



States, Strength & Speed Aligned

FILING NOTICE 2010-2

DATE: September 28, 2010

FROM: Karen Z. Schutter
IIPRC Executive Director

RE: **Bonus Feature for Deferred Annuities**

Statutory References: Article X of the *Interstate Insurance Product Regulation Compact* as adopted by Member States.

Operating Procedure References: Section 103 of the *Operating Procedure for the Filing and Approval of Product Filings*.

Uniform Standards Reference: **Core Standards for Individual Deferred Variable Annuity Contract Standards**(IIPRC-A-03-I), Sections 1A(9) and 1C(5); **Additional Standards for Bonus Benefits (for Individual Deferred Variable Annuities)**(IIPRC-A-03-I-BONUS), Sections 1C and 2A(2); **Core Standards for Individual Deferred Non-Variable Annuity Contract Standards** (IIPRC-A-02-I), Sections 1A(8) and 1C(5) and **Additional Standards for Bonus Benefits (for Individual Deferred Non-Variable Annuities)**(IIPRC-AB-02-I-BONUS), Sections 2 and 3A(2).

BACKGROUND

The *Core Standards for Individual Deferred Variable Annuity Contracts and the Individual Deferred Non-Variable Contract Standards* do not contain bonus provisions respectively. Subsequently adopted, the *Additional Standards for Bonus Benefits (for Individual Deferred Variable Annuities)* apply to deferred variable annuity product filings with bonus benefit features and the *Additional Standards for Bonus Benefits (for Individual Deferred Non-Variable Annuities)* apply to deferred non-variable annuity product filings with bonus benefit features. The *Additional Standard for Bonus Benefits* for both Individual Deferred Variable Annuities and Individual Deferred Non-Variable Annuities do not allow a zero entry in the range for bonus benefits.

The purpose of this Filing Information Notice is to provide clarification on submission of product filings where the contract has a range of bonus rates varying based on premium or account value levels.

FILING PROCEDURES

To facilitate the submission and review of a product filing where the product may be offered with a bonus (greater than zero) or without a bonus (zero), the following filing procedure should be adhered to:

- The range for the bonus should not include zero (0) and must be greater than zero (0). In other words, the minimum bonus provided by a range must provide non-illusory benefits to the contract holder.
- Products with a "zero" ("0") bonus are non-bonus products and the Additional Standards for Bonus Benefits (for Individual Deferred Non-Variable or Variable Annuities) do not apply.
- Since different Uniform Standards and cover page requirements apply, the IIPRC Office will not accept separate specifications pages to handle both a bonus and non-bonus product. Separate forms are required when the product is being offered with bonus and non-bonus features.
- If the bonus is conditional, a zero (0) is not acceptable under the conditions outlined.
- Variations in types of bonuses, or guaranteed elements for bonus features, can be shown through different specification pages, with a generic cover page indicating a Bonus is present. Alternatively, separate forms can be used.