-in valuation rate at issue or require future unlocking
  - Same scope as current regime: produce valuation rates for all non-SPIA annuities
    - So as to cover any annuities that pass the under-development exclusion test
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 Continues on Multi-Year Guarantee and Annual Reset Annuities
  - Proposed Effective Date: 1/1/23 (Consistent with ARWG)
    - May be part of field test
Questions?

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