



AMERICAN ACADEMY *of* ACTUARIES

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

The American Academy of Actuaries is a national organization formed in 1965 to bring together, in a single entity, actuaries of all specializations within the United States. A major purpose of the Academy is to act as a public information organization for the profession. Academy committees, task forces and work groups regularly prepare testimony and provide information to Congress and senior federal policy-makers, comment on proposed federal and state regulations, and work closely with the National Association of Insurance Commissioners and state officials on issues related to insurance, pensions and other forms of risk financing. The Academy establishes qualification standards for the actuarial profession in the United States and supports two independent boards. The Actuarial Standards Board promulgates standards of practice for the profession, and the Actuarial Board for Counseling and Discipline helps to ensure high standards of professional conduct are met. The Academy also supports the Joint Committee for the Code of Professional Conduct, which develops standards of conduct for the U.S. actuarial profession.

Nonforfeiture Improvement Work Group

John MacBain, F.S.A., M.A.A.A., Chair

Noel Abkemeier, F.S.A., M.A.A.A.
Mary Bahna-Nolan, F.S.A., M.A.A.A.
Doug Bennett, F.S.A., M.A.A.A.
Tom Berry, F.S.A., M.A.A.A.
Vernon Brogla, F.S.A., M.A.A.A.
John Bruins, F.S.A., M.A.A.A.
Eric Carlson, F.S.A., M.A.A.A.
Donna Claire, F.S.A., M.A.A.A.
Armand de Palo, F.S.A., A.C.A., M.A.A.A.
Francis de Regnaucourt, F.S.A., F.C.I.A., M.A.A.A.
Barbara Gold, F.S.A., M.A.A.A.
David Hippen, F.S.A., M.A.A.A.

Alan Igielski, F.S.A., M.A.A.A.
Dan Keating, F.S.A., M.A.A.A.
Kitty Kennedy, A.S.A., M.A.A.A.
Barbara Lautzenheiser, F.S.A., F.C.A., M.A.A.A.
Cande Olsen, F.S.A., M.A.A.A.
Larry Rubin, F.S.A., M.A.A.A.
Gary Scofield, F.S.A., M.A.A.A.
Mike Streck, F.S.A., M.A.A.A.
Eugene Strum, F.S.A., M.A.A.A.
Sheldon Summers, F.S.A., M.A.A.A.
Andy Ware, F.S.A., M.A.A.A.

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?