



AMERICAN ACADEMY *of* ACTUARIES

Follow-Up Questions on Responses to Question #6 of Questionnaire Submitted to LHATF March 2007 from the American Academy of Actuaries' Nonforfeiture Improvement Work Group

Presented to the National Association of Insurance Commissioners' Life and Health Actuarial Task Force

San Francisco – June 2007

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Nonforfeiture Improvement Work Group

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FOLLOW UP QUESTIONS ON RESPONSES TO QUESTION #6 OF
LHATF NONFORFEITURE QUESTIONNAIRE – NEW YORK – 3/9/07

Question #6 - Does a cash benefit need to be provided upon surrender of a life insurance policy or, as is permitted for individual annuities under the current individual annuity nonforfeiture law, is it sufficient to only provide other benefits such as reduced paid-up insurance or extended term insurance?

1. If other nonforfeiture benefits based on accepted actuarial principles are mandated for all life policies, should minimum cash values be mandated for all life products?

2. If the answer to 1. is “Yes”, what constraints, if any, on the basis or the method of determination of minimum cash values should be imposed?

3. What is(are) the concern(s), if any, created by:

a. Mandating minimum cash values in life insurance products?

b. Not mandating minimum cash values in life insurance products?

4. If the answer to 1. is “Yes”, then which of these reasons is(are) the reason(s) minimum cash values should be provided? (Check all you feel apply)

a. To maintain equity among continuing and persisting policyholders. _____

b. Necessary to avoid taxation of inside buildup. _____

c. Necessary to retain funds in light of life settlement competition. _____

d. Other (Indicate reasons) _____

Attachment 1
Questions for LHATF
from the American Academy of Actuaries' Nonforfeiture Improvement Work Group
Presented to the National Association of Insurance Commissioners'
Life and Health Actuarial Task Force
New York City, NY – March 2007

NFIWG QUESTIONS TO LHATF

1. What are the current and future issues with respect to existing nonforfeiture mandates that need to be addressed in an amended nonforfeiture law(s)?
2. Do the issues noted with respect to existing nonforfeiture mandates need to be addressed at this time?
3. Are there any constraints that should be placed on the structure of any revised nonforfeiture law(s)?
4. Should the scope of the review of the nonforfeiture law be limited to just individual life and individual annuity products (including fixed, variable, and indexed annuities)?
5. Should any revised SNFL be drafted to outline principles rather than include specific formulas?
6. Does a cash benefit need to be provided upon surrender of a life insurance policy or, as is permitted for individual annuities under the current individual annuity nonforfeiture law, is it sufficient to only provide other benefits such as reduced paid-up insurance or extended term insurance?
7. Must all benefit options provided upon surrender of a policy be actuarially equivalent to any other benefit options or to the values available to persisting policyholders?
8. If a cash surrender value must be provided, can it have a market value adjustment?
9. Should all products with material (yet to be defined) pre-funding have mandated nonforfeiture benefits?
10. Can disclosure requirements for consumers be relied upon to permit flexibility and a breadth of options in a nonforfeiture law?
11. Should similar guarantees in different product designs have similar forfeiture and nonforfeiture values?