

Individual Annuity Standard Non-Forfeiture Law Files

The Life and Health Actuarial Task Force (LHATF) held a conference call on April 17, 2003 to discuss whether it is necessary to develop a new regulation for clarifying the newly adopted Standard Non-Forfeiture Law for Individual Annuities. The participants included regulators from various states (such as NY, FL, CA, TX, and NM), ACLI, and interested parties from the life insurance industry.

Items discussed were:

1. Currently, 23 states adopted the SNFL for individual annuities. Two states are close to adopting the SNFL.
2. TX raised several questions regarding the SNFL:
 - Justification and demonstration for the need of the special minimum interest rate provision for equity-indexed annuities (EIA)
 - Complexities in applying the special interest provision for EIA policies with multiple premiums
 - The order of applying policy load, annual contract charge and premium tax paid.
3. CA and NY also expressed concerns regarding the applicability of the special interest rate provision for EIA when the underlying annuity offers limited equity indexed benefits.
4. TX indicated that the language regarding EIA in the newly adopted SNFL for individual annuities is inappropriate. Accordingly, TX suggested that LHATF develops a new model regulation regarding SNFL for EIA. Several states concurred that a new model regulation for EIA is needed.
5. Currently, TX is adopting a revised version of the SNFL for Individual Annuities. That is, no special interest provision for EIA.
6. An interested party indicated that profit margin for EIA is very low under the current SNFL. The elimination of the special interest provision for EIA may further reduce the profit margin.
7. The life insurance industry needs to propose a demonstration standard for justifying the need of a special interest provision for EIA. According to several interested parties, the demonstration standard may be available soon.
8. An interested party expressed concerns with the product filing process as interest rates change frequently. LHATF agrees to study this issue further.



9. UT expressed an editorial comment regarding the need for clarifying technical term, net consideration, on different sections (Sections 4 and 6) of the SNFL.
10. In light of the current workload, NY suggested that LHATF should set priorities to the pending projects.

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18 April 2003

