

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. Whether to allow the “Value Triggered Method” to be used at redetermination
2. Whether to attempt to develop language clarifying the prospective test for inclusion in the Model
3. Discussions relative to Subsection 6 C (2); i.e., does the law establish a minimum nonforfeiture amount for the contract as a whole or for each bucket (in the case of a contract with a fixed component and an equity indexed component).

Attending the call were LHATF members NM, AK, CA, CT, FL, KS, MN, NE, NY, OH, OR, PA, TX, UT, WV, AL as well as IL, MO and NC. In addition there were numerous interested parties.

The first issue was a continuation of the discussion on allowing the “Value Trigger Method” at redetermination. This had been voted on during the last conference call on 2/1/05, but many had abstained because they wanted more time to review other possible interpretations of the proposal. In the original version of the regulation the “Value Trigger Method” was deemed acceptable at issue, but not at redetermination.

While most seemed to favor the general concept, there was a lot of discussion as to the exact wording that should apply. The proposed wording seemed ambiguous to some and not acceptable. After much discussion it was suggested that the ideal approach would be to not make a distinction between the initial and the redetermination method. The regulation would define the method and it would apply at both points in time.

Because the number of places the proposed regulation would need to be changed was too significant to do during the conference call, a motion was made and passed to have the wording revised and then voted on at the Salt Lake meeting. It was noted that this change was more than was requested by Jeff Kuhn of Western-Southern Financial Group, but he felt it accomplished his goal.

This discussion used up almost all the time allotted for the call. A brief summary was made of the 3rd agenda item and an example that was included with the handouts was reviewed. This was intended to help clarify the concept in Subsection 6 C (2), the wording of which was confusing to some of the members of the group.

The agenda items for the Salt Lake meeting were set. The items include a review and vote on the “Value Trigger” changes, item 3 on the minimum nonforfeiture amount that was briefly discussed and item 2 on language for the prospective test.

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23 February 2005

