

**STATE OF CALIFORNIA  
DEPARTMENT OF INSURANCE  
45 Fremont Street  
San Francisco, California 94105**

**BULLETIN NO. 2007-1  
January 5, 2007**

**TO: All Admitted Life Insurance Companies and Other Interested Persons**

**SUBJECT: LIFE AND ANNUITY CONSUMER PROTECTION FUND**

The purpose of this Bulletin is to remind affected licensees and interested members of the public of the Department's implementation of AB 2316 (Chapter 835, Statutes of 2004) effective January 1, 2005, currently codified as California Insurance Code §10127.17, and to update some of the information and directions contained in the previous Bulletin 2005-2.

**Summary of AB 2316**

- Creates the **Life and Annuity Consumer Protection Fund (Ins. Code Section 10127.17)**, effective **January 1, 2005 until January 1, 2010**.
- Requires all admitted insurers to pay a fee not to exceed \$1 for each individual life insurance policy with an initial and/or intended face amount of \$15,000 or more issued to a California resident.
- Requires all admitted insurers to pay a fee not to exceed \$1 for each individual annuity contract with an initial and/or intended value of \$15,000 or more issued to a California resident.
- Assesses the fee on new policies and annuities issued from January 1, 2005 through December 31, 2009. A life policy or annuity contract that is funded by proceeds from the surrender of an existing life policy or annuity is deemed a new issue subject to the fee.
- Distributes 50% of the funds to local DAs for investigating and prosecuting life insurance and annuity financial abuse cases.
- Distributes 50% of the funds within the Department for investigating and prosecuting financial abuse, responding to consumer inquiries and complaints related to life insurance and annuity products, and educating consumers in all aspects of life insurance and annuity products.

## Requirements for Life Insurers

- 1) Maintain and report data on new individual life insurance policies issued as of January 1, 2005 with an initial and/or intended face amount of \$15,000 or more;
- 2) Maintain and report data on new individual annuity contracts sold as of January 1, 2005 with an initial and/or intended value of \$15,000 or more (see the attached Annuity Value Criteria);
- 3) Complete and submit the Semi-Annual Assessment Reporting Forms. Go to [www.insurance.ca.gov/0250-insurers/0300-insurers/0100-applications](http://www.insurance.ca.gov/0250-insurers/0300-insurers/0100-applications) and click on Internet Life and Annuity Data Collection Application – ILAD;
- 4) Submit data to the Commissioner (via the ILAD system as described above), semi-annually by January 10<sup>th</sup> and July 10<sup>th</sup>, or as determined by the Commissioner. Based on your self-assessment, the Accounting Department of the California Department of Insurance will invoice you. Please pay your invoice for the \$1.00 assessment on new life policies and annuities by the required due date.

For your reference, attached are Annuity Value Criteria and instructions for using the California Department of Insurance Internet Life & Annuity Database (ILAD).

With each Semi-Annual Assessment, the reporting insurer must also update all contact information in the ILAD system for the person most knowledgeable about the life and annuity data reported to the Commissioner by the insurer.

Questions regarding this Bulletin may be directed to:

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**JOHN GARAMENDI**  
INSURANCE COMMISSIONER

**ATTACHMENT TO BULLETIN 2007-1**  
**ANNUITY VALUE CRITERIA**

**Insurance Code Section 10127.17:** Requires insurers to pay the fee determined by the Insurance Commissioner on all life insurance policies and annuities with a value of **\$15,000 or more.**

**General Guidelines:** In calculating Annuity Value, all guarantees are to be considered, including, for example, guaranteed minimum accumulation benefits and guaranteed minimum withdrawal benefits.

If an annuity contract provides for optional maturity dates (the maturity date is the date annuity payments are scheduled to begin), the date to be used to calculate the maximum account and annuitization values shall be the later of: 1) the contract anniversary following the annuitant's 70th birthday, or 2) the end of the tenth year after the date of issuance of the annuity.

If a deferred annuity has a guaranteed minimum income benefit, the amount to be used in the determination of the Annuity Value is the greater of: 1) the commuted value of the guaranteed income benefit, using valuation interest and mortality, 2) the account value, if any, or 3) the annuitization value, if any.

**Criteria for determining Annuity Value:** For the purposes of this section, insurers shall use the following criteria:

- **Single premium immediate annuities:**

Use the gross contribution.

- **Single premium deferred annuities:**

Use the greater of: 1) the initial gross contribution, or 2) the account value (or the annuitization value if greater than the account value) that is to be used to determine annuity payments at the maturity date based on the guarantees in the contract.

- **Fixed premium deferred annuities:**

Use the greater of: 1) the sum of all monthly or other required gross contributions payable through the maturity date specified in the annuity, or 2) the maximum account value (or the annuitization value if greater than the account value) that is to be used to determine annuity payments at the maturity date based on the guarantees in the contract.

- **Flexible premium deferred annuities:**

Use the greater of: 1) the sum of the initial gross contribution and all other required or permitted gross contributions payable through the maturity date specified in the annuity, or 2) the account value (or the annuitization value if greater than the account value) to be used to determine annuity payments at the maturity date based on the guarantees in the contract and on the assumption that all permitted contributions would be made.

**NOTE:** *For an annuity which does not readily fit into one of the forms specified above, insurers shall use a procedure that is consistent with the above methods.*

## INSTRUCTIONS FOR USING THE CALIFORNIA DEPARTMENT OF INSURANCE INTERNET LIFE AND ANNUITY DATABASE (ILAD)

The Internet Life and Annuity Database (ILAD) is the online system which allows companies to report qualifying life policies and annuity contracts under California Insurance Code section 10127.17, the Life and Annuity Consumer Protection Program (LACPP). The following are the steps required to enter the ILAD system and input your company's information:

The ILAD is available on the California Department of Insurance (CDI) website. Please go to the following link:

<http://www.insurance.ca.gov/0250-insurers/0300-insurers/0100-applications/>

- From this page, click on the link titled "Internet Life and Annuity Data Collection Application – ILAD".
- You will then be prompted to enter your Username and Password. If you have forgotten your Username and Password, please email the LACPP coordinator, Rachelle Gunther, at [GuntherR@insurance.ca.gov](mailto:GuntherR@insurance.ca.gov) and your sign-in information will be provided for you.
- After inputting your Username and Password correctly you will arrive at the welcome screen. This screen features a drop-down menu after the words "Choose your reporting period." **Only those reporting periods for which your company has NOT reported will be visible. If your company has reported for any period, that period will not be available.**
- Enter the total number of qualifying life policies.
- Enter the total number of qualifying annuity contracts (see attached instructions for determining if annuity must be reported).
- After entering the numbers you will need to check box A, and possibly B and C when the following circumstances apply:
  - 1) You will check only box A if you have reported any life policies AND annuity contracts sold.
  - 2) You will check boxes A, B and C if you are reporting zero life policies AND zero annuity contracts.
  - 3) You will check boxes A and B if you have reported any annuities sold but zero life policies sold.
  - 4) You will check boxes A and C if you have reported any life policies sold but zero annuity contracts sold.

- After entering the numbers and checking the appropriate boxes, click "submit." (NOTE: If you find that the numbers you entered are incorrect you may go back to the reporting screen by clicking on the "Data Collection" link to the left. You will be allowed to change the numbers as long as the information has not been processed – see the information below the "Submit" button to determine if it has been processed)
- You are also required to submit contact information. Please click on the link to the left titled "Profile Management." **Enter the contact information for the person who will be responsible for reporting the LACPP information. If the contact person changes, you must enter the ILAD to enter the new contact information. This can be done at any time. It is crucial that the contact information be up-to-date.**
- Finally, you may wish to change your password to make it easier to remember. Click on the link to the left titled "Password Management" to change your password. **Keep your Username and Password available and in a safe place so that you can enter the system to report in a timely manner.**

**If you have any questions regarding this process or the LACPP, please contact  
Rachelle Gunther: [GuntherR@insurance.ca.gov](mailto:GuntherR@insurance.ca.gov) or at (415) 538-4359.**