

## PROJECT HISTORY - 2013

### STANDARD NONFORFEITURE LAW FOR LIFE INSURANCE (#808)

#### 1. Description of the Project, Issues Addressed, etc.

The project modified the *Standard Nonforfeiture Law for Life Insurance* (#808) to reflect changes necessitated by the protracted low interest environment. The nonforfeiture interest rate per annum for any policy issued in a particular calendar year is equal to 125% of the calendar-year statutory valuation interest rate for such policy as defined in the *Standard Valuation Law* (#820). A floor has been added to the calculation of the nonforfeiture interest rate equal to 4.00%, which is the annual effective rate used to determine the net single premium for purposes of the cash value accumulation test under Section 7702(b) of the Internal Revenue Code (IRC). The purpose of the floor is to ensure that, in a low-interest rate environment, traditional life insurance can continue to be issued in compliance with both state minimum nonforfeiture requirements and the maximum cash value requirements in Section 7702 of the IRC of 1986 (as amended). Life insurance contract holders that fail to comply with the requirements of IRC Section 7702(b) are subject to a 5c(1)Tj2 88 7-11C NAIC ID 15 BDC 8T2 1 Tf00. A subsequent request for model law development for the *Standard Nonforfeiture Law for Life Insurance* (#808) was approved in 2013.

#### 4. A General Description of the Drafting Process (e.g., drafted by a subgroup, interested parties, the full group, etc.). Include any parties outside the members that participated.

An amendment proposal, including draft language, was submitted to the Task Force by the interested parties. The Task Force reviewed the proposal and made minor modifications.

#### 5. A General Description of the Due Process (e.g., exposure periods, public hearings, or any other means by which widespread input from industry, consumers and legislators was solicited)

The Task Force discussed the proposal April 4, 2013, at the NAIC Summer National Meeting. The Task Force held public conference calls on this topic Sept. 10, 2013, and Oct. 10, 2013. Notice of each of these conference calls was posted on the NAIC website and emailed to approximately 375 interested parties. A draft of the document was released for comment Sept. 10, 2013; no comments were submitted to the Task Force relative to this project.



PROJECT HISTORY - 2012

STANDARD NONFORFEITURE LAW FOR LIFE INSURANCE (#808)

1. Description of the Project,

