

PROJECT HISTORY - 2015

LIFE INSURANCE AND ANNUITIES REPLACEMENT MODEL REGULATION (#613)

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

The *Life Insurance and Annuities Replacement Model Regulation* (#613) was revised to clarify its application to contingent deferred annuities (CDAs) by:

- Deleting the reference to “variable” in the definition of “registered contract” so that it reads “an annuity contract or life insurance policy subject to the prospectus delivery requirements of the Securities Act of 1933” and adding a drafting note stating that registered contracts include, but are not limited to, CDAs.

2. Name of Group Responsible for Drafting the Model and States Participating

The Contingent Deferred Annuity (A) Working Group of the Life Insurance and Annuities (A) Committee was responsible for drafting the revisions.

States Participating:

Ted Nickel, Chair	Wisconsin	Roger A. Sevigny/Keith Nyhan	New Hampshire
Robert Chester	Connecticut	Joseph Torti III/Elizabeth Dwyer	Rhode Island
Jim Mumford	Iowa	Michael Humphreys	Tennessee
Jason Lapham	Kansas	Tomasz Serbinowski	Utah
Bruce R. Ramge	Nebraska		

3. Project Authorized by What Charge and Date First Given to the Group

The project was authorized in 2012 by the following charge: Appoint a Contingent Deferred Annuity (A) Working Group to develop NAIC guidelines and/or model bulletin that can serve as a reference for states interested in modifying their annuity laws to clarify their applicability to contingent deferred annuities (CDAs) and, as part of this work, review existing NAIC model laws and regulations applicable to consumer protection issues associated with CDAs.

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.

The revisions to the *Life Insurance and Annuities Replacement Model Regulation* (#613) were drafted by the Contingent Deferred Annuity (A) Working Group. The revisions, and comments received on them, were reviewed and discussed by the Working Group. All comments were posted on the NAIC website. The Working Group adopted a draft of proposed revisions at the 2014 Fall National Meeting, which was then forwarded to the Life Insurance and Annuities (A) Committee. The Life Insurance and Annuities (A) Committee also adopted the revisions at the 2014 Fall National Meeting.

All drafts were distributed to more than 100 interested parties and posted on the NAIC website. Numerous interested parties participated, including: the American Council of Life Insurers (ACLI); the National Association for Fixed Annuities (NAFA); the Insured Retirement Institute (IRI); the National Association for Insurance and Financial Advisors (NAIFA); Birny Birnbaum (Center for Economic Justice—CEJ); and the American Academy of Actuaries (Academy).

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 Contingent Deferred Annuity (A) Working Group met at each national meeting and held interim meetings and interim conference calls beginning in June 2012 Spring National Meeting until adopting the revisions at the 2014 Fall National Meeting.

6. A Discussion of the Significant Issues (e.g., items of some controversy raised during the due process and the group's response)

There were concerns that using the term "CDAs" when revising the model would be too limiting and that subsequent model revisions would be necessary to address every innovation in the industry. The language adopted seeks to address this concern by using broader language and using a drafting note to clarify that the terms are intended to include CDAs.

7. Any Other Important Information (e.g., amending an accreditation standard)

None

PROJECT HISTORY - 2006

LIFE INSURANCE AND ANNUITIES REPLACEMENT MODEL REGULATION (#613)

1. Description of the project, issues addressed, etc.

This model regulation was amended to add an exemption from the model's replacement requirements for term life conversions between affiliated companies.

2. Name of group responsible for draft the model:

Inter-Affiliate Term Conversion Working Group of the Life Insurance and Annuities (A) Committee

States Participating:

Arkansas, Chair
Iowa
Kansas
New Mexico
North Dakota

3. Project authorized by what charge and date first given to the group:

The following charge was given in 2006:

Review the Life Insurance and Annuities Replacement Model Regulation in regard to term conversions between affiliated companies.

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.

The model was drafted by the working group. Numerous interested parties participated, including industry representatives, such as MetLife, the American Council of Life Insurers (ACLI), Prudential Financial, State Farm, and Ameriprise; and funded consumer representatives, such as the Center For Economic Justice, University of Georgia and The University of Texas at Austin.

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.

There were two drafts of the proposed revisions. Each draft was circulated for comment to interested parties. In addition, all drafts were posted on the NAIC website. Throughout the drafting process comments from various interest groups and organizations were received and discussed by the working group.

6. A discussion of the significant issues (items of some controversy) raised during the due process and the group's response.

One issue arose during the drafting process. That issue concerned the scope of the proposed revisions. Consumer representatives were concerned that the initial language for the proposed revisions was not sufficiently clear to ensure that the proposed revisions only applied in situations involving a term life policy. To address this concern, the working group agreed to revise the language in the first draft of the proposed revisions to clearly state that it applied to term conversions.

7. Any other important information (e.g., amending an accreditation standard).

None.