October 26, 2018

Interstate Insurance Product Regulation Commission (IIPRC)
Attn: Products Standards Committee
Re: Group Single Premium Fixed Annuity Contract Uniform Standards for Employer Groups, Draft Dated September 18, 2018
c/o IIPRC Staff via Comments@insurancecompact.org

To the Members of the IIPRC Product Standards Committee:

We appreciate the opportunity to participate in the review of the newly-drafted and IIPRC-proposed Group Single Premium Fixed Annuity Contract Uniform Standards for Employer Groups, draft dated September 18, 2018 (IIPRC Draft).

Upon review of the IIPRC draft, we offer the following general and specific comments and/or requested clarifications for your consideration:

**General Comments:**
We recommend the IIPRC's Draft references to “company” should be changed to read “insurance company”, to better distinguish between the insurance company and the person/entity that serves as the contractholder which may be described as a “company”.

Further, we took note of several standards including the language “may be included”, which could imply that at some point, a contract filed for approval may have limited provisions. This may reflect how forms are filed today,

**Specific Comments:**

**Page 1, Scope**

**First Paragraph**

- In the second sentence of IIPRC Draft, it reads “These contracts are often used as a Part of a Pension Risk Transfer...” *(italics added.)*
  - The inclusion of the word “often” raises the question whether the standards are intended (or may be construed) to apply to group annuity contracts other than Pension Risk Transfers. ACLI requests a clarification if these standards are limited to Pension Risk Transfers, or if the IIPRC contemplates the scope of these standards extending to other products, and if so, please identify.

**Page 1, Mix and Match**

- **Clarification issue(s):** Our members would appreciate clarification of this Section of the IIPRC Draft. Does this provision indicate that one can mix and match state-approved group annuity forms for use with an IIPRC filed group annuity contract, except that the group annuity certificate to be used with the IIPRC filed group annuity contract must be approved by the IIPRC? Meaning, when filing a group annuity contract with the IIPRC, one must either include a copy of a previously IIPRC-approved group annuity certificate or include IIPRC approval data for that certificate.
ACLI requests replacement of the term “filed” with the term “approved”, as generally, there is no IIPRC self-certification process allowed.

In the last sentence, we request clarification of what “annuity forms” is referring to – group annuity or individual annuity contracts? These standards should only pertain to group annuity contracts.

Page 1, Definitions

• In the definition of “Contract” there is a reference to “riders, endorsements or amendments, notices and other attachments to the contract.” Our members recognize the need for standards for “riders, endorsements or amendments...” However, we would recommend deletion of the word “notices” as to the inclusion and meaning of “notices and other attachments to the contract.” Further, the definition of “Contract” currently reads “which includes riders, endorsements...”. ACLI recommends “which includes” be replaced with “may incorporate”.

• In the definition of “Contractholder”, ACLI recommends the definition read “means the person or entity to whom the Contract is issued.”

§1. ADDITIONAL SUBMISSION REQUIREMENTS

A. GENERAL, Pages 1-2

• For clarity, the order of current IIPRC Draft Section 1.A.(1). and Section 1.A. (2) should be reversed.

• Current Subsection (1): Suggested rewording:

  o “The filing shall indicate the respective contractholder application, if any, and the Interstate Insurance Product Regulation Commission filed certificate to be used with the contract.
    ▪ ACLI notes that the term “respective”, as used here, means it relates to the contract.

  o As stated above, ACLI recommends replacing “file” with “approved” since there is no IIPRC self-certification process allowed.

• ACLI members recommend removal of §1.A.(9) as not applicable or inappropriate for Single Premium Group Fixed Annuity Contracts. Under a single premium group annuity contract an employer is purchasing annuity benefits for a group of participants who have vested benefits under the employer’s defined benefit plan. The insurer determines one single premium to be paid by the employer to cover all of the annuity payments for the individuals covered under the contract. Therefore, this specific type of group annuity is not applicable to the Norris decision, and/or Title VII, so its inclusion is not suitable.

C. VARIABILITY OF INFORMATION, Pages 2-3

Section 1.C.(1) reads as follows:

(1) Any information appearing in the contract that is variable shall be bracketed or otherwise marked to denote variability. The submission shall include a Statement of Variability that will discuss the conditions under which each variable item may change.

• ACLI recommends adding the following sentence to the end of this §1.C.(1): “Some elements may be undefinable until looking at the specific Plan”.

Sections 1.C.(2) & (4) should be amended as follows:

• ACLI Member recommend deletion of §1.C.(2), as it is incorporated in the language in §1.C.(4), as set forth below:
Section 1.C.(4) reads as follows:

(4) The Statement of Variability shall discuss:

a. Variable items unrelated to Plan provisions. Both the conditions under which each variable item may change as well as alternative content to which the item may change shall be explained. The Statement of Variability shall present reasonable and realistic ranges for the item that may change. Any change to a range requires a re-filing for prior approval.

• ACLI recommends adding to this §1.C.(4)(a) an acknowledgment that there may be no time for regulatory intervention.
• ACLI requests a clarification that this §1.C.(4)(b) is not the strict limits upon which the conditions of and variable items related to the Plan may change.

§2. GENERAL FORM REQUIREMENTS

A. CONTRACT STRUCTURE, Pages 3-4

• In §2.A.(5), ACLI recommends substitution of the word “person “with the word “Annuitant,” as defined in §3., TERMS AND CONCEPTS, on page 5.

§3. TERMS AND CONCEPTS, Pages 5-6

§3.(1). Definition of “Annuitant”

ACLI notes “Deferred Annuitants” a defined term in the draft, but there is no definition for “Immediate Annuitant.”

• ACLI Member recommends the addition of a definition for “Immediate Annuitant” to read as follows: An “Immediate Annuitant” is an individual who is in pay status under the Plan when the first annuity payment is to be paid from the contract.

§3.(3) Definition of “Annuity Form”

It is our understanding that the word “form” in IIPRC standards environment is typically understood to mean the policy, contract, certificate, rider, amendment, endorsement, application etc. Here it is used to define a product type. Accordingly, ACLI suggests substitution of the term “Annuity Form” with the term “Form of Annuity” in this provision.

• ACLI recommends “Form of Annuity” is a customary way to refer to the type of annuity purchased. Life annuity or J&S annuity or Term Certain and Life, etc.

§3.(10) Definition of “Plan Administrator”

ACLI recommends the definition of “Plan Administrator” be amended to read as follows, “Plan Administrator” means the person or entity designated by the Plan or by the employer to manage the retirement Plan.

§3.(11) Definition of “Plan Sponsor”

ACLI recommends the definition of “Plan Sponsor” be amended to read as follows, “Plan Sponsor” means the person or entity that establishes or maintains the Plan.”
§4. CONTRACT PROVISIONS

A. AMENDMENTS, Page 6

- ACLI recommends amendment of the current language of §4.A.(1) to read as follows: (1) The contract shall not provide for unilateral amendments that reduce or eliminate benefits or coverage, or impair or invalidate any right granted to the owner under the contract, except for amendments to conform to changes in any applicable provision or requirements of the Internal Revenue Code, or to any other applicable law.

B. ANNUITY SCHEDULE, Page 6

- ACLI notes that this Annuity Schedule is a generic list requiring the minimum of information, additional information may be listed. Further, ACLI recommends this §4.B, note that not all contracts have death benefits, so it may be best to add “if applicable” to this Section.

C. ARBITRATION, Page 7

- ACLI notes this is not a standard contract provision in a group annuity contract. Accordingly, ACLI recommends clarification of the first sentence of §4.C.(1) to read in pertinent part as follows: “If the contract includes an arbitration provision then only arbitration provisions that permit ...”

Section (1)(b)

- ACLI recommends modifying §4.C.(1)(b) by: (i) replacing “contract owner [Contractholder]” with “Plan Administrator;” and (ii) amending the language of §4.C.(1) with If the Contract should include an arbitration provision, and except as where the parties to the Contract otherwise agree, and shall be subject to the laws of the state where the Contract was delivered or issued for delivery.”

Section (1)(c)

- ACLI recommends deletion of this §(1)(c), as again we note that an arbitration provision is not common, or a standard contract provision in a group annuity contract. However, should the IIPRC determine to retain this §(1)(c), we recommend the following language, “If the Contract includes an arbitration provision, and except as the parties to the Contract may otherwise agree, the cost of arbitration shall be paid by the INSURANCE COMPANY, to include...” The foregoing would only be used as a default, should the Contract contain an arbitration provision, but the parties do not specify who pays the costs.

D. ASSIGNMENT, Page 7

Section D.(1)

- ACLI notes that the contract may or may not include an assignment provision. Accordingly, ACLI recommends modification to the provision to add “If applicable,” at the beginning of the sentence.

Section D.(1)

- ACLI recommends a change to the language of this §4D.(1), to read as follows: “The Contract may contain a provision that it cannot be assigned, pledged, sold or transferred without the consent of the insurer. Further, the Contract may contain a provision that benefits cannot be assigned.”
F. COMMUTATION OF ANNUITY PAYMENTS, Pages 7—8

Section F.(1)

- ACLI recommends clarification to §4.F.(1) by adding the language “, as applicable.” at the end of the provisions.

G. Conformity with Interstate Insurance Product Regulation Commission Standards

- ACLI members expressed concerns over the way §4.G. is written. Although it appears to be standard language for the Compact, it may be problematic as applied to this Group Annuity Standard. Further, members request a clarification that nothing herein shall be construed to permit retroactive application of this §4.G. to existing contracts.

K. ENTIRE CONTRACT, Page 9

Section K.(1)

- ACLI notes that this §4.K.(1) is not consistent with definition of “Contract” on Page 1 of the Draft. ACLI recommends deletion of the second sentence “No document may be included by reference.” Also please note “company” should read “insurance company”.

M. LEGAL ACTION, Page 9

Section M.(1)

- ACLI recommends substitution of the term “shall comply” with “shall be subject to”.

O. SETTLEMENT, Page 9

Section O.(1)


P. TERMINATION, Page 10

Section P.(1)

- §4.P.(1): ACLI recommends removing the word “annuity” from this provision.