



## BULLETIN B 06-16

**TO: ALL INSURERS WRITING INDIVIDUAL DEFERRED ANNUITIES IN ALASKA AND OTHER INTERESTED PARTIES**

**RE: CHANGES TO ALASKA'S INDIVIDUAL DEFERRED ANNUITY NONFORFEITURE LAW**

Effective January 1, 2007, an annuity issued in Alaska must comply with the new annuity nonforfeiture requirements under AS 21.45.305(g) which reads as follows.

*For purposes of determining the benefits calculated under (e) and (f) of this section:*

*(1) the maturity date shall be the latest date for which election is permitted by the contract, but not later than the anniversary of the contract next following the annuitant's 70th birthday or the 10th anniversary of the contract, whichever is later;*

*(2) a surrender charge may not be imposed on or past the maturity date of the contract, except that, for annuity contracts with one or more renewable guaranteed periods, a new surrender charge schedule may be imposed for each new guaranteed period if*

*(A) the surrender charge is zero at the end of each guaranteed period and remains zero for at least 30 days;*

*(B) the contract provides for continuation of the contract without surrender charges, unless the contract holder specifically elects a new guaranteed period with a new surrender charge schedule; and*

*(C) the renewal period does not exceed 10 years and the maturity date complies with (1) of this subsection; and*

*(3) a contract that provides for flexible considerations may have separate surrender charge schedules associated with each consideration; for purposes of determining the maturity date, the 10th anniversary of the contract is determined separately for each consideration.*

These changes to the nonforfeiture law

(1) require that, **regardless whether an optional maturity date is allowed in the contract** or whether the maturity date is fixed in the contract, the minimum nonforfeiture amount must be determined using a maturity date that is the latest date allowed by the contract, but not later than the age 70 or the 10th anniversary of the contract, whichever occurs later;

(2) will limit the surrender charge period to 10 years and the maximum initial surrender charge to 10 percent for many annuities issued to individuals age 60 and older; the changes may also, in some cases, reduce surrender charges for annuities issued to individuals under age 60; or

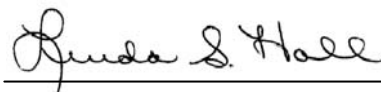
(3) require that the cash surrender value available on and after the maturity date equal or exceed the amount available upon annuitization (i.e., the amount used to determine annuity benefits).

### **Bonus Annuities**

For purposes of AS 21.45.305(e) and (f), the amount of the bonus must be included in the maturity value. However, the maturity value may be discounted at an interest rate one percent higher than an interest rate derived such that considerations accumulated at that interest rate to the maturity date equal considerations plus the bonus accumulated at the rate specified in the contract to the maturity date.

**Beginning January 1, 2007**, an individual deferred annuity that does not comply with these new nonforfeiture requirements **may no longer be issued in Alaska**. Note that this change in the law does not impact annuities issued before January 1, 2007. The division recommends that all insurers review each of their individual deferred annuity forms currently available for sale in Alaska to make sure that these annuities are in compliance with this new nonforfeiture law. Policy forms including actuarial memorandums demonstrating compliance with the nonforfeiture law must be filed with the division before use. The division will make every effort to expedite review of annuity forms that must be revised as a result of these nonforfeiture law changes.

Dated this 7th day of November, 2006 at Anchorage, Alaska.



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Linda S. Hall  
Director