

The Life and Health Actuarial Task Force (LHATF) held a conference call to continue discussions of the 10/14/04 draft of the Annuity Nonforfeiture Model Regulation. The agenda included:

1. Opening Comments
2. Appoint 2005 Accident and Health Working Group
3. "Alternative to the Premium Buckets Approach" from Paul Spurgeon (Lafayette Life)
4. Whether to allow the "Value Triggered Method" to be used at redetermination
5. Whether to attempt to develop language clarifying the prospective test for inclusion in the Model
6. Planning for Feb. 22 conference call

Attending the call were NM, AK, AR, CA, CT, FL, KS, MN, NE, NY, OH, OR, PA, TX, UT, WV, AL, IL, MO, NC and VA. There were numerous interested parties as well.

The first issue was the approval of the 2005 Accident and Health Working Group.

The next issue discussed was a letter from Paul Spurgeon of Lafayette Life. Because of the rejection of the "premium buckets" concept he was proposing an alternative approach. This approach was to use the nonforfeiture rate in effect prior to the start of any interest earning period. In other words, if a redetermination date occurred during an interest guarantee period, the prior nonforfeiture rate would still apply until the current interest guarantee ended.

Both CA and FL stated that they would not support this proposal. It was felt that it had been resolved at the New Orleans meeting. TX pointed out that the method was no different than "premium buckets" and that it should be addressed in a change to the law down the road. No other regulator or interested party had any additional comments and the issue was dropped.

The third issue discussed was raised by Jeff Kuhn of Western-Southern Financial Group. It concerned whether the value trigger method could be used at redetermination (currently it is not). It was pointed out that he felt one of the main reasons for rejecting the value trigger method was the difficulty of explaining it to the policyholders vs. a theoretical reason. Basically the value trigger is allowed for new issues, but not for inforce policies. This would produce the situation where new money and old money would not have the same nonforfeiture rate.

Initial reactions were favorable as several regulators indicated they were OK with the concept, but additional discussion continued. The regulators were discussing different possible situations and how this would apply. One thought was to take the greater of the new or old money rates. Since value triggers were not initially considered, many felt that they would need more time to consider other possible consequences.



A vote was taken and there were 3 for, 5 against and 6 abstentions. The abstentions were because the regulators did not feel comfortable with the full ramifications. They were OK with the example given, but wanted to consider what else this opened up if approved. While the motion failed it was felt that it should be revisited at the next call.

Time for the call was running out so the other agenda items were deferred until the next call. It was pointed out that a goal was to have a final version for the Salt Lake meeting.

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