

GUIDELINES FOR APPENDIXES I-A AND I-B FOR ANNUITY  
NONFORFEITURE MINIMUM VALUE COMPLIANCE

For Use With

INDIVIDUAL FLEXIBLE PREMIUM DEFERRED NON-VARIABLE ANNUITY CONTRACTS  
AND  
FIXED ACCOUNTS OF INDIVIDUAL FLEXIBLE PREMIUM DEFERRED VARIABLE  
ANNUITY CONTRACTS

1. For surrender charge scales measured from the date of each premium payment (i.e. rolling surrender charges), minimum value compliance may be demonstrated assuming each premium payment is treated as a separate single premium contract. For purposes of determining the maturity date for each single premium, that date shall be the later of the tenth anniversary of the payment or the annuitant's 70<sup>th</sup> birthday unless the maturity date is fixed by the terms of the policy in which case the fixed maturity date should be used. If minimum value compliance is to be demonstrated in this fashion, the retrospective test minimum values shall be the greater of those based on the contract being treated either as a single contract providing for flexible considerations or as a single contract with each premium being considered a single consideration contract.
2. For surrender charges measured from premium payment dates, the surrender charge percentages shown in Appendixes I-A and I-B for a policy year represent years from the date of a premium payment.
3. The company must submit retrospective and prospective data, in the format prescribed in Appendixes I-A and I-B, for whatever ages, durations, and premium payment formats that affect minimum value compliance.
4. Pursuant to Actuarial Guideline III, the maturity value for purposes of demonstrating compliance with the prospective (smoothness) test shall be the policy cash surrender value on the maturity date used for prospective test compliance.
5. Free withdrawal "window" periods shall be ignored for purposes of determining retrospective test compliance.
6. For purposes of demonstrating compliance with the prospective test and the maturity date used for that test, the "10<sup>th</sup> policy anniversary" or "the policy anniversary following the annuitant's 70<sup>th</sup> birthday" should be considered as the first day of the next policy year and the discounting process should be determined on a curtate (full integral year) basis.
7. Products with surrender charges that periodically renew (generally known as CD annuities), are compliant with the individual deferred annuity SNL tests provided:

- i. The nonforfeiture values following each renewal are at least as great as if the contract had been surrendered at renewal and a new policy issued.
- ii. The policy provides for a time period of at least 30 days at renewal, during which the policy may be surrendered without surrender charges or other penalties.
- iii. The maturity date for prospective test nonforfeiture compliance is the later of the 10<sup>th</sup> anniversary of the most recent renewal date (or issue date) or the policy anniversary following the annuitant's 70<sup>th</sup> birthday.
- iv. For purposes of demonstrating prospective test compliance, if the number of renewals of a particular term is not limited under the policy, the continuous renewal of each term option may be used in demonstrating compliance for that term option. The free withdrawal "window" may be ignored.
- v. For purposes of demonstrating prospective test compliance, if the number of renewals of a particular term is limited under the policy, compliance must be based on the flow of surrender charges that would continue after the final renewal permitted for the term (i.e maybe a decreasing scale, maybe 0%, etc.). The free withdrawal "window" should be ignored during the fixed term renewals.

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For Use With

SINGLE PREMIUM DEFERRED NON-VARIABLE ANNUITY CONTRACTS  
AND  
FIXED ACCOUNTS OF INDIVIDUAL SINGLE PREMIUM DEFERRED VARIABLE  
ANNUITY CONTRACTS

1. The surrender charge percentages shown in Appendixes I-A and I-B for a policy year represent years from the date of the single premium payment.
2. The company must submit retrospective and prospective data, in the format prescribed in Appendixes I-A and I-B, for whatever ages, durations, and premium payment formats that affect minimum value compliance.
3. Pursuant to Actuarial Guideline III, the maturity value for purposes of demonstrating compliance with the prospective (smoothness) test shall be the policy cash surrender value on the maturity date used for prospective test compliance.
4. Free withdrawal "window" periods shall be ignored for purposes of determining retrospective test compliance.

**APPENDIX I-A**

Individual Deferred Non-Variable Annuity  
 Demonstration of Nonforfeiture Law Compliance – Retrospective Test

Policy Form Specifications

Issue Age: 60  
 Minimum Nonforfeiture Interest Rate: 3.00%  
 Minimum Policy Guaranteed Interest Rate(s): 4.00%

Surrender Charge Type: % Policy Value  
                                   % Premium  
                                   None

Measure Surrender Charges From: Issue Date  
   Policy Payment Date

Free Withdrawal Type: Policy Value  
                                   Accumulated  
                                   Interest  
                                   Premiums Paid

Free Withdrawal %: 10.00%

Policy Loads -> % Premium: 5.00%    Per Policy: \$30.00    Per Payment: \$2.50

<u>Policy Year</u>	<u>Policy Year Premium</u>	<u>Guar. Policy Value EOY</u>	<u>Surr. Charge Percent</u>	<u>Surr. Charge</u>	(A) <u>Cash Value EOY</u>	(B) <u>NF Law Minimum Cash Value EOY</u>	<u>Excess A- B</u>
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<u>Policy Year</u>	<u>Policy Year Premium</u>	<u>Guar. Policy Value EOY</u>	<u>Surr. Charge Percent</u>	<u>Surr. Charge</u>	(A) <u>Cash Value EOY</u>	(B) <u>NF Law Minimum Cash Value EOY</u>	<u>Excess A- B</u>
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**APPENDIX I-B**

Individual Deferred Non-Variable Annuity  
 Demonstration of Nonforfeiture law Compliance – Prospective Test

Policy Form Specifications

Issue Age: 60  
 Minimum Nonforfeiture Interest Rate: 3.00%  
 Minimum Policy Guaranteed Interest Rate: 4.00%

Surrender Charge Type: % Policy Value  
                                   % Premium  
                                   None

Measure Surrender Charges From: Issue Date  
   Premium Payments Date(s)

Free Withdrawal Amount: Policy Value  
   Accumulated Interest  
   Premiums Paid

Free Withdrawal: 10.00%

Policy Loads -> % Premium: 5.00%      Per Policy: \$30.00      Per Payment: \$2.50

					(A)	(B)	
					Guar.	Discounted	
					Cash	Maturity	
					Value	Value In	
Policy	Year	Guar	Surr.	Surr.	Guar.	Respect of	Excess
<u>Year</u>	<u>Premium</u>	<u>Policy</u>	<u>Charge</u>	<u>Charge</u>	<u>Value</u>	<u>Prem to Date</u>	<u>A- B</u>
		<u>Value</u>	<u>Percent</u>		<u>EOY</u>		

					(A)	(B)	
					Guar.	Discounted	
					Cash	Maturity	
					Value	Value In	
Policy	Year	Guar	Surr.	Surr.	Guar.	Respect of	Excess
<u>Year</u>	<u>Premium</u>	<u>Policy</u>	<u>Charge</u>	<u>Charge</u>	<u>Value</u>	<u>Prem to Date</u>	<u>A- B</u>
		<u>Value</u>	<u>Percent</u>		<u>EOY</u>		