DATE: September 28, 2010

FROM: Karen Z. Schutter
IIPRC Executive Director

RE: Bonus Feature for Deferred Annuities

Statutory References: Article X of the Interstate Insurance Product Regulation Compact as adopted by Member States.

Operating Procedure References: Section 103 of the Operating Procedure for the Filing and Approval of Product Filings.

Uniform Standards Reference: Core Standards for Individual Deferred Variable Annuity Contract Standards (IIPRC-A-03-I), Sections 1A(9) and 1C(5); Additional Standards for Bonus Benefits (for Individual Deferred Variable Annuities) (IIPRC-A-03-I-BONUS), Sections 1C and 2A(2); Core Standards for Individual Deferred Non-Variable Annuity Contract Standards (IIPRC-A-02-I), Sections 1A(8) and 1C(5) and Additional Standards for Bonus Benefits (for Individual Deferred Non-Variable Annuities) (IIPRC-AB-02-I-BONUS), Sections 2 and 3A(2).

BACKGROUND

The Core Standards for Individual Deferred Variable Annuity Contracts and the Individual Deferred Non-Variable Contract Standards do not contain bonus provisions respectively. Subsequently adopted, the Additional Standards for Bonus Benefits (for Individual Deferred Variable Annuities) apply to deferred variable annuity product filings with bonus benefit features and the Additional Standards for Bonus Benefits (for Individual Deferred Non-Variable Annuities) apply to deferred non-variable annuity product filings with bonus benefit features. The Additional Standard for Bonus Benefits for both Individual Deferred Variable Annuities and Individual Deferred Non-Variable Annuities do not allow a zero entry in the range for bonus benefits.

The purpose of this Filing Information Notice is to provide clarification on submission of product filings where the contract has a range of bonus rates varying based on premium or account value levels.
FILING PROCEDURES

To facilitate the submission and review of a product filing where the product may be offered with a bonus (greater than zero) or without a bonus (zero), the following filing procedure should be adhered to:

- The range for the bonus should not include zero (0) and must be greater than zero (0). In other words, the minimum bonus provided by a range must provide non-illusory benefits to the contract holder.

- Products with a "zero" ("0") bonus are non-bonus products and the Additional Standards for Bonus Benefits (for Individual Deferred Non-Variable or Variable Annuities) do not apply.

- Since different Uniform Standards and cover page requirements apply, the IIPRC Office will not accept separate specifications pages to handle both a bonus and non-bonus product. Separate forms are required when the product is being offered with bonus and non-bonus features.

- If the bonus is conditional, a zero (0) is not acceptable under the conditions outlined.

- Variations in types of bonuses, or guaranteed elements for bonus features, can be shown through different specification pages, with a generic cover page indicating a Bonus is present. Alternatively, separate forms can be used.