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## MEMORANDUM

TO: Life Insurance and Annuities (A) Committee

FROM: Model Law Review (A) Subgroup  
Life Actuarial (A) Task Force

DATE: October 2018

SUBJECT: Completion of 2018 Model Law Review Subgroup Charges

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The Model Law Review (A) Subgroup received a charge to work with the Life Actuarial (A) Task Force to review issues identified during the Subgroup's completion of the Model Law Review Initiative, specifically:

1. With respect to the *Modified Guaranteed Annuity Model Regulation* (#255):
  - a. Research whether the requirements of Model #255 are contained elsewhere in state law or rules.
  - b. Consider whether there is a need for the development of a similar law for modified guaranteed annuities offered through general accounts products.
2. With respect to the *Annuity Nonforfeiture Model Regulation* (#806):
  - a. Research whether the requirements of Model #806 are contained elsewhere in state law or rules.
  - b. Consider whether Model #806 may be more appropriate as an actuarial guideline.

The Subgroup took the following steps to research the Models and consider the specific actions for each model outlined in the charges.

First, the NAIC Legal Division was enlisted to research whether Model #255 and Model #806 are contained elsewhere in state law. The results of the research identified a few more state adoptions, but did not change the overall result, which is that not many states have adopted these models.

With respect to Model #255, the American Council of Life Insurers (ACLI) surveyed its member companies to help the Subgroup determine the extent to which modified guaranteed annuities (MGAs) are being sold in the states and whether MGAs are separate account (SA) or general account (GA) products. The survey results showed no declining trend in the MGA market. Both GA and SA MGAs continue to be sold. In addition, the Interstate Insurance Product Regulation Commission (IIPRC) standards address SA and GA MGAs. Finally, members of ACLI have opined that a separate model for GA MGAs is not necessary, and no states have indicated that there are any issues with GA products that need to be rectified.

With respect to Model #806, the Life Actuarial (A) Task Force surveyed state insurance department actuaries to determine why states had not adopted Model #806. The survey did not indicate any perceived issues with implementing *Standard Nonforfeiture Law for Individual Deferred Annuities* (#805), such that Model #806 was necessary. Members of the Life Actuarial Task Force noted that the standards in Model #806 are useful for nonforfeiture interest rates, and recommended that Model #806 be considered for an actuarial guideline. Therefore, the Subgroup recommends that Model #806 remain on the books until such time as it is converted into an actuarial guideline, after which, it should be archived.

There does not appear to be a need to revise Model #255 or develop a model to address MGAs offered through GA products. There does not appear to be a reason to retain Model 806 in its current form, but it would be useful to convert it to an actuarial guideline. Lastly, we respectfully request that the Model Law Review (A) Subgroup be disbanded.