



FILING INFORMATION NOTICE 2012-3

DATE: September 20, 2012

FROM: Karen Z. Schutter
IIPRC Executive Director

RE: **New, Amended and Refiled Product Filings due to Changes in Interest Rates for Nonforfeiture Values in Life Insurance Products**

Statutory References: Articles IV(3) and (6), and X(2) of the *Interstate Insurance Product Regulation Compact* as adopted by Compacting States.

Operating Procedure References: Sections 103 and 111 of the *Operating Procedure for the Filing and Approval of Product Filings (“Product Filing Rule”)*.

Uniform Standards:

- Individual Term Life Insurance Policy Standards (IIPRC-L-04-I);
- Individual Single Premium Term Life Insurance Policy Standards (IIPRC-L-04-I-1);
- Individual Joint Last to Die Survivorship Term Life Insurance Policy Standards (IIPRC-L-04-I-2);
- Individual Single Premium Joint Last to Die Survivorship Term Life Insurance Policy Standards (IIPRC-L-04-I-3);
- Standards for Additional Term Life Insurance Benefits; Individual Whole Life Insurance Policy Standards (IIPRC-L-07-I);
- Individual Single Premium Whole Life Insurance Policy Standards (IIPRC-L-07-I-1);
- Individual Joint Last to Die Survivorship Whole Life Insurance Policy Standards (IIPRC-L-07-I-2);
- Individual Current Assumption Whole Life Insurance Policy Standards (IIPRC-L-07-I-5);
- Individual Single Premium Joint Last to Die Survivorship Whole Life Insurance Policy Standards (IIPRC-L-07-I-3);
- Individual Endowment Insurance Policy Standards (IIPRC-L-02-I);
- Individual Single Premium Endowment Insurance Policy Standards (IIPRC-L-02-I-1);
- Individual Joint Last to Die Survivorship Endowment Insurance Policy Standards (IIPRC-L-02-I-2);

- Individual Single Premium Joint Last to Die Survivorship Endowment Insurance Policy Standards (IIPRC-L-02-I-3);
- Additional Standards for Intermediate Period Endowment Benefit Feature for Individual Life Insurance Policies (including Return of Premium) (IIPRC-LB-04-I-ROP);
- Individual Flexible Premium Variable Adjustable Life Insurance Policy Standards (IIPRC-L-06-I);
- Individual Modified Single Premium Variable Life Insurance Policy Standards (IIPRC-L-06-I-1);
- Individual Joint Last to Die Survivorship Flexible Premium Variable Adjustable Life Insurance Policy Standards (IIPRC-L-06-I-2)
- Individual Modified Single Premium Joint First to Die Variable Life Insurance Policy Standards (IIPRC-L-06-I-3);
- Individual Flexible Premium Adjustable Life (IIPRC-L-09-I);
- Individual Modified Single Premium Adjustable Life Insurance Policy Standards (IIPRC-L-09-I-1); and
- Individual Joint Last to Die Survivorship Flexible Premium Adjustable Life Insurance Policy Standards (IIPRC-L-09-I-2).

Purpose: Filing Information Notices explain steps or clarifications in the IIPRC's process for filing and review of product filings under the applicable Uniform Standards. This Filing Information Notice only applies to the Uniform Standards referenced above.

BACKGROUND:

The Interstate Insurance Product Regulation Commission ("IIPRC") has adopted Uniform Standards covering individual life insurance contracts.

The applicable policy Uniform Standards for the various life insurance product lines referenced above specify pursuant to the Variability of Information provision that the interest rate for cash value and nonforfeiture benefits shall only be changed upon prior approval of the IIPRC. Further, a change or modification to any other item that may affect the derivation and compliance of policy values with any required minimum nonforfeiture values shall also be subject to prior approval. The aforementioned Uniform Standards specify pursuant to the Actuarial Requirements provision that an actuarial memorandum must be submitted and applicable nonforfeiture values must comply with the minimum requirements of the applicable NAIC Model Laws and Regulations for standard nonforfeiture compliance.

Pursuant to the NAIC Model Laws and Regulations for standard nonforfeiture and valuation compliance, a change to the maximum nonforfeiture and valuation interest rates will take effect on January 1, 2013. Companies may defer the implementation of a change to the maximum nonforfeiture interest rate for one year following a change to the maximum valuation interest rate as outlined in NAIC Standard Nonforfeiture Law Model #808 Section 5c.H.(1).

This Filing Information Notice outlines the process and procedures associated with filing new product filings or amending previously-approved product filings to the IIPRC to update the interest rates for nonforfeiture values.

FILING PROCEDURES:

1. Interest Rate(s) for Nonforfeiture Value(s) on Specifications Page(s):

- a. The IIPRC can only accept Specifications Pages for products submitted to or previously approved by the IIPRC. Pursuant to Section 111 of the Product Filing Rule, the IIPRC will not accept for review or approval Specifications Pages that are being used for mix and match with a state-approved or state-filed policy.
- b. For new product filings, a product filing with Specification Pages that include interest rates for nonforfeiture values which vary within ranges must contain the following information:
 - i. The Statement of Variability must provide reasonable and realistic ranges for the interest rate;
 - ii. The Statement of Variability must describe the conditions under which the interest rate can change, and
 - iii. The Statement of Variability or the Filing Description must contain a statement acknowledging that prior approval from the IIPRC will be sought if the interest rate for nonforfeiture values will change.
- c. For product filings already approved by the IIPRC, the filer must send a Note to Reviewer requesting the filing be reopened for the purpose of changing the interest rates for nonforfeiture values. Once the product filing is reopened, the following information must be added:
 - i. An Amendment in the SERFF Correspondence section containing an explanation of the change in interest rate for nonforfeiture values; a statement of the effective date of the change for new issues and a statement that the change shall not apply to in-force policies;
 - ii. The amended Specification Page(s);
 - iii. The amended Statement of Variability (if applicable);
 - iv. A certification regarding the Statement of Variability (if applicable);
 - v. An amended Actuarial Memorandum in final and redlined format with an updated nonforfeiture demonstration and actuarial certification of compliance; and
 - vi. The IIPRC amended filing fee is required.
- d. A form identification number shall appear at the bottom of the Specification Pages in the left hand corner and shall include a prefix of ICCxx (where xx represents the year the form was submitted for approval). The form number shall be adequate to distinguish the form from any others used by the company. The form number on

revised Specifications Page may either be updated with a revision date or the company may assign a replacement form number.

2. Interest Rate(s) for Nonforfeiture Value(s) in the Policy(ies):

- a. The IIPRC will accept a new product filing where the policy is being rewritten or refiled and the policy, all applicable forms, the actuarial memorandum and supporting information being submitted for approval comply with the applicable Uniform Standard(s).
- b. Pursuant to Section 111 of the Product Filing Rule, the IIPRC will not accept for review or approval an endorsement or amendment to change the interest rates for nonforfeiture values for use or mix and match with a state-approved or state-filed policy.
- c. To change the interest rate on nonforfeiture values on a policy previously approved by the IIPRC, the filer may file an endorsement amending the interest rate. The filer shall make a **new** product filing and must include the following information:
 - i. A list of the IIPRC-approved product filings identified by SERFF tracking number(s) or IIPRC (State) tracking number(s) that contain the policy(ies) the endorsement will be used with;
 - ii. An updated actuarial memorandum and certification of compliance for each of the previously-approved policy forms which will be endorsed for new issues;
 - iii. The effective date of the change for new issues and a statement the change shall not apply to in-force policies; and
 - iv. A certification that no changes have been made to the form other than those necessitated by change in the interest rate on nonforfeiture values.
- d. A form identification number shall appear at the bottom of the endorsement in the left hand corner and shall include a prefix of ICCxx (where xx represents the year the form was submitted for approval). The form number shall be adequate to distinguish the form from any others used by the company.

3. Changes to the Valuation Interest Rate

The IIPRC reviews product filings for compliance with the Standard Nonforfeiture Law pursuant to the applicable Uniform Standard(s). The IIPRC does not have authority with respect to the filer's valuation or reserving of the underlying product(s) in compliance with applicable state laws. The IIPRC does not review the product filing or the Actuarial Memorandum for compliance with the Standard Valuation Law.

- a. If the only change being made is to the valuation interest rate and not the interest rate on nonforfeiture values, this change does not need to be filed with the IIPRC.

- b. In the event the valuation interest rate is stated in the policy, the filer may follow the same procedures applicable to changing the interest rate for nonforfeiture values in the policy outlined in Section 2 above.

APPLICABLE IIPRC FORMS:

None

EFFECTIVE DATE:

IMMEDIATELY

CONTACT INFORMATION:

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