

ANNUITY NONFORFEITURE MODEL REGULATION

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Section 1. Authority

This regulation is promulgated by the commissioner of insurance pursuant to Sections [insert applicable references to Section 12 of the Standard Nonforfeiture Law for Individual Deferred Annuities] of the [insert jurisdiction] Insurance Laws.

Section 2. Purpose

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- (i) The nonforfeiture rate applicable at the time this subsection is first utilized for a contract form shall be determined by a method using a specified period or another approved date dependent methodology.
- (ii) A symmetrical range shall be defined that will determine when the rate shall be updated. The maximum allowable range shall be plus or minus fifty (50) basis points.
- (iii) At the beginning of each modal period (e.g., monthly, quarterly, etc), a potential nonforfeiture rate shall be calculated using the method in (i), without incorporating any caps or floors. The "modal period" is the period the company specifies during which the current nonforfeiture rate will remain fixed.
- (iv) If the difference between the potential nonforfeiture rate and the current initial nonforfeiture rate is less than or equal to the range, the current nonforfeiture rate shall not be updated.
- (v) If the difference between the potential nonforfeiture rate and the current nonforfeiture rate is more than the range, the current nonforfeiture rate shall be updated to be equal to the potential nonforfeiture rate adjusted for rounding and any caps or floors.
- (vi)

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- (1) If the contract has a non equity-indexed benefit, the nonforfeiture interest rate applicable to the non equity-

Appendix A

Appendix B

Transfer of minimum nonforfeiture amount for Section 6.

This example will show a simple demonstration of how the minimum nonforfeiture amount is to be transferred in an equity-indexed annuity under Section 6. Assume that the 5 year CMT is 3.75%. This results in a fixed annuity nonforfeiture rate of 2.5%. Further assume that the equity-indexed benefit receives the additional 100 bps reduction, so its nonforfeiture rate is 1.5%. This contract has a fixed interest option within an EIA. The policyholder may transfer money on any contract anniversary. Assuming there are transfers, the minimum nonforfeiture amount is path dependent. The minimum nonforfeiture amount will roll forward and get transferred back and forth at the benefit

Appendix D

Actuarial Certification of Compliance for Equity Indexed Annuities with (identify state regulation that corresponds to the Annuity Nonforfeiture Model Regulation)

For use in certifying compliance with the (identify state regulation that corresponds to the Annuity Nonforfeiture Model Regulation).

I, (state name and professional designation) am responsible for evaluating compliance with the (identify state law and regulation that corresponds to the Standard Nonforfeiture Law for Individual Deferred Annuities and the Annuity Nonforfeiture Model Regulation) for (name of insurance company). I am familiar with the (identify state law and regulation that corresponds to the Standard Nonforfeiture Law for Individual Deferred Annuities and the Annuity Nonforfeiture Model Regulation) as they pertain to equity-indexed annuities. I have reviewed the equity index features of (identify all contract forms covered by this certification) for ongoing compliance with the requirements of (identify state regulation that corresponds to the Annuity Nonforfeiture Model Regulation) that deal with the additional reduction relating to equity-indexed annuities. I have reviewed the assumptions used to support the additional reduction that is permitted to be used with equity-indexed annuities.

Based on my review, I certify that the additional reduction used to determine nonforfeiture values provided under the policy forms identified above met the requirements of (identify state regulation that corresponds to the Annuity Nonforfeiture Model Regulation) as it relates to equity-indexed annuities in force as of December 31, (previous calendar year).

(Name of actuary)

(Signature of actuary)

(Date of certification)

Chronological Summary of Actions (all references are to the Proceedings of the NAIC)

2005 Proc. 3rd Quarter (adopted by parent committee)

2005 Proc. 4th Quarter 31, 34-46, 2713 (adopted by Plenary).