

**PROPOSED REGULATION OF THE
COMMISSIONER OF INSURANCE**

LCB File No. R027-12

April 5, 2012

EXPLANATION – Matter in *italics* is new; matter in brackets ~~[omitted material]~~ is material to be omitted.

AUTHORITY: §1, NRS 679B.130 and 686A.015; §§2 and 3, NRS 679B.130, 686A.015 and 688A.165.

A REGULATION relating to insurance; revising provisions governing an illustration actuary; revising the notice that must be provided with policies of life insurance and annuity contracts that replace existing policies and contracts to conform with statutory requirements; and providing other matters properly relating thereto.

Section 1. NAC 686A.4775 is hereby amended to read as follows:

686A.4775 1. An illustration actuary shall certify that:

(a) The disciplined current scale used in illustrations authorized by the insurer comply with the “Actuarial Standard of Practice ~~[for]~~ *No. 24: Compliance with the NAIC **Life Insurance Illustrations** Model Regulation*” ~~[on Life Insurance Illustrations”]~~ adopted by the Actuarial Standards Board; and

(b) The illustrated scales used in illustrations authorized by the insurer comply with the requirements of NAC 686A.460 to 686A.479, inclusive.

2. The illustration actuary shall file the certification with the insurer and the Commissioner:

(a) Annually *on or before March 1* for all policy forms for which illustrations ~~[are]~~ *were* used ~~[on a date determined]~~ *during the immediately preceding calendar year* by the insurer; and

(b) Before a new policy form is illustrated.

3. The illustration actuary shall disclose in the certification:

(a) Whether, since the last certification, a currently payable scale applicable for business issued within the previous 5 years and within the scope of the certification has been reduced for reasons other than changes in the experience factors underlying the disciplined current scale. If nonguaranteed elements illustrated for new policies are not consistent with those illustrated for similar policies that are in force, this fact must be disclosed in the certification. If nonguaranteed elements illustrated for new policies and policies that are in force are not consistent with the nonguaranteed elements actually being paid, charged or credited to the same or similar forms, this fact must be disclosed in the certification.

(b) The method used to allocate overhead expenses for all illustrations from one of the following methods:

- (1) The fully allocated expense method;
- (2) The marginal expense method; or
- (3) A generally recognized expense table method based on fully allocated expenses that are representative of a significant portion of insurers in this State and is approved by the Commissioner.

4. If an error in a previous certification is discovered, the illustration actuary shall notify the insurer and the Commissioner promptly.

5. If an illustration actuary is unable to certify the disciplined current scale for an illustration the insurer intends to use, the actuary shall notify the insurer and the Commissioner promptly of his or her inability to certify that scale.

6. For the purposes of this section, the “Actuarial Standard of Practice ~~for~~ *No. 24: Compliance with the NAIC *Life Insurance Illustrations* Model Regulation,*” ~~on Life Insurance Illustrations,~~ adopted by the Actuarial Standards Board, is hereby adopted by reference. *The*

Commissioner will periodically review the most recent edition of the standard and determine within 30 days after the review whether any change made to the standard is appropriate for application in this State. If the Commissioner does not disapprove a change to an adopted standard within 30 days after the review, the change shall be deemed to be approved by the Commissioner. A copy of the standard may be obtained from the American Academy of Actuaries [~~1100 17th Street N.W., 7th Floor,~~] *on the Internet website <http://actuarialstandardsboard.org>, by mail at 1850 M Street NW, Suite 300, Washington, D.C. ~~20036-4601,~~ 20036, or by telephone at (202) 223-8196 free of charge.*

Sec. 2. NAC 686A.563 is hereby amended to read as follows:

686A.563 The notice referred to in NAC 686A.523, 686A.555, and 686A.560 must be in substantially the following form:

IMPORTANT NOTICE REGARDING THE
REPLACEMENT OF YOUR POLICY OF LIFE INSURANCE

You have been offered a policy to replace all or part of your existing policy of life insurance.

Before you replace your existing policy, you should consider whether you could suffer a FINANCIAL LOSS under the new policy because of your AGE or the condition of your HEALTH. You should also consider whether you will pay more for premiums because of your age or health.

You WILL incur additional costs to acquire the new policy, including the payment of commissions to the agent advocating the replacement of your existing policy.

To make an informed decision about the replacement of your policy, you should discuss the provisions of your existing policy with your agent or the company which issued it to determine whether your policy can be changed to meet your present needs.

Your new policy provides ~~10~~ 30 days for you to decide whether you wish to keep it.

The agent who is offering to replace your existing policy is required to obtain your signature on this notice. Also, the agent will be notifying your existing insurance company that you are considering the replacement of your policy.

I have read this notice and received a copy of it for my records.

.....

Applicant

Date

.....

Agent

Date

Sec. 3. NAC 686A.573 is hereby amended to read as follows:

686A.573 An insurer or producer of insurance who replaces, offers to replace or proposes to replace an existing individual fixed deferred annuity contract with a new annuity contract shall provide to the prospective buyer:

1. A written, signed and dated statement which compares the terms, conditions and benefits of the existing annuity contract with the new annuity contract. The statement must include,

without limitation, any penalties, premium tax implications, bonus vesting schedule and other additional costs.

2. A notice of annuity replacement, which must be in substantially the following form:

IMPORTANT NOTICE REGARDING THE
REPLACEMENT OF YOUR ANNUITY CONTRACT

You have been offered a new annuity contract to replace your existing annuity contract.

Before you replace your existing annuity contract, you should consider the financial gains and losses of replacement.

You may incur additional costs to acquire the new annuity contract.

To make an informed decision about the replacement of your existing annuity contract, you should discuss the provisions of that contract with the producer of insurance or the insurance company which issued it to determine whether your existing annuity contract may be revised to meet your present needs.

Your new annuity contract provides ~~10~~ 30 days for you to decide if you wish to keep it.

The producer of insurance or insurance company which is offering to replace your existing annuity contract is required to obtain your signature on this notice and to notify your existing insurance company that you are considering the replacement of your existing annuity contract.

I have read this notice and received a copy of it for my records. I have also received a copy of the written comparison of the proposed annuity contract and my existing annuity contract.

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Prospective Buyer

Date

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Producer of Insurance

Date