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To: Comments <comments@insurancecompact.org>

Subject: Alaska's Comments: Annuity Contract Standards

**INDIVIDUAL DEFERRED NON-VARIABLE ANNUITY CONTRACT STANDARDS
INDIVIDUAL DEFERRED VARIABLE ANNUITY CONTRACT STANDARDS**

Alaska's interstate compact law in AS 21.42.705(a) states "As a participant in the Interstate Insurance Product Regulation Compact, it is the policy of the state to opt out, and the director shall opt out, of any Uniform Standard that provides a materially lower level of protection for or materially diminishes the rights of Alaska policyholders or policy applicants under Alaska law."

It is Alaska's position that the nonforfeiture provisions in the above referenced draft standards constitutes a "materially lower level of protection" and therefore, Alaska will be required by statute to opt-out of those standards unless the standards are modified to provide the required level of protection.

Alaska's "prospective test" in AS 21.45.305 requires insurers to demonstrate compliance with the test using the later of age 70 or 10 years, regardless of the stated maturity date in the contract. The compact standards allow insurers to use the maturity date stated in the contract to demonstrate compliance (see Appendix A, item 2, second sentence). The result is that under the compact standards products with much higher surrender charges (18% and **higher**) than are allowed in Alaska will be approved **by the compact. This is particularly the case for issue ages 60 and older.**

Prior to 2007 Alaska's nonforfeiture law was consistent with the **proposed** compact standards. We began to receive more contract filings with very high surrender charges that passed the nonforfeiture tests by including an unrealistically high maturity age, for example 115 years. The Division of Insurance felt that this violated the intent of the standard nonforfeiture law and proposed revisions which were subsequently adopted by the legislature and went into effect for annuities issued on or after January 1, 2007.

Since the revised nonforfeiture law went into effect in 2007 we have seen decreases in surrender charge schedules in general. **We now** receive far fewer contracts with 18% or higher surrender charges **since the revised law went into effect. We have seen** some contracts that **were modified to** have two surrender charge schedules, with higher surrender charges applying to contracts issued to individuals under age 60, and lower surrender charges applying to contracts issued to individuals age 60 and older. **Overall we believe** Alaska's nonforfeiture law provides a higher level of protection and results in more suitable annuity contracts.

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