

# *Bruce and Bruce Company*

CONSULTING ACTUARIES

# NEWSLETTER

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## **PBR Reaches Threshold**

The threshold set by the National Association of Insurance Commissioners for PBR to become operative has been reached. As of March 31, 42 states representing 75 percent of premium have now adopted new SVLs (Standard Valuation Laws). With this threshold met, the newly adopted laws of these states will now have to be deemed “substantially similar” by July 1 before PBR can become effective Jan. 1, 2017. If this happens, there will be a 3-year transition period (from 1/1/2017 to 1/1/2020) during which PBR will be optional. After that, PBR will be required for new business unless the company satisfies the Small Company Exemption criteria.

## **Valuation Interest Rates**

The average of the Moody’s Corporate Average Yield Rates (MCAYR) was 4.33% for March 2016.

### **Life**

The 2017 Life reserve rate will likely be 3.50% and the 2018 Life Non-forfeiture rate will likely be 4.50%, the same rates as now.

### **Immediate Annuities**

The valuation rate for Immediate Annuities was 4.00% for 2015, a decrease of 50 basis points from 2014. With the MCAYR currently at 4.33% and the average of the last 9 months at 4.52%, it is likely that the valuation rate will increase to 4.25% in 2016.

### **Deferred Annuities with Adjustable Guaranteed Minimum Interest Rate**

For calendar year 2016, the minimum guaranteed interest rate allowed by the regulatory formula is 1%; the same rate as 2015. You can guarantee a higher rate and continue to credit a higher “current non-guaranteed rate”.

## 2017 CSO Mortality Table

At their spring meeting in April, the NAIC executive committee adopted the *Valuation Manual* amendments approving the 2017 Commissioners Standard Ordinary (CSO) mortality table. If PBR becomes a reality, the 2017 CSO table shall be the minimum standard for policies issued on and after 1/1/2020. It may also be used prior to 1/1/2020 for policies issued on or after 1/1/2017.

### **PBR: STAYING IN THE LOOP**

Much will be written about PBR in upcoming months, and we are keeping abreast of the latest developments. Bruce and Bruce Company staff will participate in upcoming educational seminars conducted by the Society of Actuaries and the NAIC.

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