

**ADDITIONAL STANDARDS FOR INCIDENTAL
GUARANTEED MINIMUM DEATH BENEFITS
For Individual Deferred Non-Variable Annuities**

Scope: These standards apply to Incidental Guaranteed Minimum Death Benefits (GMDB) that are built into individual deferred non-variable annuity contracts or added to such contracts by rider, endorsement or amendment. An Incidental GMDB provides for death benefits that may exceed the account value at time of death and is subject to the definition below. Forms that provide GMDB in excess of these incidental designs shall not be submitted under these standards.

Drafting Note: Forms that provide a death benefit that exceeds the cash surrender value but does not exceed the account value are subject to the Waiver of Surrender Charge Standards.

Mix and Match: These standards are available to be used in combination with State Product Components as described in Section 1119(b) of the Operating Procedure for the Filing and Approval of Product Filings. These standards are available to be used in combination with IIPRC-approved or state-approved individual life insurance and annuity forms.

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.

As used in these standards the following definition of Incidental GMDB applies:

1. A death benefit less than or equal to the greater of:
 - (a) 125% of the cash value, or
 - (b)
 - (i) The accumulation of premiums ~~less (adjusted for withdrawals)~~, at a specified annualized interest rate of 10%.
 - (ii) The death benefit provided by 1(b)(i) shall not exceed 250% of premiums ~~less (adjusted for withdrawals)~~. For the purposes of demonstrating compliance with the above requirements, a level, compound interest rate shall be used.

Drafting Note: The interest rate referred to in 1(b)(i) above may be credited at a frequency other than annual, provided the effective annual interest rate does not exceed 10%.

2. A death benefit equal to or less than a percentage of the “earnings” or “gain” on the contract (defined as the account value, excluding any bonuses that are not fully earned, plus withdrawals less premiums paid), provided that the amount of the death benefit in addition to the account value is no greater than 50% of the gain on the contract; or

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Drafting Note: "Gain" as defined above might not be equivalent to a policyholder's actual taxable gain at time of death.

3. A death benefit based on a combination of an "accumulation" death benefit (1 above) and a death benefit based upon the "gain" of the contract (2 above), provided that the combined amount does not exceed the greater of the two death benefits described in 1 and 2 above.

As used in these standards, the following definitions apply:

"GMDB form" means a GMDB feature that is either built into the contract or added by rider, endorsement or amendment on or after the date of issue of the contract.

"GMDB charge rate," "initial GMDB charge rate," and "maximum GMDB charge rate" refer to percentages that are applied to the same base amount, as specified in the contract (e.g. account value or GMDB amount) to produce a dollar amount GMDB charge which is then deducted from the account value. "GMDB charge rate," "initial GMDB charge rate," and "maximum GMDB charge rate" may also refer to a formula to produce a dollar amount GMDB charge (e.g. a percentage plus a flat dollar amount or a just a flat dollar amount). The charge rate cannot be deducted from the minimum guaranteed retrospective nonforfeiture value.

"Covered Person" is the person or persons whose death will result in the death benefit being payable.

"Step-up" is an increase in the GMDB amount that is triggered by a specified event or condition.

"Waiting period" means any minimum time period the contract must be in force before the GMDB is payable.

Drafting Note: These definitions are only for the purpose of defining these terms as they are used in this standard. It does not suggest that these terms must be used in the contract. Other terms may be used, provided they are defined and used consistently. The same terms can be used in different ways in the contract, as long as they are clearly defined in the contract. In addition, these definitions are not intended to dictate specific product designs, as long as the elements of the product design are mathematically equivalent to (or better than) the elements defined above.

§ 1 ADDITIONAL SUBMISSION REQUIREMENTS

A. GENERAL

The following additional filing submission requirements apply:

- (1) If a GMDB feature is provided by attachment to the contract by rider, endorsement or amendment, the following shall be included:

- (a) A listing by filing jurisdiction of the types of contracts with which the GMDB form will be used, including the contract form numbers, the corresponding approval date for these contracts and any filing identification number.
- (b) A statement as to whether the GMDB form will be made part of the contract at issue or is intended for use after the date of issue of a contract, or both.
- (c) A statement as to whether the GMDB form is intended for use with new issues and/or in force business.
- (d) A description of the GMDB feature for all types of contract forms with which the benefit will be used.
- (e) Any contract pages or provisions referenced in the GMDB form.

B. ACTUARIAL MEMORANDUM

- (1) The actuarial memorandum required by the Core Standards for Individual Deferred Non-Variable Annuity Contracts to which these GMDB standards are attached, and which is prepared, dated and signed by the member of the American Academy of Actuaries, shall include the following information about the GMDB feature:
 - (a) A description of the GMDB feature, including any formulae or methodology used to determine GMDB amounts;
 - (b) A demonstration that the design of the GMDB feature meets the definition of Incidental GMDB outlined in these standards;
 - (c) A description of any elements used in determining the GMDB amounts and any guarantees or ranges associated with these elements;
 - (d) Any age limitations on adding the GMDB feature;
 - (e) Any conditions that may reduce or terminate the GMDB feature;
 - (f) What forms of death benefits are available (e.g. spousal guarantee with a payout for the survivor of two covered persons);
 - (g) Whether the GMDB charge rate or other elements of the GMDB vary by issue age, attained age, duration or other criteria;
 - (h) A description of the GMDB charge rate, including how it is applied to produce the GMDB charge;
 - (i) Examples showing the derivation of the GMDB amounts and GMDB charges over the potential life of the contract, under various economic scenarios (if

applied to an index-linked form):

- (i) The potential changes in the GMDB amount before or at the date of death, illustrating all the types of options for increases and decreases. The example(s) shall include, if applicable, the impact of withdrawals;
- (ii) The change in the account value and minimum guaranteed cash surrender value related to any of the changes to the GMDB amount in item (i) above.

Drafting Note: A contract with a GMDB charge must satisfy minimum nonforfeiture requirements, pursuant to the Core Standards for Individual Deferred Non-Variable Annuity Contracts. The minimum value requirements in Section 4A of the Standard Nonforfeiture Law for Individual Deferred Annuities (# 805) do not allow for any reductions in minimum value for the rider charges.

Regardless of additional nonforfeiture values referenced in Section 11 of the Standard Nonforfeiture Law for Individual Deferred Annuities (# 805), GMDB that meet the Incidental GMDB definition of these standards will not be required to include additional nonforfeiture values.

C. VARIABILITY OF INFORMATION

- (1) Guaranteed elements used in determining GMDB amounts or any other product specifications may be changed for new issues without prior notice or approval, as long as the Statement of Variability presents reasonable and realistic ranges for each guaranteed element. At issue a single value within the range filed for the guaranteed element shall be applicable for the life of the contract.
- (2) The maximum GMDB charge rate may be considered a variable item and marked to denote variability.
- (3) A zero entry in a range for any benefit or credit is unacceptable, and any change to a range requires a refiling for prior approval.

§ 2 GENERAL REQUIREMENTS

A. COVER PAGE

- (1) If the GMDB feature is provided by attachment to the contract by rider, endorsement or amendment, the following shall be included on the cover page:
 - (a) At least one signature of a company officer if the GMDB form is added after the date of issue of a contract. Alternatively, the signature may be added at the end of the rider, endorsement or amendment.

- (b) A statement to the effect that the GMDB form is made a part of the contract and that its provisions apply in lieu of any contract provisions to the contrary.
- (2) The GMDB form shall contain a brief description that shall appear in prominent print on the cover page of the GMDB form or is visible without opening the GMDB form. The brief description shall contain at least the following information:
 - (a) A caption stating that a GMDB feature is provided; for example, single premium deferred non-variable (or index, if applicable) annuity contract with guaranteed minimum death benefit provision or guaranteed minimum death benefit rider.
- (3) If the GMDB form provides for termination of the GMDB feature upon assignment or a change in ownership as permitted under paragraph (2)(e) of the TERMINATION section of this standard, the following statement shall be included in prominent print on the cover page or the first specifications page:

The guaranteed minimum death benefit will terminate upon assignment or a change in ownership of the contract unless the new assignee or owner meets the qualifications specified in the Termination provision of the guaranteed minimum death benefit.

B. SPECIFICATIONS PAGE

- (1) The specifications page of the GMDB form shall include:
 - (a) Effective date, if the GMDB form is an attachment to the contract;
 - (b) Any guaranteed elements which affect the GMDB feature, including, but not limited to, any maximum GMDB amount, any waiting period, any minimum guaranteed bonus credits/percentages, any limitations on additional premium payments, any age limitations on the GMDB feature; and
 - (c) The maximum GMDB charge rate.
- (2) The specifications page may include the initial GMDB charge rate, provided it is subject to a guarantee and such guarantee is stated on the specifications page. Examples of guarantees include:
 - (a) For a particular time period;
 - (b) For the life of the contract, provided no step-ups elected; or
 - (c) For the life of the contract.

Drafting Note: If the maximum GMDB charge rate and the initial GMDB charge rate are one and the same, the contract need only refer to the GMDB charge rate.

- (3) The specifications page of the GMDB form shall state, if applicable, that:
 - (a) The GMDB charge rate is not guaranteed and can be changed by the company, subject to the maximum GMDB charge rate in the contract.
 - (b) The initial GMDB charge rate is guaranteed under the conditions stated in the contract and in effect when it was set. Utilization of step-ups or other changes may increase the GMDB charge rate, subject to the maximum GMDB charge in the contract.

C. DEATH BENEFIT

- (1) If there is an option for the spouse to continue the contract in lieu of receiving the death benefit, the GMDB form shall state the effect, if any, on all the GMDB amounts, percentages, and conditions.
- (2) With respect to an option for the spouse to continue the contract,
 - (a) The GMDB form shall comply with the applicable state law where the form is delivered or issued for delivery, with respect to the coverage and benefits available to a person who is in a legally-sanctioned domestic partnership or civil union and to their families, or available to a person who is in a legally-sanctioned marriage with the insured and to their families; and
 - (b) Nothing in this provision shall be construed as requiring any company to provide coverage or benefits to any person who is in a domestic partnership, civil union or marriage or to their families in a state where such relationships are not legally recognized.

D. GMDB AMOUNTS

- (1) The GMDB form shall describe any formulae, methodology or assumptions used to determine the GMDB amount.
- (2) The GMDB form shall describe any condition or limitations on the GMDB feature, including:
 - (a) A statement, if applicable, in prominent print, to the effect that the GMDB amount cannot be withdrawn in a lump sum.
 - (b) The maximum limit, if any, on the GMDB amount.
 - (c) Any waiting period.
 - (d) Any limitations/conditions on availability of a step-up.

- (e) Any limitations on additional premium payments or allocations between fixed and index-linked account values while the GMDB is in effect.
 - (f) Whether or not any premium payments are excluded in determining the GMDB amount.
- (3) The GMDB form shall describe the effect of any withdrawals on all GMDB amounts.
 - (4) The GMDB form shall describe the impact that exercising other contract benefits will have on GMDB amounts.

E. GMDB CHARGE

- (1) The GMDB form shall describe any elements used in determining the GMDB charge and any guarantees or ranges associated with these elements.
- (2) The GMDB form shall include a description of the GMDB charge, including how it is calculated (e.g. as a percentage of the account value or the GMDB amount), how it is deducted (e.g. from the entire account value or only from non-index-linked portions of the account value), how often it is deducted (e.g. if the GMDB charge is deducted in arrears, or if the GMDB charge is prorated for effective date of a change in the rate that is not at the beginning of a charge period), and how it affects the GMDB amount, if at all. If the GMDB charge is included as part of another expense charge or reduction to a credit under the contract, the GMDB portion of that charge or reduction must be explicitly identified.
- (3) The GMDB form shall describe the conditions under which the GMDB charge rate could increase, what rights the owner has to accept or reject the increase, and that the owner will be notified in writing of such increase.
- (4) The GMDB charge shall not vary based on the allocation of account value between fixed and indexed-linked portions of the account value.
- (5) If the GMDB charge rate can vary, the GMDB form shall state that the GMDB charge rate will never exceed the maximum GMDB charge rate on the specifications page.
- (6) The GMDB form shall state under what conditions, if any, the GMDB charge will be waived.
- (7) The GMDB form shall state that if the GMDB is terminated, the GMDB charge shall be terminated.

F. REPORT

- (1) The GMDB form shall state that the annual report will contain at least the following:

- (a) The GMDB amount (i.e. the current death benefit amount).

G. TERMINATION

- (1) A GMDB form that is attached to the contract by rider, endorsement or amendment shall include the following termination conditions:

- (a) Upon termination of the contract;
- (b) After the remaining benefit amount is reduced to zero, if applicable; or
- (c) Upon the annuitization start date.

- (2) A GMDB form that is built in or attached to the contract by rider, endorsement or amendment may include the following conditions for termination of the benefit feature or the rider, endorsement, or amendment:

- (a) Upon written request from the owner;
- (b) Upon payment of the death benefit (unless spousal continuation is an option and is chosen);
- (c) Upon divorce, annulment, or dissolution of a marriage, if the form contains a spousal benefit;
- (d) Upon change in a covered person under a GMDB form that isn't otherwise specifically allowed in the form;
- (e) Upon a change in ownership (or assignment) of the contract unless:
 - (i) The new owner or assignee assumes full ownership of the contract and is essentially the same person (e.g. an individual ownership changed to a personal revocable trust, a joint ownership of husband and wife changed to the surviving spouse when one of them dies, a change to the owner's spouse during the owner's lifetime, a change to a court appointed guardian representing the owner during the owner's lifetime, etc.); or
 - (ii) The assignment is for the purposes of effectuating a 1035 exchange of the contract (i.e. the rider may continue during the temporary assignment period and not terminate until the contract is actually surrendered);
- (f) Upon reaching specified contract anniversaries, as specified in the GMDB form;
- (g) Spousal continuation is elected and the surviving spouse is older than a specified age as of the date of the owner/annuitant's death;

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- (h) The contract is continued under a beneficiary continuation option; or
 - (i) Other termination conditions, as approved by the IIPRC.
- (3) If the GMDB form is attached to the contract by rider, endorsement or amendment, the GMDB form shall describe, if applicable, the procedure for reinstating the GMDB feature after termination.