

## **BULLETIN 2002-1**

TO: All Insurance Companies Writing Life and Annuity Insurance

FROM: Jim Poolman, Commissioner

DATE: January 8, 2002

SUBJECT: Equity Indexed Annuity Filing Requirements

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### **SCOPE AND APPLICABILITY**

This bulletin applies to all insurance companies filing equity indexed annuities in North Dakota. This bulletin supersedes Bulletin 97-2. The purpose of this bulletin is to simplify and clarify a specific set of filing requirements for review and approval of equity indexed annuities in North Dakota. These requirements are in addition to any annuity requirements contained in N.D. Cent. Code Chapter 26.1-34, entitled Annuities. This bulletin is promulgated in accordance with N.D. Cent. Code § 26.1-30-19(2).

### **EQUITY INDEXED ANNUITY FILING REQUIREMENTS**

#### **Actuarial Memorandum**

In addition to demonstrating compliance with standard nonforfeiture law and standard valuation law, the following shall be addressed in the actuarial memorandum:

1. The hedging strategy that is going to be used and the methods for determining the effectiveness of the strategy.
2. The methodology that will be used to calculate statutory formula reserves.
3. The methodology that will be used to calculate the statutory value of any derivative instruments used in the investment strategy to support the product.
4. The manner in which the product will be reported for risk-based capital purposes.

### **Contract**

The contract must include:

1. A statement on the coverage page that the product is an “equity indexed annuity”.
2. A disclosure that dividends are excluded from the calculation of the indexed increase if, in fact, that is the case.
3. A table of minimum guaranteed values.
4. An explanation of when and to which values any and all withdrawal charges apply.
5. A description of the participation rate, cap, floor, or margin as they apply. In addition, the contract form must contain the minimums and maximums for these rates, caps, floors, or margins. A contract may contain more than one parameter to determine indexed interest credits, such as participation rate, asset fee charged, and cap. Only one such parameter may vary over the life of the contract at the discretion of the insurer.
6. A description of contract renewal terms or spread and the options available at the end of the indexed term.
7. Also submit a sample copy of the annual report with this filing.

### **Advertising and Marketing**

All advertising and marketing materials intended for use in conjunction with the sale of any equity indexed annuity must be submitted for review with the filing. The material submitted must include forms used for illustration purposes, and the description of the scenarios underlying any illustration. Advertising materials must comply with N.D. Admin. Code Chapter 45-04-10.

Your filing must indicate whether or not your company uses the Equity-Indexed Annuity Buyer’s Guide developed by the NAIC. If the Buyer’s Guide is not used, you must include a copy of a comparable document that will be provided to all purchasers.

Your filing must describe what special training is provided to agents marketing the product.

The advertisement must include four illustrations reflecting: (1) minimum guaranteed amount, (2) poor result, (3) average result, and (4) favorable result, easily comparable. You must illustrate the initial and guaranteed minimum participation rate spread.

All product and advertising materials that emphasize the potential positive benefits of the product must equally emphasize the corresponding potential negative considerations.