

REGULATORY IMPACT ANALYSIS AND TIERING STATEMENT

Regulation: 806 KAR 15:070

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(1) Provide a brief summary of:

(a) What this administrative regulation does: This administrative regulation sets forth actuarial standards for minimum nonforfeiture benefits for annuities to implement the provisions of KRS 304.15-365.

(b) The necessity of this administrative regulation: This administrative regulation is necessary to set standards in accordance with KRS 304.15-365 and to provide for an actuarial certification of compliance.

(c) How this administrative regulation conforms to the content of the authorizing statutes: KRS 304.2-110 authorizes the commissioner to make reasonable rules and regulations necessary for or as an aid to the effectuation of any provision of the Kentucky Insurance Code. This administrative regulation implements the provisions of KRS 304.15-365 and standardizes the calculation of values and sets minimum nonforfeiture amounts for annuities.

(d) How this administrative regulation currently assists or will assist in the effective administration of the statutes: This administrative regulation will set the baseline actuarial requirements for annuities and require an actuarial certification of compliance with the regulation which adds a layer of consumer protection

(2) If this is an amendment to an existing administrative regulation, provide a brief summary of:

(a) How the amendment will change this existing administrative regulation: The amendments to this administrative regulation are to meet the drafting requirements set forth in Chapter 13A.

(b) The necessity of the amendment to this administrative regulation: The necessity to the amendments are to meet the drafting requirements so the administrative regulation is read more easily and meets the uniform standard set in Chapter 13A.

(c) How the amendment conforms to the content of the authorizing statutes: The amendments conform to the requirements in Chapter 13A.

(d) How the amendment will assist in the effective administration of the statutes: The administrative regulation will meet the drafting requirements and assist in the effective administration of KRS 304.15-365 by being more legible to entities that are affected by the enforcement of the administrative regulation.

- (3) List the type and number of individuals, businesses, organizations, or state and local governments affected by this administrative regulation: This regulation will affect the insurers and agents that are licensed to offer annuity products in Kentucky.
- (4) Provide an analysis of how the entities identified in the previous question will be impacted by either the implementation of this administrative regulation, if new, or by the change, if it is an amendment, including:
- (a) List the actions each of the regulated entities have to take to comply with this regulation or amendment: Regulated entities will be required to calculate the minimum nonforfeiture benefits for annuities in accordance with this regulation, using their existing actuarial resources.
- (b) In complying with this administrative regulation or amendment, how much will it cost each of the entities: Entities will not incur any additional cost as this regulation is a national standard.
- (c) As a result of compliance, what benefits will accrue to the entities: This regulation is part of a package that standardizes regulation across the various states and should reduce the overall cost of doing business for regulated entities.
- (5) Provide an estimate of how much it will cost the administrative body to implement this administrative regulation:
- (a) Initially: Implementation of this amendment is not anticipated to have an initial cost on the Department of Insurance.
- (b) On a continuing basis: Implementation of this amendment is not anticipated to have an on-going cost on the Department of Insurance.
- (6) What is the source of the funding to be used for the implementation and enforcement of this administrative regulation: The Department will use funds from its current operational budget to perform the tasks necessary.
- (7) Provide an assessment of whether an increase in fees or funding will be necessary to implement this administrative regulation, if new, or by the change if it is an amendment: An increase of fees will not be necessary because additional personnel is likely unnecessary.
- (8) State whether or not this administrative regulation established any fees or directly or indirectly increased any fees: This administrative regulation does not establish any fees.
- (9) TIERING: Is tiering applied? Explain why or why not. Tiering is not applied because this regulation applies equally to all insurance companies offering life insurance in Kentucky.

FISCAL NOTE ON STATE OR LOCAL GOVERNMENT

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(1) What units, parts or divisions of state or local government (including cities, counties, fire departments, or school districts) will be impacted by this administrative regulation? The department as the implementer of the administrative regulation.

(2) Identify each state or federal statute or federal regulation that requires or authorizes the action taken by the administrative regulation. KRS 304.2-110, 304.15-365(7)

(3) Estimate the effect of this administrative regulation on the expenditures and revenues of a state or local government agency (including cities, counties, fire departments, or school districts) for the first full year the administrative regulation is to be in effect. If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

(a) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for the first year? No expected revenue.

(b) How much revenue will this administrative regulation generate for the state or local government (including cities, counties, fire departments, or school districts) for subsequent years? The administrative regulation should remain revenue neutral for subsequent years.

(c) How much will it cost to administer this program for the first year? There is no expected cost to administer this program.

(d) How much will it cost to administer this program for subsequent years? There is no expected cost for subsequent years.

Note: If specific dollar estimates cannot be determined, provide a brief narrative to explain the fiscal impact of the administrative regulation.

(4) Revenues (+/-): Neutral

(5) Expenditures (+/-): Neutral

(6) Other Explanation: