

BULLETIN 2002-6

STANDARD NONFORFEITURE LAW FOR INDIVIDUAL DEFERRED ANNUITIES

The purpose of this Bulletin is to highlight the changes in the Standard Nonforfeiture Law for Individual Deferred Annuities, Utah Code Annotated (U.C.A.) 31A-22-409, effective May 6, 2002.

Maturity Date.

U.C.A. Subsection 31A-22-409(8) defines maturity date for the purpose of determining minimum nonforfeiture values. The maturity date is the latest date permitted by the contract, but not later than age 70 or the tenth anniversary of the contract, whichever is later. The definition of the maturity date is the same for all contracts regardless of whether the maturity date is fixed in the contract or whether the policyholder has the right to have annuity payments commence at optional maturity dates.

Contracts Issued to Seniors

For annuity contracts issued to persons age 60 and older, U.C.A. Subsections 31A-22-409(6) and 31A-22-409(8) limit the surrender charge period to ten years and limit the maximum initial surrender charge to ten percent.

Two-Tier Annuities

Subsection U.C.A. 31A-22-409(8)(b) requires that on or past the maturity date, the cash surrender value must be equal to the amount used to determine annuity benefits. Therefore, two-tier annuities are not allowed.

Refiling of Forms

The changes in the Standard Nonforfeiture Law for Individual Deferred Annuities only affect contracts issued after the effective date of the changes. Insurers are advised to review all annuity forms currently in use to make sure they are in compliance with Utah law. If the forms are not in compliance, then insurers must cease marketing the forms and file new or revised forms in accordance with the current filing rule and bulletin that are on the department's website, www.insurance.utah.gov/industry.html. When filing, refer to the content standards for deferred annuity contracts posted on the website.

DATED this 17th day of July, 2002

MERWIN U. STEWART
Insurance Commissioner

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