

**DATE:** April 15, 2007

**TO:** IIPRC Management Committee

**FROM:** IIPRC Industry Advisory Committee

**SUBJECT:** Comments on Index-Linked Crediting Feature for Deferred Non-Variable Annuities and Individual Immediate Variable Annuity Contract Standards

### **Index-Linked Crediting Feature for Deferred Non-Variable Annuities**

In addition to the comments below, we are including copies of the latest draft which has been red-lined to reflect these comments.

#### **Scope**

We suggest adding a scope section to clarify that these standard are only applicable to index-linked crediting features for deferred annuities that are built into the contract.

#### **ADDITIONAL SUBMISSION REQUIREMENTS**

##### ***Item (1):***

We suggest eliminating “concerning the calculation of the nonforfeiture values” since only item (1)(d) applies to nonforfeiture.

##### ***Item (1)(a):***

We suggest changing “indexes” to “indices” here and throughout the standard. We suggest changing “guaranteed elements” to “elements” since this sentence refers to a description of the elements, not the guarantees.

#### **VARIABILITY OF INFORMATION**

##### ***Item (2):***

We suggest changing “item” to “guaranteed element” to use consistent language throughout the document (i.e. “element” or “guaranteed element” rather than “item” or “factor”). Throughout this paragraph we are only referring to “guaranteed” elements, so we suggest adding that modifier to make that clear.

## **SPECIFICATIONS PAGE**

### ***Item (1):***

We suggest adding a requirement that the index or indices use be included in the specifications page.

### ***Item (2)(b):***

We suggest adding additional wording to clarify that only guaranteed elements can appear in the contract, consistent with the Deferred Non-Variable Annuity core standards.

## **CONTRACT GUARANTEES**

### ***Item (1):***

We suggest changing “interest rate” to “guaranteed interest rate” to clarify that this requirement refers to a guaranteed element.

### ***Items (2):***

We suggest adding the underlined language to clarify that values of nonguaranteed elements shall not be included in the contract, consistent with the Deferred Non-Variable Annuity core standards and the Index-Linked Annuity Payment Adjustment Benefit for Immediate Non-Variable Annuities.

### ***Item (3):***

We suggest that this language be repeated from the CONTRACT GUARANTEES section of the Deferred Non-Variable Annuity core standards to clarify that the company may change the nonguaranteed elements that are part of the formula that effect the index-linked crediting rate and therefore their contract values, but are subject to the contract guarantees and must be based on future anticipated experience.

## **DISCONTINUATION OF OR SUBSTANTIAL CHANGE TO AN INDEX**

We suggest dividing Item (1) into Items (1) and (2) and eliminating the drafting note, consistent with changes made to the standard for Index-Linked Payment Adjustment Benefit for Immediate Non-Variable Annuities. New Item (1) relates to what is in the contract and new Item (2) discusses the requirements for approval of a change in the index, eliminating the need for the drafting note.

***Item (1):***

We suggest changing “any” to “the” since there will always be an index. We suggest changing “Compact” to “Commission” as a correction. We suggest moving the last sentence from the new Item (2) to new Item (1) since it relates to contract requirements, consistent with the same change made to the standard for Index-Linked Payment Adjustment Benefit for Immediate Non-Variable Annuities.

**Individual Immediate Variable Annuity Contract Standards**

**SPECIFICATIONS PAGE**

***Item (2):***

We suggest that “first variable annuity payment” be changed to say, “estimated value of the first variable annuity payment.”

***New Item (3):***

We suggest a new Item (3) be added and that the old Item (3) be changed to Item (4). We suggest that the new Item (3) say “The specifications page shall disclose all charges that will affect variable payments, including the expense and/or mortality factors. If the company reserves the right to change the expense and/or mortality factors after annuity payments have begun, both the current expense and/or mortality factors and the guaranteed expense and/or mortality factors shall be disclosed on the specifications page. In addition, the estimated value of the first variable annuity payment specified in Item (1) shall be calculated and disclosed on the specifications page using both the current expense and/or mortality factors and the guaranteed expense and/or mortality factors.”

**CONTRACT VALUES**

***Item (2):***

We suggest that the second to last sentence be changed to, “If a company reserves the right to change the expense and/or mortality factors after annuity payments have begun, the estimated value of the first variable annuity payment shall be calculated using both the current expense and/or mortality factors and the guaranteed maximum expense and/or mortality factors. Both the estimated values of the first variable annuity payments and the current and

the guaranteed maximum expense and/or mortality factors shall be shown on the specifications page.

## **RIGHT TO EXAMINE CONTRACT**

### ***Item (1)(c):***

We suggest changing this item to read, “For any portion of the premium paid to the general account, if the contract is returned, a refund of that portion of the premium paid”

### ***Item (1)(d):***

We suggest changing this item to read, “For any portion of the premium paid to the separate account, if the contract is returned, either a refund of:

- (i) That portion of the premium paid; or
- (ii) The separate account value plus any amount deducted from the portion of the premium applied to the account.”

Submitted by:

### ***IIPRC Industry Advisory Committee:***

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