

1. Consider recommendations of Clarification Items Numbered 7-12 and 1-6 identified in IIPRC Office Report to Product Standards Committee.

New Discussion on Clarification Change Items:

- A. *Scope of Index-Linked Crediting Feature for Deferred Non-Variable Annuities* (Number 7 on Clarification list). The PSC members had no questions or comments concerning the IIPRC staff recommendation to clarify this standard to conform to the revisions made to the Additional Standards for Index-Linked Crediting Benefit Features for Individual Adjustable Life Policies.
 - B. *Index-Linked Crediting Feature Appendix and Certification* (Number 8 on Clarification list). The PSC members had no questions or comments concerning the IAC request to amend the language in the appendix to make the wording more consistent with other parts of the standard.
 - C. *Variability of Information – Tax Codes* (Number 9 on Clarification list). The PSC discussed the IAC request to clarify what they believe the intent of the provision was, which is that when qualified plan provisions are applicable to more than one specific tax code section, the company shall identify the applicable tax code sections in the Statement of Variability. A member asked why variables would be needed on the Statement of Variability if the form was to accommodate the language of the specific tax code. The member also asked if the variability is reviewed by the IIPRC. IIPRC staff explained that the suggested change is to the Additional Standards for Forms Used to Provide Tax Qualified Plan Provisions, and that the relevant standards for the particular products still also apply. The additional standards apply to provisions that are required in individual policies or contracts to comply with specified tax code requirements when the contracts or policies are intended to be issued as qualified tax plans under these specified tax codes. The tax-qualified forms are reviewed and approved; they are not just filed informationally and they are not filed only under the SOV. The variability is to the tax code reference, not to the language of the text in the form. The staff's understanding of the proposal is that the revision would only apply if the language was identical except for the tax code reference that is applicable to the form. The company could then use the same form, except the tax code reference included in the form would be bracketed and varied. No other members had questions.
 - D. *Benefit Provisions – Tax Qualified Plans* (Number 10 on Clarification list). The PSC members had no questions or comments concerning the IAC request to revise this provision to clarify that the intent is only to require this provision if the form is only applicable to a specified tax code section.
 - E. *Separate Accounts* (Number 11 on Clarification list). The PSC members had no questions or comments concerning the IIPRC staff recommendation to update these standards to include the information provided in Filing Information Notice 2011-1 to provide clarification that the investment performance of assets of the separate account must be allocated directly to the benefit option through the incorporation of unit-linked contract values and to require all new variable annuity product filings with separate accounts to include a statement that the separate accounts underlying the filing comply with requirements of the State of Domicile.
 - F. *Indexed Linked Payment Adjustment* (Number 12 on Clarification list). In reference to the industry request to expand the scope of the Index Linked Payment Adjustment Benefit Standards to include individual deferred paid-up non-variable annuities (deferred income annuities) that are in the income payment phase, a member asked how this would work with indexed products. IIPRC staff stated that it is our understanding that the requester is asking that the same flexibility in the current standard that allows for fluctuations in payments on an annual basis subject to a floor amount apply to the payout portion/phase for Longevity annuities. The payout would track publicly available indices such as the S&P 500 and the payments could increase or decrease from
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year to year, but the decrease would be floored at the initial payment level. No other members had questions.

- G. *Repeal Deferred Variable Annuity Standards* (Number 1 on Clarification list). The PSC members had no questions or comments concerning the IIPRC staff recommendation to repeal the Individual Flexible Premium Deferred Variable Annuity Contract Standards and the Individual Fixed Premium Deferred Variable Annuity Contract Standards since these standards have never been used and have been replaced by the more extensive Core Standards for Individual Deferred Variable Annuity Contracts.
- H. *Fairness* (Number 2 on Clarification list). The PSC members had no questions or comments concerning the IAC request to add the words "nor contain" to the Fairness provision to clarify the intent.
- I. *Deferral of Payments* (Number 3 on Clarification list). The PSC members had no questions or comments concerning the IIPRC staff recommendation as amended in suggested revisions submitted by the IAC to clarify in § 3 Contract Provisions - Deferral and Valuation of Payments that if the company wishes to exercise the option to defer payment, it must seek the required regulatory approval.
- J. *Actuarial Memorandum Requirements* (Number 4 on Clarification list). The PSC members had no questions or comments concerning the IIPRC staff recommendation to correct the provision to refer to the exception in Item 8, instead of Item 7 of Appendix A and strike the reference to Guidelines.
- K. *Dividend Options – Participating Contracts* (Number 5 on Clarification list). The PSC members had no questions or comments concerning the IIPRC staff recommendation to add the provision found in the Longevity standards to the Individual Immediate Non-Variable Annuity and Individual Immediate Variable Annuity Contract Standards to clarify that these standards are subject to the same requirements as found in the Participating Contract section of the Individual Deferred Paid-Up Non-Variable Annuity Contract Standards.
- L. *Bonus Features for Deferred Annuities* (Number 6 on Clarification list). The PSC members had no questions or comments concerning the IIPRC staff recommendation with further clarifying language as suggested in the IAC's comment letter dated July 8, 2014 to incorporate the information contained in Filing Information Notice 2010-2 on submission of product filings where the contract has a range of bonus rates varying based on premium or account values into the Additional Standards for Bonus Benefits to assist filers and further clarify the requirements.

Action Items:

- IIPRC staff will further research the industry request regarding Item #9 that when qualified plan provisions are applicable to more than one specific tax code section, the company shall identify the applicable tax code sections in the Statement of Variability and request examples from the IAC.
- PSC members are asked to conduct a final review of all items on the Clarification list and to contact Anne Marie Narcini at anarcini@insurancecompact.org if there are any questions or concerns. The goal is to finalize discussion on the July 22, 2014 member call.

2. Conforming Amendment Items and Technical Change Items identified in IIPRC Office Report to Product Standards Committee for Phases 2, 3 and 4 of the Five Year review.

Action Items:

- PSC members should review the Conforming Amendment items and Technical Change items in the IIPRC Office Report and Recommendation for Phases 2, 3 and 4
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Product Standards Committee
Member Call Summary
July 15, 2014

of the Five Year Review and submit any comments or questions to Anne Marie
Narcini at anarcini@insurancecompact.org by July 18, 2014.
