

NAIC Disclosure Developments

FINANCIAL SERVICES REGULATORY | LIFE, ANNUITY, AND RETIREMENT SOLUTIONS | SECURITIES AND DERIVATIVE LITIGATION | MARCH 31, 2018



Thomas C. Lauerman



Ann Young Black

Annuity Illustration Standard Changes: On March 2, the Annuity Disclosure (A) Working Group of the National Association of Insurance Commissioners agreed to recommend the adoption of a revision to the NAIC's Annuity Disclosure Model Regulation illustration standards. Currently, the Disclosure Model limits non-guaranteed elements underlying non-guaranteed illustrated values to be no more favorable than current non-guaranteed elements and prohibits assumed future improvements of any non-guaranteed element. The revision will allow the dividends assumed to be paid under certain participating annuities to be calculated using historic levels of interest rates rather than using currently prevailing interest rates. Under today's interest rate environment, this would allow insurers to illustrate higher dividend rates for the participating annuities. The next step is adoption of the revisions by the Life Insurance and Annuities (A) Committee.

While the Disclosure WG has also been considering changes that will allow for illustration of certain indices that have existed for less than 10 years, there was insufficient support for revising the Disclosure Model. Absent revision, the Disclosure Model prohibits illustrating interest credited based on an index that has not existed for at least 10 years. The American Council of Life Insurance, which developed criteria for recently developed indices, is trying to develop a modified proposal for consideration.

Life Insurance Buyer's Guide: The NAIC Life Insurance Buyer's Guide (A) Working Group seems to be nearing consensus on non-controversial revisions to the current Life Insurance Buyer's Guide that is required under the NAIC's Life Insurance Disclosure Model Regulation. Of potential controversy is the Buyer's Guide WG's intention to develop a detailed interactive web-based tool to assist consumers in assessing their needs and selecting the type of life insurance product that would satisfy such needs. The tool would lead consumers through an in-depth review of their individual objectives, preferences, financial circumstances, etc. The Buyer's Guide WG, however, must first seek to change its charges to include such a project.

Life Insurance Policy Overview: The NAIC Life Insurance Illustration Issues (A) Working Group continues its work to improve disclosures to life insurance purchasers. It seeks to supplement the disclosures contained in the narrative summary required under the NAIC's Life Insurance Illustrations Model Regulation and is looking at potential amendments to the Illustration Model and the Life Insurance Disclosure Model Regulation to include a new policy overview as well as drafting proposed template disclosures. It has already developed a template for term insurance and is beginning work on a whole life template.