

Administrative Bulletin 2019-5

DATE: August 30, 2019

TO: All Life Insurers and Fraternal Benefit Societies Licensed in Minnesota

SUBJECT: Repeal of Bulletin 97-6 and the re-authorization of certain fixed guaranteed separate account contracts

The Minnesota Department of Commerce has determined that Bulletin 97-6, which prohibits the sale of fixed guaranteed separate accounts products, is no longer necessary. The purpose of this Bulletin is to repeal Bulletin 97-6 and to re-authorize the filing, approval, and sale of fixed guaranteed separate account products in Minnesota.

After a thorough review, the Department has concluded that insulation from general account claims is an appropriate feature of fixed guaranteed separate account products when the insurer can demonstrate through the policy form filing process that the insurer's general account is adequately compensated for and protected from any potential exposure due to guarantees under the contract liability (including, but not limited to guarantees of interest rates or index returns). Questions relating to general account protection and separate account insulation were the primary reason for the issuance of Bulletin 97-6 in the late 1990s.

This Bulletin also confirms that these fixed guaranteed separate account products are authorized by Minnesota Statutes Section 61A.14 which provides that life insurers may establish and operate one or more separate accounts and issue contracts on a variable basis. These fixed guaranteed separate account products are consistent with Section 61A.14 because they provide benefits or values incidental to the contract that are payable in a fixed or variable dollar amount or both as provided for under the definition of "contracts on a variable basis" in Minnesota Statutes Section 61A.13.

Beginning on September 1, 2019, authorized insurers may begin filing these products for approval. The following undertakings and descriptions shall be included in any product filing:

- (1) a description of the relationship between the general account and guaranteed separate account, including practices designed to safeguard and compensate the general account for the guarantee of the separate account;
- (2) a description of the investment guidelines that govern the management of the assets in the guaranteed separate account as well as an accounting of how the applicant determines that such assets are sufficient to meet the liabilities under the contract and meet relevant asset maintenance

requirements and how the applicant determines that reserves are sufficient and meet relevant reserve requirements;

(3) an undertaking that the applicant will ensure that the guaranteed separate account is managed in a prudent manner; and

(4) an undertaking that the assets held in the guaranteed separate account will be invested in accordance with Minnesota law governing the investments of life insurance companies, subject to the provisions of Minnesota Statutes Section 61A.14, subdivision 3. With respect to foreign insurers, the Commissioner shall give due regard to the laws in the foreign insurer's state of domicile and if those laws provide a degree of protection to the policyholders and the public which is substantially equal to that provided by Minnesota law, the Commissioner may consider compliance with such laws as compliance with Minnesota law.

A handwritten signature in black ink that reads "Steve Kelley". The signature is written in a cursive, flowing style with a prominent "S" and "K".

Steve Kelley
Commissioner