

TRANSMITTAL SHEET FOR
NOTICE OF INTENDED ACTION

Control 482 Department or Agency Department of Insurance*

Rule No. 482-1-129-.04

Rule Title: Definitions.

New Amend Repeal Adopt by Reference

Would the absence of the proposed rule significantly harm or endanger the public health, welfare, or safety? N/A*

Is there a reasonable relationship between the state's police power and the protection of the public health, safety, or welfare? N/A*

Is there another, less restrictive method of regulation available that could adequately protect the public? N/A*

Does the proposed rule have the effect of directly or indirectly increasing the costs of any goods or services involved and, if so, to what degree? N/A*

Is the increase in costs, if any, more harmful to the public than the harm that might result from the absence of the proposed rule? N/A*

Are all facets of the rulemaking process designed solely for the purpose of, and so they have, as their primary effect, the protection of the public? N/A*

Does the proposed action relate to or affect in any manner any litigation which the agency is a party to concerning the subject matter of the proposed rule? N/A*

Does the proposed rule have an economic impact? N/A*

If the proposed rule has an economic impact, the proposed rule is required to be accompanied by a fiscal note prepared in accordance with subsection (f) of Section 41-22-23, Code of Alabama 1975.

Certification of Authorized Official

I certify that the attached proposed rule has been proposed in full compliance with the requirements of Sections 27-2-17 and 27-7-43, Code of Alabama 1975, and that it complies with all applicable filing requirements of the Alabama Insurance Code.*

Signature of certifying officer Jim L. Kidling
Jim L. Kidling
Commissioner of Insurance

Date: February 20, 2019

*Note: The Alabama Department of Insurance is exempt from the Alabama Administrative Procedures Act pursuant to Section 41-22-2(e), Code of Alabama 1975.

Alabama Department of Insurance

NOTICE OF INTENDED ACTION

AGENCY NAME: Alabama Department of Insurance

RULE NO. & TITLE: Rule 482-1-129-.04: Definitions.

INTENDED ACTION: Amend existing rule.

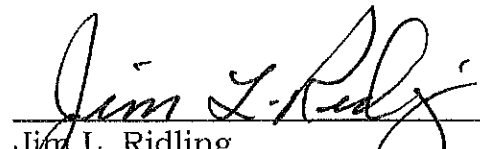
SUBSTANCE OF PROPOSED ACTION: The Commissioner of Insurance is proposing to amend rule which sets forth the definitions for the regulation dealing with the disclosure of certain minimum information about annuity contracts. The amendments delete the definitions of two terms that are not used in the regulation and adds a definition for "registered product." The amendments will become effective April 21, 2019.

TIME, PLACE, MANNER OF PRESENTING VIEWS: Interested persons may submit data, views, or arguments in writing at any time prior to April 6, 2019, to the Alabama Department of Insurance, Attention: Legal Division, Post Office Box 303351, Montgomery, Alabama 36130-3351, or orally by appearing at the public hearing, Suite 502, RSA Tower, 201 Monroe Street, Montgomery, Alabama, beginning at 10:00 AM, on April 11, 2019.

FINAL DATE FOR COMMENT AND COMPLETION OF NOTICE:

April 6, 2019

CONTACT PERSON AT AGENCY: Reyn Norman
General Counsel



Jim L. Ridling
Commissioner of Insurance

1 **482-1-129-.04 Definitions.** The following definitions shall
2 apply in this chapter:

3 ~~(1)~~ (a) BUYERS GUIDE. The National Association of
4 Insurance Commissioner's approved Annuity Buyer's Guide.

5 ~~(2) CHARITABLE GIFT ANNUITY. A transfer of cash or other~~
6 ~~property by a donor to a charitable organization in return for~~
7 ~~an annuity payable over one or two lives, under which the~~
8 ~~actuarial value of the annuity is less than the value of the~~
9 ~~cash or other property transferred and the difference in value~~
10 ~~constitutes a charitable deduction for federal tax purposes,~~
11 ~~but does not include a charitable remainder trust or a~~
12 ~~charitable lead trust or other similar arrangement where the~~
13 ~~charitable organization does not issue an annuity and incur a~~
14 ~~financial obligation to guarantee annuity payments.~~

15 ~~(3)~~ (b) CONTRACT OWNER. The owner named in the annuity
16 contract or certificate holder in the case of a group annuity
17 contract.

18 ~~(4)~~ (c) DETERMINABLE ELEMENTS. Elements that are derived
19 from processes or methods that are guaranteed at issue and not
20 subject to company discretion, but where the values or amounts
21 cannot be determined until some point after issue. These
22 elements include the premiums, credited interest rates

1 (including any bonus), benefits, values, non-interest based
2 credits, charges or elements of formulas used to determine any
3 of these. These elements may be described as guaranteed but
4 not determined at issue. An element is considered
5 determinable if it was calculated from underlying determinable
6 elements only, or from both determinable and guaranteed
7 elements.

8 ~~(5) FUNDING AGREEMENT. An agreement for an insurer to~~
9 ~~accept and accumulate funds and to make one or more payments~~
10 ~~at future dates in amounts that are not based on mortality or~~
11 ~~morbidity contingencies.~~

12 ~~(6)(d) GENERIC NAME. A short title descriptive of the~~
13 ~~annuity contract being applied for or illustrated such as~~
14 ~~"single premium deferred annuity."~~

15 ~~(7)(e) GUARANTEED ELEMENTS. The premiums, credited~~
16 ~~interest rates (including any bonus), benefits, values, non-~~
17 ~~interest based credits, charges or elements of formulas used~~
18 ~~to determine any of these, that are guaranteed or have~~
19 ~~determinable elements at issue. An element is considered~~
20 ~~guaranteed if all of the underlying elements that go into its~~
21 ~~calculation are guaranteed.~~

1 ~~(8)~~(f) ILLUSTRATION. A personalized presentation or
2 depiction prepared for and provided to an individual consumer
3 that includes non-guaranteed elements of an annuity contract
4 over a period of years.

5 ~~(9)~~(g) MARKET VALUE ADJUSTMENT or "MVA" FEATURE. A
6 positive or negative adjustment that may be applied to the
7 account value and/or cash value of the annuity upon
8 withdrawal, surrender, contract annuitization or death benefit
9 payment based on either the movement of an external index or
10 on the company's current guaranteed interest rate being
11 offered on new premiums or new rates for renewal periods, if
12 that withdrawal, surrender, contract annuitization or death
13 benefit payment occurs at a time other than on a specified
14 guaranteed benefit date.

15 ~~(10)~~(h) NON-GUARANTEED ELEMENTS. The premiums, credited
16 interest rates (including any bonus), benefits, values,
17 dividends, non-interest based credits, charges or elements of
18 formulas used to determine any of these, that are subject to
19 company discretion and are not guaranteed at issue. An
20 element is considered non-guaranteed if any of the underlying
21 non-guaranteed elements are used in its calculation.

1 (i) REGISTERED PRODUCT. An annuity contract or life
2 insurance policy subject to the prospectus delivery
3 requirements of the Securities Act of 1033.

4 ~~(11)~~(j) STRUCTURED SETTLEMENT ANNUITY. A "qualified
5 funding asset" as defined in section 130(d) of the Internal
6 Revenue Code or an annuity that would be a qualified funding
7 asset under section 130(d) but for the fact that it is not
8 owned by an assignee under a qualified assignment.

9 **Author:** Commissioner of Insurance

10 **Statutory Authority:** Ala. Code §§ 27-2-17, 27-15-1 *et seq.* &
11 27-12-1 *et seq.* (1975)

12 **History:** New September 23, 2003, Effective October 11, 2003;
13 Revised August 6, 2014, Effective March 1, 2015; Revised April
14 11, 2019, Effective April 21, 2019