Comments on Proposed Guidelines for Single Premium Group Annuities

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General Comment:

Since the terms “contract” and “contractholder” are defined as it is intended they be used, they should be used whenever they are applicable. For example, note that in the first sentence of Section 4.A.(1), the term “owner” is used instead of “contractholder”.

Specific Comments:

Section 1.A.(9): A contract may cover lives in several states. Presumably, one state may require unisex annuities while another might not; however, the proposal says “sex-distinct or unisex”.

Consider whether a single contract can cover both situations. If you answer “yes”, then consider deleting the requirement.

Section 1.B.(1): Consider adding an item (c) concerning reserves for these contracts.

Section 2.A.(6): Consider the possibility that the “single or initial premium” is delivered in more than one deposit. VM-22 considers whether or not such a contract is “jumbo” based on the total deposits paid within 90 days.

Section 3:

Comment 1: The definitions of “Beneficiary” and “Contingent Annuitant” are practically identical. While these definitions are non-binding, I suggest you consider re-wording them to make them more different.

Comment 2: In definition (8), note that in this context, neither an Annuitant nor a Joint Annuitant owns the annuity.
Section 4.C.(b): The Beneficiary is named as a potential party to dispute. I suggest there are three others, in addition to the contractholder: the Annuitant, the Joint Annuitant and the Contingent Annuitant.

Section 4.E: Consider whether the three provisions in this section are applicable to the certificate rather than the contract.

Section 4.F.(1): It is generally accepted that life-contingent benefits should not be commuted. Note also that benefits may be payable to a Joint Annuitant or Contingent Annuitant (not only Annuitant and Beneficiary).

Section H: The statement in Section H.(4) seems redundant in light of the preceding statement in Section H.(3).

Section I: What happens upon the death of the Annuitant depends on the form of annuity. Since the form of annuity may not be known at the time the contract is issued (as would be the case for deferred annuitants), this provision should probably be left to the certificate.

Alternatively, the contract may describe all the forms of annuity available, and such description would include what happens upon the death of the Annuitant, Joint Annuitant and Contingent Annuitant.

Section N: Items (3) and (4) appear to be in conflict. One stipulates payment in cash only, while the other allows various options.

Also, the treatment of “additional premium payment made after issue”, if permitted, should be discussed elsewhere in this guidance. In particular, there are “master contracts” which allow the addition of new Annuitants (and accept new premiums therefor) after issue. If this type of contract is to be covered by these rules, then it should be clearly stated.

Section O.1: Please consider the addition of parameters around the proof of death, such as the form of proof and the window of time within which it should be received. Note also that the risk is that payments go on longer than they should; so consider whether the contract should include some recapture mechanism if proof of death is delayed.

Section P: I suggest you replace “annuity payments” with “benefits”, since the last benefit could be a lump sum death benefit.