

# **Clarification, Conforming, and Technical Changes**

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## CLARIFICATION ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### **Clarification items**

Clarification items are proposed edits to clarify the meaning, application, and/or intent of a provision in the Uniform Standard. Clarification items would not change the meaning or effect of the provision or the current application and interpretation of the provision or Uniform Standard but would provide further or detailed explanation, description, or specification to the language in the Uniform Standard. The clarification items are compiled not only from suggestions or issues in the Comments but also from questions, issues, and circumstances that have arisen in the application and interpretation of the Uniform Standards by the IIPRC product and actuarial reviewers. Based upon the feedback of the PSC, the IIPRC Office will insert and clearly distinguish clarification items in the Uniform Standards.

### **List of Clarification Items**

1. Deferred Variable Annuity Standards
2. Fairness
3. Deferral of Payments
4. Actuarial Memorandum Requirements
5. Dividend Options – Participating Contracts
6. Bonus Features for Deferred Annuities
7. Scope of Index-Linked Crediting Feature for Deferred Non-Variable Annuities
8. Index-Linked Crediting Feature Appendix and Certification
9. Variability of Information – Tax Codes
10. Benefit Provisions –Tax Qualified Plans
11. Separate Accounts
12. Indexed Linked Payment Adjustment

## CLARIFICATION ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### 1. DEFERRED VARIABLE ANNUITY STANDARDS

**APPLIES:** Individual Flexible Premium Deferred Variable Annuity Contract Standards and Individual Fixed Premium Deferred Variable Annuity Contract Standards

**COMMENTS:**

*IIPRC Office Comment/Observation:* The deferred variable annuity standards were developed first before the more comprehensive Core Standards for Individual Deferred Variable Annuity Contracts. No code was assigned to either of these standards because the intent was that they would be repealed once the Core Standards were adopted. IIPRC staff does not use these standards for any filings

*IIPRC Office Recommendation:* The IIPRC Office recommends repealing the Individual Flexible Premium Deferred Variable Annuity Contract Standards and the Individual Fixed Premium Deferred Variable Annuity Contract Standards. These standards have never been used to approve a form filing and have been replaced by the more extensive Core Standards for Individual Deferred Variable Annuity Contracts.

## CLARIFICATION ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### 2. FAIRNESS

**APPLIES:** General Form Requirement in Core Standards for Individual Deferred Annuity Contracts and Individual Immediate Annuity Contracts

**CURRENT PROVISION:**

#### § 2 GENERAL FORM REQUIREMENTS

##### C. FAIRNESS

- (1) The contract shall not contain inconsistent, ambiguous, unfair, inequitable or misleading clauses, provisions that are against public policy as determined by the Interstate Insurance Product Regulation Commission, or contain exceptions and conditions that unreasonably affect the risk purported to be assumed in the general coverage of the contract.

##### COMMENTS:

*Industry Advisory Committee Comment:* The IAC has requested adding "nor contain" to the Fairness provision to clarify the intent.

*IIPRC Office Comments/Observations:* The IIPRC Office is not aware of any concerns or issues raised by filers.

*IIPRC Office Recommendation:* The IIPRC Office has no objection to this change and agrees it would be a clarification as follows:

##### C. FAIRNESS

- (1) The contract shall not contain inconsistent, ambiguous, unfair, inequitable or misleading clauses, **nor contain** provisions that are against public policy as determined by the Interstate Insurance Product Regulation Commission, **nor** contain exceptions and conditions that unreasonably affect the risk purported to be assumed in the general coverage of the contract.

## CLARIFICATION ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### 3. DEFERRAL OF PAYMENTS

**APPLIES:** Contract provision requirement in Core Standards for Individual Deferred Annuity Contracts and Individual Immediate Annuity Contracts

**CURRENT PROVISION:**

#### § 3 CONTRACT PROVISIONS

##### DEFERRAL AND VALUATION OF PAYMENTS

(2) For values in a general account, the company may reserve the right to defer payment of surrenders, partial withdrawals and loans for a period of six months. There shall be no deferral of payment of any portion of the death benefit derived from the general account.

**COMMENTS:**

*IIPRC Office Comments/Observations:* The IIPRC Office notes that § 1 Additional Submission Requirements require certification by a company officer that written consent will be made and obtained from the chief insurance regulator of the state of domicile of the company if the company is exercising contractual right to defer payment for a period of no more than six months, of any general account cash surrender value, partial withdrawal or loan value. This is in accordance with Standard Nonforfeiture Laws for Annuities. It may be clearer to also include language regarding the need for regulator approval of the contract provision in § 3 Contract Provisions - Deferral and Valuation of Payments.

*IIPRC Office Recommendation:* The IIPRC Office recommends the following clarifying language be added to § 3 Contract Provisions - Deferral and Valuation of Payments:

For values in a general account, the company may reserve the right to defer payment of surrenders, partial withdrawals and loans for a period of six months **after making written request and receiving written approval of the chief insurance regulator of the state of domicile of the company.** There shall be no deferral of payment of any portion of the death benefit derived from the general account."

## CLARIFICATION ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### 4. ACTUARIAL MEMORANDUM REQUIREMENTS

**APPLIES:** Additional Submission Requirements of the Core Standards for Individual Deferred Nonvariable Annuity Contracts and Core Standards for Individual Deferred Variable Annuity Contracts

#### **CURRENT PROVISION:**

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

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

(1)(f) A nonforfeiture demonstration that the values of the contract comply with the NAIC Standard Nonforfeiture Law for Individual Deferred Annuities, model #805. The free partial withdrawal provision of the contract may be used in the demonstration of compliance, if applicable. The nonforfeiture calculations shall be presented in the format prescribed in Appendix A of these standards. For the purpose of the nonforfeiture demonstration, notwithstanding the language of the contract, the maturity date shall be the later of the tenth contract anniversary or the contract anniversary following the annuitant's 70th birthday, except as provided for by Items 3 and 7 of the Guidelines to Appendix A. Maturity value used to demonstrate compliance with the prospective test shall be the contract account value. No surrender charge is permitted on or past the maturity date;

#### **COMMENTS:**

*IIPRC Office Comments/Observations:* The IIPRC Office notes that the current provision that the maturity date shall be the later of the tenth contract anniversary or the contract anniversary following the annuitant's 70th birthday refers to exceptions under Items 3 and 7 of Appendix A. The reference should be to items 3 and 8. In addition IIPRC staff note that Appendix A is a set of Guidance not Guidelines. so striking the reference to Guidelines would provide clarity.

*IIPRC Office Recommendation:* The IIPRC Office recommends the following clarifying language correcting the provision to refer to the exception in Item 8 of Appendix A and striking the reference to Guidelines to provide clarity:

(1)(f) A nonforfeiture demonstration that the values of the contract comply with the NAIC Standard Nonforfeiture Law for Individual Deferred Annuities, model #805. The free partial withdrawal provision of the contract may be used in the demonstration of compliance, if applicable. The nonforfeiture calculations shall be presented in the format prescribed in Appendix A of these standards. For the purpose of the nonforfeiture demonstration, notwithstanding the language of the contract, the maturity date shall be the

## CLARIFICATION ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

later of the tenth contract anniversary or the contract anniversary following the annuitant's 70th birthday, except as provided for by Items 3 and 7 8 of ~~the Guidelines to~~ Appendix A. Maturity value used to demonstrate compliance with the prospective test shall be the contract account value. No surrender charge is permitted on or past the maturity date;

## CLARIFICATION ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### 5. DIVIDEND OPTIONS – PARTICIPATING CONTRACTS

**APPLIES:** Contract provisions section of Individual Immediate Non-Variable Annuity Contract Standards and Individual Immediate Variable Annuity Contract Standards

#### CURRENT PROVISION:

#### § 3 CONTRACT PROVISIONS

##### P. PARTICIPATING CONTRACT

A contract may be non-participating; however, if the contract is participating in the divisible surplus of the company, then the following shall apply:

- (1) The conditions of the participation shall be stated in the contract.
- (2) The contract shall provide that the company shall annually ascertain and apportion any divisible surplus.
- (3) The contract shall provide that the owner shall receive any dividend paid in cash.

#### COMMENTS:

*IIPRC Office Comments/Observations:* The Participating Contract section of the Individual Deferred Paid-Up Non-Variable Annuity Contract Standards (Longevity Standards) requires the contract to describe the available dividend options including identification of the automatic option. It also requires that dividends used to purchase additional income benefits are subject to the same standards as additional premium payments made after issue. To assure consistency, IIPRC staff applies these requirements to Individual Immediate Non-Variable Annuity Contract and Individual Immediate Variable Annuity Contract

*IIPRC Office Recommendation:* The IIPRC Office recommends adding 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.

**(4) The contract shall describe the available dividend options. If the contract provides for more than one dividend option, the contract shall identify the automatic option. Dividends used to purchase additional income benefits shall be subject to the same requirements of this standard as additional premium payments made after issue.**



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### 6. **BONUS FEATURES FOR DEFERRED ANNUITIES**

**APPLIES:** Scope and General Form Requirements of Additional Standards for Bonus Benefits (for Individual Deferred Non-Variable Annuities) and Additional Standards for Bonus Benefits (for Individual Deferred Variable Annuities).

#### **CURRENT PROVISION:**

##### **Scope:**

These standards apply to bonus benefits that are built into individual deferred non-variable annuity contracts or added to such contracts by rider, endorsement or amendment. The bonus benefit can be an interest bonus, a premium bonus, a persistency bonus or any other amounts/percentages that are credited to the premiums paid, account value, cash value, cash surrender value or annuity/maturity value under a specified condition, other than benefits of the type described above that are provided through any pattern of non-level interest rate guarantees that may be similar to but are not specifically referred to as bonuses or additional credits. The bonus benefit form may reference the bonus as a credit, enhancement, bonus or similar terminology.

#### **GENERAL FORM REQUIREMENTS**

##### **SPECIFICATIONS PAGE**

(1) The specifications page of the bonus benefit form shall include any guaranteed elements used in determining the bonus benefit and a statement, if applicable, that:

(a) The elements used in determining the bonus benefit are not guaranteed and can be changed by the company, subject to the guarantees in the bonus benefit form, and that any such changes can affect the account value.

(b) There may be situations in which the bonus benefit may not be fully earned and the owner should read the bonus benefit, surrender charge and bonus benefit forfeiture provisions (or the provisions where those topics are addressed) of the contract carefully.

(2) The specifications page of the bonus benefit form shall include any identifiable charge for the bonus benefit.

#### **CONDITIONS UNDER WHICH BONUS BENEFIT MAY BE FORFEITED**

(1) The contract may, at the option of the company, deduct from the account value the amount of any bonus benefit credited, provided the following conditions are met:

(a) The conditions for forfeiture are described in the contract;

## CLARIFICATION ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

- (b) Forfeiture of the bonus will not reduce the cash value below the minimum nonforfeiture benefit as required under this standard; and
- (c) No bonus will be forfeited on or after the maturity date, as defined in the NAIC Standard Nonforfeiture Law for Individual Deferred Annuities, model #805, as interpreted in the Individual Deferred Non-Variable Annuity Contract Standards, to which the bonus benefit standards are attached.

### COMMENTS:

*IIPRC Office Comments/Observations:* On September 28, 2010 the IIPRC Office issued Filing Information Notice (FIN) 2010-2 to provide clarification on submission of product filings where the contract has a range of bonus rates varying based on premium or account values. The IIPRC Office suggests incorporating these clarifications into the Additional Standards for Bonus Benefits to assist filers and eliminate unnecessary objections.

*IIPRC Office Recommendation:*

- 1.) The IIPRC recommends adding a sentence to the Scope specifically stating that products with a zero bonus are non-bonus products and not subject to these standards.

**Scope:** These standards apply to bonus benefits that are built into individual deferred non-variable annuity contracts or added to such contracts by rider, endorsement or amendment. **These standards do not apply to products with a zero (0) bonus.**

- 2.) The IIPRC recommends the following change to the Specifications Page provision:

- (1) The specifications page of the bonus benefit form shall include any guaranteed elements used in determining the bonus benefit and a statement, if applicable, that:

- (a) The elements used in determining the bonus benefit are not guaranteed and can be changed by the company, subject to the guarantees in the bonus benefit form, and that any such changes can affect the account value.

- (b) There may be situations in which the bonus benefit may not be fully earned and the owner should read the bonus benefit, surrender charge and bonus benefit forfeiture provisions (or the provisions where those topics are addressed) of the contract carefully.

- (2) The specifications page of the bonus benefit form shall include any identifiable charge for the bonus benefit.

## CLARIFICATION ITEMS

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**(3) Separate forms must be submitted when the product is being offered with bonus and non-bonus features. Separate specifications pages to handle both cannot be accepted.**

**(4) In lieu of separate forms, variations in types of bonuses, or guaranteed elements for bonus features, can be shown through different specifications pages, with a generic cover page indicating a Bonus is present.**

3.) The IIPRC recommends the following change to the Conditions Under Which Bonus Benefit May Be Forfeited provision:

(1) The contract may, at the option of the company, deduct from the account value the amount of any bonus benefit credited, provided the following conditions are met:

- (a) The conditions for forfeiture are described in the contract;
- (b) Forfeiture of the bonus will not reduce the cash value below the minimum nonforfeiture benefit as required under this standard; and
- (c) No bonus will be forfeited on or after the maturity date, as defined in the NAIC Standard Nonforfeiture Law for Individual Deferred Annuities, model #805, as interpreted in the Individual Deferred Non-Variable Annuity Contract Standards, to which the bonus benefit standards are attached.

**(d) A zero bonus is not acceptable under the conditions outlined.**

## CLARIFICATION ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### 7. SCOPE OF INDEX-LINKED CREDITING FEATURE – DEFERRED NON-VARIABLE ANNUITIES

**APPLIES:** Standards for Index-Linked Crediting Feature for Deferred Non-Variable Annuities

#### **CURRENT PROVISIONS:**

**Scope:** These standards apply to index-linked crediting features that are built-in to individual deferred non-variable annuity contracts.

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

#### **A. GENERAL**

(c) An opinion statement that the company's investments backing the contract are appropriate considering the index 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 index-linked annuities; and

### **§3 CONTRACT PROVISIONS**

#### **A. AMENDMENTS**

(1) The contract may provide for amendments made pursuant to the Discontinuation of or Substantial Change to an Index section of the standards.

#### **COMMENTS:**

*Industry Advisory Committee Comments:* The IAC recommends changes to this standard to clarify the original intent that the standard is applicable to both non-variable annuities and the general account portion of variable annuities. These are the same changes that were made to the Additional Standards for Index-Linked Crediting Benefit Features for Individual Adjustable Life Policies effective June 25, 2009.

*IIPRC Office Comments/Observations:* The IIPRC Office is not aware of any concerns or issues raised by filers.

*IIPRC Office Recommendation:* The IIPRC Office has no objection to clarifying this standard to conform to the revisions made to the Additional Standards for Index-Linked Crediting Benefit Features for Individual Adjustable Life Policies as follows:

**Standard Title:** Standards for Index-Linked Crediting Feature for Deferred Non-Variable Annuities **and the General Account Portion of Individual Deferred Variable Annuity Contracts**

**Scope:** These standards apply to index-linked crediting features that are built-in to individual deferred non-variable annuity contracts. **or the general account portion of individual deferred variable annuity contracts.**

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**In addition to the Core Standards requirements for the applicable individual deferred annuity contract, the following standards, as appropriate, apply:**

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

#### **A. GENERAL**

(c) An opinion statement that the company's investments backing the contract **or the applicable general account portion of the contract** are appropriate considering the index 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 index-linked annuities;

### **§3 CONTRACT PROVISIONS**

#### **A. AMENDMENTS**

(1) The contract may provide for amendments made pursuant to the Discontinuation of or Substantial Change to an Index section of the standards. **The change shall be made by the use of an endorsement subject to the applicable prior approval requirement.**

## CLARIFICATION ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### 8. APPENDIX AND CERTIFICATION – INDEX-LINKED CREDITING FEATURE

**APPLIES: Index Linked Crediting Feature for Deferred Non-Variable Annuities**

#### **CURRENT PROVISION:**

##### **Index-Linked Appendix**

##### **Initial Actuarial Certification of Compliance for Index-Linked Annuities with the NAIC Model Annuity Nonforfeiture Model Regulation**

For use with Equity-Indexed (referred to by the Interstate Insurance Product Regulation Commission as Index-Linked) Annuity contract forms at time of filing.

I, (state name and professional designation) am responsible for evaluating compliance with the NAIC Model Standard Nonforfeiture Law for Individual Deferred Annuities and the NAIC Annuity Nonforfeiture Model Regulation for (name of insurance company). I have reviewed (identify contract form) and am familiar with the NAIC Standard Nonforfeiture Law for Individual Deferred Annuities and the NAIC Annuity Nonforfeiture Model Regulation as they pertain to equity-indexed annuities. I have also reviewed the methodology that will be used in calculating and setting assumptions for the additional reduction in nonforfeiture rate for equity-indexed annuities. Based on my review, I certify that the methodology used for (identify contract form) meets the minimum requirements of the NAIC Model Standard Nonforfeiture Law for Individual Deferred Annuities and the NAIC Annuity Nonforfeiture Model Regulation.

#### **COMMENTS:**

*Industry Advisory Committee Comment:* The IAC suggests clean-up to the language in the appendix to make the wording more consistent with other parts of the standard.

*IIPRC Office Comments/Observations:* The IIPRC Office is not aware of any concerns or issues raised by filers.

*IIPRC Office Recommendation:* The IIPRC Office has no objection to this change and agrees it would be a clarification and not a substantive change:

#### **Index-Linked Appendix**

**Initial Actuarial Certification of Compliance with the NAIC Model Annuity Nonforfeiture Regulation For Index-Linked Crediting Feature of Individual Deferred Non-Variable Annuities or the General Account Portion of Individual Deferred Variable Annuities, with the NAIC Model Annuity Nonforfeiture Model Regulation.**

**For use with Equity-Indexed (referred to by the Interstate Insurance Product Regulation Commission as Index-Linked) Annuity contract forms at time of filing.**

## CLARIFICATION ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

I, (state name and professional designation) am responsible for evaluating compliance with the NAIC Model Standard Nonforfeiture Law for Individual Deferred Annuities and the NAIC Annuity Nonforfeiture Model Regulation for (name of insurance company). I have reviewed (identify contract form) and am familiar with the NAIC Standard Nonforfeiture Law for Individual Deferred Annuities and the NAIC Annuity Nonforfeiture Model Regulation as they pertain to **equity-indexed index-linked** annuities (**called equity-indexed annuities in the model law and regulation**). I have also reviewed the methodology that will be used in calculating and setting assumptions for the additional reduction in nonforfeiture rate for **equity-indexed index-linked** annuities. Based on my review, I certify that the methodology used for (identify contract form) meets the minimum requirements of the NAIC Model Standard Nonforfeiture Law for Individual Deferred Annuities and the NAIC Annuity Nonforfeiture Model Regulation.

## CLARIFICATION ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### 9. VARIABILITY OF INFORMATION – TAX CODE SECTIONS

**APPLIES:** Additional submission requirements in Standards for Forms Used to Provide Tax Qualified Plan Provisions for Individual Life Insurance Policies and Standards for Forms Used to Provide Tax Qualified Plan Provisions for Individual Annuity Contracts.

#### **CURRENT PROVISION:**

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

#### **B. VARIABILITY OF INFORMATION**

The company shall file tax qualified plan provisions on a specific basis, where each filing accommodates only the specified tax code. The company may identify items that will be considered variable. The item shall be bracketed or otherwise marked to denote variability. The submission shall include a Statement of Variability that will discuss the conditions under which each variable item may change.

The tax qualified plan provisions to be used shall be consistent with the Statement of Variability filed for such provisions and the Statement of Variability filed for the individual life insurance policy.

Items such as officer titles and officer signatures may be denoted as variable and may be changed without notice or prior approval.

#### **COMMENTS:**

*Industry Advisory Committee Comment:* The IAC notes that there are several tax code sections that share the same requirements, such as unisex rating, and it should not be necessary to file different policies or riders, amendments or endorsements to accommodate each tax code section. The IAC provided the following example of tax code sections that could be accommodated with one filing: TSA/403B; Simple IRA; SEP; Roth IRA ; Profit Sharing; Pension; Non-Qualified Section 457; Money Purchase; Keough; Inherited Roth IRA; Inherited IRA; IRA; Defined Benefit; 412(i) Transfer; 412(i); 412(e)(3) Transfer; 412(e)(3); 401(k) Profit Sharing; 401(k) Money Purchase; 401(k); 401(a).

The IAC believes that the intent of the first provision was to say:

The company shall file tax qualified plan provisions on a specific basis, when the provision is specific to a specified tax code section, and when each filing accommodates only such specified tax code section. 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.

In addition, the IAC suggests that the three requirements in this section should be assigned a numeric prefix for clarity.



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*IIPRC Office Comments/Observations:* The IIPRC Office is not aware of any concerns or issues raised by filers.

*IIPRC Office Recommendation:* The IIPRC Office has no objection to this change and agrees it would be a clarification and not a substantive change as follows:

### B. VARIABILITY OF INFORMATION

**(1)** The company shall file tax qualified plan provisions on a specific basis, when the provision is specific to a specified tax code section, where—and when each filing accommodates only ~~the~~ such specified tax code section. When qualified plan provisions are applicable to more than one specific tax code section ~~the~~ company ~~may~~ shall identify the applicable tax code sections in the items that will be considered variable. The item shall be bracketed or otherwise marked to denote variability. The submission shall include a Statement of Variability that will discuss the conditions under which each variable item may change.

**(2)** The tax qualified plan provisions to be used shall be consistent with the Statement of Variability filed for such provisions and the Statement of Variability filed for the individual life insurance policy.

**(3)** Items such as officer titles and officer signatures may be denoted as variable and may be changed without notice or prior approval.

## CLARIFICATION ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### 10. BENEFIT PROVISIONS –TAX QUALIFIED PLANS

**APPLIES:** Form requirement in Standards for Forms Used to Provide Tax Qualified Plan Provisions for Individual Life Insurance Policies and Standards for Forms Used to Provide Tax Qualified Plan Provisions for Individual Annuity Contracts.

#### **CURRENT PROVISION:**

#### **§ 2 BENEFIT PROVISIONS**

#### **A. REQUIREMENTS FOR TAX QUALIFIED PLAN PROVISIONS**

(3) The form shall specify the tax code and relevant sections requiring the tax qualified plan provisions.

#### **COMMENTS:**

*Industry Advisory Committee Comment:* The IAC suggests that because there are several tax code sections that share the same requirements, such as unisex rating, it would be beneficial 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.

*IIPRC Office Comments/Observations:* The IIPRC Office is not aware of any concerns or issues raised by filers.

*IIPRC Office Recommendation:* The IIPRC Office has no objection to this change and agrees it would be a clarification and not a substantive change as follows:

(3) **If the form is only applicable to a specified tax code section,** ~~t~~he form shall specify the tax code and relevant sections requiring the tax qualified plan provisions.

## CLARIFICATION ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### 11. SEPARATE ACCOUNTS

**APPLIES:** Definitions, general filing submission requirements and contract provisions in Core Standards for Individual Deferred Variable Annuity Contracts and Individual Immediate Variable Annuity Contract Standards

#### **CURRENT PROVISIONS:**

##### **Definitions**

“Account value” is:

- (1) For general accounts, the total amount of premium allocated to the general account, adjusted by partial withdrawals, transfers, specified charges and expenses, accumulated at interest periodically credited by the company, but at no less than the guaranteed minimum interest rate.
- (2) For separate accounts, the total amount of premium allocated to the separate account, adjusted by partial withdrawals, transfers, specified charges and expenses and the investment results of the separate account.

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

##### **A. GENERAL**

The following additional filing submission requirements shall apply:

- (1) All forms filed for approval shall be included with the filing. Changes to a previously approved form shall be highlighted. The specifications page of a contract shall be completed with hypothetical data that is realistic and consistent with the other contents of the contract and any required actuarial memorandum in support of nonforfeiture values.
- (2) If a filing is being submitted on behalf of a company, a letter or other document authorizing the firm to file on behalf of the company shall be included with the filing.
- (3) If the filing contains an insert page, an explanation of when the insert page will be used should be included in the filing.
- (4) If the specifications page of the contract contains variable items, the submission shall include the Statement of Variability. The submission shall also include a certification that any change or modification to a variable item shall be administered in accordance with the requirements in the Variability of Information section, including any requirements for prior approval of a change or modification.
- (5) If the contract provides for a benefit waiving surrender charges contingent on a declared interest rate, the company shall provide a certification that the owner will be provided a timely notification when the declared interest rate declines to a point at which the waiver of surrender charge benefit is available.
- (6) Include a statement that the contract is subject to federal jurisdiction and accordingly the Flesch requirements do not apply.
- (7) Certification by a company officer that written request will be made to and written approval received from the chief insurance regulator of the state of domicile of the company prior to the company exercising any contractual right to defer the payment of any general account cash surrender value, partial withdrawal, or loan value for a period of not more than six months.

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(8) Where separate accounts and funds available at issue under the contract are described in the application form, a copy of the application form to be used for the contract, if not concurrently submitted for approval, shall be submitted informationally at the time of submission of the individual deferred variable annuity contract.

(9) If the contract is for use with more than one plan, the submission shall include a separate set of uniquely numbered specifications pages for each plan being submitted for approval, along with a separate actuarial memorandum for each plan. The company may not use the same contract form to provide alternate plans by making any features and benefits described in the contract as inapplicable by a zero entry or by indicating that the benefit is not applicable on the specifications page or in the contract. For example, the use of one contract with and without surrender charges is unacceptable.

(10) A description of any innovative or unique features of each contract form.

### **§ 3 CONTRACT PROVISIONS** **SEPARATE ACCOUNTS**

(2) The contract may contain a provision stating that the portion of assets of a separate account equal to the reserves and other contract liabilities with respect to the account shall not be charged with liabilities arising out of any other business the company may conduct.

#### **COMMENTS:**

*IIPRC Office Comments/Observations:* on December 13, 2011, the IIPRC office issued Filing Information Notice 2011-1 to provide clarification that the investment performance of assets of the separate account or each subaccount of the separate account for a variable annuity product 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 or have been authorized by the State of Domicile, including Commissioner approval if required.

*IIPRC Office Recommendation:* The IIPRC office recommends clarifying the applicable variable annuity standards by specifying in the definition of “Account Value” that fixed interest options are a part of the general account and the investment performance of separate accounts must be allocated directly to the benefit option through unit-linked contract values. The Office also recommends adding the required statement that the separate accounts comply with the requirements of the State of Domicile to the Additional Submission Requirements and adding a requirement in the Contract Provisions for Separate Accounts requiring the contract to include a provision that the domiciliary state requires the separate accounts to be insulated in applicable cases to clarify current processes.

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Recommended revisions are as follows:

### **Core Standards for Individual Deferred Variable Annuity Contracts**

#### Definitions

“Account value” is:

(1) For general accounts, the total amount of premium allocated to the general account, adjusted by partial withdrawals, transfers, specified charges and expenses, accumulated at interest periodically credited by the company, but at no less than the guaranteed minimum interest rate.

**Any fixed interest option is part of the general account.**

(2) For separate accounts, the total amount of premium allocated to the separate account, adjusted by partial withdrawals, transfers, specified charges and expenses and the investment results of the separate account. **Separate accounts or subaccount assets of the separate account reflect direct allocation of the investment performance of the separate accounts or subaccount assets through the incorporation of unit-linked contract values.**

### **Individual Immediate Variable Annuity Contract Standards**

**Scope:** These standards apply to individual life contingent immediate variable annuity contracts, both with or without a period certain, that provide for a single premium payment, and that provide for funds to be held in separate accounts\* only or in separate and general accounts.\*\* The standards apply to fixed and/or variable annuity payments for the life of the contract. The standards do not apply to an individual immediate variable annuity contract that provides for guarantees for separate account funds, or liquidity benefits other than commutation of any guaranteed life contingent or non-life contingent annuity benefits.

**\* Separate accounts or subaccount assets of the separate account reflect direct allocation of the investment performance of the separate accounts or subaccount assets through the incorporation of unit-linked contract values.**

**\*\* Any fixed interest option is part of the general account.**

### **Core Standards for Individual Deferred Variable Annuity Contracts**

### **Individual Immediate Variable Annuity Contract Standards**

## § 1 ADDITIONAL SUBMISSION REQUIREMENTS

### A. GENERAL

The following additional filing submission requirements shall apply:

**New Item: If the product contains separate accounts, a statement from the company that "The separate accounts underlying the filing comply with or have been authorized by the State of domicile, including Commissioner approval if required."**

## CLARIFICATION ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### **Core Standards for Individual Deferred Variable Annuity Contracts** **Individual Immediate Variable Annuity Contract Standards**

#### **§ 3 CONTRACT PROVISIONS** **SEPARATE ACCOUNTS**

(2) The contract may contain a provision stating that the portion of assets of a separate account equal to the reserves and other contract liabilities with respect to the account shall not be charged with liabilities arising out of any other business the company may conduct. **If the company's domiciliary state requires separate accounts to be insulated, the contract shall include this provision.**

## CLARIFICATION ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### 12. INDEX-LINKED PAYMENT ADJUSTMENT BENEFITS

**APPLIES:** Scope of the Index Linked Payment Adjustment Benefit Standards

**CURRENT PROVISION:**

**Scope:** These standards apply to index-linked annuity payment adjustment benefits that are built-in to individual immediate non-variable annuity contracts or 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.

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.

**COMMENTS:**

*Industry Comment:* An industry commenter requested the IIPRC expand the scope of its Indexed Linked Payment Adjustment Benefit Standard to include individual deferred paid-up non-variable annuities (DIAs) that are in the income payment phase. Currently, this Standard is limited to individual immediate non-variable annuities. The commenter believes that extending this Standard to both non-participating and participating DIAs in the payout phase is appropriate since once payments begin there is little difference between a DIA and an immediate non-variable annuity.

At the time this Standard was developed in 2008, carriers were not offering DIAs so it was understandable that the DIA product was not included. However, as consumer demand and competition in the annuity market continues to evolve, product innovation is an integral component of meeting that demand while providing consumer value and remaining competitive in the market. Having the ability to provide the indexed-linked payments under a DIA is likely a product iteration that may be offered to provide more choice to consumers in tailoring their income needs.

*IIPRC Office Comments/Observations:* The IIPRC Office is not aware of any concerns or issues raised by filers.

*IIPRC Office Recommendation:* The IIPRC Office does not have any concerns with the request. The Index Linked Payment Adjustment Benefit Standards were adopted in 2008 and the Individual Deferred Paid-Up Non-Variable Annuity Contract Standards (Longevity Standards) were not adopted until October of 2010, so it appears the longevity products were not being offered at the time this standard was initially adopted. IIPRC staff agrees with the commenter that there is little difference between immediate non-variable annuities and individual deferred paid-up non-variable annuities in the income payment phase. The Longevity Standards drew heavily from the individual immediate non-variable annuity

## CLARIFICATION ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

standards and it would appear that the standards could accommodate this change with little or no change. The IIPRC Office recommends that the PSC review the Individual Deferred Paid-Up Non-Variable Annuity Contract Standards to see if any changes to those standards would be necessary if they expand the scope of the Index Linked Payment Adjustment Benefit Standards to include individual deferred paid-up non-variable annuities as follows:

**Scope:** These standards apply to index-linked annuity payment adjustment benefits that are built-in to individual immediate non-variable annuity contracts and to individual deferred paid-up non-variable annuity contracts (longevity annuities) in the income payment phase, where specified income payments commence on a specified date. These standards also apply if ~~or 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.



## CONFORMING AMENDMENT ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### **Conforming Amendments**

Pursuant to Article III of the Bylaws of the Interstate Insurance Product Regulation Commission, the Commission established procedures for Conforming Amendments to Uniform Standards. A conforming amendment is an amendment to an existing Uniform Standard where the substantive provisions of the amendment are included in another adopted Uniform Standard and the amendment will have the same substantive effect on the application of the existing Uniform Standard as it does on in the other adopted Uniform Standard. As part of the Five Year Review process, the applicable changes adopted by the Commission in the Phase One process will be presented as conforming amendments to standards subject to Phases 2, 3 and 4 of the process. These items will be presented to the Management Committee for Conforming Amendments.

### **List of Conforming Amendments**

1. Conformity with Interstate Insurance Product Regulation Commission
2. Legal Actions
3. Additional Submission Requirements
4. Actuarial Demonstrations
5. Settlement Options
6. Agreements
7. Acknowledgement of Disclosures
8. Fairness
9. Fraud Notice/Warning

## CONFORMING AMENDMENT ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### 1. CONFORMITY WITH INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION *(Cross-Reference to IIPRC Office Report 8/13/13– Clarification Item #1)*

**APPLIES:** Contract Provisions requirement in:

Core Standards for Individual Deferred Variable Annuity Contracts

Core Standards for Individual Deferred Nonvariable Annuity Contracts

Individual Immediate Variable Annuity Contract Standards

Individual Immediate Non-Variable Annuity Contract Standards

## CONFORMING AMENDMENT

### § 3 CONTRACT PROVISIONS

#### CONFORMITY WITH INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION STANDARDS

The policy shall state that it was approved under the authority of the Interstate Insurance Product Regulation Commission and issued under the Commission standards. The policy shall also state that any provision of the policy that on the provision's effective date is in conflict with **the applicable** Interstate Insurance Product Regulation Commission standards for this product type **in effect as of the provision's effective date of Commission policy** approval is hereby amended to conform to the **applicable** Interstate Insurance Product Regulation Commission standards **in effect as of the provision's effective date of Commission policy approval for this product type as of the provision's effective date.**

## CONFORMING AMENDMENT ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### **2. LEGAL ACTION** (*Cross-Reference to IIPRC Office Report 8/13/13– Clarification Item #4*)

**APPLIES:** Contract Provisions requirement in:

Core Standards for Individual Deferred Variable Annuity Contracts

Core Standards for Individual Deferred Nonvariable Annuity Contracts

Individual Immediate Variable Annuity Contract Standards

Individual Immediate Non-Variable Annuity Contract Standards

## CONFORMING AMENDMENT

### § 3 CONTRACT PROVISIONS

#### NEW SECTION

#### **LEGAL ACTION**

- (1) A policy may include a legal action provision. If included, the provision shall state that a legal cause of action related to the policy shall comply with the laws of the state where the policy was delivered or issued for delivery.**

## CONFORMING AMENDMENT ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### 3. ADDITIONAL SUBMISSION REQUIREMENTS – GENERAL *(Cross-Reference to IIPRC Office Report 8/13/13– Clarification Item #9)*

#### APPLIES:

Core Standards for Individual Deferred Variable Annuity Contracts

Core Standards for Individual Deferred Nonvariable Annuity Contracts

## CONFORMING AMENDMENT

### § 1 ADDITIONAL SUBMISSION REQUIREMENTS

#### A. GENERAL

~~(8) If the contract is for use with more than one plan, include a separate set of uniquely numbered specifications pages for each plan being submitted for approval, along with a separate actuarial memorandum for each plan. The company may not use the same contract form to provide alternate plans by making any features and benefits described in the contract as inapplicable by a zero entry or by indicating that the benefit is not applicable on the specifications page or in the contract. For example, the use of one contract with and without surrender charges is unacceptable.~~

#### B. ACTUARIAL MEMORANDUM REQUIREMENTS

(1) For each plan, aAn 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 nonforfeiture values:

#### C. VARIABILITY OF INFORMATION

(7) If the contract is for use with more than one plan, the variable item(s) for each plan shall be identified on the specifications page. The company may not use the same contract form to provide alternate plans by making any features and benefits described in the contract as inapplicable by zero entry or by indicating that the benefit is not applicable on the specifications page or in the contract. For example, the use of one contract with and without surrender charges is unacceptable. Examples of acceptable plans would include various surrender charge periods or initial guarantee periods (such as 3 year, 5-year, 7-year).

## CONFORMING AMENDMENT ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### **4. ACTUARIAL DEMONSTRATIONS** *(Cross-Reference to IIPRC Office Report 8/13/13– Clarification Item #10)*

**APPLIES:** Additional submission requirements for:

Core Standards for Individual Deferred Nonvariable Annuity Contracts

Core Standards for Individual Deferred Variable Annuity Contracts

Additional Standards for Bonus Benefits for Individual Deferred Variable Annuity Contracts

Additional Standards for Bonus Benefits for Individual Deferred Non-Variable Annuity Contracts

## CONFORMING AMENDMENT

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

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

(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 nonforfeiture values **(including both cash surrender values and nonforfeiture values)**:

## CONFORMING AMENDMENT ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### 5. SETTLEMENT OPTIONS *(Cross-Reference to IIPRC Office Report 8/13/13– Clarification Items #3 and #28)*

**APPLIES:** Contract provisions requirement for:  
Core Standards for Individual Deferred Nonvariable Annuity Contracts  
Core Standards for Individual Deferred Variable Annuity Contracts

## CONFORMING AMENDMENT

### § 3 CONTRACT PROVISIONS SETTLEMENT OPTIONS

(1) The contract shall contain a description of **each the** type(s) and form(s) of settlement option provided in the contract. The guaranteed interest rate and mortality table, if applicable, being utilized for a designated settlement option shall be identified in the contract. In lieu of the interest rate and mortality table disclosure, complete tables of guaranteed settlement option amounts may be included in the contract. If the company retains the right to change the guaranteed annuity purchase rates for any new premiums and account transfers made or varies guaranteed purchase rates between the general account (if available) and any separate accounts or funds available under the contract, this requirement shall apply to each set of guaranteed purchase rates used by the company under the contract. The effective date that applies to each set of purchase rates also shall be indicated.

(4) The contract shall contain a provision stating that the annuity benefits at the time of their commencement will not be less than those that would be provided by the application of the cash surrender value to purchase a single premium immediate annuity contract at purchase rates offered by the company at the time to the same class of annuitants **if the company offers a single consideration annuity contract at the time to the same class of annuitants.**

## CONFORMING AMENDMENT ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### 6. AGREEMENTS *(Cross-Reference to IIPRC Office Report 8/13/13– Clarification Item #23)*

**APPLIES:** Individual Annuity Application Standards

#### CONFORMING AMENDMENT

#### § 3 APPLICATION SECTIONS

#### M. AGREEMENTS

- (1) The application for entity owned contracts shall include the statements agreed to by each proposed owner or annuitant such as:
  - (a) That they have read the application and all statements and answers as they pertain to them, and that these statements and answers are true and complete to the best of their knowledge and belief;
  - (b) That the statements and answers in the application are the basis for any contract issued by the company, and that no information about them will be considered to have been given to the company unless it is stated in the application, **and that they will notify the company of any changes in the statements or answers given in the application between the time of application and delivery of the contract;**
  - (c) That a sales representative does not have the company's authorization to accept risk, pass on insurability, or make, void, waive or change any conditions or provisions of the application, contract or receipt, as applicable;
  - (d) That the company will have no liability until:
    - (i) A contract is issued on this application and delivered to and accepted by the owner; and
    - (ii) The first premium due is paid in full while each proposed owner and annuitant is alive.
  - (e) **That the applicant authorizes the company to obtain personal information on the applicant from a third-party information provider, such as the MIB, Inc., provided the authorization includes a description of the type of information to be obtained and the type of information provider from which the information will be obtained. With respect to time limits in an authorization, the statement agreed to by the applicant shall state that the time limit complies with the time limit, if any, permitted by applicable law in the state where the policy is delivered or issued for delivery.**

## CONFORMING AMENDMENT ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### 7. ACKNOWLEDGEMENT OF DISCLOSURES (*Cross-Reference to IIPRC Office Report 8/13/13– Clarification Item #24*)

**APPLIES:** Individual Annuity Application Standards

#### CONFORMING AMENDMENT

#### § 1. ADDITIONAL SUBMISSION REQUIREMENTS

##### B. VARIABILITY OF INFORMATION

- (1) The company may identify items that will be considered variable in the application, but such variability shall be limited to:
  - (a) The company, address and other contact information;
  - (b) In the case of applications for use by more than one company, the name of each company may be variable only to permit:
    - (i) Deletion if the company ceases to do new business; and
    - (ii) Addition of a company authorized to do business by the respective Interstate Insurance Product Regulation Commission states;
  - (c) Product information, including product marketing name or logo.
  - (d) Acknowledgement of receipt of disclosures or illustrations required by state federal law.**

#### § 3 APPLICATION SECTIONS

##### M. AGREEMENTS

- (2) The application may include an acknowledgment by each proposed owner of receipt of the following as required by **state or federal** law:
  - (a) The most current prospectus for a variable annuity, which includes summary descriptions of the underlying investment options;
  - (b) Notice of tax withholding on distributions or withdrawals;
  - (c) Any required disclosures.



## CONFORMING AMENDMENT ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### 8. FAIRNESS *(Cross-Reference to IIPRC Office Report 8/13/13– Clarification Item #25)*

**APPLIES:** Individual Annuity Application Standards

#### CONFORMING AMENDMENT

#### § 2 GENERAL FORM REQUIREMENTS

##### B. FAIRNESS

(1) The application shall not contain inconsistent, ambiguous, unfair, inequitable or misleading clauses, provisions that are against public policy as determined by the Interstate Insurance Product Regulation Commission, nor shall it contain exceptions and conditions that unreasonably affect the risk purported to be assumed in the general coverage of the contract forms with which the application will be used.

(2) The application questions shall be presented as single direct questions, not as declaratory statements.

(3) If the company includes underwriting questions in the application, the application questions shall not require the applicant to make a diagnosis of a medical condition of the proposed insured. Questions such as “Are you in good health,” “Do you have symptoms of,” “Do you have any known indication of,” **“Have you ever had,” “Any history of,”** or “Do you think you have” are not acceptable.

## CONFORMING AMENDMENT ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### 9. FRAUD NOTICE/WARNING *(Cross-Reference to IIPRC Office Report 8/13/13– Clarification Item #26)*

**APPLIES: Individual Annuity Application Standards**

#### CONFORMING AMENDMENT

#### § 3 APPLICATION SECTIONS

##### P. FRAUD NOTICE/WARNING

(1) The application shall include ~~a~~ the following fraud notice/warning. ~~The notice/warning shall include language similar to the following:~~ “Any person who knowingly presents a false statement in an application for insurance may be guilty of a criminal offense and subject to penalties under state law.”

## **TECHNICAL ITEMS**

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### **Technical Items**

Technical items are proposed changes and corrections to the Uniform Standards to make formatting, typographical, and/or drafting corrections that would not change the meaning or effect of the provision, or the current application and interpretation of the provision or applicable Uniform Standards. Technical items would also encompass changes that would make the Uniform Standards consistent with one another where appropriate, in terms of formatting and wording. The IIPRC Office will insert and clearly distinguish technical items in the Uniform Standards. As has been the practice when making technical changes to the Uniform Standards during the rulemaking process, these technical items will not be specifically discussed unless there is a concern or question raised by members, regulators, or interested parties.

### **List of Technical Change Items**

1. Inclusion of Table of Contents
2. Inclusion of Standard Title in Header
3. Variability of Information - Language Consistency
4. Additional Submission Requirements - Language Consistency
5. Additional Submission Requirements - Format Consistency
6. Formatting Correction
7. Additional Standards – Consistency in Title
8. Inclusion of Mix and Match and Self-Certification
9. Formatting Consistency
10. Formatting Consistency – ACTUARIAL MEMORANDUM REQUIREMENTS
11. Typographical Change – “s”
12. Typographical Change – Comma

## **TECHNICAL ITEMS**

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### **1. INCLUSION OF TABLE OF CONENTS**

**APPLIES:** All Uniform Standards subject Phase 2, 3 and 4 of the Five Year review.

**CURRENT PROVISION:** Currently, most Uniform Standards do not contain a Table of Contents.

#### **COMMENTS:**

*IIPRC Office Comment/Observation:* The IIPRC Office received a suggestion through the website to include a Table of Contents in all Uniform Standards. Currently, the only Uniform Standards that do contain a Table of Contents is the Core Standards for Individual Long-Term Care Insurance Policies.

*IIPRC Office Recommendation:* The IIPRC Office would agree with this suggestion and will incorporate a Table of Contents to all Uniform Standards subject to this Five Year review.

## **TECHNICAL ITEMS**

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### **2. INCLUSION OF STANDARD TITLE IN HEADER**

**APPLIES:** All Uniform Standards subject Phase 2, 3 and 4 of the Five Year review.

**CURRENT PROVISION:** Currently, most Uniform Standards do not contain the name of the Uniform Standard in the header.

#### **COMMENTS:**

*IIPRC Office Comment/Observation:* The IIPRC Office notes that the header currently provides the effective date of the standard, but does not identify the standard. It is sometimes difficult to identify which Standard is being viewed when multiple Standards are viewed at the same time.

*IIPRC Office Recommendation:* The IIPRC Office recommends adding the title of the standard to the header of all Uniform Standards subject to this Five Year review.

## **TECHNICAL ITEMS**

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### **3. VARIABILITY OF INFORMATION – LANGUAGE CONSISTENCY**

**APPLIES:** Individual Annuity Uniform Standards subject to 5-year review.

#### **CURRENT PROVISION:**

#### **Core Standards for Individual Deferred Non-Variable Annuity Contracts**

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

#### **C. VARIABILITY OF INFORMATION**

(1) The company may identify items that will be considered variable only in the specification page. The items shall be bracketed or otherwise marked to denote variability. The submission shall include a Statement of Variability that will discuss the conditions under which each variable item may change.

(2) Any change or modification shall be limited to only new issues of the contract and shall not apply to in force contracts.

#### **Standards for Individual Immediate Non-Variable Annuity Contracts**

#### **B. VARIABILITY OF INFORMATION**

(1) The company may identify items that will be considered variable only in the specifications page. The items shall be bracketed or otherwise marked to denote variability. The submission shall include a Statement of Variability that will discuss the conditions under which each variable item may change. Any change not supported by the Statement of Variability requires a refiling for prior approval.

(2) Any change shall be limited to only new issues of the contract and shall not apply to in force contracts.

#### **COMMENTS:**

*IAC Comments:* We suggest that the PSC review the various VARIABILITY OF INFORMATION requirements in the annuity standards and decide on a uniform approach to those requirements that are included in all.

*IIPRC Office Comment/Observation:* The IIPRC Office would agree that the Uniform Standards be consistent wherever possible.

*IIPRC Office Recommendation:* The IIPRC would recommend that the VARIABILITY OF INFORMATION requirements in the annuity standards be amended as follows, consistent with the provisions in the Life Insurance Uniform Standards:

## TECHNICAL ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### VARIABILITY OF INFORMATION

(1) The company may identify items that will be considered variable only in the specifications page. The items shall be bracketed or otherwise marked to denote variability. The submission shall include a Statement of Variability that will discuss the conditions under which each variable item may change. ~~Any change not supported by the Statement of Variability requires a refiling for prior approval.~~

(2) Any change or modification shall be limited to only new issues of the contract and shall not apply to in force contracts.

## TECHNICAL ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### 4. ADDITIONAL SUBMISSION REQUIREMENTS – LANGUAGE CONSISTENCY

**APPLIES:** Individual Annuity Uniform Standards subject to 5-year review.

#### CURRENT PROVISION:

#### § 1 ADDITIONAL SUBMISSION REQUIREMENTS

##### A. GENERAL

(2) If a filing is submitted on behalf of a company, a letter or other document authorizing the firm to file on behalf of the company shall be included with the filing.

(3) If the filing contains an insert page, an explanation of when the insert page will be used should be included in the filing.

(4) If the specifications page of the contract contains variable items, the submission shall include the Statement of Variability. The submission shall also include a certification that any change or modification to a variable item shall be administered in accordance with the requirements in the Variability of Information section, including any requirements for prior approval of a change or modification.

(7) Certification by a company officer that written request will be made to and written approval received from the chief insurance regulator of the state of domicile of the company prior to the company exercising any contractual right to defer the payment of any general account cash surrender value, partial withdrawal, or loan value for a period of not more than six months.

(10) A description of any innovative or unique features of each contract form.

#### COMMENTS:

*IAC Comments:* The IAC submitted written comments in November 2012 requesting that the Additional Submission Requirements in all Uniform Standards be consistent.

*IIPRC Office Comment/Observation:* The IIPRC Office would agree that the Uniform Standards be consistent and not in the passive voice, but more directive as this is a filing requirement.

*IIPRC Office Recommendation:* The IIPRC would recommend that the ADDITIONAL SUBMISSION REQUIREMENTS provision be amended as follows. This language is currently included in the Core standards for Individual Deferred Non-Variable Annuity Contracts.

#### § 1 ADDITIONAL SUBMISSION REQUIREMENTS

##### A. GENERAL

(2) If a filing is submitted on behalf of a company, **include** a letter or other document authorizing the firm to file on behalf of the company ~~shall be included~~ with the filing.



## TECHNICAL ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

- (3) If the filing contains an insert page, **include** an explanation of when the insert page will be used **should be included in the filing**.
- (4) If the specifications page of the contract contains variable items, ~~the submission shall~~ include the Statement of Variability. The submission shall also include a certification that any change or modification to a variable item shall be administered in accordance with the requirements in the Variability of Information section, including any requirements for prior approval of a change or modification.
- (7) **Include a c** Certification by a company officer that written request will be made to and written approval received from the chief insurance regulator of the state of domicile of the company prior to the company exercising any contractual right to defer the payment of any general account cash surrender value, partial withdrawal, or loan value for a period of not more than six months.
- (10) **Include a A** description of any innovative or unique features of each contract form.

## **TECHNICAL ITEMS**

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### **5. ADDITIONAL SUBMISSION REQUIREMENTS – FORMAT CONSISTENCY**

**APPLIES:** Core Standards for Individual Deferred Variable Annuity Contracts

**CURRENT PROVISION:**

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

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

#### **B. VARIABILITY OF INFORMATION**

**COMMENTS:**

*IIPRC Office Comment/Observation:* There area currently two item B's in the ADDITIONAL SUBMISSION REQUIREMENTS section of this standard.

*IIPRC Office Recommendation:* The IIPRC Office recommends correcting the formatting and lettering of the remaining items in the section.

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

#### **BC. VARIABILITY OF INFORMATION**

#### **CD. READABILITY REQUIREMENTS**

## **TECHNICAL ITEMS**

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### **6. FORMATTING CORRECTION**

**APPLIES:** Additional Standards for Waiver of Surrender Charge Benefit

*IAC Comments:* There are a few spacing issues in the formatting of this standards under §2 A COVER PAGE, §2 B SPECIFICATIONS PAGE, § 3C PREEXISTING CONDITIONS and § 3 G RETROACTIVE ASSESSMENT

*IIPRC Office Comment/Observation:* The IIPRC office agrees that the formatting requires correcting in these areas.

*IIPRC Office Recommendation:* The IIPRC Office recommends making the appropriate formatting corrections as noted by the IAC.

## TECHNICAL ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### 7. ADDITIONAL STANDARDS – CONSISTENCY IN TITLE

**APPLIES:** All additional standards for life and annuity products subject to this Five Year review.

**CURRENT PROVISION:** Currently, some additional standards are titled “Standards for” while others are titled “Additional Standards for.”

#### COMMENTS:

*IIPRC Office Comment/Observation:* During the initial drafting of some of the earlier additional standards, the title of the standard did not reflect that it was an “additional” standard for specific product types. Later additional standards were titled “Additional Standards for,” providing clarity that other standards also applied, depending on the product type

*IIPRC Office Recommendation:* The IIPRC Office recommends adding the word “Additional” to the following standards for clarity and consistency:

**Additional** Standards for Mortality Table Change

**Additional** Standards for Index-Linked Crediting Feature for Deferred Non-Variable Annuities

**Additional** Standards for Forms Used to Provide Tax Qualified Plan Provisions for Individual Life

**Additional** Standards for Forms Used to Exclude Policy Coverage Based on the Underwriting Process

**Additional** Standards for Riders, Endorsements or Amendments Used to Effect Individual Life Insurance Policy Changes

**Additional Standards for** Index-Linked Payment Adjustment Benefit **Standards**

**Additional** Standards for Forms Used to Provide Tax Qualified Plan Provisions for Individual Annuity Contracts

**Additional** Standards for Riders, Endorsements or Amendments Used to Effect Individual Annuity Contract Changes

## TECHNICAL ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### 8. INCLUSION OF MIX AND MATCH AND SELF-CERTIFICATION

**APPLIES:** All Uniform Standards subject to this 5-year review. This change would not affect the Core Standards for Individual Deferred Non-Variable Annuity Contracts as the language was included when the Uniform Standards were amended in October 2010.

**CURRENT PROVISION:** Currently, if the Uniform Standards are silent with regard to Mix and Match, it is permitted. If the Uniform Standards are silent with regard to Self-Certification, it is not permitted.

#### COMMENTS:

*IAC Comments:* The IAC has suggested that each Uniform Standards include the Mix and Match and Self-Certification statements.

*IIPRC Office Comment/Observation:* During the initial drafting of these applicable Uniform Standards, there was a timeline in place regarding the duration of Mix and Match. That timeline was removed in December 2009. When the timeline was removed, it was stated that if the Uniform Standards were silent with regard to Mix and Match, then it was permitted. The development and adoption of the Rule for the Self-Certification of Product Components filed with the Interstate Insurance Product Regulation Commission took place after the development of the Uniform Standards subject to this five year review. The Self-Certification Rule states that a “self-certified product filing may be made for Product Components which have been designated for self-certification as expressly authorized by the applicable Uniform Standard.” (§102(a))

*IIPRC Office Recommendation:* The IIPRC Office would recommend that this would be the appropriate time to insert the language into the Uniform Standards.

**Mix and Match: These standards are available to be used in combination with State Product Components as described in Section 110(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.**

## **TECHNICAL ITEMS**

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### **9. FORMATTING CONSISTENCY**

#### **APPLIES:**

Standards for Mortality Table Change

**CURRENT PROVISION:** Currently there is no Section and item numbering in this Uniform Standard.

#### **COMMENTS:**

*IIPRC Office Comment/Observation:* During the drafting of this Uniform Standard the Section, and item numbering was overlooked. It makes it rather difficult to provide a proper citation in filing correspondence without these.

*IIPRC Office Recommendation:* The IIPRC Office recommends amending the aforementioned Uniform Standard to include Section and item numbering consistent with other Uniform Standards.

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

#### **A. GENERAL**

The following additional filing submission requirements shall apply:

- (2) A listing by filing jurisdiction of the replacement pages, the corresponding life insurance form numbers with which they will be used, the corresponding approval date for these forms and any filing identification number.
  
- (2) A description of the change.

## **TECHNICAL ITEMS**

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### **10. FORMATTING CONSISTENCY- ACTUARIAL MEMORANDUM REQUIREMENTS**

#### **APPLIES:**

Individual Immediate Variable Annuity Contract Standards

Individual Immediate Non-Variable Annuity Contract Standards

#### **CURRENT PROVISION:**

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

#### **A. GENERAL**

The following additional filing submission requirements shall apply:

- (1) All forms filed for approval shall be included with the filing. Changes to a previously approved form shall be highlighted. The specifications page of a contract shall be completed with hypothetical data that is realistic and consistent with the other contents of the contract and any required actuarial memorandum.
- (2) If a filing is being submitted on behalf of a company, a letter or other document authorizing the firm to file on behalf of the company should be included with the filing.
- (3) If the filing contains an insert page, an explanation of when the insert page will be used should be included in the filing.
- (4) If the specifications page of the contract contains variable items, the submission shall include the Statement of Variability. The submission shall also include a certification that any change or modification to a variable item shall be administered in accordance with the requirements in the Variability of Information section, including any requirements for prior approval of a change or modification.
- (5) 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 annuity benefits:
  - (a) A description of the contract and contract provisions that affect the determination and, if applicable, the commutation of annuity benefits;
  - (b) The range of issue ages;
  - (c) Sample calculations illustrating the methodology and formulas used in the commutation of any life contingent and non-life contingent annuity benefits. The actuary may use any reasonable assumptions, consistent with any applicable actuarial Standards of Practice in determining the commuted values;
  - (d) A description of the methodology applicable to the determination of the interest rate and/or net investment return, as appropriate, used in the calculation of the commuted value of any life contingent and non-life contingent annuity benefits; and

## **TECHNICAL ITEMS**

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

- (e) A description of the mortality assumption used in determining the commuted value of any life contingent annuity benefits. Any reasonable mortality assumption, consistent with any applicable actuarial Standards of Practice and regulatory requirements, may be used.
- (6) Include a statement that the contract is subject to federal jurisdiction and accordingly the Flesch requirements do not apply.
- (7) Certification by a company officer that written request will be made to and written approval received from the chief insurance regulator of the state of domicile of the company prior to the company exercising any contractual right to defer the payment of any general account amounts payable on commutation or transfer of funds for a period of not more than six months.
- (8) Where the separate accounts available at issue under the contract are described in the application form, a copy of the application form to be used for the contract, if not concurrently submitted for approval, shall be submitted informationally at the time of submission of the individual immediate variable annuity contract. If the contract is for use with more than one plan, the submission shall include a separate set of uniquely numbered specifications pages for each plan being submitted for approval unless included in the Statement of Variability.
- (9) A description of any innovative or unique features of each contract form.

### **COMMENTS:**

*IIPRC Office Comment/Observation:* Currently the ACTUARIAL MEMORANDUM REQUIREMENTS are included under the GENERAL ADDITIONAL SUBMISSION REQUIREMENTS item listing in this Uniform Standard. All other Standards have a separate item for ACTUARIAL MEMORANDUM REQUIREMENTS.

*IIPRC Office Recommendation:* The IIPRC Office recommends amending the aforementioned Uniform Standards to include a separate item for ACTUARIAL MEMORANDUM REQUIREMENTS consistent with other Uniform Standards.

## **§ 1 ADDITIONAL SUBMISSION REQUIREMENTS**

### **A. GENERAL**

The following additional filing submission requirements shall apply:

- (1) All forms filed for approval shall be included with the filing. Changes to a previously approved form shall be highlighted. The specifications page of a contract shall be completed with hypothetical data that is realistic and consistent with the other contents of the contract and any required actuarial memorandum.
- (2) If a filing is being submitted on behalf of a company, a letter or other document authorizing the firm to file on behalf of the company should be included with the filing.
- (3) If the filing contains an insert page, an explanation of when the insert page will be used should be included in the filing.



## TECHNICAL ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

(4) If the specifications page of the contract contains variable items, the submission shall include the Statement of Variability. The submission shall also include a certification that any change or modification to a variable item shall be administered in accordance with the requirements in the Variability of Information section, including any requirements for prior approval of a change or modification.

~~(5) 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 annuity benefits:~~

~~(a) A description of the contract and contract provisions that affect the determination and, if applicable, the commutation of annuity benefits;~~

~~(b) The range of issue ages;~~

~~(c) Sample calculations illustrating the methodology and formulas used in the commutation of any life contingent and non-life contingent annuity benefits. The actuary may use any reasonable assumptions, consistent with any applicable actuarial Standards of Practice in determining the commuted values;~~

~~(d) A description of the methodology applicable to the determination of the interest rate and/or net investment return, as appropriate, used in the calculation of the commuted value of any life contingent and non-life contingent annuity benefits; and~~

~~(e) A description of the mortality assumption used in determining the commuted value of any life contingent annuity benefits. Any reasonable mortality assumption, consistent with any applicable actuarial Standards of Practice and regulatory requirements, may be used.~~

(65) Include a statement that the contract is subject to federal jurisdiction and accordingly the Flesch requirements do not apply.

(76) Certification by a company officer that written request will be made to and written approval received from the chief insurance regulator of the state of domicile of the company prior to the company exercising any contractual right to defer the payment of any general account amounts payable on commutation or transfer of funds for a period of not more than six months.

(87) Where the separate accounts available at issue under the contract are described in the application form, a copy of the application form to be used for the contract, if not concurrently submitted for approval, shall be submitted informationally at the time of submission of the individual immediate variable annuity contract. If the contract is for use with more than one plan, the submission shall include a separate set of uniquely numbered specifications pages for each plan being submitted for approval unless included in the Statement of Variability.

(98) A description of any innovative or unique features of each contract form.

## **TECHNICAL ITEMS**

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

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

- (~~5~~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 annuity benefits:
- (a) A description of the contract and contract provisions that affect the determination and, if applicable, the commutation of annuity benefits;
  - (b) The range of issue ages;
  - (c) Sample calculations illustrating the methodology and formulas used in the commutation of any life contingent and non-life contingent annuity benefits. The actuary may use any reasonable assumptions, consistent with any applicable actuarial Standards of Practice in determining the commuted values;
  - (d) A description of the methodology applicable to the determination of the interest rate and/or net investment return, as appropriate, used in the calculation of the commuted value of any life contingent and non-life contingent annuity benefits; and
  - (e) A description of the mortality assumption used in determining the commuted value of any life contingent annuity benefits. Any reasonable mortality assumption, consistent with any applicable actuarial Standards of Practice and regulatory requirements, may be used.

### **B C. VARIABILITY OF INFORMATION**

## TECHNICAL ITEMS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### 11. TYPOGRAPHICAL CHANGES – “s”

#### APPLIES:

Uniform Standard for Individual Deferred Non-Variable Annuity Contract Standards  
Uniform Standard for Individual Immediate Variable Annuity Contract Standards

#### CURRENT PROVISION:

#### § 1 ADDITIONAL SUBMISSION REQUIREMENTS

##### B. VARIABILITY OF INFORMATION

- (1) The company may identify items that will be considered variable only in the specification page. The items shall be bracketed or otherwise marked to denote variability. The submission shall include a Statement of Variability that will discuss the conditions under which each variable item may change. Any change not supported by the Statement of Variability requires a refiling for prior approval.

#### COMMENTS:

*IAC Comments:* The IAC submitted written comments in November 2012 requesting that the letter “s” be added to “specification” in several Uniform Standards.

*IIPRC Office Comment/Observation:* The IIPRC Office agrees with this recommendation.

*IIPRC Office Recommendation:* The IIPRC Office recommends the following correction to these two standards

#### § 1 ADDITIONAL SUBMISSION REQUIREMENTS

##### B. VARIABILITY OF INFORMATION

- (1) The company may identify items that will be considered variable only in the specification<sup>s</sup> page. The items shall be bracketed or otherwise marked to denote variability. The submission shall include a Statement of Variability that will discuss the conditions under which each variable item may change. Any change not supported by the Statement of Variability requires a refiling for prior approval.

## **TECHNICAL ITEMS**

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

### **12. TYPOGRAPHICAL CHANGES – COMMA**

**APPLIES:** Individual Annuity Application Standards

#### **CURRENT PROVISION:**

#### **B. VARIABILITY OF INFORMATION**

(1) The company may identify items that will be considered variable in the application, but such variability shall be limited to:

(a) The company, address and other contact information;

#### **COMMENTS:**

*IIPRC Office Comment/Observation:* The comma provides the impression that the Company name may be variable.

*IIPRC Office Recommendation:* The IIPRC Office would recommend that the comma be removed from the aforementioned provision in the Uniform Standards.

#### **B. VARIABILITY OF INFORMATION**

(1) The company may identify items that will be considered variable in the application, but such variability shall be limited to:

(a) The company, address and other contact information;

## **Appendix- Standards Under Review for Phases 2, 3 and 4 of the Five Year Review**

### **Phase 2 (Effective on or before 6/30/2008)**

Uniform Standard for Individual Immediate Non-Variable Annuity Contract Standards

Uniform Standard for Individual Immediate Variable Annuity Contract Standards

Standards for Mortality Table Change

Standards for Index-Linked Crediting Feature for Deferred Non-Variable Annuities

Uniform Standard for Individual Deferred Non-Variable Annuity Contract Standards

Uniform Standard for Individual Deferred Variable Annuity Contract Standards

### **Phase 3 (Effective on or before 12/31/2008)**

Standards for Forms Used to Provide Tax Qualified Plan Provisions for Individual Life

Standards for Forms Used to Exclude Policy Coverage Based on the Underwriting Process

Standards for Riders, Endorsements or Amendments Used to Effect Individual Life Insurance Policy Changes

Index-Linked Payment Adjustment Benefit Standards

Standards for Forms Used to Provide Tax Qualified Plan Provisions for Individual Annuity Contracts

Additional Standards for Waiver of Surrender Charge Benefits

Standards for Riders, Endorsements or Amendments Used to Effect Individual Annuity Contract Changes

### **Phase 4 (Effective on or before 6/30/2009)**

Additional Standards for Index-Linked Crediting Benefit Features for Individual Adjustable Life Policies

Additional Standards for Bonus Benefits (For Individual Deferred Non-Variable Annuity Standards)

Individual Flexible Premium Deferred Variable Annuity Contract Standards (with Separate and General Accounts) – **Proposal to repeal**

Individual Fixed Premium Deferred Variable Annuity Contract Standards (with Separate and General Accounts) – **Proposal to repeal**

Individual Annuity Application Standards

Standards for Individual Annuity Application Change Form