

The Life and Health Actuarial Task Force (LHATF) held a conference call to discuss Nonforfeiture Improvement.

Attending the call were LHATF members AK, AL, CA, IL, KS, KY, MO, NC, ND, NE, NY, OH, PA, SC and UT, as well as a list of interested parties.

First on the agenda was John McBain, the chair of the Nonforfeiture Improvement Working Group. He presented the results of a follow up questionnaire sent to LAHTF members related to question #6 of the LHATF Nonforfeiture Questionnaire. The question being followed up asked if for life insurance policies a cash surrender value should be required or like individual annuities, is it sufficient to only provide other benefits like RPU or ETI.

They only received 6 responses and the results were mixed. This was consistent with the comments submitted by the ACLI. A discussion of the issue raised the question as to what is the reason for the cash surrender value. The working group is operating under the assumption that the CSV is a return of over funding, and that RPU and ETI are mandatory, but CSV is not.

MO stated that it has permitted no cash value life insurance for 20 years and an insurer can sell with and without cash values and reflect the difference in the premium structure.

During the discussion the working group committed to providing two approaches, one without minimum cash values and one with minimum cash values and LHATF would decide if minimum NF is needed.

At one point a request was made to have a white paper created to list all the pro's and con's then decide which way to go, but it was also mentioned that it might be a waste of time. It was pointed out that even if 70% of the states agreed, if the remaining 30% were the larger states in terms of volume of sales would anything change? The working group felt that this was a call to be made at a higher level than the working group.

The remainder of the call was spent discussing a request by Steve Ostlund of AL. He has received a consumer complaint about springing cash value policies due to an IRS ruling. This type of product is sold in conjunction with 412 I plans. He was not familiar with the product and requested input and questioned if this type of product is something LHATF should consider with their SNFL improvement project. Others with some familiarity would provide him with links to documents on the product.

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