

On Monday November 1, 2004, the Life and Health Actuarial Task Force (LHATF) held a conference call to consider "Updates to Variable Annuity Model Regulation, Modified Guaranteed Annuity, and Interest-Indexed Annuity Model Regulation." The call was a continuation of the discussion begun in Anchorage to identify variations between the reserving and nonforfeiture standards in (1) the Model Variable Annuity (MVA) Regulation, (2) the Modified Guaranteed Annuity (MGA) Regulation, (3) the Standard Nonforfeiture Law for Individual Deferred Annuities (SNLIDA) and (4) the standards adopted by the Interstate Compact National Standards (EX) Working Group for "Individual Flexible Premium Deferred Variable Annuity Contract Standards (With or Without Fixed Accounts)."

Attending the call were South Carolina, Alaska, Arkansas, California, Connecticut, Florida, Kansas, Minnesota, New Mexico, New York, Ohio, Pennsylvania, Texas, Utah, Alabama, Illinois, New Jersey and North Carolina. In addition there were numerous interested parties.

Leslie Jones (SC) summarized the discussion in Anchorage. LHATF was given the model regulations by the "A" committee to review in order to determine if the regulations should be modified, deleted or retained. The group decided to retain them with possible modifications and also to compare them to the standard that the Interstate Compact working group had adopted, "Individual Flexible Premium Deferred Variable Annuity Contract Standards (With or Without Fixed Accounts)" for consistency. At that time Mark Peavy was given the assignment of taking the Compact standard and comparing it to the other model regs. He inserted comments and excerpts from the regs where there were any variations from the MVA, MGA or SNLIDA relative to reserving and nonforfeiture requirements. The intent was to provide a starting point to make everyone aware of any differences so they could be reviewed for consistency.

Discussion of Comparison

Mark began to present the comparison and expressed a concern as to whether this was too inclusive or beyond the scope of the assignment and hoped to get comments on that issue during this call. While the Compact standard excludes many annuity products (it specifically excludes products with death benefits), it was felt that it would be a useful exercise to get a handle on the extent of the comparisons.

The first comment concerned a point in the Compact standard that requires a notification when a "bail out" provision has been met. This is not required in either the MVA or MGA. This started a discussion as to whether the item was a disclosure issue and if it should be within the scope of the project. This led to a more general discussion as to the charge LHATF was given concerning the regulations. There was a difference of opinion as to what level of consistency they should consider. One view was that it



should be restricted to SNFL and the other a more general comparison of consistency. The more general comparison would require a more extensive review.

It was felt that it would be good to continue reviewing the document and comments and then classify the issues as to being either within or outside the scope of the project. It was felt that the effort already spent should not be lost.

The group agreed to continue the discussion at the New Orleans meeting.

Ron Takemoto, FSA, MAAA

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