



State of New Jersey
DEPARTMENT OF BANKING AND INSURANCE
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JAMES E. MCGREEVEY
Governor

HOLLY C. BAKKE
Commissioner

BULLETIN NO. 03-22

TO: ALL LIFE INSURANCE COMPANIES AND FRATERNAL BENEFIT ORGANIZATIONS

FROM: HOLLY C. BAKKE, COMMISSIONER

RE: P.L. 2003, c. 152 AMENDING THE NONFORFEITURE INTEREST RATE FOR INDIVIDUAL DEFERRED ANNUITIES

P.L. 2003, c. 152 (the Act), which becomes effective November 13, 2003, amends N.J.S.A. 17B:25-20, the Standard Non-forfeiture Law for Individual Deferred Annuities, by reducing the interest rate for minimum non-forfeiture values from 3 percent to 1.5 percent. This amendment is also applicable to Fixed Account options in variable deferred annuities (see N.J.A.C. 11:4-44.3 (d)1.). The Act is applicable to deferred annuity contracts issued on or after November 13, 2003. The Department of Banking and Insurance ("Department") will propose amendments to its annuity regulations in the near future in accordance with the provisions of this Act.

The purpose of this Bulletin is to provide guidance to companies with respect to their submission of deferred annuity forms in order to revise their guaranteed interest crediting rates as a result of this Act. Companies may immediately begin submitting annuity form filings with lower guaranteed interest-crediting rates to the Department for approval. Companies should note that no form that reduces the interest rate to 1.5 percent is permitted to be issued prior to November 13, 2003.

Companies may submit deferred annuity forms that provide for a guaranteed interest-crediting rate of not less than 1.5 percent. The form may contain a variable (bracketed) guaranteed interest-crediting rate as long as the lowest rate is not less than 1.5 percent. The Department will review such filings in accordance with the following normal time frames: 60 days for new submissions and 30 days for resubmissions.

A company may submit a form filing to amend a previously approved deferred annuity form which has a guaranteed interest-crediting rate of at least 3 percent by submitting revised policy pages (with new distinct identifying form numbers), an amendment, or endorsement to provide for a guaranteed interest-crediting rate of not less than 1.5 percent. The Department will

review such form filing submissions on an expedited review basis, if the submission contains: 1) a cover letter stating that the only change to the form is the change in the guaranteed interest-crediting rate, and 2) the submission contains a blacklined version of the approved form indicating changes to the guaranteed interest-crediting rates. An expedited review will not be available for submissions not meeting these conditions, or for forms with characteristics (such as market value adjustments) requiring additional review. Filings not reviewed on expedited basis shall be reviewed in accordance with the Department's normal time frames.

Deferred annuity form submissions that involve the use of a guaranteed minimum interest-crediting rate of 1.5 percent under current review by the Department, or that are otherwise in a pending status, will be reviewed for compliance with the revised nonforfeiture standards.

This Bulletin provides guidance on the most likely situations for companies wishing to make changes to their products as a result of a change in the statute governing minimum nonforfeiture requirements. It is not possible to address every possible variation in product design or filing status in this Bulletin. Companies are reminded that all form submissions shall be made in accordance with N.J.A.C. 11:4-40.

Questions regarding this Bulletin can be faxed to 609-633-0527. Questions related to form filing or content aspects can also be directed to Lynda Klebold at 609-292-5427, extension 50320, or Reginald Young at 609-292-5427, extension 50342. Questions related to nonforfeiture compliance or other actuarial aspects can be directed to Kevin Clarkson at 609-292-5427, extension 50312.

8/29/03
Date

/s/ Holly C. Bakke
Holly C. Bakke
Commissioner

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