

NAIC Virtual Block Party

September 03, 2020

The NAIC and the Interstate Insurance Product Regulation Commission (“Compact”) are cooking up various initiatives that will impact life and annuity issuers. Below is the spread of the different issues.

Revised Recipe for the Standard Nonforfeiture Floor

The NAIC’s Life Actuarial Task Force (LATF) is set to revise the recipe for the Standard Nonforfeiture Law for Individual Deferred Annuities (Model 805), as the NAIC’s Executive (EX) Committee, at its August 13 meeting, agreed to LATF’s request to amend the model. In making that request, during the August 3 LATF meeting, regulators acknowledged that if the current 1% floor is not reduced, annuity product availability may be limited because of the historically low interest rate environment.

Also at that August 3 meeting, LATF members discussed whether the floor should be reduced to 0%. New York expressed its concern that a guaranteed floor of 0% would result in consumers receiving no interest while still being subject to “substantial” surrender charges. The American Council of Life Insurers pointed out, however, that due to competitive pressures, insurers would usually declare rates higher than 0% even if the minimum guaranteed rate is 0%.

The Compact has informed LATF that because the Compact standards refer to Model 805, once the NAIC changes the floor, insurers will immediately be able to file products including the new floor rate with the Compact.

New Centerpiece for the Privacy Protections Working Group

The Privacy Protections Working Group decided to change the centerpiece for its review of the state insurance privacy protection laws from the NAIC Insurance Information and Privacy Protection Model Act (Model 670) to the Privacy of Consumer Financial and Health Information Regulation (Model 672). The change was made in recognition of the fact that Model 672 is more widely adopted by states and reflects more current thinking of the NAIC.

Checking the Ingredients for Compact Standards

As a result of the Colorado Supreme Court's decision in *Amica v. Wertz*, the Compact is creating a shopping list of states' statutory policy requirements and comparing them to the Compact standard requirements to see if the Compact is missing any ingredients. In addition, the Compact is seeking guidance on resolving any differences between state statutory requirements and Compact standards.

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