

Back to School for Annuity and Life Disclosures and Illustrations

LIFE, ANNUITY, AND RETIREMENT SOLUTIONS | FINANCIAL SERVICES REGULATORY | SECURITIES & INVESTMENT COMPANIES | SEPTEMBER 3, 2020



Ann Young Black

The NAIC Virtual Summer National Meeting marked that it is time to get back to school for a number of annuity and life disclosure and illustration initiatives. Both regulators and insurers will need to sharpen their pencils to complete their assignments.

1. **Extension to Finish Revisions to the Annuity Disclosure Model Regulation**

The NAIC Annuity Disclosure (A) Working Group (“Disclosure WG”) was given an extension until the Fall National Meeting to finish its project to revise the Annuity Disclosure Model Regulation’s (Model 245) requirements for fixed index annuity illustrations. The current version of the revisions requires:

- Each component of an index to be in existence for at least 15 years before the index could be illustrated.
- The illustrations to differentiate between those indexes that have been in existence for at least 15 years versus those whose components have been in existence for at least 15 years.
- Additional disclosures on the computation of indexes based upon components.

The Disclosure WG asked for the extension to modify the proposed required disclosure provisions of Model 245. During the extension, the Disclosure WG will also consider whether to volunteer for the assignment to develop product oversight standards for fixed index annuities and address the relationship between an index provider and the hedging provider.

2. **Continued Revisions to Policy Overview Documents and Changes to the Life Insurance Disclosure Model Regulation**

The Life Insurance Illustration Issues (A) Working Group continues its work on a consumer-oriented term policy overview document. This group also continues to debate whether insurers (a) could elect to deliver the policy overview document at the time of application or at the time of policy delivery or (b) must deliver the policy overview document at the time of application.

3. **Proposed New Assignment to Revisit the Annuity and Life Illustration Requirements**

Life Insurance and Annuities (A) Committee Chair Jillian Froment raised the possibility of handing out a new assignment. Froment noted that it is time to pause and review the current regulatory framework for life and annuity illustrations to determine what, if any, changes may be needed. Froment gave members the homework of thinking about the issue for a later discussion.

4. **Hitting the Books on AG 49-A**

With the NAIC Executive Committee and Plenary’s adoption of Actuarial Guideline 49-A (AG 49-A), insurers may need to hit the books and modify their indexed universal life (IUL) illustrations for policies that will be sold after November 25. In particular, insurers issuing IULs with index interest rate enhancements, such as multipliers or cap buyouts, should review their IUL illustrations and may need to reduce certain illustrated index interest rates to comply with new governors contained in AG 49-A. In addition, if policy loans are illustrated, changes to the IUL illustrations may be needed so that the indexed interest rate credited on the amount loaned does not exceed the loan interest rate by more than 50 basis points.

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