



Stable Value Contract Principles

Product Defined:

Defined Contribution Plans (i.e. 401k, 403(b), or 457 plan) offer stable value options which allow participants to invest some or all of their account balance in a stable value product, some of which are offered by member insurers¹ typically in the form of a group annuity issued to the plan (“Contract”). For purposes of the NAIC Life & Health Insurance Guaranty Association Assessable Premium Exhibit (“APE”), the key question is whether the member insurer Contracts are considered allocated or unallocated annuities, and if unallocated, whether a deduction is allowed from the unallocated assessable premium base.

Products offered by member insurers include:

- ✓ Traditional GICs (general account group annuity)
- ✓ Separate Account Stable Value Contracts (group annuities)
- ✓ Synthetic GICs (member insurer issues a wrapper to guarantee underlying assets owned by someone other than the insurer)

Principles:

1. The stable value Contract should be considered allocated for APE reporting purposes if any of the following contractual obligations are included within the Contract:
 - a. Maintenance or record keeping of plan participant accounts. This can include situations where the member insurer is providing the administration or outsourcing the administration to a third party. The defining factor is whether the Contract itself requires the member insurer to maintain the individual accounts.
 - b. If the Contract obligates the member insurer to provide benefits to an individual upon the request of an individual plan participant (or his or her beneficiary) to make either partial or full cash withdrawals, regardless of whether certificates have been issued to individuals and/or individuals have actually exercised their right to request a withdrawal under the Contract. The member insurer will be considered to be obligated upon the request of an individual to make either partial or full cash withdrawal payments if withdrawals or death benefit payments are to be made from that participant's account maintained (by the member insurer or its designee) under the terms of the Contract and regardless of whether such requests are submitted to the member insurer directly by the individual (or his or her beneficiary) or indirectly through the plan trustee, administrator, sponsor or contract holder at the direction of the individual.

¹ Member Insurer or equivalent



2. Unallocated Annuity deduction within APE, Line 15 is only intended for Synthetic GICs, which are defined as a contractual agreement that establishes the member insurer’s obligations to provide a book value accounting guaranty for defined contribution benefit plan participants by reference to a portfolio of assets that is owned by the benefit plan or its trustee, which in each case is not an affiliate of the member insurer. If the member insurer or an affiliate holds/owns the assets in the reference portfolio (whether in the general account or a separate account), a deduction is not permitted within Line 15.

The following chart provides key characteristics of Allocated vs Unallocated annuities for the purposes of a member insurer’s completion of the APE. If any of the allocated annuity features are present, the Contract is allocated. To be unallocated, all conditions must exist.

Allocated	Unallocated
<ul style="list-style-type: none"> ✓ Participant certificates are issued. ✓ Premium, assets or participant level accounts are allocated and/or maintained by member insurer for individual participants, regardless of whether or not certificates are issued. ✓ Contract obligates the insurer to provide benefits to an individual from the participant’s account upon the plan participant’s request. The Contract should be considered allocated if the obligation is within the Contract regardless of whether the request has been made. ✓ Insurer is obligated to perform participant level record keeping pursuant to the Contract, regardless of whether the record keeping is performed directly by the insurer or indirectly through its designee another provider. 	<ul style="list-style-type: none"> ✓ Individual certificates are not issued, <u>and</u> ✓ Premiums, assets and participant level accounts not maintained by the member insurer pursuant to the terms of the Contract, <u>and</u> ✓ Insurer obligations are solely to the plan sponsor with no specific obligations to the individual plan participants.



	Allocated	Unallocated
Contract Obligation	<ul style="list-style-type: none"> ✓ To participants with accumulated value credited to individuals ✓ Withdrawals and terminations are paid with reference to specific participant balances 	<ul style="list-style-type: none"> ✓ To plan or trustee/contract holder only, with guarantee at plan level not individual account ✓ Termination is paid to plan/trustee/contract holder without reference to individual participant balances
Records/Certificates	<ul style="list-style-type: none"> ✓ Individual certificates issued and/or participant balances are recorded by member insurer pursuant to the Contract 	<ul style="list-style-type: none"> ✓ Individual certificates not issued and participant balances are not recorded by member insurer
Asset Ownership	<ul style="list-style-type: none"> ✓ Member insurer owns the assets ✓ Assets are allocated to specific accounts 	<ul style="list-style-type: none"> ✓ Insurer can own the assets (traditional GIC) or can be held by unaffiliated plan/trustee ✓ Assets support plan obligation only with no reference to individual participant accounts
Experience Allocation	<ul style="list-style-type: none"> ✓ May be done at participant level 	<ul style="list-style-type: none"> ✓ Only at plan level

Please review the NAIC Annual Statement Instructions to ensure your contracts are appropriately classified within APE, Part 2 after determining classification between allocated vs unallocated (i.e. Lines 12-20), including contracts issued to governmental retirement benefit plans.