

ORDER NO. R95-04

WITHDRAWAL OF APPROVAL OF AMERICAN SKANDIA LIFE ASSURANCE CORPORATION'S EXCHANGE PROGRAM FOR ANNUITIES

June 23, 1995

The Director of Insurance finds as follows:

American Skandia Life Assurance Corporation (Skandia) has been offering an "Exchange Program" in conjunction with the sale of annuities in this state under which Skandia reimburses a policyholder for the surrender charge the policyholder incurs when canceling an existing annuity with another insurance company and placing it with Skandia.

In response to a complaint received by the Division of Insurance (Division), the Division requested information from Skandia regarding this program and how it operates. The Division also requested copies of the forms with form numbers of all products containing an exchange program provision that have been filed in Alaska. To date, Skandia has not provided copies of such forms to the Division.

The Division has analyzed Skandia's information regarding the exchange program and has determined that the benefit conferred under the program constitutes an impermissible rebate in violation of AS 21.36.100 and unfairly discriminates against policyholders in violation of AS 21.36.090. The program also does not meet the requirements of AS 21.36.110(l), which recognizes an exception to the discrimination and rebate statutes, because it is not fair and equitable to all policyholders. Under this program, those who benefit from an exchange receive a credit that may be partially funded by policyholders surplus money. Since all policyholders do not realize a similar benefit, the program fails to treat policyholders equitably. Moreover, not all policyholders who qualify for the exchange program will receive a credit because some annuity exchanges will not be subject to any surrender charge.

The Director hereby orders:

Pursuant to AS 21.42.120 and 21.42.130, any previous approval of any and all forms containing an exchange program used by Skandia in Alaska is withdrawn. No forms with exchange provisions may be used by Skandia in the State of Alaska unless specific approval of the provision is granted by the Director at a future time.

This order takes effect July 10, 1995.

Marianne K. Burke
Director of Insurance