

MEMO# 3095

September 13, 1991

COMMENTS REQUESTED ON DRAFT LETTER TO NASAA COMMITTEE REGARDING PERSISTENCY PROPOSAL

September 13, 1991 TO: CONTRACTUAL PLANS COMMITTEE NO. 15-91 RE: COMMENTS REQUESTED ON DRAFT LETTER TO NASAA COMMITTEE REGARDING PERSISTENCY PROPOSAL _____ As we previously informed you, the Institute has been advised that the NASAA Investment Company Registration/Trading Practices Committee has proposed that the states adopt a policy guideline to provide that the failure of a contractual plan sponsor to maintain a persistency rate of 80% or higher shall be grounds for denial, suspension or revocation of the registration in any particular state. (See Memorandum to Contractual Plans Committee No. 12-91, dated September 10, 1991.) Attached is a draft letter to the NASAA Committee regarding the Institute's position with respect to the application of an absolute persistency rate to contractual plans. First, we note that this proposal appears to be based upon the assumptions that contractual plan sponsors have little incentive to maximize persistency (absent a threat to their ability to legally continue doing business) and that low persistency suggests that the product being sold is in some way unsatisfactory. However, for the reasons set forth in the draft, we believe that such assumptions are both erroneous and misguided. Moreover, the proposal to require automatic cessation of sales would be counterproductive to the very problem the NASAA Committee is attempting to solve. The Institute recommends, as an alternative to the NASAA Committee's persistency proposal, that a task force be formed, consisting of representatives of the NASAA Committee and industry, to review persistency data and to suggest steps to address potential problem area. Please review the draft letter, in particular the Institute's proposed recommendation, and submit any comments or suggestions that you have to me by Wednesday, September 25, 1991. Patricia Louie Assistant General Counsel Attachment

Source URL: <https://icinew-stage.ici.org/memo-3095>

Copyright © by the Investment Company Institute. All rights reserved. Information may be abridged and therefore incomplete. Communications from the Institute do not constitute, and should not be considered a substitute for, legal advice.