

ADDITIONAL STANDARDS FOR PRIVATE PLACEMENT PLANS FOR INDIVIDUAL VARIABLE ADJUSTABLE LIFE INSURANCE POLICIES

(For use with Individual Variable Adjustable Life Insurance Policies)

Scope: These standards apply to private placement plans that are built in to individual variable adjustable life insurance policies. Private placement plans are variable policies that are issued exclusively to an accredited investor or qualified purchaser, as those terms are defined by the Securities Act of 1933, as amended, the Investment Company Act of 1940, as amended, or the regulations promulgated under either of those acts, and provide for benefits that vary in relation to the performance of an underlying separate account where the investment funds in the private placement separate account are exempt from registration with the SEC under the Investment Company Act of 1940, as amended. Private Placement Plans may also offer non-exempt funds.

Mix and Match: These standards are available to be used in combination with State Product Components as described in Section 110(b) of the Operating Procedure for the Filing and Approval of Product Filings.

Self-Certification: These standards are not available to be filed using the Rule for the Self-Certification of Product Components Filed with the Interstate Insurance Product Regulation Commission.

As used in these standards the following definitions apply:

“Exempt Fund” is an investment fund (including managed separate accounts) that is exempt from registration with the SEC under the Investment Company Act of 1940, as amended.

“Liquidity date” is a date established for the purpose of accepting funds for premium payments, loan repayments, or transfers into an exempt fund; or processing fund withdrawals for death benefits, surrenders, partial withdrawals, loans, or transfers from an exempt fund. Liquidity dates may be unique for a particular exempt fund or type of transaction. And within those funds or transactions there could be multiple liquidity dates.

“Liquidity notice period” is the minimum number of days needed before a liquidity date if the owner intends to make a policy transaction (premium payment, loan repayment, death benefit, surrender, partial withdrawal, loan, or transfers into or out of an exempt fund). Liquidity notice periods may be unique for a particular exempt fund or type of transaction.

“Qualified owner” is an owner who is an accredited investor or qualified purchaser, as those terms are defined by the Securities Act of 1933, as amended, the Investment Company Act of 1940, as amended, or the regulations promulgated under either of those acts.

Drafting Note:

Other terms may be used in the policy provided they are used consistently.

In addition to the Core Standards requirements for the applicable variable adjustable life policy, the following standards, as appropriate, apply:

§ 1 ADDITIONAL SUBMISSION REQUIREMENTS

A. VARIABILITY OF INFORMATION

- (1) The company may identify product specifications that may be changed without prior approval, as long as the Statement of Variability presents reasonable and realistic ranges for the item. These items include categories of qualified owners.

§ 2 GENERAL FORM REQUIREMENTS

A. COVER PAGE

- (1) The policy shall contain a brief description that shall appear in prominent print on the cover page of the policy or is visible without opening the policy. The brief description shall contain at least the following information:
 - (a) A caption of the type of coverage provided; for example, private placement flexible premium variable adjustable life policy.

§ 3 POLICY PROVISIONS

A. ASSIGNMENT

- (1) The policy shall contain an assignment provision. The policy shall not include any restrictions on the availability of policy assignments, except in situations where restrictions are required for purposes of satisfying applicable laws or regulations, or the requirement that the assignee be a qualified owner.

B. DEATH BENEFIT PROCEEDS

- (1) For that portion of the policy that is invested in an exempt fund, interest shall not accrue until the liquidity date of the applicable exempt fund.
- (2) The additional 10% interest rate on death benefits shall not apply any earlier than 31 calendar days after the liquidity date of the applicable exempt fund.

C. DEFERRAL AND VALUATION OF PAYMENTS

- (1) The policy may provide that the company reserves the right to defer the determination and payment of any benefits (e.g. death benefits, surrenders, partial withdrawals, loans and transfers) attributable to the exempt fund until the next liquidity date, subject to a liquidity notice period, as specified in the policy. Alternatively, the policy may provide that the company reserves the right to defer a specified percentage of the payment until the next liquidity date.

- (2) If the company chooses to defer surrender payments as in C.(1) above, the policy may provide that all insurance coverage ends on the date the surrender request is received (or some later date as requested by the owner and agreed to by the company). Such provision shall state that on that date all cost of insurance charges will be discontinued and the death of the owner after that date will not trigger a death benefit payment, even if the cash value has not been fully paid out.

D. LOANS

- (1) The policy may limit to qualified owners the availability of loans.
- (2) The policy may defer loans from the exempt fund until the next liquidity date.
- (3) The policy may state that the repayment of loans be made to a non-exempt fund or the general account until the next liquidity date of the exempt fund. The repayment allocated to the exempt fund will then be the value in effect as of the applicable liquidity date.

E. OWNERSHIP

- (1) The policy shall contain an ownership provision. The provision shall describe the procedures for designating or changing the owner and indicating when the designation is effective. The policy shall not include any restrictions on change of owner other than for purposes of satisfying applicable laws or regulations, or the requirement that the new owner be a qualified owner.
- (2) The policy shall only be sold or transferred in a transaction that is exempt from registration under the Securities Act of 1933, as amended.
- (3) The policy shall only be sold or transferred to a qualified owner. The policy shall state that the owner must be a qualified owner to make payments into the policy or to make transfers among the investment divisions, but that the owner is eligible to exchange the policy for a plan of life insurance currently being offered by the company that does not require qualified owner status, as described in the POLICY EXCHANGE section below, or to surrender the policy for cash, all subject to the liquidity dates and liquidity notice periods specified in the policy.
- (4) If the policy has multiple owners, they shall all be qualified owners.

F. PARTIAL WITHDRAWALS

- (1) The policy may limit to qualified owners the ability to make partial withdrawals. The policy may state that the company has the right, at their discretion, to arrange for partial withdrawals (or a full surrender) if the company determines that the owner has ceased to be a qualified owner.
- (2) The policy may defer partial withdrawals until the next liquidity date.

G. PAYMENT OF PREMIUM

- (1) The policy may limit to qualified owners the ability to pay additional premiums.
- (2) The policy may require that the net premium be applied to a non-exempt fund or the general account until the next liquidity date of an exempt fund. The net premium allocated to the exempt fund will then be the value in effect as of the applicable liquidity date.

H. POLICY ADJUSTMENTS

- (1) The policy may require that only qualified owners be permitted to make policy adjustments (increase or decrease the specified amount, or change in death benefit options).

I. POLICY EXCHANGE

- (1) The policy shall state that if at any time the owner ceases to be a qualified owner, the owner shall be permitted or required to exchange the policy for a plan of life insurance currently being offered by the company that does not require qualified owner status, subject to the following conditions described in the policy:
 - (a) The new policy will have a specified amount equal to the specified amount of the private placement policy;
 - (b) Evidence of insurability shall not be required unless the net amount at risk is increased; and
 - (c) Any other conditions.
- (2) With respect to the new policy, the following applies:
 - (a) A policy exchange shall not trigger a new contestable period, unless the net amount at risk is increased. If the net amount at risk is increased, contestability may apply to the increased amount for up to two years beginning with the date of issue of the new policy. The new policy may include an exception to the incontestability provision for fraud in the procurement of the new policy when permitted by applicable law in the state where the policy is delivered or issued for delivery.
 - (b) A policy exchange shall not trigger a new suicide exclusion period, unless the net amount at risk is increased. If the net amount at risk is increased, the suicide exclusion period applicable to the increased amount shall not exceed two years from the date of issue of the new policy.

- (c) If a policy contains a reinstatement provision or other policy provision that references the subject matter of Paragraph (2)(a) and/or (2)(b), the policy references shall be consistent with (2)(a) and/or (2)(b).

J. REINSTATEMENT

- (1) The policy may require that only qualified owners be permitted to reinstate the policy.
- (2) If the owner ceases to be a qualified owner, the policy may allow reinstatement of the policy's insurance coverage under a plan of life insurance currently being offered by the company that does not require qualified owner status, subject to the same reinstatement conditions as in the Individual Flexible Premium Variable Adjustable Life Insurance Policy Standards.

K. REPORTS TO OWNER

- (1) The policy shall state that the annual report will include at least the following:
 - (a) An indication, if applicable, that the cash value and death benefit shown in the report are not available until the liquidity date as described in the policy.

L. SURRENDERS

- (1) If the company determines that the owner has ceased to be a qualified owner, and the owner does not elect to exchange the policy for a plan of life insurance that does not require qualified owner status, the policy may require that the policy be surrendered. If the owner declines the opportunity to exchange and is required to surrender the policy, the policy shall state that surrender charges may apply.
- (2) The policy may defer surrenders, but not any later than the next liquidity date.

M. TRANSFERS

- (1) The policy may require that only qualified owners are permitted to transfer funds into an exempt account.
- (2) The policy may require that any transfers to an exempt fund be applied to a non-exempt fund or the general account until the next liquidity date of the exempt fund. The transfer allocated to the exempt fund will then be the value in effect as of the applicable liquidity date.