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**IIPRC-AB-02-I-INDEX**

**ADDITIONAL STANDARDS FOR INDEX-LINKED PAYMENT  
ADJUSTMENT BENEFIT**

1. Date Adopted: November 15, 2014
2. Purpose and Scope: These standards apply to index-linked annuity payment adjustment benefits that are built-in to individual immediate non-variable annuity contracts or individual deferred paid-up non-variable annuity contracts that are in the income payment phase or that are added to such contracts at issue by rider, amendment or endorsement. These standards apply to any adjustments to annuity payments that are triggered by a change in an index one or more times during the life of the contract.
3. Rules Repealed, Amended or Suspended by the Rule: In accordance with the 5-year Commission Review of Rules required by § 119 of the Rule for the Adoption, Amendment and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 Index-Linked Payment Adjustment Benefit adopted by the Interstate Insurance Product Regulation Commission (“IIPRC”) on August 27, 2008. 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: March 5, 2015

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## **ADDITIONAL STANDARDS FOR INDEX-LINKED ANNUITY PAYMENT ADJUSTMENT BENEFIT**

**Scope:** These standards apply to index-linked annuity payment adjustment benefits that are built-in to individual immediate non-variable annuity contracts or individual deferred paid-up non-variable annuity contracts that are in the income payment phase or that are added to such contracts at issue by rider, amendment or endorsement. These standards apply to any adjustments to annuity payments that are triggered by a change in an index one or more times during the life of the contract.

**Mix and Match:** These standards are available to be used in combination with State Product Components as described in Section 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:

The term “benefit form” refers to index-linked annuity payment adjustments that are either built into the contract or added by rider, endorsement or amendment.

### **§ 1 ADDITIONAL SUBMISSION REQUIREMENTS**

#### **A. GENERAL**

The following additional filing submission requirements shall apply:

- (1) If the benefit is provided by attachment to the contract by rider, endorsement or amendment, the following shall be included:
  - (a) A listing by filing jurisdiction of the types of contracts with which this benefit will be used, including the contract form numbers, the corresponding approval date for these contracts and any filing identification number.
  - (b) A description of the benefit for all types of contracts with which the benefit will be used.
  - (c) Any contract pages or provisions referenced in the benefit form.

#### **B. ACTUARIAL MEMORANDUM**

- (1) An actuarial memorandum shall be prepared, dated and signed by the Member of the American Academy of Actuaries who provides the following information concerning the calculation of the benefit:
  - (a) The benefit formulae, if any, and methodology used to determine the benefit, including any limitations on the periodic or aggregate amount of the benefit, and sample calculations based on an assumed value of the index or indices for representative issue ages, including issue age 60 if within the issue age range. If the benefit formula or methodology varies by issue age, issue ages should be shown that reflect the variation by issue age. The sample calculation shall also show how the benefit formula assures that, for each premium payment, no annuity payment adjustment will result in an annuity payment less than the initial annuity payment, before any adjustments, purchased by that premium payment. If the contract allows premium payments after issue to be used to purchase additional annuity benefits, and the benefit formula or methodology varies with respect to such additional annuity benefits, sample calculations shall be shown that reflect that variation in the benefit formula or methodology.
  - (b) A description of the index or indices used as the basis for the benefit, including a description of any elements used in determining the benefit from the index or indices. Any guarantees or ranges associated with these elements shall also be included.
  - (c) An opinion statement that the company's investments backing the contract including the benefit are appropriate considering the index or indices used and including confirmation that this opinion is based on the actuary's review of the company's documented investment policy as it relates to immediate annuities and deferred paid-up non-variable annuities with index-linked payment adjustments.

## **C. VARIABILITY OF INFORMATION**

- (1) The following items shall only be changed upon prior approval:
  - (a) Index or indices used.
- (2) Guaranteed elements used in determining the annuity payment adjustments from an index may be changed for new issues without prior notice or approval, as long as the Statement of Variability presents reasonable and realistic ranges for each guaranteed element. At issue a single value within the range filed for the guaranteed element shall be applicable for the life of the benefit form.

## **§ 2 GENERAL FORM REQUIREMENTS**

### **A. COVER PAGE**

- (1) The benefit form shall contain a brief description that shall appear in prominent print on the cover page of the benefit form or is visible without opening the benefit form. The brief description shall contain at least the following information:
  - (a) A caption of the type of annuity coverage provided; for example, Index-Linked Payment Annuity or Index-Linked Annuity Payment Adjustment Benefit.
  - (b) Disclosure, if applicable, that while contract values may be affected by the external index or indices, the contract does not directly participate in any stock or equity investment.

## **B. SPECIFICATIONS PAGE**

- (1) The specifications page of the benefit form shall include the index or indices used.
- (2) The specifications page of the benefit form shall include any guaranteed elements used in determining annuity payment adjustments from an index (including any guaranteed elements related to premium payments after issue to be used to purchase additional annuity benefits), and a statement, if applicable, that:
  - (a) Index-linked annuity payment adjustments do not include the portion of returns generated by the underlying index or indices that come from dividends; and
  - (b) The elements used in determining annuity payment adjustments from the index or indices are not guaranteed and can be changed by the company, subject to the guarantees in the benefit form, and that any such changes can affect the resulting annuity payment adjustments.
- (3) The specifications page of the benefit form shall include any identifiable charge for the benefit.

## **§ 3 BENEFIT PROVISIONS**

### **A. BENEFIT**

- (1) The benefit form shall describe any formulae or methodology used to determine the benefit, including any conditions that must be met for a change in annuity payments.
- (2) The benefit form shall describe the index or indices used as the basis for the benefit, including a description of any elements used in determining the benefit from the index or indices, and any guarantees or ranges associated with these elements.
- (3) If the contract allows premium payments after issue to be used to purchase additional annuity benefits, the benefit form shall describe how such annuity payments will be adjusted.

- (4) With respect to each premium payment, the benefit formula shall be designed so as not to result in an annuity payment that is less than the initial annuity payment, before any adjustments, purchased by that premium payment.

## **B. BENEFIT GUARANTEES**

- (1) Values of any elements used in determining annuity payment adjustments that are stated in the benefit form shall be guaranteed. Values of nonguaranteed elements shall not be included in the benefit form.
- (2) The benefit form shall indicate which elements in determining annuity payment adjustments are guaranteed and which may be changed at the discretion of the company. The benefit form shall also indicate that the right to change any of these elements is subject to any guarantees with respect to the element and that any change shall be based on future anticipated experience.

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

- (1) The benefit form shall indicate what occurs when an index is discontinued or the calculation of an index is substantially changed, with the provision being labeled as such. The provision shall state that if an index is discontinued or if the calculation of an index is changed substantially, the company may substitute a comparable index subject to approval by the Interstate Insurance Product Regulation Commission. The benefit provision shall also specify that, before a substitute index is used, the company shall notify the owner and any assignee of the substitution.
- (2) The approval shall be contingent on the company providing the Interstate Insurance Product Regulation Commission with either confirmation that an index has been discontinued or documentation of the substantial change to an index and the reasons supporting the need for the index or indices to be discontinued, including any other information to be provided to the owner.

## **D. INCONTESTABILITY**

- (1) If the benefit is provided as an attachment to the contract, the form may state that the company shall not contest the form after it has been in force during the lifetime of the annuitant for two years from the date of issue of the form except for fraud in the procurement of the form, when permitted by applicable law in the state where the contract is delivered or issued for delivery.