

PROJECT HISTORY - 2015

SYNTHETIC GUARANTEED INVESTMENT CONTRACTS MODEL REGULATION (#695)

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

Revisions were made to the *Synthetic Guaranteed Investment Contracts Model Regulation* (#695) to modify the valuation methodology and to clarify its application to contingent deferred annuities (CDAs). The language in Section 3 was modified to improve readability. Also, a drafting note was added to Section 3 clarifying that the model is not intended to apply to CDAs. Definitions of “Treasury-based spot rate,” “index spot rate,” and “blended spot rate” were added, as well as revisions to the definition of “Synthetic guaranteed investment contract” or “contract,” which defines the product in a manner that distinguishes it from other group annuities. Section 5B(g) and Section 5B(h) also were revised to provide further definition. Section 10A(2)(a), Section 10A(6) and Section 10A(7) were all revised to provide additional parameters to consider when calculating the reserve. Section 10B(7)(e) was modified to enhance the actuarial memorandum requirements.

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 the drafting note 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. Ramage	Nebraska		

The Life Actuarial (A) Task Force was responsible for the revisions to the text.

States Participating:

Mike Boerner, Chair	Texas	Rhonda Ahrens	Nebraska
Pete Weber, Vice Chair	Ohio	Felix Schirripa	New Jersey
Perry Kupferman	California	William Carmello	New York
Andy Rarus	Connecticut	Frank Stone	Oklahoma
Mike Yanacheak	Iowa	Tomasz Serbinowski	Utah
Fred Andersen	Minnesota		

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

The project relative to CDAs 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.

The remaining revisions to the model were authorized in 2014 by the following charge to the Life Actuarial (A) Task Force: Consider any revisions, as appropriate, for the *Synthetic Guaranteed Investment Contracts Model Regulation* (#695).

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 Model #695 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 and Task Force adopted a draft of the proposed revisions at the 2015 Summer National Meeting, which were then forwarded to the Life Insurance and Annuities (A) Committee. The Life Insurance and Annuities (A) Committee also adopted the revisions at the 2015 Summer 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 and the Life Actuarial (A) Task Force met at each national meeting and held interim meetings and interim conference calls beginning in June 2012 at the Spring National Meeting until adopting the revisions at the 2015 Summer 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)

None

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

None