

The Ritz-Carlton
Rancho Mirage

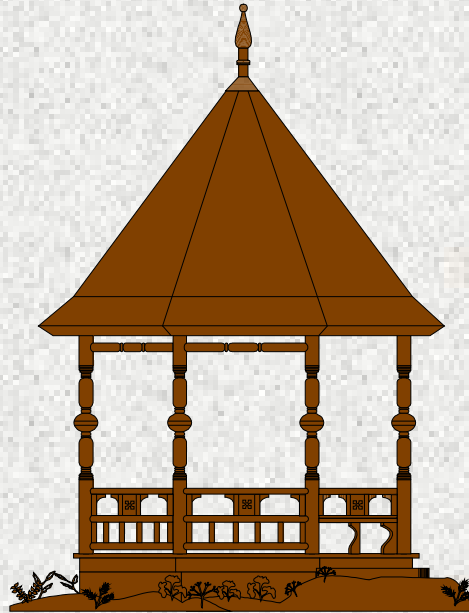


Regulatory Outlook from a Small Company Perspective

ACLI Forum 500 Spring Meeting

May 22, 2000

Rancho Mirage, CA



James N. Van Elsen, FSA, MAAA

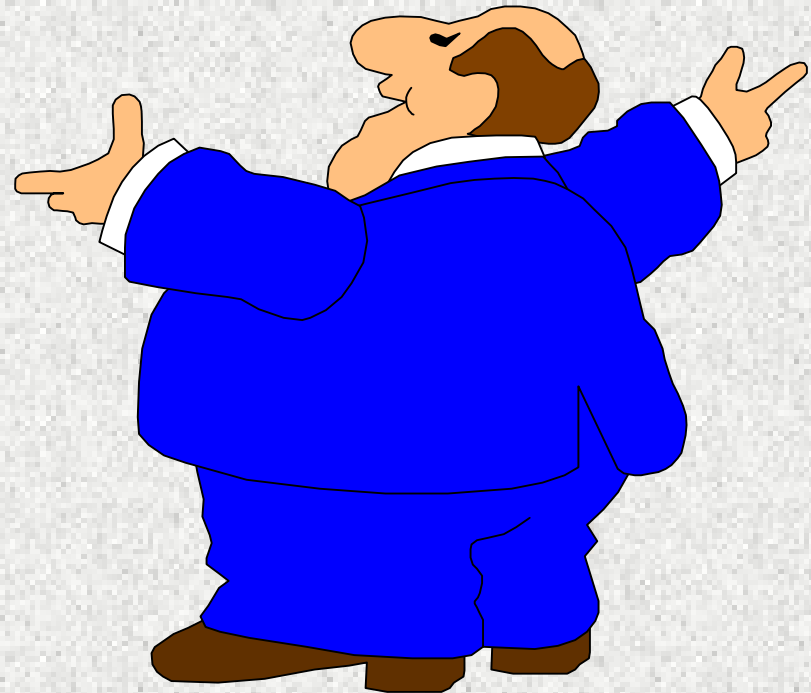
Consulting Actuary

Van Elsen Consulting, Inc.

Colfax, IA

Presentation Outline

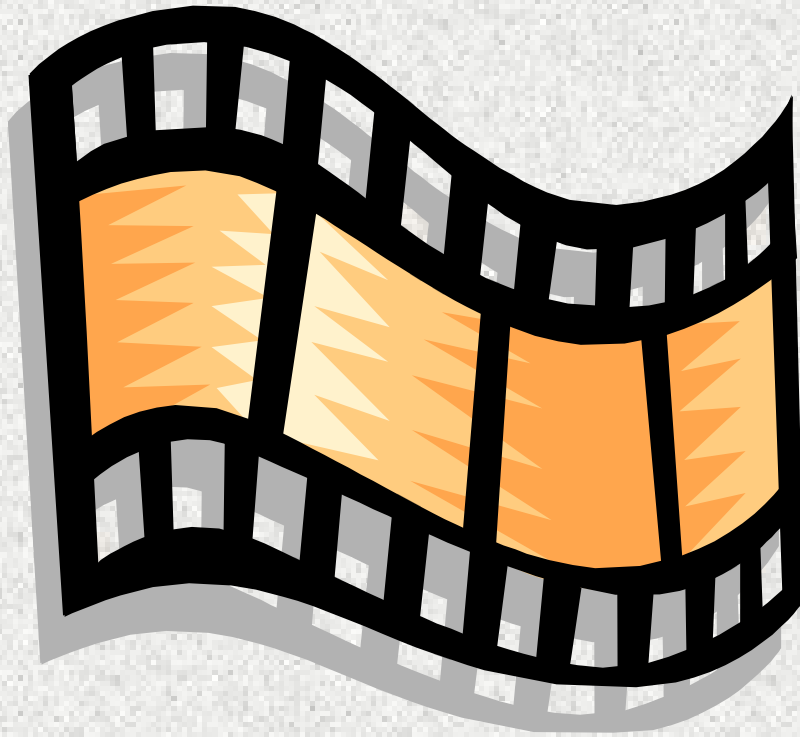
- Currently Showing
- Sequels
- Coming Soon
- Recap
- Questions



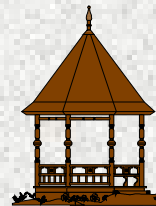
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Currently Showing



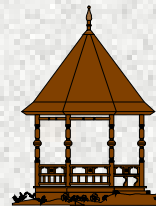
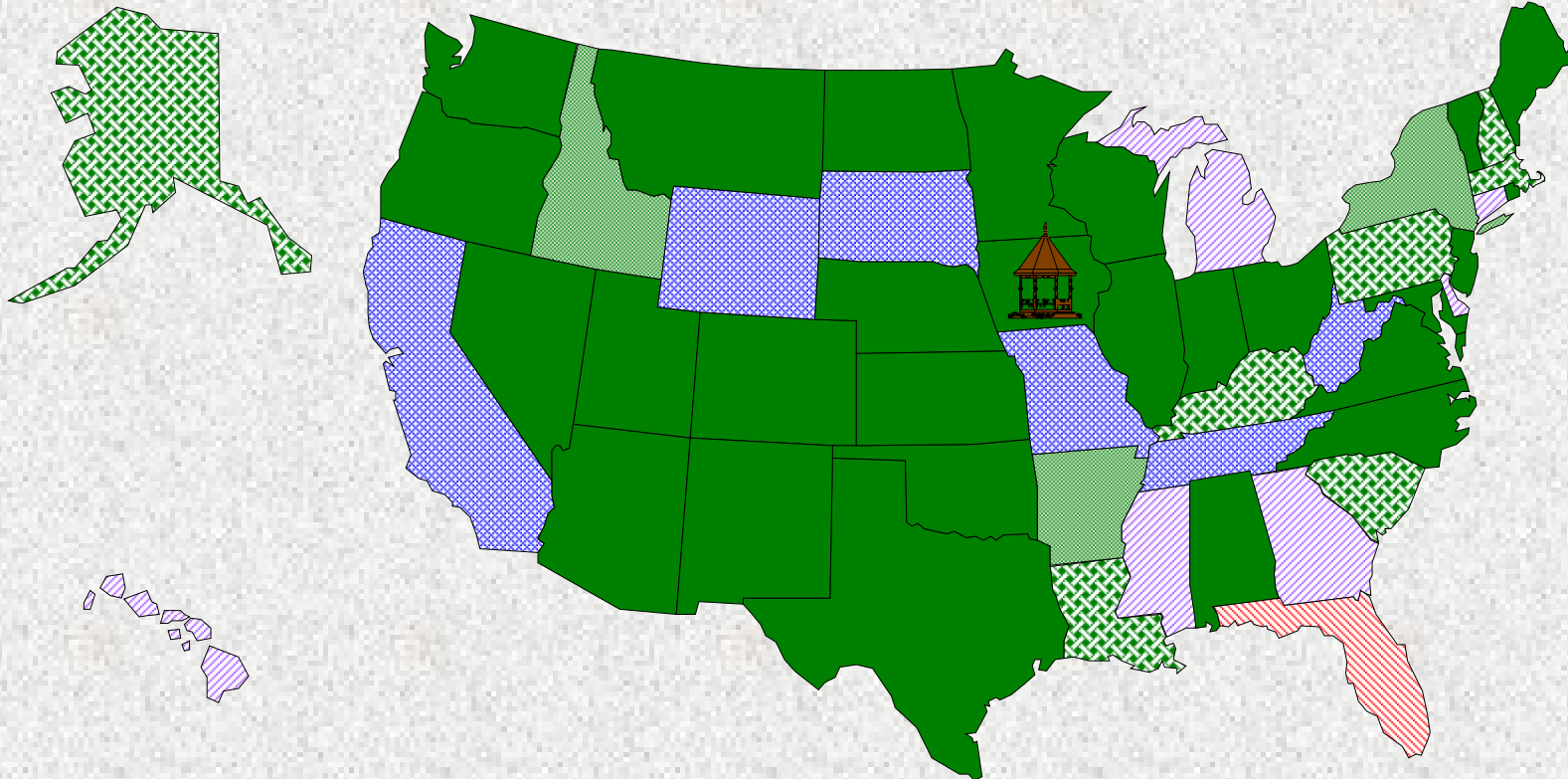
- ☞ Regulation XXX
- ☞ Annuity 2000
- ☞ Illustration Regulation
- ☞ Codification



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XXX Current Status



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XXX Current Status

- Adopted (27 States)
- Adopted by Emergency Rule (3 States)
- States Planning to Adopt (7 States & DC)
- States Under Active Review (6 States)
- States Without a Current Position (4 States)
- Others (CA, FL & SD)

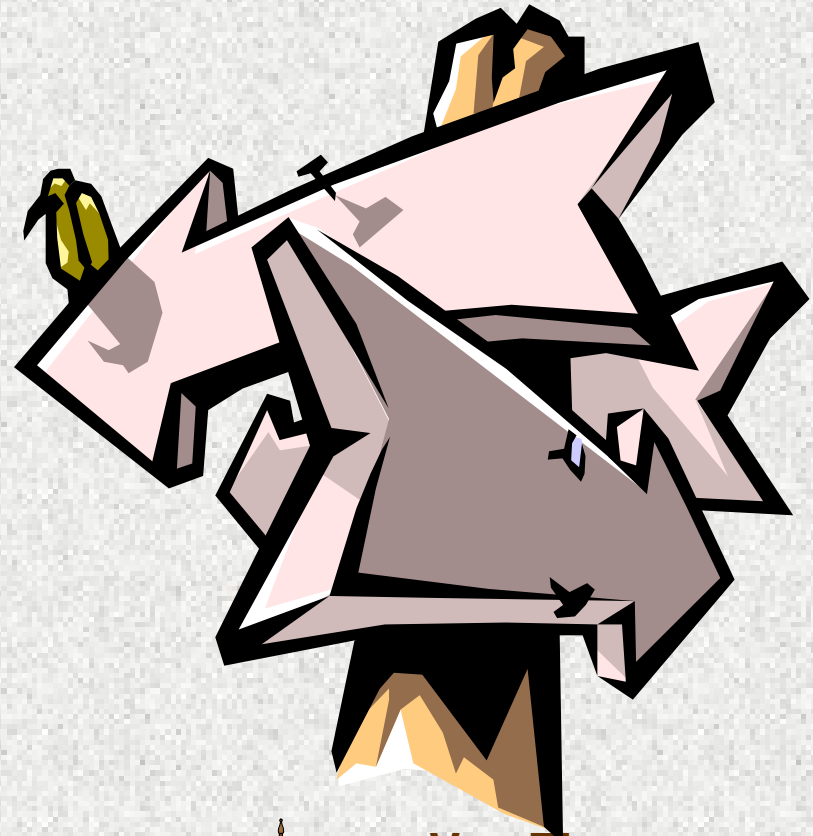


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Chaos in Term Market

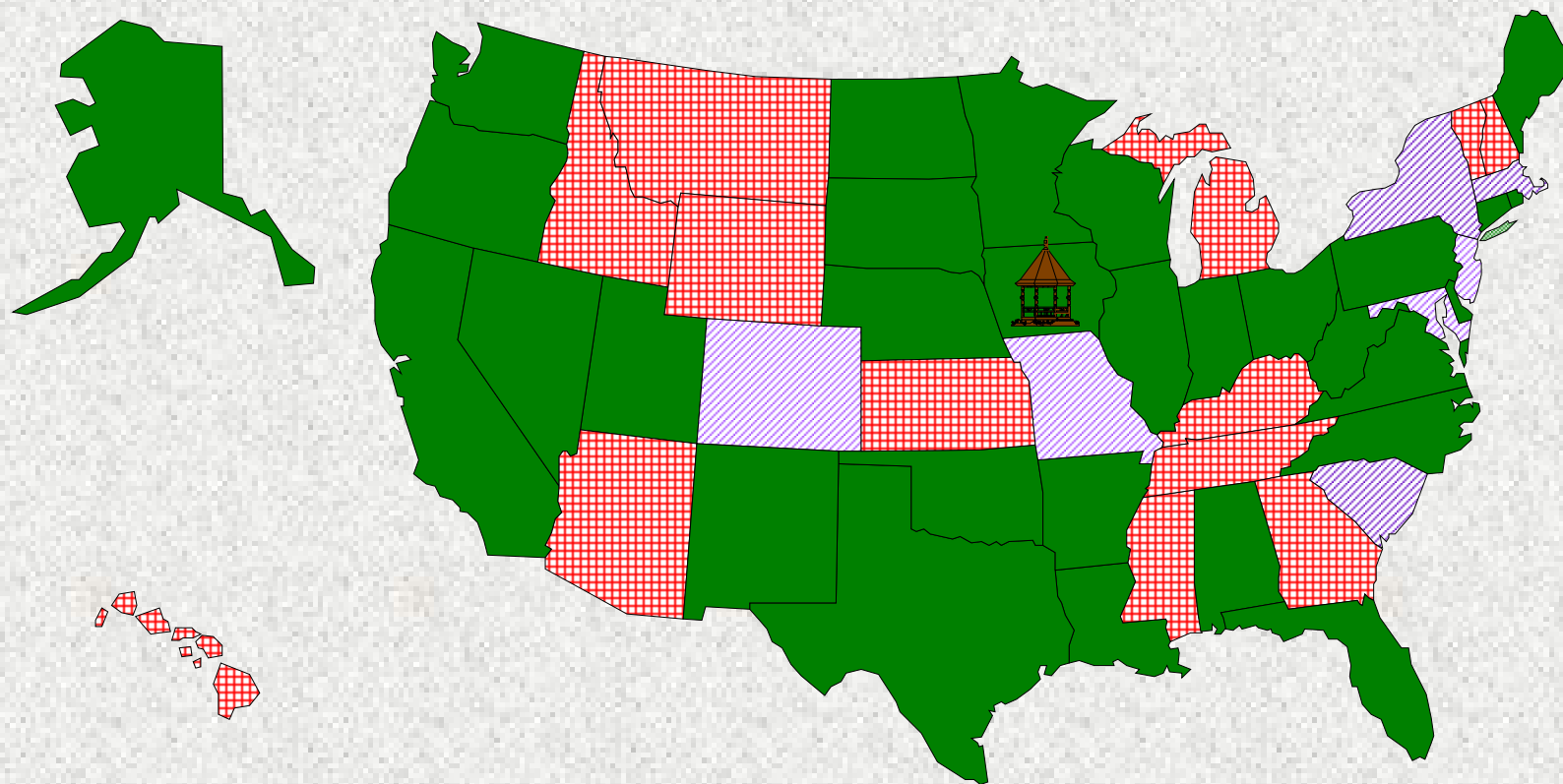
- CA Not Adopting
- New York
- “Shadow” Accounts
- “Non-Guaranteed”
Guarantees
- Age Setbacks
- X-Factors
- Companies Not Ready



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Annuity 2000 Status

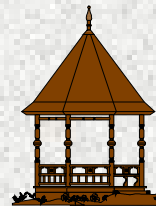


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Annuity 2000 Status

- States Adopted (30 States)
- States Moving to Adopt (7 States)
- States With No Position (13 States & DC)

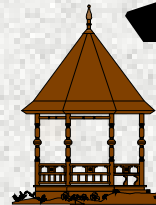


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So What?

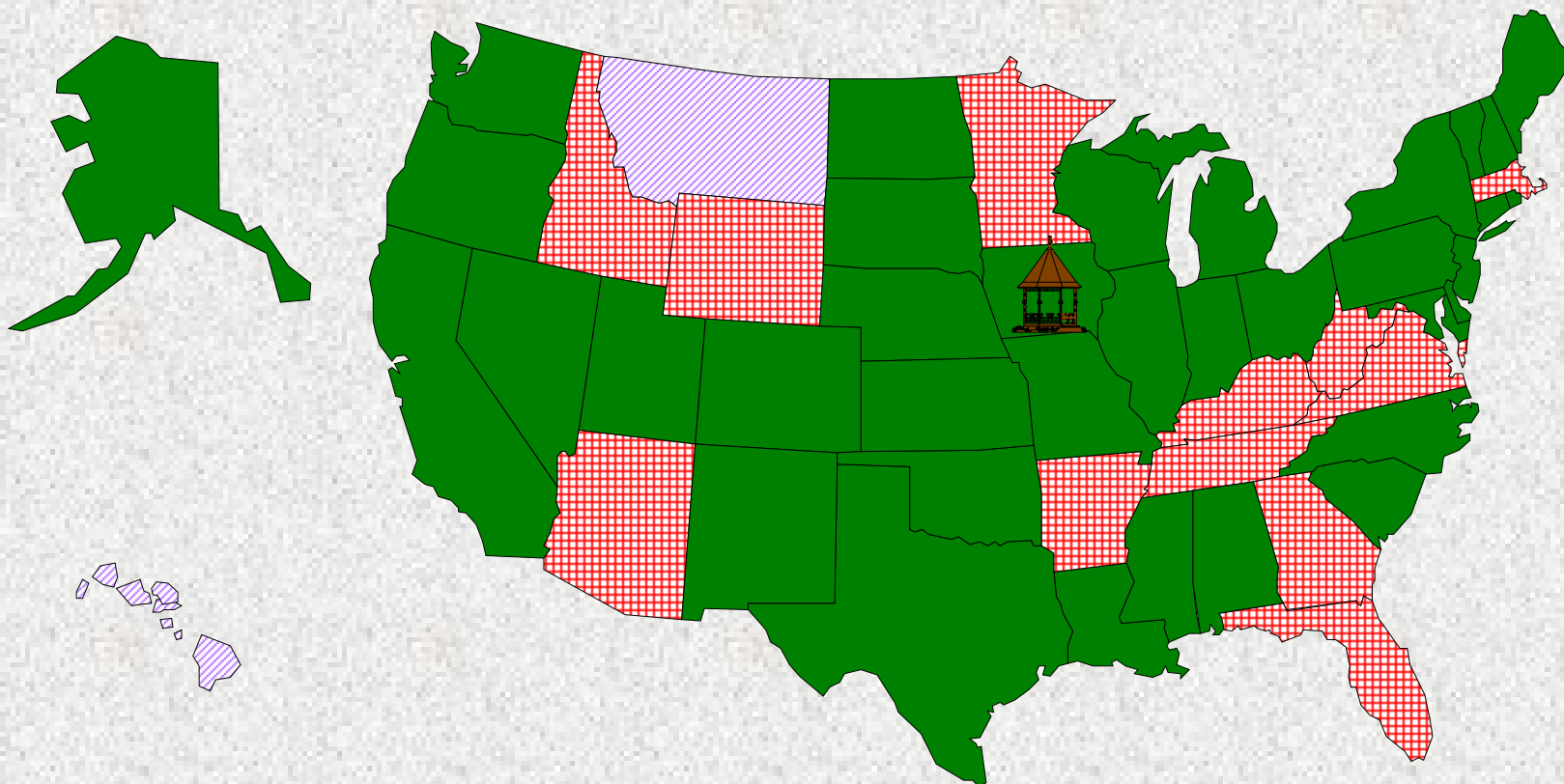
- Recognized Table for Tax Reserves
- Statutory Valuation Basis for Immediate Annuities & Settlement Options
- Watch Out for Guaranteed Settlement Options on Annuities



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Illustration Regulation Status

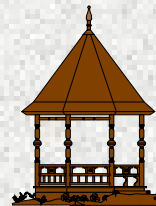


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Illustration Regulation Status

- States Adopted (36 States)
- States Moving to Adopt (2 States)
- States With No Plans to Adopt (12 States & DC)

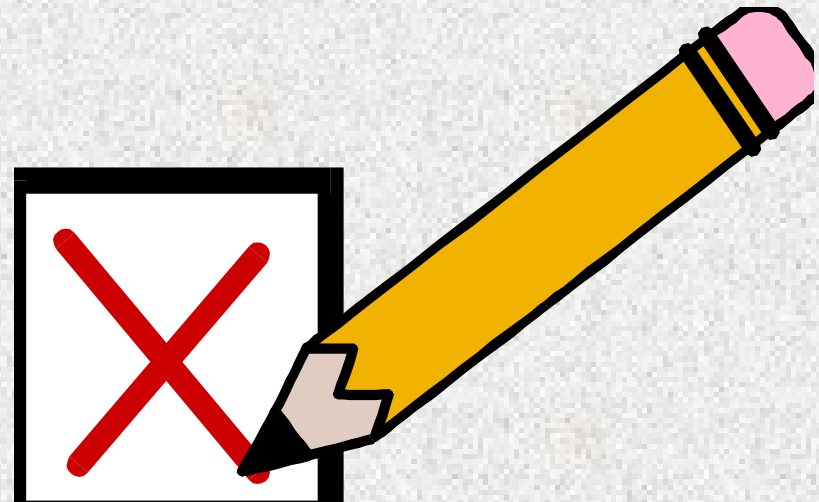


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Remaining Issues

- ☞ Conflicts with Disclosure Regulations
- ☞ Variable Products
- ☞ Simplification
- ☞ GRET



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Codification



- All States Moving to Adopt for 1/1/2001
- State Variations?
- Recommended as Accreditation Standard
- Companies Still Studying the Effects



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Sequels



- 2000 CSO
- AOMR
- Nonforfeiture
- Replacements



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2000 CSO

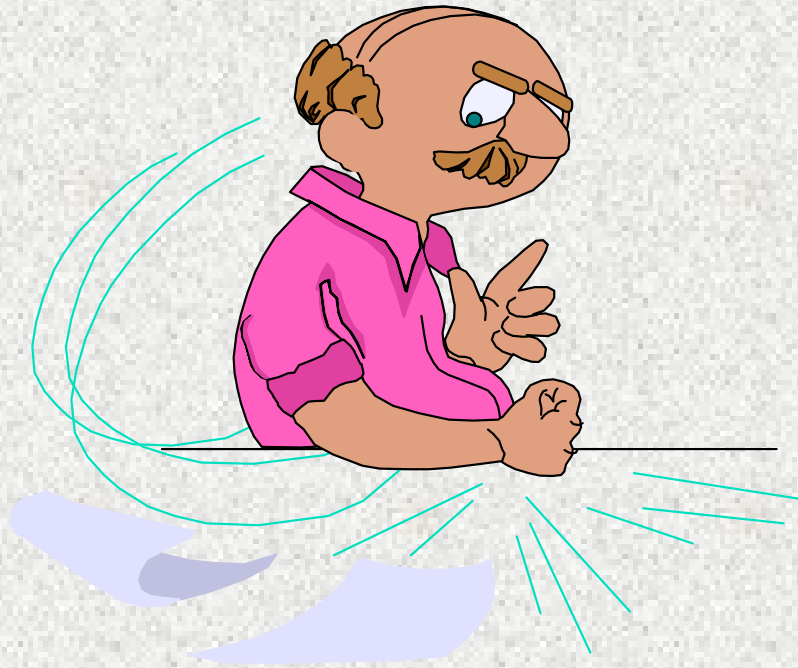
- ➔ Moving Ahead Quickly
- ➔ Complications
 - Tax Reserves
 - Life Insurance Definition
 - Nonforfeiture
 - Universal Life



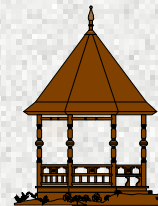
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AOMR



- Could Eliminate Section 7 Exemption
- Industry Opposes
- Benefits if Compromise Can Be Made

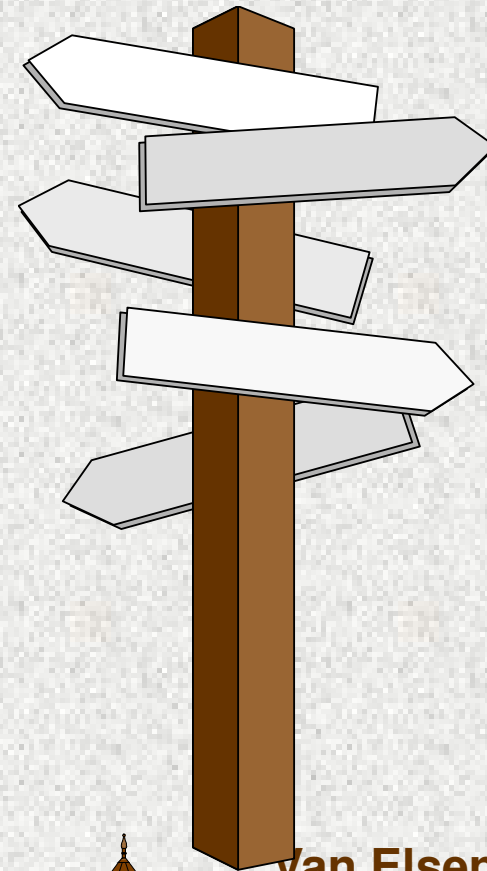


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Nonforfeiture Update

- In Process Since Early 1980's
- 2000 CSO
- Concept of "Plan"
- No Required Cash Values?
- Is it Going Anywhere?



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Replacement Regulation



- Model Moving to Adoption at NAIC
- Iowa in Effect 7/1/00
- Industry Supports Model Regulation

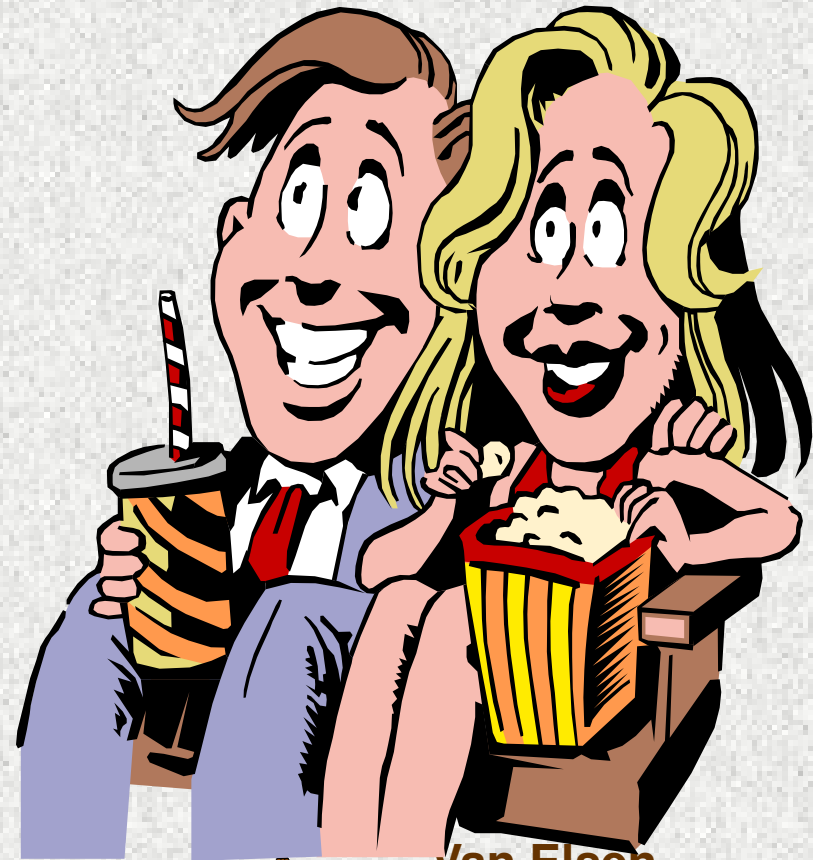


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Coming Soon

- ☞ XYZ
- ☞ UVS
- ☞ RBC C-3
- ☞ Speed to Market

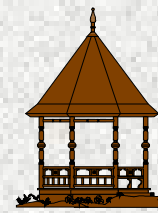


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XYZ

- ☞ “Food Fight”
- ☞ Nonforfeiture
Counterpart to XXX
- ☞ Florida
- ☞ Compromise May
Involve Longest
Guarantees



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UVS



- ☞ “Unified Valuation System”
- ☞ New Theory for Statutory Reserves
- ☞ Concern About Being “In Addition to” Rather Than “In Stead of”

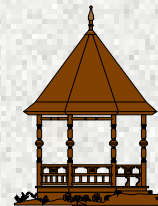


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C-3 Component of RBC

- Scenario Testing for Annuities & Single Premium Life
- Major Exemption Will Leave Out Most Companies
- Just the Beginning?



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Speed to Market



- ☞ NAIC Initiative to Speed Product Approvals
- ☞ Several Options
 - “File & Use”
 - Minimum Standards
 - Deference to Domicile



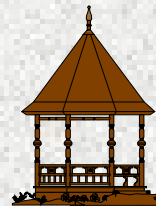
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Recap



- ☞ Rate of Regulatory Change is Increasing
- ☞ Survival of Companies May Depend on Response
- ☞ Small Companies Must Get Involved



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Questions



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