

Various Annuity Model Regulations

The purpose of this call was to continue the discussion of whether to amend, delete or maintain various annuity model regulations in light of the most recently revised model Standard Nonforfeiture Law for Individual Deferred Annuities (SNL). The call also addressed the Interstate Compact Standards ("Standards") pertaining to variable annuities.

The models under consideration include the Model Variable Annuity Regulation (VA), the Modified Guaranteed Annuity Regulation (MGA) and the Interest Indexed Annuity Model Regulation, the last of which LHATF deferred to a future call.

NAIC staff has drafted revisions to VA and MGA to achieve consistency with the SNL, which LHATF will recommend to the (A) Committee. All of the changes appear to be cosmetic and non-controversial. LHATF also identified five significant issues between VA/MGA before revision and the Standards, which occupied most of the call.

1. Standards require a certification for contracts with bail-out provisions that the owner will be provided timely notice when the declared interest rate invokes the bail-out. LHATF concluded that this is a disclosure issue and thus beyond the scope of its assignment.
2. Standards also require an actuarial certification of compliance with the relevant nonforfeiture standards. This is included in the revised VA and MGA.
3. SNL contains a right of a company to defer payment of cash surrender values for six months, with Commissioner's approval. Standards extend this right to withdrawals and loan values.
4. For variable benefits, VA contains the right to defer the determination and payment of cash surrender benefits when the NYSE is closed for trading or when the SEC has declared a state of emergency. Standards extend this right to death benefits.
5. Standards require the use of the Annuity 2000 Mortality Table in the determination of life-contingent variable benefits. The revised VA reflects this requirement.

Although not all LHATF members were on board with #4 and #5 above, there were no recommended changes at this time. Discussion will continue at the next meeting in June, with the goal of sending recommendations to the (A) Committee then.

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