



**IIPRC-AB-03-I-PP**  
**ADDITIONAL STANDARDS FOR PRIVATE PLACEMENT PLANS FOR**  
**INDIVIDUAL DEFERRED VARIABLE ANNUITY CONTRACTS**  
**(For use with Individual Deferred Variable Annuity Contracts)**

1. Date Adopted: August 5, 2017
2. Purpose and Scope: The Additional Standards for Private Placement Plans for Individual Deferred Variable Annuity Contracts (the “Proposed Standards”) specify additional submission requirements for benefits that are built into individual deferred variable annuity contracts, that are issued exclusively to an accredited investor or qualified purchaser, and that vary in relation to the performance of an underlying separate account where the investment funds in the private placement separate account may be exempt from registration with the SEC.
3. Rules Repealed, Amended or Suspended by the Rule: In accordance with the Five-Year Commission Review of Rules required by § 119 of the Rule for the Adoption, Amendment and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 *Additional Standards for Private Placement Plans for Individual Deferred Variable Annuity Contracts* originally adopted by the Interstate Insurance Product Regulation Commission on March 25, 2011. 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.
4. 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.
5. Required Findings: None.
6. Effective Date: November 20, 2017

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**ADDITIONAL STANDARDS FOR PRIVATE PLACEMENT PLANS FOR  
INDIVIDUAL DEFERRED VARIABLE ANNUITY CONTRACTS  
(For use with Individual Deferred Variable Annuity Contracts)**

**Scope:** These standards apply to private placement plans that are built in to individual variable deferred annuity contracts. Private placement plans are variable annuities that are issued exclusively to qualified owners, 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 separate account invests in one or more funds that are exempt from registration with the Securities and Exchange Commission (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 § 111(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:

“Contribution” is an investment into an exempt fund resulting from an allocation of net premiums, repayment of loans or transfers into an exempt fund. A contribution may be subject to a specified minimum amount.

“Contribution date” is the date established for the purpose of allowing contributions into an exempt fund. Contribution dates may vary for each exempt fund.

“Contribution notice period” is the minimum number of days of advance notice required before a contribution date if a qualified owner intends to make a contribution. Contribution notice periods may vary for each exempt fund.

“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 that redemptions from an exempt fund are received by the company. Liquidity dates may vary for each exempt fund or type of redemption. Each liquidity date has a corresponding redemption date. There are situations where a single redemption date may result in multiple liquidity dates.

“Redemption” is a distribution from an exempt fund for death benefits, surrenders, partial withdrawals, contract charges, loans, or transfers from an exempt fund. A redemption of a portion of the exempt fund may be subject to a specified minimum amount.

“Redemption date” is the effective date for processing a redemption. After that date, the value of a redemption is no longer subject to exempt fund performance and the value of the redemption will instead be calculated as of that date. There are situations where there are multiple redemption dates for a requested redemption.

“Redemption notice period” is the minimum number of days of advance notice required before a redemption date if a qualified owner intends to request a redemption. Redemption notice periods may vary for each exempt fund or type of redemption.

“Qualified owner” is an owner who is an accredited investor or qualified purchaser, or both 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:** Certain exempt funds may be available only to qualified owners who are also “qualified clients” as defined by the *Investment Advisors Act of 1940* or “qualified eligible purchasers” as defined by the *Commodities Futures Act*.

**Drafting Note:** Other terms may be used in the contract provided they are used consistently.

In addition to the Core Standards requirements for individual variable deferred annuity contracts, 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 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 coverage provided; for example, private placement variable deferred annuity contract.

### **§3. CONTRACT PROVISIONS**

#### **A. 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, or the requirement that the assignee be a qualified owner.

#### **B. CONTRACT EXCHANGE**

- (1) The contract may state that if at any time the owner ceases to be a qualified owner, the owner shall be permitted or required to exchange the contract for an annuity currently being offered by the company that does not require qualified owner status, subject to any conditions described in the contract.
- (2) With respect to the new contract, the following applies:
  - (a) A contract exchange shall not trigger a new contestable period, unless additional premium is paid. If additional premium is paid, contestability may apply to the additional premium for up to two years beginning with the date of issue of the new contract. The new contract may include an exception to the incontestability provision for fraud in the procurement of the new contract when permitted by applicable law in the state where the contract is delivered or issued for delivery.
  - (b) If a contract contains a reinstatement provision or other contract provision that references the subject matter of Paragraph (2)(a) of this section, the contract references shall be consistent with such Paragraph.
  - (c) A contract exchange shall not trigger a new surrender charge period, unless additional premium is paid. If additional premium is paid, the new surrender charge period may apply to the additional premium beginning with the date of issue of the new contract.

#### **C. CONTRACT TRANSACTIONS**

- (1) The contract may provide that contributions occur only on a specified contribution date and after the qualified owner satisfies the specified contribution notice period.
- (2) The contract may provide that redemptions occur only as of a specified redemption date and after the qualified owner satisfies the specified redemption notice period.

#### **D. DEFERRAL AND VALUATION OF PAYMENTS**

- (1) The contract may provide that the company reserves the right, at its discretion, to defer the determination of any redemption attributable to an exempt fund until the next redemption date, subject to a specified redemption notice period, as specified in the contract. The contract may also provide that the company reserves the right, at its discretion, to defer a payment of any redemption until the liquidity date(s) associated with the next redemption date.

#### **E. LOANS**

- (1) The contract may provide for a loan provision.
- (2) The contract may limit to qualified owners the availability of loans.
- (3) The contract may defer loans from an exempt fund until the next liquidity date(s).
- (4) The contract may require that the repayment of loans be allocated to a non-exempt fund or the general account until the next contribution date of the exempt fund. The repayment allocated to the exempt fund will then be the value in effect as of the applicable contribution date.

#### **F. 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 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 contract shall only be sold or transferred in a transaction that is exempt from registration under the *Securities Act of 1933*, as amended.
- (3) The contract shall state that the owner must be a qualified owner to make payments into the contract or to make transfers among the investment divisions, but if the owner ceases to be a qualified owner, the owner is eligible to exchange the contract for an annuity currently being offered by the company that does not require qualified owner status, as described in the CONTRACT EXCHANGE section, or to transfer funds from an exempt fund to a non-exempt fund or the general account as described in the TRANSFERS section. If the owner takes no action, the owner may be required to surrender the contract for cash, all subject to the liquidity date(s) and specified redemption notice periods.
- (4) If the contract has multiple owners, they shall all be qualified owners at the time they become owners.

#### **G. PARTIAL WITHDRAWALS**

- (1) The contract may limit to qualified owners the ability to make partial withdrawals.
- (2) The contract may defer partial withdrawals from an exempt fund until the next liquidity date(s).

#### **H. PAYMENT OF PREMIUM**

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

#### **I. REINSTATEMENT**

- (1) Fixed premium contracts shall contain a reinstatement of the contract provision. Such contracts may require that only qualified owners be permitted to reinstate the contract.
- (2) If the owner ceases to be a qualified owner, the contract may allow reinstatement (i.e. exchange) to an annuity currently being offered by the company that does not require qualified owner status, subject to the same reinstatement conditions as in the *Core Standards for Individual Deferred Variable Annuity Contracts*.

#### **J. REPORTS TO OWNER**

- (1) The contract shall state that the annual report will include at least the following:
  - (a) An indication, if applicable, that the payment of the cash value and death benefit shown in the report may be deferred as described in the contract.

#### **K. SETTLEMENT**

- (1) The contract may state that for the portion of any death benefit proceeds invested in an exempt fund, settlement will not be made to the beneficiary until the liquidity date(s) of the applicable exempt fund following receipt of due proof of death, subject to a specified redemption notice period.

#### **L. SURRENDERS**

- (1) If the owner ceases to be a qualified owner, and the owner does not elect a remedy available under the contract, the contract may require that the contract be surrendered.

The contract shall describe any surrender charges which may apply if the owner is required to surrender the contract.

- (2) The contract may defer a redemption for a surrender request as described in the DEFERRAL AND VALUATION OF PAYMENTS section.

#### **M. TRANSFERS**

- (1) The contract shall require that only qualified owners are permitted to transfer funds into an exempt fund.
- (2) The contract may require that any transfers to an exempt fund be allocated to a non-exempt fund or the general account until the next contribution date of the exempt fund. The transfer allocated to the exempt fund will then be the value in effect as of the applicable contribution date.
- (3) If the owner ceases to be a qualified owner, the contract may provide that the company reserves the right, at its discretion, to require a transfer from an exempt fund to a non-exempt fund or the general account.