

DATE: November 15, 2007

TO: IIPRC Management Committee

FROM: IIPRC Industry Advisory Committee

SUBJECT: APPENDIX A (Dated September 21, 2007)
Product Standards Committee Memorandum (Dated September 24,
2007)

We have attached a copy of the Appendix which we have highlighted to show some of the comments discussed below.

Comments Re: Product Standards Committee Memorandum

We have the following comments on the key issues identified in the memorandum.

Advertising Standards

We believe that institutional advertising and invitations to inquire should be included for “mix and match” purposes in the Appendix. Both types of advertising material could be generic enough to have multiple use with various products that have been approved by the states, and are therefore candidates for “mix and match”. Accordingly, we suggest that these items be included in the Appendix sections J. and T.

Rate Filing Standards

We believe that for Disability Income or Long Term Care benefit features filed with the IIPRC, these would require initial rate filings, and it is possible that companies would want to use these riders and rates with policies, rates and/or applications approved by the states. Accordingly, we suggest that initial rate filings for Disability Income and Long Term Care benefit features be included in the Appendix sections J., K., T. and U.

Standards for 2001 CSO Mortality Table Change Form

We have worked with the NAIC Life Team to develop standards for this form that addresses the regulatory concerns, and as of the week of November 5th the standards have been forwarded to the Product Standards Committee. Accordingly, we believe that this form should be added to the Appendix section G.

Standards for Underwriting Limitations or Exclusions

We developed standards for this and have turned them over to the NAIC Life Team. We believe that, as was the case with the 2001 CSO Mortality Table Change Form, the regulatory concerns raised may be addressed by the proposed draft, and it is feasible to develop standards acceptable to regulators and the companies. We wish to remind the Committee that the Life standards anticipate the use of such forms in the EXCLUSIONS provision, and for Disability Income this type of form was already included in the Appendix (see Sections K. and U.). Additionally, these forms are filed and approved and used today as an alternative to declining new coverage, additional coverage, or reinstatement of lapsed coverage. We believe these forms are important to companies' life insurance portfolios, and as such would have a "mix and match" need. Accordingly, we believe that these forms should be added to the Appendix sections G. and R. [Note that Disability Income sections K. and U. already have this.]

Standards for Administrative/Housekeeping Forms

We believe the use of "administrative/housekeeping" is inappropriate for what we intended. We have changed the terminology to "Policy Changes Form" which more accurately describes the use of the form. We developed standards for this form and have turned them over to the NAIC Life Team. We believe that the standards clearly outline the intent and reflect what is filed and approved and used today. We also believe that the standards we developed are better than what is in place in most states today and should therefore be acceptable to the regulators. For practical reasons, companies use such forms frequently to make changes requested by the owner, and the standards set specific parameters for how such forms are used. For all of these reasons, we believe that the Policy Change Form should be included in the Appendix sections G., H., I., J., K., R., S., T. and U.

Comments Re: Appendix A

Introductory Information

Section i: Product Lines

We have added words to the titles of the Product Lines to add clarity and consistency to the way the lines are presented.

Section ii: Applications

The current *Operating Procedure for the Filing and Approval of Product Filings* requires in item (b)(2)(i) of Section 110 that companies include with their filings " a statement of intent to use one or more State Product Components with a Commission Product Component, which identifies the Compacting State(s) wherein the combined Product Components will be offered or sold, and which sufficiently identifies for each

such Compacting State(s) the State Product Components that will be used with the Commission Product Component.” The IIPRC SERFF instructions further explain that “sufficiently identifies” means “listing the form numbers and Compacting State approval dates.” There has some discussion recently during the NAIC Life Team calls that filing identification number should also be included.

While we understand the importance of such level of details for the “mix and match” feasibility for policy and rider forms (for a policy form, what application and benefit features may be used with it; for a benefit feature, what policy forms it will be used with), some Compacting States have advised that such level of detail may not be necessary for application filings since there is no perceived “compatibility” issue with applications.

If a life insurance application is being filed for “mix and match” and will be used with 60 different policies and 30 different benefit features, in 30 Compacting States, a company would have to provide 2,700 (60+30x30) data entries. This adds up to a significant filing preparation process. Presumably, if Compacting States intend to check such filing information, they would also have significant resource issues. If such level of detail is not necessary for applications, and/or if Compacting States have no intent of ever checking such filing information, it makes little sense to require that such information be provided.

We believe that, for applications, the only Section 110 (b)(2)(i) requirement for “mix and match” that would make sense is requiring companies to submit a certification to the effect that the application will only be used in situations where there will be compatibility with State Product Components and Commission Product Components, as applicable.

We also wish to note that item (8) of the ADDITIONAL SUBMISSION REQUIREMENTS section of the individual life insurance application standards (the only one finalized – the other application draft standards currently include the same item) requires “a statement of the types of policy forms and plans with which the application will be used. For example, whole life, term life, endowment, universal life, survivorship coverage, limited death benefit, pre-need funeral, or variable life.” ***We continue to believe that this level of information provides all the “sufficient” information needed for the IIPRC filing examiners and the Compacting States.***

Section iii: Benefit Features

We still have some concern about the “mix and match” intent for benefit features – we prefer that each benefit feature have its own “mix and match” clock. Those benefit features that will get developed at the end of the development schedule will get the short end of the clock – by the time that companies can file these with the IIPRC and implement use, some of the policy clocks would have already expired for “mix and match” and the companies would have to file the portfolio of policy forms with the IIPRC fairly quickly and may not be able to sell certain products because of the gap. The

market interruption potential is something that we believe is not intended, however it will happen, unless the benefit features have their own clock, or as an alternative, the “mix and match” period may be extended for some reasonable period of time (such as 4 months) to allow the company to secure the required IIPRC approval and implement the new form, without forcing a market interruption. While it is expected that companies schedule their filings on a timely basis to avoid such scenarios, it is possible that the standards required to make filings are not yet available with the IIPRC. The companies need some flexibility in phasing out non-IIPRC products and phasing in IIPRC products seamlessly.

Section v: Transition to Core Standards

Is it possible to formalize the ***Future Consideration List*** in some way? We are concerned that as unless we do that, we may lose some of the value of what had been done to compile the list. It is our understanding that the prioritization of standards to be developed can originate on this list, so there is some value in having this list in some “official” capacity.

The September 21, 2007 version of the List had some errors that we suggest be corrected:

1. On page 2 of the List, items 36 (Terminal Funding/Close Out] and 37 (Funding Agreement) are included in the Appendix, and so they should be deleted from the List.
2. On page 4, under “Off the List Pending...”, item 1. has been included in the Appendix, so it should be deleted.
3. On page 4, under “Off the List Pending...”, item 2. has been included in the Appendix under Tax Qualified Plan Provisions for Annuities, so it should be deleted.

Section G

In item 10, the examples shown reflect mostly annuity codes. We suggest showing 403(b) and 457(b) as examples.

We suggest that the Committee include “***Return of Premium***” benefit feature (Future Considerations List item #9) in the Appendix. Like other “controversial” benefits that have been challenging, we believe that standards for this benefit feature can be developed that would be acceptable to regulators and companies. We have been told by the companies that this type of benefit represents a significant share of their market today, and it would be inappropriate to ignore it. Accordingly, we have scheduled the standards for development in 4th Quarter 2007.

We recently suggested that language be added to the *Scope* section of the *Additional Term Life Insurance Benefit* standards to clarify that those standards can not be used to file a *Return of Premium Benefit*, and the Product Standards Committee will likely agree to this. We believe that including the *Return of Premium Benefit* in the Appendix will further clarify that a separate set of standards will apply to Return of Premium benefits.

We suggest that the Committee include “*Guaranteed Minimum Withdrawal Benefits*” and “*Guaranteed Minimum Death Benefits*” (Future Considerations list items #12 and #13) in the Appendix. These benefit features are used for Variable Life and work the same way as they do for Annuities. The “*Guaranteed Minimum Death Benefits*” are the equivalent of a no-lapse guarantee for Variable Life plans. Additionally, the annuity versions of these benefits will be built into the annuity core standards. These benefit features are important component of company life portfolios today and accordingly we have scheduled the standards for development in 1st Quarter 2008.

We suggest that the Committee include the “*No-Lapse Guarantee*” (Future Considerations List item #10) in the Appendix. This is a tweak of standards that are already included in the Flexible Premium Adjustable Life standards and what is required is a conforming amendment. This is an important feature of company Flexible Premium Adjustable Life portfolios today and accordingly we have scheduled the standards for development in 4th Quarter 2007.

We suggest that the Committee include the “*Over Loan Protection Benefit*” (Future Considerations List item #14) in the Appendix. This is an important feature of company life portfolios today and accordingly we have scheduled the standards for development in 1st Quarter 2008.

Section H.1

We suggest including “*Market-Value Adjusted*” in the Appendix after Private Placement. This product is sold on a variable and non-variable basis, and is an important component of company annuity portfolios today. Accordingly, we have scheduled the variable and non-variable standards for development in 1st Quarter 2008.

Section H.2

We have deleted “*Limited Payment Period*” for consistency with the core draft currently being reviewed for Immediate Variable Annuity.

Section I.2

We have added “**Flexible Premium**” and deleted “**Limited Payment Period**” for consistency with the core draft currently being reviewed for Immediate Variable Annuity.

Sections K and U

We do not believe that the label “*specialized products*” is needed. The ones shown are variations of the Individual Disability Income standards. In item 1.b., it should say “addressing all products” since Individual Disability Income is included.

Both of these sections included “Exclusions of Risk Benefits for Specified Cause/Condition/Activity”. This will be taken care of by the Disability Income version of the “Underwriting Limitations or Exclusions” standards recently submitted to the NAIC Life Team, so we have renamed it accordingly.

Section L

We suggest adding “*and Enrollment Form*” in items 2. and 3.

Sections R, T and U

We suggest adding “*and Certificate*” in the items 1.

Submitted by:

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