



AMERICAN ACADEMY *of* ACTUARIES

**Update Regarding a General Revision
Of Life and Annuity Standard Nonforfeiture Laws
From the American Academy of Actuaries' Nonforfeiture Improvement Work Group**

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

Washington, DC – September 2009

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Nonforfeiture Improvement Work Group

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Since the NAIC Summer 2009 National Meeting, the American Academy of Actuaries' Nonforfeiture Improvement Work Group (NFIWG) has continued to hold regular conference calls and is completing the first draft of its proposed report to LHATF covering the issues affecting the need for life and annuity nonforfeiture reform and a proposed actuarial basis and regulatory framework for reform. In developing its nonforfeiture reform approach, the NFIWG is attempting to respond to numerous deficiencies in the current formula-based nonforfeiture mandates that have become unresponsive to products emerging in the current life insurance and annuity marketplace.

This report constitutes the requested quarterly status report on the progress of the NFIWG's activities.

The NFIWG continues to refine the approach to nonforfeiture reform it feels will accomplish the elements contained in its previously-articulated framework for reform. Those elements as of the date of this report are:

- Minimum nonforfeiture values should be based on the prefunding of benefits resulting from premium payments and credited values.
- Minimum nonforfeiture regulatory requirements should provide guidance with respect to minimum nonforfeiture methodologies and the establishment of assumptions, not explicitly defined values or parameters.
- In determining minimum nonforfeiture values, there should be no recognition of a change in insurability status since the date of policy purchase.
- Any minimum nonforfeiture methodology requirements should be the same for life and annuity products.
- Non-guaranteed elements (including dividends) should not be regulated by minimum nonforfeiture regulatory requirements until they are credited.

The NFIWG appreciates the opportunity to keep LHATF apprised of its activities with regard to the charge assigned.