INSURED RETIREMENT INSTITUTE

Variance in Crediting Variable Annuity Post-Mortem Interest

This report provides additional information related to crediting post-mortem interest (PMI) on variable annuities and is a supplement to the original PMI survey on fixed annuities.

Fixed Annuity Response	Do procedures related to crediting PMI change if the product is a variable annuity?	When are funds removed from the market?
Follow State PMI Rules	Generally, state proceed interest requirements do not differ between fixed and variable annuities. For those states that do have different requirements, they would be followed. For example, here is what Vermont requires: • Non-variable annuities: interest is computed beginning the date proof of loss is received. • Variable Annuities: is computed beginning on the 8th day after proof of loss is received.	The funds are moved out of the variable subaccounts when the claim is paid. When there are multiple beneficiaries, the default is to wait until all claim paperwork is received and process them all at the same time, unless a beneficiary requests their portion to be paid before then.
Follow State PMI Rules	Some states specifically exclude VAs from their PMI laws, but a handful of states do have specific requirements for VAs, which would be followed. For the majority of states without a specific VA PMI requirement, the funds are left invested in the subaccounts until a valid claim is processed. Additional PMI interest is not credited.	Unless state specific VA PMI rules direct otherwise, the funds are left invested in the subaccounts until a valid claim is processed.

Fixed Annuity Response	Do procedures related to crediting PMI change if the product is a variable annuity?	When are funds removed from the market?
Follow State PMI Rules	The process is the same.	Generally, the contract language says the funds are taken out of the market upon receipt of the death certificate. The entire funds are removed and beneficiaries are paid as claim paperwork is received. Interest is paid based on their state rate and from the date removed from the market through when the check is sent out. Each beneficiary could receive a different rate and amount depending on where they live and when their portion was paid.
If Compact filed, pays per Compact PMI rules	The process is the same.	The funds are removed from the market proportionally when each claim is considered in good order. Unless all claims are received in good order on the same day, there is almost always a variation in the amount when there are 2 or more beneficiaries due to market movement.
Pay whichever PMI is higher	Per a SEC examination, the beneficiary's funds must stay in the market until the beneficiary completes the claim forms. The organization does not pay standard death claim interest but will pay any "penalty" interest if the organization creates an undue delay in processing. State insurance reviewers have not had an issue with the organizations death claims interest procedures or amended contracts.	The SEC does not permit money to be removed from the market until that beneficiary elects to do so. Since an insurer is not able to take the money out of the market, an insurer cannot generate interest on the proceeds from the date of death. As such, PMI is not paid from the date of death on VAs.

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