March 2, 2021

Interstate Insurance Product Regulation Commission (IIPRC)
Product Standards Committee
444 North Capitol Street, NW
Hall of the States, Suite 700
Washington, DC 20001-1509
comments@insurancecompact.org

RE: Proposed Amendments to Various Individual Deferred Annuity Standards relating to the Minimum Nonforfeiture Rate

To the Product Standards Committee:

The American Council of Life Insurers (“ACLI”) appreciates this opportunity to comment on the Product Standards Committee’s proposed amendments to various individual deferred annuity uniform standards in order to address the NAIC’s recently-adopted amendment to Section 4(B)(3) of the Standard Nonforfeiture Law for Individual Deferred Annuities (Model #805), which reduced the minimum nonforfeiture rate for these products from 1.0% to 0.15%.

We would first like to reaffirm our strong support for the Interstate Insurance Compact. The Compact was created by a partnership with the insurance industry and state policymakers. Even though participation in the Compact is not mandatory, 44 states, the District of Columbia and Puerto Rico have adopted legislation to enter into it. We note this to emphasize the important role that the Compact has played in promoting the twin goals that are integral to the long-term viability of the state-based insurance system: speed-to-market and uniformity. This, in turn, benefits consumers by providing them with quicker access to a wider range of competitive insurance products that adhere to uniform standards featuring strong consumer protections.

With regard to the proposed amendments to the deferred annuity product standards, while we strongly prefer the automatic incorporation of the Model’s 0.15% minimum nonforfeiture rate into the product standards since it would provide a lower uniform rate that is consistent with the NAIC Model, we understand that some regulators have concerns with the automatic incorporation of the lower rate.
The amendments that are being proposed would effectively replace the Compact’s Emergency Rule (which placed a 120-day stay on the automatic incorporation of the 0.15% rate, thereby maintaining the Model’s previous 1.0% rate) with provisions that would require that an individual deferred annuity’s minimum nonforfeiture rate must be consistent with the rate that is prescribed in statute in the state in which the annuity is issued or delivered. As a result, insurers would be able to file Compact-approved deferred annuity products with minimum nonforfeiture rates as low as 0.15% in those states that have adopted lower minimum rates.

While the proposed amendments to the individual deferred annuity standards do not advance a uniform minimum nonforfeiture rate among the Compacting states, we are hopeful that states will begin to adopt the lower 0.15% rate and that the Compact will subsequently amend the standards to incorporate the 0.15% rate.

Notwithstanding our concerns about the precedent that the proposed amendments may set, ACLI will not oppose their adoption.

That being said, the phrase “prescribed in state statute for the state in which the policy is delivered or issued for delivery” in the proposed definition of “Nonforfeiture rate” is too restrictive and does not account for rates that are prescribed in state regulations. We, therefore, propose that the phrase be amended to read “prescribed in the state in which the policy is delivered or issued for delivery”.

Thanks again for this opportunity to comment. If you have any questions, feel free to contact me at waynemehlman@acli.com or 202-624-2135.

Sincerely,

Wayne A. Mehlman
Senior Counsel, Insurance Regulation