



FILING INFORMATION NOTICE 2020-1

This Filing Information Notice Updates and Replaces FIN 2012-3

DATE: November 19, 2020

FROM: Karen Z. Schutter
Insurance Compact Executive Director

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

Purpose: Filing Information Notices explain steps or clarifications in the Interstate Insurance Product Regulation Commission'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 below.

BACKGROUND:

The Interstate Insurance Product Regulation Commission ("Insurance Compact") has adopted Uniform Standards covering individual life insurance policies. The applicable policy Uniform Standards for the life insurance product lines referenced below specify pursuant to the Variability of Information provision that the interest rate for cash value and nonforfeiture benefits for Whole Life, Endowment, and Term products (or the guaranteed minimum interest rate for the account value and nonforfeiture benefits for Adjustable Life products) shall only be changed upon prior approval of the Insurance Compact. 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 must include a demonstration that the nonforfeiture values 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 and Valuation Manual (VM-02) for standard nonforfeiture and valuation compliance, a change to the nonforfeiture and maximum valuation interest rates will take effect beginning on January 1, 2021. Please note companies may defer the implementation of an interest rate revision resulting from a change to the nonforfeiture interest rate for one year following a change to the maximum valuation interest rate as stated in Section 5c.H(1) of the Standard Nonforfeiture Law for Life Insurance (Model

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#808). The guidance in this Filing Information applies to these changes and to any future changes to the nonforfeiture interest rate.

This Filing Information Notice outlines the process and procedures associated with submitting new product filings or updating previously approved products to change the interest rate. For purposes of this Filing Information Notice, unless otherwise specified, “interest rate” means the interest rate used to determine cash values and nonforfeiture values as well as the guaranteed minimum interest rate used to determine account values and nonforfeiture benefits for Adjustable Life products.

FILING PROCEDURES:

1. Interest Rate on Specifications Page

- a. The Insurance Compact can only accept Specifications Pages for products submitted to or previously approved by the Insurance Compact. Pursuant to Section 111 of the Product Filing Rule, the Insurance Compact 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, the Statement of Variability (SOV) for a product filing with a Specification Page that identifies the interest rate as a variable must comply with the following:
 - i. The Company may bracket the interest rate as variable and submit an SOV compliant with the following:
 - a. State only the specific interest rate that will be used at product introduction, and the Actuarial Memorandum must demonstrate compliance at that rate; **OR**
 - b. Specify a range of values for the interest rate, and specify:
 - I. The interest rate(s) within the range for which the actuarial memorandum demonstrates compliance, **AND**
 - II. Which of those interest rates will be used at product introduction.
 - ii. The SOV must contain a statement acknowledging that prior approval from the Insurance Compact will be sought if the range of interest rates or the interest rate that will be used for new issues will change.
- c. For a product filing previously approved by the Insurance Compact, the interest rate may be updated in accordance with the parameters for submitting revisions to previously approved filings set forth in [Filing Information Notice 2017-1](#). To summarize the parameters set forth in Filing Information Notice 2017-1:

- i. A filing that with the disposition of “Closed-Approved” entered within ninety (90) calendar days, provided the forms have not been marketed or issued, may be reopened to change the interest rate by providing revised material in accordance with Section 1b above.
 - ii. A filing with the disposition of “Closed-Approved” entered more than ninety (90) calendar days ago may be revised by the submission of a new filing using the Supporting Documentation Update Filing type in accordance with Section II.C of Filing Information Notice 2017-1.
- d. For a product filing previously approved by the Insurance Compact:
- i. If the interest rate that will be used for new issues will be changed and the new interest rate was demonstrated as compliant in the Actuarial Memorandum in the most recently approved filing, only a revised complete SOV that identifies the new interest rate that will be used for new issues of the product must be filed for prior approval; or
 - ii. If the interest rate that will be used for new issues will be changed but the new interest rate was not previously demonstrated as compliant in the Actuarial Memorandum in the most recently approved filing, a revised complete SOV that identifies the interest rate that will be used for new issues of the product and an revised complete Actuarial Memorandum demonstrating compliance at the new interest rate must be filed for prior approval.
- e. Filers who wish to assign a new form identification number to Specifications Pages bearing updated interest rates may reflect a revision date subordinate to the form number of the approved form with ICCxx prefix (where xx represents the year the Specifications Page was submitted for approval). If a new ICCxx form number is desired, the Specifications Page(s) must be submitted for prior approval on the Form Schedule using an appropriate Filing Type other than Supporting Documentation Update.

2. Interest Rate in the Policy and Not the Specifications Page

- a. The Insurance Compact 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 Insurance Compact will not accept for review or approval an endorsement or amendment to change the interest rate for use or mix and match with a state-approved or state-filed policy. Please note it is an improper use of mix and match to file Specification Pages associated with Compact-approved products for Compacting State approval.

- c. To change the interest rate stated on the policy pages of a policy previously approved by the Insurance Compact, the filer may file an endorsement or amendment to change the interest rate. The filer shall make a new product filing and must include the following information:
 - i. The endorsement or amendment on the Form Schedule;
 - ii. A list of the Compact-approved product filings identified by SERFF Tracking Number(s) or State Tracking Number(s) that contain the policy(ies) with which the endorsement will be used;
 - iii. An updated and complete Actuarial Memorandum and for each of the previously approved policy forms which will be endorsed for new issues;
 - iv. The effective date of the change for new issues and a statement the change shall not apply to in-force policies; and
 - v. A certification that no changes have been made to the form other than those necessitated by change in the interest rate.
- 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 Nonforfeiture Interest Rate(s) for Minimum Nonforfeiture Values

For a product filing previously approved by the Insurance Compact, if the nonforfeiture interest rate for minimum nonforfeiture values (“nonforfeiture interest rate”) changes per the Standard Nonforfeiture Law for Life Insurance (Model #808) and Valuation Manual (VM-02), the Actuarial Memorandum may no longer be sufficient to demonstrate compliance for new issues under the new nonforfeiture interest rate, regardless of whether the interest rate used for the policy’s nonforfeiture values is changed. In such a case, a revised Actuarial Memorandum must be filed for prior approval demonstrating compliance for new issues under the new nonforfeiture interest rate. This requirement may apply regardless of whether cash values are offered on the policy.

- a. If the nonforfeiture interest rate is decreased below what was used to demonstrate compliance for term or whole life products, the demonstrations no longer show compliance for new issues subject to the new lower nonforfeiture interest rate, and a revised Actuarial Memorandum demonstrating compliance is required.
- b. If the nonforfeiture interest rate is increased above what was used to demonstrate compliance for term or whole life products, the demonstrations may still be valid for new issues subject to the new higher nonforfeiture interest rate. In such a case, a revised Actuarial Memorandum may not be required.

- c. If the policy is exempt from offering cash values due to an exception that does not rely on the nonforfeiture interest rate for applicability, a revised Actuarial Memorandum may not be required. Note that this does not apply for term policies citing the level term exception at Section 9G of the Standard Nonforfeiture Law for Life Insurance (Model #808), which requires calculation of the minimum nonforfeiture values using the nonforfeiture interest rate.

4. Changes to the Valuation Interest Rate or Reserving Methodology

The Insurance Compact reviews product filings for compliance with the Standard Nonforfeiture Law pursuant to the applicable Uniform Standard(s). The Insurance Compact 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 Insurance Compact 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, this change does not need to be filed with the Insurance Compact.
- b. In the event the previously-approved actuarial memorandum includes reserving information and the company wishes to update the valuation rate or reserving methodology in the memorandum, an updated Actuarial Memorandum may be submitted following the procedures for updating Actuarial Memoranda outlined above.
- c. In the event the valuation interest rate is stated in the Specifications Page(s), the filer may make a new filing submission using the Supporting Documentation Update Filing Type for the purpose of removing the valuation interest rate from the Specifications Page(s) and/or Actuarial Memorandum, pursuant to Filing Information Notice 2017-1.
- d. 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 to remove reference to the valuation interest rate.

APPLICABLE IIPRC FORMS:

None

EFFECTIVE DATE:

Immediately

CONTACT INFORMATION:

Questions regarding this Notice should be directed to:
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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”)*.

APPLICABLE 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).