

The NAIC Considers a Stable of Issues at the Summer National Meeting

SEPTEMBER 16, 2014



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During the 2014 Summer National Meeting, contingent deferred annuities led the way with the most NAIC groups considering the regulation of CDAs.

- At the head of the pack was the CDA (A) Working Group, which received preliminary comments on its *Guidelines for Financial Solvency and Market Conduct Regulation of Insurers Who Offer Contingent Deferred Annuities*, discussed draft revisions to various NAIC models to address CDAs, discussed and agreed to seek comments on whether CDAs should provide nonforfeiture benefits, and if so, what type of benefits, and discussed seeking information on CDA filings to develop best practices.
- The Receivership and Insolvency (E) Task Force exposed for comment its recommendation that CDAs fall within the definition of, and be treated as, annuities under the Life and Health Guaranty Association Model Act (520).
- The Examination Oversight (E) Task Force considered a referral to facilitate the review of an insurer's risk management program when reviewing the insurer's CDA form filing and to address issues of solvency risk, including the development of additional training or procedures to facilitate analysts' and examiners' understanding and assessing the risks of new products.
- The Producer Licensing (EX) Task Force recommended that producers selling CDAs hold a variable lines license.

The XXX/AXXX reinsurance framework was the dark horse issue which was adopted by the NAIC, and was considered by the Principled-Based Reserving Implementation (EX) Task Force, Life Actuarial (A) Task Force, and Capital Adequacy (E) Task Force each of whom addressed next steps issues for implementing the framework. The XXX/AXXX reinsurance framework addresses insurers' use of captives to finance XXX/AXXX reserves by prescribing the types of assets needed to back the reserve liabilities and requiring disclosure of the assets and securities used to support the reserves.

In addition to CDAs, rounding out the field of innovative products being discussed within the NAIC are non-variable products funded by separate accounts and index-linked annuities. The finish line still appears to be a far way off. The Financial Conditions (E) Committee will be working with NAIC staff and legal counsel to address the recommendations made and issues raised by the Separate Account Risk (E) Working Group with respect to non-variable products funded by separate accounts. The Indexed-Linked Variable Annuity (A) Subgroup of the Life Actuarial (A) Task Force continues to consider the appropriate reserve standards for, and whether nonforfeiture standards should apply to, index linked products.