Exposure of APF 2019-49

VM-21 redline 403(b) amendment

Exposed for public comment through May 14, 2019

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### Section 6: Requirements for the Additional Standard Projection Amount

C. Prescribed Assumptions

1. Assignment of Guaranteed Benefit Type

1. Assumptions shall be set for each contract in accordance with the contract’s guaranteed benefit type as defined in VM-01. In addition, a simple 403(b) VA contract shall be defined as a variable annuity contract that
2. is issued within a 403(b) retirement savings plan, and
3. does not have a VAGLB.
4. Certain VAGLB products have features that can be described by multiple types of guaranteed benefits. If the VAGLB can be described by more than one of the definitions in VM-01 for the purpose of determining the additional standard projection amount, the company shall select the guaranteed benefit type that it deems best applicable and shall be consistent in its selection from one valuation to the next. For instance, if a VAGLB has both lifetime GMWB and non-lifetime GMWB features, assumptions for all contracts with such a VAGLB shall be set as if the VAGLB were only a lifetime GMWB and did not contain any of the non-lifetime GMWB features if such assumptions produce a higher Additional Standard Projection Amount. If the reverse is true, assumptions for all contracts with such a VAGLB shall be set as if the VAGLB were only a non-lifetime GMWBs and did not contain any of the lifetime GMWB features.
5. If a contract cannot be classified into any categories within a given assumption the company shall determine the defined benefit type with the most similar benefits and risk profile as the company’s benefit.

6. Full Surrenders.

The full surrender rate for all contracts shall be calculated based on the Standard Table for Full Surrenders as detailed below in Table I, except for simple 403(b) VA contracts. The Standard Table for Full Surrender prescribes different full surrender rates depending on the contract year and the in-the-moneyness (“ITM”) of the contract’s guaranteed benefit.

The ITM of a contract’s guaranteed benefit shall be calculated based on the ratio of the guaranteed benefit’s GAPV to the contract’s account value. Depending on the guaranteed benefit type, the ratio shall be adjusted via the following calculations:

a. For GMDBs, the ITM shall be calculated as 75% of the ratio between the GMDB GAPV and the contract account value.

b. For GMABs, the ITM shall be calculated as 150% of the ratio between the GMAB GAPV and the contract account value.

c. For traditional GMIBs and all GMWBs, the ITM shall be calculated as 100% of the ratio between the GMIB or GMWB GAPV, calculated as described in Section 6.C.3, and the contract account value.

d. For hybrid GMIBs, the ITM shall be calculated as 100% of the ratio between

i. the larger of its Annuitization GAPV and its Withdrawal GAPV, calculated as described in Section 6.C.3 and Section 6.C.5, and

ii. the contract account value.

Table I – Standard Table for Full Surrender

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  |  |  | | |
|  |  |  | | |
|  |  |  | | |
|  | ITM | In surrender charge period, or in policy years 1-3 for contracts without surrender charges | First year after the surrender charge period | Subsequent years, or in policy years 4 and onwards for contracts without surrender charges |
|  | Under 50% | 4.0% | 25.0% | 15.0% |
|  | 50-75% | 3.0% | 18.0% | 10.0% |
|  | 75-100% | 2.5% | 12.0% | 7.0% |
|  | 100-125% | 2.5% | 8.0% | 4.5% |
|  | 125-150% | 2.5% | 6.0% | 3.0% |
|  | 150-175% | 2.5% | 5.0% | 2.5% |
|  | 175-200% | 2.5% | 4.5% | 2.0% |
|  | Over 200% | 2.5% | 4.0% | 2.0% |

For contracts that have both a VAGLB and a GMDB, the full surrender rate projected shall be the lower of the full surrender rate obtained from the Standard Table for Full Surrender using the GMDB’s ITM and that using the VAGLB’s ITM.

For GMAB contracts, the full surrender rate of the remaining contract shall be modeled in accordance with that prescribed for any remaining benefits in the contract, except that for a contract with no other living benefits, the projected full surrender rate shall be 50% in the contract year immediately following the maturity of the guaranteed benefit.

At each projection interval, for GMWB or hybrid GMIB contracts that have taken a withdrawal not in excess of the GMWB’s guaranteed maximum annual withdrawal amount or the GMIB’s dollar-for-dollar maximum withdrawal amount as of the valuation date or in a prior projection interval, the full surrender rate obtained from the Standard Table for Full Surrender shall be multiplied by 60%.

For contracts with no minimum guaranteed benefits, ITM is 0% and the row in the table for ITM < 50% would apply.

Notwithstanding all of the instructions above, the full surrender rate for a GMWB contract shall be 0% if the account value is zero.

e. For simple 403(b) VA contracts, the full surrender rate projected shall be the lower of:

i. the full surrender rate obtained from the Standard Table for Full Surrender based on the ITM of the contract’s GMDB, and

ii. the applicable full surrender rate from the following table:

|  |  |  |  |
| --- | --- | --- | --- |
|  | Full Surrender for simple 403(b) VA contracts | | |
| Attained Age | In surrender charge period | First policy year after the surrender charge period | Subsequent policy years, or contracts without a surrender charge period |
| 59 and under | 2.0% | 4.0% | 4.0% |
| 60 – 69 | 4.0% | 11.0% | 8.0% |
| 70 – 74 | 4.0% | 11.0% | 8.0% |
| 75 and over | 2.0% | 5.0% | 5.0% |

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