IIPRC-A02-I-LONG
INDIVIDUAL DEFERRED PAID-UP
NON-VARIABLE ANNUITY CONTRACT STANDARDS
(Commonly Marketed as Deferred Income Annuities or Longevity Annuities)

1. Date Adopted: August 5, 2017

   Purpose and Scope: The *Individual Deferred Paid-Up Non-Variable Annuity Contract Standards* (the "Standards") specify additional submission requirements for individual deferred paid-up non-variable annuities with no cash surrender values prior to the commencement of annuity payments that provides for a single premium or flexible premiums over the deferral period of the contract or for a shorter limited payment period and that provides for specified income payments beginning on a specified income commencement date for each premium paid. Income payable on the commencement date is payable for the annuitant's lifetime (with or without a guarantee period), or for a stipulated period certain. A commuted value of some payments may be provided after the annuity payments have commenced. The standards require all funds to be held in the general account.

2. Rules Repealed, Amended or Suspended by the Rule: In accordance with the Five-Year Commission Review of Rules required by § 119 of the Rule for the Adoption, Amendment and Repeal of Rules for the Interstate Insurance Product Regulation Commission, this rule amends the *Individual Deferred Paid-Up Non-Variable Annuity Contract Standards* originally adopted by the Interstate Insurance Product Regulation Commission on October 17, 2010. The amendments apply only to new filings received after the effective date of the amendments. It is not necessary to resubmit previously approved forms to comply with these amendments, or to suspend use of previously approved forms that do not comply with these amendments. See the **Transmittal Memo** under the Standards History on the Record for a more detailed description of the amendments.

3. Statutory Authority: Among the IIPRC's primary purposes and powers is to establish reasonable uniform standards for the insurance products covered in the Interstate Insurance Product Regulation Compact ('Compact"), specifically pursuant to Article I §2, Article IV §2 and Article VII §1 of the Compact, as enacted into law by each IIPRC member state.

4. Required Findings: None.

5. Effective Date: November 20, 2017

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INDIVIDUAL DEFERRED PAID-UP NON-VARIABLE ANNUITY CONTRACT STANDARDS
(COMMONLY MARKETED AS DEFERRED INCOME ANNUITIES OR LONGEVITY ANNUITIES)

Scope: These standards apply to an individual deferred paid-up non-variable annuity contract with no cash surrender values prior to the commencement of annuity payments that provides for a single premium or flexible premiums over the deferral period of the contract or for a shorter limited payment period, and that provides for specified income payments beginning on a specified income commencement date for each premium paid. Income payable on the commencement date is payable for the annuitant's lifetime (with or without a guarantee period), or for a stipulated period certain. A commuted value of some payments may be provided after the annuity payments have commenced. The standards require all funds to be held in the general account.

Mix and Match: These standards are available to be used in combination with State Product Components as described in § 111(b) of the Operating Procedure for the Filing and Approval of Product Filings.

Self-Certification: These standards are not available to be filed on a self-certification basis in accordance with the Rule for the Self-Certification of Products Filed with the Interstate Insurance Product Regulation Commission**.**

As used in these standards, the following definition applies:

"Period certain annuity" means an annuity where the annuitant is guaranteed a specific payment amount for a set period of time. If the annuitant dies before the end of the period, the annuitant's beneficiary or estate receives the remaining payments for the guaranteed period. For policies that offer a return of premium death benefit (e.g., cash refund or installment refund options), the income benefit payments made prior to the death benefit shall be considered period certain income.

Drafting Notes:

(1) Although references to "age" or "annuitant" are being made in these standards, such references do not preclude the contract from having more than one annuitant.

(2) The references to "contract" do not preclude Fraternal Benefit Societies from substituting "certificate" in their forms.

§ 1. ADDITIONAL SUBMISSION REQUIREMENTS

A. GENERAL

The following additional filing submission requirements shall apply:

(1) Include all forms filed for approval with the filing. Changes to a previously approved form shall be highlighted. The specifications page of a contract shall be completed with hypothetical data that is realistic and consistent with the other contents of the contract and the required actuarial memorandum.

(2) If a filing is being submitted on behalf of a company, include a letter or other document authorizing the firm to file on behalf of the company.

(3) If the filing contains an insert page, include an explanation of when the insert page will be used.

(4) If the specifications page of the contract contains variable items, include the Statement of Variability. The submission shall also include a certification that any change or modification to a variable item shall be administered in accordance with the requirements in the Variability of Information section, including any requirements for prior approval of a change or modification.

(5) Include a certification signed by a company officer that the contract has a minimum Flesch Score of 50.

(6) If the contract is for use with more than one plan, include a separate set of uniquely numbered specifications pages for each plan being submitted for approval, along with a separate actuarial memorandum for each plan. The company may not use the same contract form to provide alternate plans by making any features and benefits described in the contract as inapplicable by a zero entry or by indicating that the benefit is not applicable on the specifications page or in the contract.

(7) Include a description of any innovative or unique features of each contract form.

(8) Certification by a company officer that written request will be made to and written approval received from the chief insurance regulator of the state of domicile of the company prior to the company exercising any contractual right to defer the payment of any amounts payable on commutation for a period of not more than six months.

B. ACTUARIAL MEMORANDUM REQUIREMENTS

(1) An actuarial memorandum shall be prepared, dated and signed by the member of the American Academy of Actuaries who provides the following information:

(a) A description of the contract and contract provisions that affect the determination of contract benefits, and, if applicable, the commutation of annuity benefits. Since the premium and income benefit are fully defined in the contract, the mortality table and interest rate used in the deferral period and for determining the contractually specified income payable do not need to be disclosed in the contract or the Actuarial Memorandum;

(b) The range of issue ages;

(c) Information on the interest and mortality basis used in determining the income payable on any available alternative income commencement date or under any alternative income option; including the basis for any tabular values shown in the contract.

(d) A description of the basis for any specific charge for the right to elect an alternative income commencement date or income option.

(e) A description of the asset allocation approach for the product, any hedging policy used in support of the product, and the liquidity risks associated with any hedging activities with respect to the product;

(f) Sample calculations of any death benefits for representative issue ages including issue age 60 if within the issue age range;

(g) In lieu of a nonforfeiture demonstration, certification that the income benefit provided under this contract is greater than that guaranteed at issue for the same premium under any non-variable deferred annuity contract offered by the company that provides cash surrender values during the deferral period or on the income commencement date. A sample format for such certification is shown in Appendix A; and

(h) If the contract permits supplemental premium payments, a description of what guarantees, if any, are offered on the paid-up annuity rates for future premium payments.

(i) Sample calculations illustrating the methodology and formulas used in the commutation of any life contingent and non-life contingent annuity benefits. The actuary may use any reasonable assumptions, consistent with applicable Actuarial Standards of Practice in determining the commuted values;

(j) A description of the methodology applicable to the determination of the interest rate and/or net investment return, as appropriate, used in the calculation of the commuted value of any life contingent and non-life contingent annuity benefits; and

(k) A description of the mortality assumption used in determining the commuted value of any life contingent annuity benefits. Any reasonable mortality assumption, consistent with applicable Actuarial Standards of Practice, may be used.

Drafting Note: The commuted value must be calculated as an actuarial present value. A reasonable mortality assumption would be based on credible data, with margins appropriate for the intended purpose.

C. VARIABILITY OF INFORMATION

(1) The company may identify items that will be considered variable only in the specification page. The items shall be bracketed or otherwise marked to denote variability. The submission shall include a Statement of Variability that will discuss the conditions under which each variable item may change.

(2) Any change or modification shall be limited to only new issues of the contract and shall not apply to in force contracts.

(3) The following items shall only be changed upon prior approval:

(a) Guaranteed maximum expense charges;

(b) Death benefit available under the contract; and

(c) Minimum premium amounts for any contract with a flat contract fee.

(4) The company may also identify product specifications that may be changed without prior notice or approval, as long as the Statement of Variability presents reasonable and realistic ranges for the item. These items include paid-up annuity rate guarantee periods, tiering levels, expense charges, minimum premium amount for any contract that does not provide for a flat contract fee, maximum premium amount, charges for supplemental benefits and options, and any ages assumed in the calculations of benefits and options. A zero entry in a range of values on the specifications page for tiering levels, expense charges, or other fees applicable under the contract is acceptable. A zero entry in a range of values on the specifications page for any benefit or credit provided for in the language of the contract is unacceptable. Any change to a range requires a refiling for prior approval.

(5) Notwithstanding Paragraph (1) above, items such as the insurance department address and telephone number, company address and telephone number, officer titles, and signatures of officers located in other areas of the contract may be denoted as variable and changed without notice or prior approval.

D. READABILITY REQUIREMENTS

(1) The contract text shall achieve a minimum score of 50 on the Flesch reading ease test or an equivalent score on any other approved comparable reading test. See Appendix B for Flesch methodology.

(2) The contract shall be presented, except for specifications pages, schedules and tables, in not less than ten point type, one point leaded.

(3) The style, arrangement and overall appearance of the contract shall give no undue prominence to any portion of the text of the contract or to any endorsements or riders.

(4) The contract shall contain a table of contents or an index of the principal sections of the contract, if the contract has more than 3,000 words printed on three or fewer pages of text or if the contract has more than three pages regardless of the number of words.

§ 2. GENERAL FORM REQUIREMENTS

A. COVER PAGE

(1) The full corporate name, including city and state, of the company shall appear in prominent print on the cover page of the contract. Examples of prominent print include print that is in all capital letters, contrasting color, underlined or otherwise differentiated from the other type in the form.

(2) A marketing name or logo may be also used on the contract provided that the marketing name or logo does not mislead as to the identity of the company.

(3) The company's complete mailing address for the home office or the office that will administer the contract shall appear on the cover page of the contract. The cover page of the contract shall include a telephone number of the company and, if available, some method of Internet communication. The telephone number of the insurance department where the contract is delivered or issued for delivery is also required on either the cover page or the first specifications page.

(4) Two signatures of company officers shall appear on the cover page of the contract.

(5) The contract shall contain a right to examine provision that shall appear on the cover page of the contract or be visible without opening the contract.

(6) A form identification number shall appear at the bottom of the form in the lower left hand corner of the form. The form number shall be adequate to distinguish the form from all others used by the company. The form number shall include a prefix of ICCxx (where xx represents the year the form was submitted for filing).

(7) The contract shall contain a brief description that shall appear in prominent print on the cover page of the contract or is visible without opening the contract. The brief description shall contain at least the following information:

(a) A caption of the type of annuity coverage provided; for example, flexible premium deferred paid-up annuity contract, or single premium deferred paid-up annuity contract.

(b) An indication as to whether the contract is participating or nonparticipating.

(8) If the contract does not provide a death benefit prior to the income commencement date, the cover page shall contain the following statement in prominent print: "The contract does not provide access to funds prior to the income commencement date. No death benefit is available to a beneficiary if the annuitant dies prior to the income commencement date."

Drafting Note: Other defined terms may be used in the contract provided they are consistent.

(9) If the contract provides a death benefit prior to the income commencement date, the cover page shall contain the following statement in prominent print: "The contract does not provide access to funds prior to the income commencement date other than payment of the death benefit."

Drafting Note: Other defined terms may be used in the contract provided they are consistent.

B. SPECIFICATIONS PAGE

(1) The specifications page shall include the amount of the single or initial premium to be paid; the date, schedule and mode of premiums (if applicable); and any limitations on premium amounts and/or time frames applicable to the payment of premiums.

(2) The specifications page shall disclose all charges used in determination of the death benefit.

(3) The specifications page shall include the income commencement date. If there is an option to change the income commencement date, the form shall include the minimum/maximum income commencement dates, minimum/maximum age, or minimum/maximum deferral period.

(4) The specifications page shall include the specified monthly income payment for the initial premium for the default income type at the income commencement date.

(5) If the contract is a participating contract, the specifications page shall indicate that the dividends are not guaranteed. In addition, if the company does not intend to credit dividends, then the specifications page shall state that dividends are not expected or anticipated to be paid.

(6) If the contract provides a death benefit prior to the income commencement date, the specifications page shall include a description of the death benefit and the methodology for its determination.

(7) If the period of time any commuted value is available under the contract is limited by age or duration, or triggered by some event, that limitation shall be indicated.

C. FAIRNESS

(1) The contract shall not contain inconsistent, ambiguous, unfair, inequitable or misleading clauses, provisions that are against public policy as determined by the Interstate Insurance Product Regulation Commission, or contain exceptions and conditions that unreasonably affect the risk purported to be assumed in the general coverage of the contract.

§ 3. CONTRACT PROVISIONS

A. AMENDMENTS

(1) The contract shall not provide for unilateral amendments that reduce or eliminate benefits or coverage, or impair or invalidate any right granted to the owner under the contract, except for amendments to conform to changes in any applicable provisions or requirements of the Internal Revenue Code.

Drafting Note: These standards are modified, as required or permitted by law, to enable fraternals to implement their respective articles and bylaws. See Appendix C.

B. ANNUITY PURCHASE RATES FOR ANY PREMIUMS PAID AFTER ISSUE

(1) If the contract allows additional premium payments after issue to be used to purchase additional income benefits, the contract shall provide for the following:

(a) Each additional premium payment will generate a paid up annuity with guaranteed income payments beginning on a specified income commencement date and based on a specified income option. If no income commencement date and/or income option is specified at the time of premium payment, the contract shall provide for default options for the income commencement date and/or income option;

(b) The annuity purchase rates used for such additional income benefits will be based on the attained age of the annuitant, the specified income commencement date and specified income option, and the company's then current annuity purchase rates, subject to any guarantees provided in the contract;

(c) The term “current annuity purchase rates,” as used in item (b) above, requires that the income payments purchased by additional premiums are:

(i) Not less than that in a new contract subject to these standards for the same class of annuitants (annuitants of annuity contracts that are not expected to pay dividends shall be considered a separate class from annuitants of annuity contracts that are expected to pay dividends), attained age and specified income commencement date if the company offers a deferred paid-up non-variable annuity contract subject to this standard at the time the additional premium is paid; or

(ii) If the company does not offer a deferred paid-up non-variable annuity contract subject to this standard at the time the additional premium is paid, based on reasonable actuarial assumptions;

(d) Within 30 days of receipt of an additional premium payment, the company shall provide the following to the owner:

(i) Written confirmation stating the amount of the premium paid:

(ii) The amount of the additional income benefit purchased, the income option, and the income commencement date;

(iii) If the company no longer offers a new contract subject to these standards at the time the additional premium is paid, the company shall provide the owner with information on the income benefit, if higher than the amount in (ii) above, guaranteed under a non-variable deferred annuity contract that provides cash surrender values during the deferral period or on the income commencement date, including those with guaranteed income benefits, offered by the company to the same class of annuitants at the time the additional premium is received.

(iv) The written confirmation and, if applicable, comparison of guaranteed income payments in (iii) above, shall provide the option to cancel the additional income by returning the confirmation document to the company, within 10 days of receipt of the confirmation, for the refund of any premium payment made.

C. ARBITRATION

(1) Only arbitration provisions that permit voluntary post-dispute binding arbitration shall be allowed in contract forms. With respect to such a provision, the following guidelines apply:

(a) Arbitration shall be conducted in accordance with the rules of the American Arbitration Association ("AAA"), before a panel of (3) neutral arbitrators who are knowledgeable in the field of life insurance and appointed from a panel list provided by the AAA.

(b) Arbitration shall be held in the city or county where the contract owner or beneficiary lives.

(c) The cost of arbitration shall be paid by the company, to include any deposits or administrative fee required to commence a dispute in arbitration, as well as any other fee including the arbitrator's fee.

(d) Where there is any inconsistency between these guidelines and AAA rules, these guidelines control.

Drafting Note: These standards are modified, as required or permitted by law, to enable fraternals to implement their respective articles and bylaws. See Appendix C.

D. ASSIGNMENT

(1) The contract shall contain an assignment provision. The contract shall not include any restrictions on the availability of contract assignments, except in situations where restrictions are required for purposes of satisfying applicable laws or regulations.

(2) The contract shall describe procedures for assignments and shall state that assignments, unless otherwise specified by the owner, shall take effect on the date the notice of assignment is signed, subject to any payments made or actions taken by the company prior to receipt of this notice.

(3) The contract may state that the company shall not be liable for the validity of the assignment.

Drafting Note: Restrictions on assignment in contracts such as right of first refusal or first offer provisions are prohibited by Paragraph (1).

E. BENEFICIARY

(1) If the contract provides a death benefit, the contract shall contain a beneficiary provision, as follows:

(a) The provision shall describe the procedures for designating or changing the beneficiaries, or for selecting default beneficiaries as may be necessary, and indicating when such designation is effective. The contract shall not include any restriction on change of beneficiary other than for purposes of satisfying applicable laws or regulations.

(b) The contract shall state that changes in beneficiary, unless otherwise specified by the owner, shall take effect on the date the notice of change is signed by the owner, subject to any payments made or actions taken by the company prior to receipt of this notice.

(c) If irrevocable beneficiaries are referenced in the contract, the contract shall explain that such a beneficiary cannot be changed without the consent of the irrevocable beneficiary.

F. COMMUTATION OF ANNUITY PAYMENTS

(1) The contract may contain a provision providing:

(a) Participating contracts may not provide for the commutation of future dividend payments;

(b) Such commutation shall not be available for life only income benefit options;

(c) For life income options with a period certain the available commutation benefit shall be limited to the lesser of the following: (1) one hundred percent (100%) of the commuted value of the period certain income benefits, or (2) sixty percent (60%) of the commuted value of the combined life contingent and period certain income benefits;

(d) For period certain only income options the available commutation benefit shall be limited to sixty percent (60%) of the commuted value of the period certain income.

Drafting Note: As an example of (c) above, if the income benefit stream is a life and ten (10) year period certain of one hundred dollars ($100)/month and commutation is elected after one (1) year of payments, then using the applicable interest and mortality determined under §3.F.4(a), the commutation benefit is limited to the lesser of:

(1) The present value of nine (9) years of one hundred dollars ($100)/month payments; or

(2) Sixty percent (60%) of the present value of the remaining certain and life one hundred dollars ($100)/month payments.

The lesser of (1) or (2) would be paid in a lump sum and the remaining payments adjusted accordingly. So if (1) is lower than (2), then residual payments may be 1) zero dollars ($0) for the remaining nine (9) years of the period certain and then one hundred dollars ($100)/month for life; or 2) an actuarially equivalent reduced monthly payment for both the certain and life periods. If (2) is lower than (1) then the remaining payments would be forty dollars ($40)/month for the remaining nine (9) years of the period certain and for life.

(2) The contract shall state that the commuted value shall be payable in a lump sum only.

(3) The contract shall state that the payment of any non-commuted future life contingent or non-life contingent annuity benefits to which the owner may be entitled under the contract after the commutation shall not be affected by the payment of the commuted value of any life contingent or non-life contingent annuity benefits.

Drafting Note: It is the intent of this section to require that any benefit or portion thereof that is not commuted shall not be impacted by the commutation.

(4) (a) The contract shall state that the owner may, at any time while a commutation benefit is available, request information on the commuted value of any life contingent or non-life contingent annuity benefit, including information on the current replacement ratio for the annuity payments. Unless the interest rate or rates and the mortality table, if any, used in determining the commuted value are included in the contract at issue, the replacement ratio shall be defined in the contract as (i)/(ii) where (i) and (ii) are defined as follows:

(i) The actual commuted value to be paid; and

(ii) The commuted value calculated on the basis of the current pricing assumptions used in the determination of prices for the same type of income being commuted and for new contracts of the same class of contracts. If new contracts of this class of contracts are not currently being issued, then the amount determined under this item (a)(ii) shall be calculated on the basis of the current assumptions for new annuitizations of the same type of income being commuted.

(b) If the interest rate or rates and the mortality table, if any, used in determining the commuted value are included in the contract at issue, the following statement, or a statement to the same effect, shall be included in the contract as part of the description of the interest rate or rates used in determining the commuted value: "The commuted value of any remaining annuity payments is always less than the sum of those benefit payments and the higher the interest rate the lower the commuted value."

(c) Upon receipt of a request for information on the commuted value of any life contingent or nonlife contingent annuity benefit, the company shall provide the owner notification of the following:

(i) The amount payable and the "as of" date of calculation;

(ii) In the case of partial commutation, the amount of the remaining payments; and

(iii) Unless the interest rate or rates and the mortality table, if any, used in determining the commuted value are included in the contract at issue, the current replacement ratio is the replacement ratio as of the date of the calculation.

(d) The contract shall state that upon receipt of a request from the owner for the payment of the commuted value:

(i) If the company has already provided the applicable commutation information described above in Item (c), the company shall pay the commuted value within fifteen (15) days of receipt of the request.

(ii) If the company has not provided the applicable commutation information described above in Item (c), the company shall do so within fifteen (15) days of receipt of the request. Upon receipt of the information, the owner may accept or reject the company's commuted value offer and notify the company accordingly. If the owner accepts, the company shall pay the commuted value within fifteen (15) days of receipt of such notification.

(e) The contract shall state that the actual commuted amount payable will be determined as of the designated date of payment.

(5) The contract may limit the period of time during which the right to any commuted value is available. If the period of time any commuted value is available is limited by age or duration, or triggered by some event, that limitation shall be indicated on the contract specifications page.

(6) Commutation may be limited to a certain portion of the life contingent or non-life contingent annuity benefits. Any such limitation shall be indicated in the contract.

(7) The interest rate used to calculate commuted values can be adjusted for changes in interest rates, if any, between the issue date and the commutation date.

Drafting Note: The intent of this section is to reduce interest risk in the event of rising interest rate after issue.

G. CONFORMITY WITH INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION STANDARDS

(1) The contract shall state that it was approved under the authority of the Interstate Insurance Product Regulation Commission and issued under the Commission standards. The contract shall also state that any provision of the contract that on the provision's effective date is in conflict with the applicable Interstate Insurance Product Regulation Commission standards for this product type in effect as of the provision's effective date

of Commission contract approval is hereby amended to conform to the applicable Interstate Insurance Product Regulation Commission standards in effect as of the provision's effective date of Commission contract approval.

H. CONTRACT VALUES AND GUARANTEES

(1) All income benefits, based on the specified income commencement date and specified income option associated with each premium paid, shall be guaranteed. If the income commencement date or the income option can be changed under the terms of the contract, the contract shall indicate any specific charge for the ability to make such a change and the contract shall also either:

(a) Indicate the mortality and interest assumption used in determining the actuarial equivalent value of the alternative income benefit to that purchased at issue; or

(b) Contain a table showing the alternative income benefit available (i) at various alternative income commencement dates/ages and, (ii) under various alternative income options at selected income commencement dates/ages. The alternative income commencement dates/ages and alternative income options shown in any table must be adequate to provide the owner information on the range of income amounts available under the alternative option chosen.

(2) No commutation of income benefit stream is permitted, except for:

(a) Lump sum payment of the death benefit before the income commencement date; or

(b) Lump sum payment of the balance of payments owed after an annuitant's death for an income option that contains a period certain, installment refund or a cash refund feature.

(c) A lump sum value of a specified portion of the life contingent or non-life contingent annuity payments after the annuity payment have commenced; provided, however, that this value shall not include any future dividend payments.

(3) The contract shall provide that the income payable on the income commencement date is payable for:

(a) The annuitant's lifetime (with or without a guarantee period), or

(b) A stipulated period certain for a minimum of five (5) years with a maximum deferral period of twenty (20) years.

I. DEATH BENEFIT

(1) If a death benefit is provided prior to the income commencement date, the contract shall describe the method of calculation, which shall be limited to one of the following methodologies;

(a) A percentage of premiums paid;

(b) A percentage of premiums paid plus interest;

(c) A flat dollar amount; or

(d) Any combination of (a), (b), and (c).

(2) If a death benefit is provided prior to the income commencement date, it must be provided with respect to both the initial premium and any additional supplemental premiums.

(3) Whenever a death benefit is available under the contract (prior to the income commencement date, or due to the selection of an income option that contains a period certain, installment refund, or cash refund feature), the contract shall include a provision that settlement of the death benefit proceeds shall be made to the beneficiary upon receipt of due proof of death.

J. DEFERRAL OF PAYMENTS

(1) The company may not reserve the right to defer payment of income payments or of any death benefit.

(2) The contract shall describe any conditions and/or limitations on the deferral of any amounts payable upon commutation.

(3) The company may reserve the right to defer payment of any amounts payable on commutation for a period of six (6) months.

K. ENTIRE CONTRACT

(1) The contract shall contain a provision regarding what constitutes the entire contract between the company and the owner. No document may be included by reference.

(2) If the application is to be a part of the contract, the entire contract provision shall state that the application is a part of the contract. All statements made by the applicant for the issuance of the contract shall, in the absence of fraud, be deemed representations and not warranties.

Drafting Note: These standards are modified, as required or permitted by law, to enable fraternals to implement their respective articles and bylaws. See Appendix C.

L. EVIDENCE OF SURVIVAL

(1) The form may provide the company with the right to require proof that the annuitant is living on the income commencement date or on any income payment date.

M. INCOME COMMENCEMENT DATE AND INCOME OPTION

(1) The contract may provide that income commencement date and/or the income option cannot be changed by the owner.

(2) If the contract provides the owner the right to change the income commencement date and/or the income option after issue for each premium paid, the following shall apply:

(a) The contract shall disclose alternative income options, any limitations on when a change can be made (e.g. change in income commencement date must be made at least two years before the new income commencement date) and how often such a change can be made;

(b) If there are minimum and maximum income commencement dates, such dates shall be disclosed on the specifications page;

(c) The contract must state any explicit charge for the change;

(d) If a contract that includes such a right is intended to be tax qualified, the provision shall contain sufficient latitude to allow the contract to continue to be tax qualified; and

(e) The contract shall contain the information specified in Paragraph (1) of § H. CONTRACT VALUES AND GUARANTEES to allow the owner to estimate the value of the alternative income benefit available.

N. **INCONTESTABILITY**

(1) The contract shall contain an incontestability provision and include the conditions of the provision.

(2) Coverage may be contested on a statement contained in an application made a part of the contract except on the basis of age and sex. If the company expects to rely on an application to contest the contract, the company shall attach the application as a part of the contract. The statement on which the contest is based shall be material to the risk accepted or the hazard assumed by the company.

(3) The contestable period shall be no greater than two years from the date of issue of the contract during the lifetime of the person, or each of the persons, as to whom the application statements are required.

(4) The contract may allow a separate contestable period no greater than two years after the date of any change requiring underwriting. The contest shall be limited to the change and the statements provided for the change.

(5) The contract may only include the following exceptions to the incontestability provision:

(a) At the option of the company, provisions related to benefits in the event of total and permanent disability; and

(b) Fraud in the procurement of the contract, when permitted by applicable law in the state where the contract is delivered or issued for delivery.

O. LEGAL ACTION

(1) A contract may include a legal action provision. If included, the provision shall state that a legal cause of action related to the contract shall comply with the laws of the state where the contract was delivered or issued for delivery.

P. LOANS

(1) The contract shall not include a loan provision; however, a company may state that the contract does not have loan values.

Q. MINIMUM PREMIUM/MAXIMUM PREMIUM

(1) The contract shall state the dollar amount of any minimum or maximum contract premium requirements.

R. MISSTATEMENT OF AGE OR SEX

(1) The contract shall contain a misstatement of age provision or, if the contract is written on a sex distinct basis a misstatement of age or sex provision, providing that the amount payable shall be such as the premium payments to the company would have purchased at the correct age or the correct age and sex.

(2) Any overpayments/underpayments by the company on account of misstatement of age or sex shall, with interest at a rate specified in the contract but not exceeding 6%, be charged/credited against the current or next succeeding payments to be made by the company.

(3) If there is more than one annuitant, the misstatement provision may provide that the amount payable may be adjusted due to the misstatement in the age or the age or sex, as appropriate, of any annuitant.

S. OWNERSHIP

(1) The contract 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 contract shall not include any restriction on change of owner other than for purposes of satisfying applicable laws or regulations.

(2) The contract shall state that changes in owner designation, unless otherwise specified by the owner, shall take effect on the date the notice of change is signed by the owner, subject to any payments made or actions taken by the company prior to receipt of this notice.

(3) The contract shall state what happens on the death of the owner.

Drafting Note: Restrictions on change of owner in contracts such as right of first refusal or first offer provisions are prohibited by Paragraph (1).

T. PARTICIPATING CONTRACT

A contract may be non-participating; however, if the contract is participating in the divisible surplus of the company, then the following shall apply:

(1) The conditions of the participation shall be stated in the contract.

(2) The contract shall provide that the company shall annually ascertain and apportion any divisible surplus.

(3) The contract shall provide that the owner may receive any dividend paid in cash, unless the contract is intended to qualify under the Internal Revenue Code.

(4) The contract shall describe the available dividend options. If the contract provides for more than one dividend option, the contract shall identify the automatic option. Dividends used to purchase additional guaranteed income payments shall be determined using either:

(a) “Current annuity purchase rates,” as defined in § B(1)(c) of this standard, or

(b) The same interest and mortality rates used to determine guaranteed income payments at the time of the premium payment to which the dividend is related was paid, and the attained age(s) of the annuitant(s) at the time the dividend is paid.

U. REPORT

(1) The contract shall provide for the delivery, at least annually and without charge, of a report to the owner that serves to keep the owner advised as to the status of the contract and that provides any other information required under state or federal law, including the requirements of Paragraphs (2), (3) and (4) below.

(2) The status report of the contract shall provide current information as of a date not more than four months prior to the date of mailing.

(3) The contract shall provide for additional status reports to be made available to the owner upon request. The contract shall disclose the maximum charge for the report.

(4) The contract shall state that the report shall contain at least the following information:

(a) The beginning and end dates of the current report period;

(b) The premiums received to-date, by date received;

(c) The income amount purchased by each premium, indicating the income commencement date and income option; and

(d) The death benefit, if any, as of the end of the current report period.

V. RIGHT TO EXAMINE CONTRACT

(1) The Right to Examine Contract provision appearing on the cover page or that is visible without opening the contract shall include the following:

(a) (i) If the contract is not a replacement contract, a period of ten days beginning on the date the contract is received by the owner, and at the discretion of the company a longer period may be filed; or

(ii) If the contract is a replacement contract, a minimum of thirty days beginning on the date the contract is received by the owner, or any longer period as may be required by applicable law in the state where the contract is delivered or issued for delivery;

(b) A requirement for the return of the contract to the company or the agent of the company;

(c) For the refund of any premiums if the contract is returned;

§ 4. ADDITIONAL STANDARDS FOR FRATERNAL BENEFIT SOCIETIES

The contract may include the following provisions:

A. MEMBERSHIP

(1) The certificate may include a provision stating that the annuitant and/or owner is a member and that the form that has been issued to evidence coverage is a certificate of membership and insurance.

B. MAINTENANCE OF SOLVENCY

(1) The certificate may include a provision setting forth the legal rights and obligations in the case of a fraternal's financial impairment.

Appendix A

ACTUARIAL CERTIFICATION

For use with the Individual Deferred Paid-up Non-variable Annuity contract forms at time of filing.

I, __________________________, of _______________________ am a Member of the American Academy of Actuaries. I have reviewed the pricing and product specifications in respect to (identify contract form) and certify that the income benefit provided by the initial premium under this contract is greater than that guaranteed at issue for the same premium under any deferred annuity contract offered by the Company to the same class of annuitants that provides cash surrender values during the deferral period or on the income commencement date.

Drafting Note: This is intended to include any guaranteed income benefits at issue for any individual deferred non-variable annuity contract, including guaranteed living benefits.

____
Name of Actuary

____
Signature of Actuary

____
Date of Certification

Appendix B
Flesch Methodology

The following measuring method shall be used in determining the Flesch score:

(1) For contract forms containing 10,000 words or less of text, the entire form shall be analyzed. For contract forms containing more than 10,000 words, the readability of two, 200-word samples per page may be analyzed instead of the entire form. The sample shall be separated by at least 20 printed lines.

(2) The number of words and sentences in the text shall be counted and the total number of words divided by the total number of sentences. The figure obtained shall be multiplied by a factor of 1.015.

(3) The total number of syllables shall be counted and divided by the total number of words. The figure obtained shall be multiplied by a factor of 84.6.

(4) The sum of the figures computed under (2) and (3) subtracted from 206.835 equals the Flesch reading ease score for the contract form.

(5) For purposes of (2), (3), and (4), the following procedures shall be used:

  (a) A contraction, hyphenated word, or numbers and letters, when separated by spaces, shall be counted as one word;

  (b) A unit of words ending with a period, semicolon, or colon, but excluding headings and captions, shall be counted as a sentence; and

  (c) A syllable means a unit of spoken language consisting of one or more letters of a word as divided by an accepted dictionary. Where the dictionary shows two or more equally acceptable pronunciations of a word, the pronunciation containing fewer syllables may be used.

(6) The term “text” as used in this section shall include all printed matter except the following:

  (a) The name and address of the company; the name, number or title of the contract; the table of contents or index; captions and sub-captions; specifications pages, schedules or tables; and;

  (b) Any contract language that is drafted to conform to the requirements of any federal law or regulation; any contract language required by any collectively bargained agreement; any medical terminology; any words that are defined in the contract; and any contract language required by law or regulation; provided, however, the company identifies the language or terminology excepted by the paragraph and certifies, in writing, that the language or terminology is entitled to be excepted by this paragraph.

(7) At the option of the company, riders, endorsements, applications and other forms made a part of the contract may be scored as separate forms or as part of the contract with which they may be used.

Appendix C
Fraternal Benefit Societies

Fraternal Benefit Societies ("fraternals") are subject to separate fraternal codes in all jurisdictions due to their unique structure, operations and legal obligations. The Drafting Notes included under the Scope, AMENDMENTS, ARBITRATION and ENTIRE CONTRACT standards, the section entitled ADDITIONAL STANDARDS FOR FRATERNAL BENEFIT SOCIETIES, and Appendix C are included in the standards to allow fraternals to experience the benefits of participating in the single point of filing and review process that the Interstate Insurance Product Regulation Commission offers, without jeopardizing their ability to meet their unique obligations and to operate as required or permitted by law.

By law, a fraternal is defined by five basic elements:

1. One without capital stock;

2. One conducted solely for the benefit of its members and their beneficiaries by providing life, health and annuity benefits and by operating one or more social, educational, charitable, patriotic, or religious purposes for the benefit of members and others;

3. One that is a benevolent and charitable institution and not for profit;

4. One operated on a lodge system that may carry out charitable and other activities; and

5. One that has a representative form of government with a governing body and direct election of its members.

The laws governing fraternals impact the standards in several ways. Fraternals are required by law to issue insurance contracts that incorporate the laws of the Society and the application for membership. Thus, the contract must consist not only of the contract or certificate issued, and the application for insurance, but also the application for membership and the articles and bylaws. Further, the laws governing fraternals require or permit that the articles and bylaws address the structure of lodges, membership requirements, form of governance, grievance procedures, and eligible beneficiaries. Any amendments to the articles or bylaws made after issuance of a certificate must be applied consistently to all members retroactively. However, no amendment shall eliminate or reduce contractual benefits.

By law, fraternals are membership organizations. Because of this, the law refers to the insurance forms issued to members of a fraternal as "certificates" or "certificates of membership and insurance". Further, due to the membership requirements, fraternal certificates often include a provision stating that the annuitant and/or owner is a member and that the form that has been issued to evidence coverage is a certificate of membership and insurance. In addition, fraternal certificates may include a Maintenance of Solvency provision setting forth the legal rights and obligations in the case of a fraternal's financial impairment.