



States, Strength & Speed Aligned

FILING NOTICE 2010-1

DATE: June 1, 2010

FROM: Karen Z. Schutter
IIPRC Executive Director

RE: **Disclosure Statement for Termination upon Sale or Assignment
of Guaranteed Benefit Annuity Features**

Statutory References: Article II, Section 11; Article IV, Sections 2-3 of the *Interstate Insurance Product Regulation Compact* as adopted by Member States.

Operating Procedure References: None

Uniform Standards References: Additional Standards for Guaranteed Living Benefits for Individual Deferred Non-Variable Annuities, Section 2A(3); Additional Standards for Guaranteed Living Benefits for Individual Deferred Variable Annuities, Section 2A(3); Additional Standards for Guaranteed Minimum Death Benefits, Section 2A(3)

BACKGROUND:

The Interstate Insurance Product Regulation Compact ("Compact") authorizes the Interstate Insurance Product Regulation Commission ("IIPRC") to establish reasonable Uniform Standards for Compact-eligible Products, specifically the form of a policy or contract or rated form attached to or made a part of the policy or contract for an individual or group annuity, life insurance, disability income or long-term care insurance Product.

On February 22, 2010, the IIPRC adopted Uniform Standards for guaranteed living and minimum death benefit features. These benefits may be built into individual deferred annuity contracts or added to individual deferred annuity contracts by rider, endorsement or amendment. Each of these Uniform Standards provides the option for a company to terminate the benefit feature upon a change of ownership or assignment of the annuity contract, except in certain specified circumstances. In the course of public participation in the adoption of these Uniform Standards, the IIPRC Management Committee strengthened the disclosure requirement applicable in the event of termination change of ownership or assignment, specifically by imposing the inclusion of a prescribed statement about the possibility that the benefit would terminate.

The prescribed statement in the adopted Uniform Standards appears in Section 2A(3), Cover Page:

The purpose of the guaranteed living benefit provided under this annuity contract is to provide security through a stream of monthly income payments to the owner. The guaranteed living 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 living benefit.

Portions of the prescribed statement are not applicable to all aspects of each of the benefit features available under these Uniform Standards. For example, there is no stream of monthly income payments available for guaranteed minimum death benefits or guaranteed accumulation benefits, which is one of three benefit types available under both versions of the Additional Standards for Guaranteed Living Benefits. Thus, the first sentence of the prescribed statement is inapplicable and could be misleading in the context of guaranteed minimum death benefits or guaranteed accumulation benefits.

The variation among the relevant disclosure statements for the benefit features available under these Uniform Standards can be limited to: (1) the elimination of the first sentence of the statement for those benefits that do not provide a stream of income payments to the owner and (2) the substitution of the applicable benefit type where necessary. These variations are insubstantial and are consistent with the prescribed statements adopted by the IIPRC. The confusion potentially caused by clarifying the prescribed statements to better reflect the available benefit types by means of a Filing Information Notice is outweighed by the benefit of providing more precise disclosure statements for filers and consumers.

Therefore, in order to uphold the objective of prominent, accurate and standardized disclosure, the IIPRC issues this Filing Information Notice with specific disclosure statements for each benefit available under these Uniform Standards.

FILING PROCEDURE:

Insurers submitting filings under:

- (1) Additional Standards for Guaranteed Living Benefits for Individual Deferred Non-Variable Annuities;
 - (2) Additional Standards for Guaranteed Living Benefits for Individual Deferred Variable Annuities; or
 - (3) Additional Standards for Guaranteed Minimum Death Benefits
- shall use the prescribed statement(s) corresponding to the type of benefit available under the form(s) being filed for approval.

For guaranteed minimum accumulation benefits under (1) or (2) above, the prescribed statement shall be as follows:

The guaranteed minimum accumulation 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 accumulation benefit.

For guaranteed minimum death benefits under (3) above, the prescribed statement shall be as follows:

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.

For guaranteed minimum income benefits under (1) or (2) above, the prescribed statement shall be as follows:

The purpose of the guaranteed minimum income benefit provided under this annuity contract is to provide security through a stream of monthly income payments to the owner. The guaranteed minimum income 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 income benefit.

For guaranteed minimum withdrawal benefits under (1) or (2) above, the prescribed statement shall be as follows:

The purpose of the guaranteed minimum withdrawal benefit provided under this annuity contract is to provide security through a stream of monthly income payments to the owner. The guaranteed minimum withdrawal 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 withdrawal benefit.

APPLICABLE IIPRC FORMS:

None

EFFECTIVE DATE:

This Filing Information Notice shall be effective the same date that the above-referenced Uniform Standards take effect, specifically June 3, 2010.

CONTACT INFORMATION:

Questions regarding this Notice should be directed to:

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