To the Members of the IIPRC Product Standards Committee:

We appreciate the opportunity to participate in the review of the initial discussion document and IIPRC-proposed Group Annuity Certificate Uniform Standards for Employer Groups, Draft Dated November 15, 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 align, as closely and reasonably as possible, with the same terms and concepts as those set forth in the other IIPRC Group Annuity draft Uniform Standards. We appreciate there will be an opportunity to provide oral comments on a Public Call to be announced, and hopefully to comment on any revised draft.

As a general drafting note, we recommend consistency with defined terms in the IIPRC Draft, so a reader can affirm that the capitalized terminology relates back to the related definition. We have provided our recommendations in our redlined comments, as previously provided. Again, this is for consistency within and among the IIPRC’s uniform standards for group annuity products that may be utilized in connection or tandem with each other.

**Specific Comments:**

**Page 1, Scope**

- In the first sentence of IIPRC Draft, it uses the defined term “Annuitant”
  - ACLI recommends the Scope needs to clarify who is entitled to deferred or immediate annuity payout benefits. As this is a defined term below, we ask for clarification between “Annuitants” in this Scope section and who is classified as an Annuitant at that point?

**Definitions, Page 1: “Annuitant”**

- ACLI Comment: Please note there is another & conflicting definition of “Annuitant” on Page 5, that includes a 2nd sentence that reads: “The term includes both immediate and Deferred Annuitants”. Please clarify.

**Definition, Page 1: “Certificate”**

- ACLI Comment: ACLI recommends editing this definition of Certificate per the tracked changes shown. Also, ACLI asks for clarification as to whether the documents referenced here attach to the Certificate or to the Contract?
- ACLI recommends limiting this definition, as shown in tracked changes. ACLI notes it is standard to issue a NEW certificate.
§1. ADDITIONAL SUBMISSION REQUIREMENTS

A. GENERAL, Page 1

- **Section 1.A.(1)** ACLI recommends the addition of “Form” or “Approved Form” following the defined term “Contract.”

- **Section 1.A.(8)\** ACLI Comment: Certifications of 3 pages or MORE have a Flesch Score.

B. VARIABILITY OF INFORMATION, Page 3

- **Section 1.B.(4):** The Statement of Variability
  
  - **Section 1.B.(4)(a):** ACLI Comment: when would you have variable items unrelated to the Plan/Contract? Could this pertain to administrative or basic information, unrelated to the Contract itself, and hence does not need to be filed?
  
  - **Section 1.B.(4)(b):** ACLI Comment: ACLI is concerned with the term “ranges” here. “Ranges” may not be the best term to enable description of alternative content, to best match Contract-specific language.

C. READABILITY REQUIREMENTS, Page 3

- **Sections 1.C.(3):** ACLI Drafting Note: This Section C.(3) conflicts with Section 2.A.(1) & (4).

§2. GENERAL FORM REQUIREMENTS

A. COVER PAGE OR FIRST PAGE, Page 4

- **Section 2.A.(2)** ACLI Comment: Not ALL company certificates require the signature of a company officer.

- **Section 2.A.(5)** ACLI Comment: ACLI does not recommend inclusion of the Contract Number here. There can be a high probability of error in correlating the Contract Number with the Certificate, as with many Annuity Certificates, the certifications are often updated more regularly (i.e. 5-10 years) than the underlying Contract itself, which has a very long lifespan.

§3. TERMS AND CONCEPTS, Page 5

- **Section 3.(1) Definition of “Annuitant”:** ACLI Comment: This is a different definition of “Annuitant” from Page 1. Also, this definition refers to “Deferred Annuitants” as a defined term, but there is no definition for immediate annuitants.

- **Section 3.(5) Definition of “Contingent Annuitant” or “Joint Annuitant”** ACLI Comment: As two different defined terms, ACLI recommends these should be separated out into two different, numbered sections.

§4. CERTIFICATE PROVISIONS, Page 5

- **“Note”:** ACLI Comment: ACLI asks to add or clarify a statement here, such as “this is not an exclusive list of possible provisions for §4”.

A. ASSIGNMENT, Page 5

• Section 4.A.(2): ACLI Clarification request: Clarify to WHOSE Creditor?

D. CONTINUATION OF COVERAGE, Page 6

• Section 4.D.(1): Drafting Comment: The first line of section 4D(1) appears to contain a typo. The certificate may include a provision stating that is if the group contract under which the...

H. ENTIRE CONTRACT, Page 7

• ACLI recommends deletion of this entire Section H, Entire Contract
• This section for Entire Contract is applicable to the Contract itself, not to the Certificate itself.

J. LEGAL ACTION, Page 7

• ACLI recommends deletion of this Section J, Legal Action, as it pertains to Certificate Standards, as to avoid a conflict for the Legal Action provisions in the Contract itself. Further, some states would clearly not support the inclusion of this provision for Certificate Standards.

K. PAYMENT OF BENEFITS, Page 8

• Section 4.K.(1): ACLI Comment: What if premium is adjusted rather than payments?

Again, thank you for the opportunity to let the ACLI provide comments with respect to this initial discussion draft of the IIPRC’s proposal for Group Annuity Certificate Uniform Standards for Employer Groups. We welcome any follow-up questions to our comments provided here or in redline version.

We look forward to participating on the Public Call, and to answering any questions members of the Product Standards Committee may have.

Respectfully submitted,

Emily Micale
GROUP ANNUITY CERTIFICATE
UNIFORM STANDARDS FOR EMPLOYER GROUPS

Note: Any changes made to group annuity contract standards because of PSC discussion that would also be applicable to these standards will be included in future drafts for review.

Scope: These standards are intended to apply to paper or electronic group annuity certificates that are issued to eligible Plan participants who are Annuitants for benefits provided by group annuity contracts available for filing with the IIPRC. Separate standards apply to group annuity contracts.

Mix and Match: These standards are not available to be used in combination with State Product Components as described in Section 111(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 group 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 definitions apply:

“Annuitant” means a person entitled to receive one or more annuity benefits.

“Certificate” means the document which describes the certificateholder’s benefits and rights under the Contract.

“Certificateholder” means the person to whom the Certificate is issued.

“Contract” means the group annuity contract issued to the Contractholder, which includes any riders, endorsements or amendments, notices or other attachments to the Contract.

“Contractholder” means the entity, or person, to whom the Contract is issued.

§ 1. ADDITIONAL SUBMISSION REQUIREMENTS

A. GENERAL

The following additional filing submission requirements shall apply:

(1) The filing shall indicate the group annuity Contract(s) to be used with the Certificate.
All forms filed for approval shall be included with the filing. Changes to a previously approved form shall be highlighted.

Subsequent group annuity certificate filings submitted for approval shall include only those forms being submitted for approval and should specify any other forms previously approved by the Interstate Insurance Product Regulation Commission that will be used with the subsequently filed forms.

The specifications page of the certificate, if any, shall be completed with hypothetical data that is realistic and consistent with the other contents of the contract.

If a filing is being submitted on behalf of an insurance company, include a letter or other document authorizing the firm to file on behalf of the insurance company.

If the certificate contains variable items, include the Statement of Variability. The submission shall also include a certification that any change or modification to a variable item shall be administered in accordance with the requirements in the Variability of Information section, including any requirements for prior approval of a change or modification.

Include a certification signed by an insurance company officer that the certificate forms have a minimum Flesch Score of 50. If the certificate is subject to federal jurisdiction, and accordingly, Flesch requirements do not apply, include a statement to that effect.

NOTE TO THE PSC: The group annuity carriers note that not all states have Flesch Score requirements for certificates and those that do generally have a lower score than 50. The companies would prefer consideration of either no Flesch Score requirement or a lower minimum score of 40, which is what the majority of states with such a requirement use.

Include a description of any innovative or unique features of each form.

B. VARIABILITY OF INFORMATION

Any information appearing in the certificate 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.

Variability shall be limited to certificate definitions, dates, periods of time, percentages, numerical values, benefits available, benefit schedules and amounts, eligibility rules and other Plan parameters that are subject to the contract’s Plan design and/or reflected in the contract provision(s).
Variability may not be used unilaterally by the insurance company to change or modify in-force group coverage if such change or modification would have the effect of increasing
(4) The Statement of Variability shall discuss:
(a) Variable items unrelated to Plan/contract Contract 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.
(b) Variable items related to Plan/contract Contract provisions. The Statement of Variability shall discuss the conditions under which the items may change, and if applicable, reasonable and realistic ranges for the item that may change.

(5) Notwithstanding paragraph (1) above, the following items may be denoted as variable and changed without notice or prior approval:
(a) Items such as the insurance department address and telephone number, insurance company address and telephone number, officer titles, and signatures of officers located in other areas of the certificate Certificate; and
(b) Items that would be considered illustrative such as name of contractholder Contractholder, and contract contract number, certificate Certificateholder and certificate Certificate number, covered or eligible class, and effective dates.

C. READABILITY REQUIREMENTS

(1) The certificate Certificate text shall achieve a minimum score of 50 on the Flesch reading ease test or an equivalent score on any other approved comparable reading test. See Appendix A for Flesch methodology.

(2) The certificate Certificate shall be presented, except for schedules and tables, in not less than ten-point type, one-point leaded.

(3) The style, arrangement and overall appearance of the certificate Certificate shall give no undue prominence to any portion of the text of the certificate Certificate or to any riders, endorsements or amendments.

(4) The certificate Certificate shall contain a table of contents or an index of their principal sections, if the certificate Certificate has more than 3,000 words printed on three or fewer pages of text or if the certificate Certificate has more than three pages regardless of the number of words
§ 2. GENERAL FORM REQUIREMENTS

A. COVER PAGE OR FIRST PAGE

(1) The full corporate name, including city and state of the insurance company shall appear in
prominent print on the cover page or first page of the certificate. 

[2] At least one signature of a company officer. Alternatively, the signature may be added at
the end of the certificate.

(3) A form identification number shall appear at the bottom of the form in the lower left
corner of the certificate. The form number shall be adequate to
identify the form from all others used by the insurance company. The form number shall
include a prefix of ICCxx (where xx represents the appropriate year the form was submitted
for filing) to indicate it has been approved by the Interstate Insurance Product Regulation
Commission.

(4) The title of the certificate shall appear in prominent print on the cover page or
first page of the certificate or be visible without opening the certificate.

(5) The certificate cover page or first page shall identify at
minimum: (a) The name of the contractholder, (b) the contract
number, and (c) the certificate number.

B. COMPANY INFORMATION

(1) A marketing name or logo may be used on the certificate provided that the
marketing name or logo does not mislead as to the identity of the insurance company.

(2) The insurance company’s complete mailing address for the home office or the office that
will administer the benefit provisions of the certificate shall appear in the certificate.
The certificate shall also include a telephone number of
the insurance company and may also include some method of Internet communication.

C. FAIRNESS

The certificate shall not contain inconsistent, ambiguous, unfair, inequitable or
misleading clauses, provisions that are against public policy as determined by the Interstate
Insurance Product Regulation Commission or contain exceptions and conditions that
ACL I reasonably affect the risk purported to be assumed in the general coverage of the certificate. 
§ 3. TERMS AND CONCEPTS

The certificate may define certain terms or describe concepts that, as used, will have specific meanings. If the certificate includes the terms and concepts set forth below, the certificate shall define the terms or describe the concepts in a manner consistent with the group annuity contract. The terms and concepts included below reflect the parameters that are common in the group annuity market today but may vary by insurance company and contractholder. Consequently, the terms included below are examples of language used but are not intended to prescribe how each insurance company and each contractholder should define their terms or describe their concepts. The insurance company may identify defined terms or concepts by initial capitalization, italicizing, bolding or other form of highlighting. The plural use of terms defined in the singular shall have the same meaning.

1. “Annuity” means a person entitled to receive one or more annuity benefits. The term includes both immediate and Deferred Annuities.

2. “Annuity Start Date” means the date on which annuity payments purchased under the contract begin.

3. “Annuity Form” means the types of annuities available to the Annuitant such as Life Annuity, Period Certain Annuity, Joint Annuity, and Joint and Survivor Annuity.

4. “Beneficiary” means the person or entity designated to receive remaining annuity benefits as specified in the contract upon the death of the Annuitant.

5. “Contingent Annuity” or “Joint Annuitant” means the person entitled to the remaining benefits of the annuity following the death of the Annuitant.

6. “Deferred Annuity” means a person that has not yet elected to receive annuity payments.

7. “Plan” means the retirement Plan specified in the contract.

§ 4. CERTIFICATE PROVISIONS

Note: Are there other provisions that could apply to certificates for any group annuity types such as Arbitration, Conversion, Continuation, Portability?

A. ASSIGNMENT

1. The certificate may contain a provision that the Annuitant’s benefits under the Contract cannot be assigned, pledged, sold or transferred.

2. The certificate may specify that to the maximum extent permitted by applicable law, benefits under the certificate are not subject to the claim of creditors.
B. BENEFICIARY

(1) The certificate Certificate may contain a Beneficiary provision. The certificate Certificate shall not include any restriction on change of Beneficiary other than for purposes of satisfying applicable laws, regulations or Plan provisions.

(2) If the certificate Certificate contains a Beneficiary provision, the certificate Certificate shall state when changes in Beneficiary shall take effect, subject to any payments made or actions taken by the company prior to receipt of notice of a Beneficiary change.

(3) If irrevocable Beneficiaries are referenced in the certificate Certificate, the certificate Certificate shall explain that such a Beneficiary cannot be changed without the consent of the irrevocable Beneficiary.

C. COMMUTATION OF ANNUITY PAYMENTS

(1) The certificate Certificate may contain a provision providing for the commutation of any life contingent or non-life contingent annuity benefits payable to the Annuitant or Beneficiary.

(2) If the certificate Certificate contains a commutation provision, the certificate Certificate shall state that the commuted value shall be payable in a lump sum only.

D. CONTINUATION OF COVERAGE

(1) The certificate Certificate may include a provision stating that is the group contract Contract under which the certificate Certificate is issued terminates, coverage under the certificate Certificate may be continued unless the certificate Certificate is surrendered or terminates in accordance with the terms of the contract.

E. CONFORMITY WITH INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION STANDARDS

(1) The certificate Certificate shall state that it was approved under the authority of the Interstate Insurance Product Regulation Commission and issued under the Commission standards. The certificate Certificate shall also state that any provision of the certificate Certificate that on the provision’s effective date is in conflict with the applicable Interstate Insurance Product Regulation Commission standards for this product type in effect as of the provision’s effective date of Commission certificate Certificate approval is hereby amended to conform to the Interstate Insurance Product Regulation Commission standards in effect as of the provision’s effective date of Commission certificate Certificate approval.
F. DEATH OF THE ANNUITANT

(1) A deferred annuity certificate shall state what happens upon death of the Annuitant prior to the anniversary and after the anniversary date.

(2) An immediate annuity certificate shall state what happens upon death of the Annuitant after the anniversary date.

(3) When a death benefit is available under the contract, the certificate may contain a provision that settlement of the death benefit proceeds shall be made to the Beneficiary upon receipt of due proof of death.

Note: Comments were received on the contract standards regarding parameters around due proof of death.

G. DISCRETIONARY CLAUSES

(1) No certificate may contain a provision:

(a) Purporting to reserve sole discretion to the insurance company to interpret the terms of a contract or certificate; or

(b) Specifying a standard of review upon which a court may review denial of a claim or any other decision made by an insurance company with respect to a certificateholder.

H. ENTIRE CONTRACT

(1) The certificate may contain a provision regarding what constitutes the entire contract between the company and the certificateholder. No document may be included by reference.

(2) If an application is to be a part of the contract, the entire contract provision shall state that the application is a part of the contract.

I. EVIDENCE OF SURVIVAL

(1) The certificate may provide the company with the right to require proof that the Annuitant is living on any payment date.

J. LEGAL ACTION

(1) A certificate may include a legal action provision. If included, the provision shall state that a legal cause of action related to the contract shall comply with the laws of the state where the contract was delivered or issued for delivery.

Commented [EM18]: ACLI Comment: This section for Entire Contract is applicable to the Contract itself, not to the Certificate itself.

Commented [EM19]: ACLI Comment: ACLI recommends removal of this Section on Legal Action as it pertains to Certificate Standards, as to avoid a conflict for the Legal Action provisions in the Contract itself. Further, some states would clearly not support the inclusion of this provision for Certificate Standards.
K. PAYMENT OF BENEFITS

(1) The certificate shall contain information describing the payment of benefits.

(2) The certificate may contain a provision describing adjustment of annuity payments or premiums as a result of a misstatement of age, sex or other relevant data; compliance with court orders or applicable law, or overpayments or underpayments.

L. PAYMENT OF PREMIUM

(1) The certificate may contain information describing the premium payment and when premiums are due. The provision may state that the insurance company is only liable for those annuity payments for which premium has been duly received.

M. QUALIFIED DOMESTIC RELATIONS ORDER

(1) The certificate may include a provision stating that the Annuitant’s right to receive benefits, elect an Annuity Form or designate a Beneficiary may be limited by the terms of a Qualified Domestic Relations Order.
Appendix A

Flesch Methodology

The following measuring method shall be used in determining the Flesch score:

1. For certificates containing 10,000 words or less of text, the entire form shall be analyzed.

   For certificates containing more than 10,000 words, the readability of two, 200-word samples per page may be analyzed instead of the entire form. The sample shall be separated by at least 20 printed lines.

2. The number of words and sentences in the text shall be counted and the total number of words divided by the total number of sentences. The figure obtained shall be multiplied by a factor of 1.015.

3. The total number of syllables shall be counted and divided by the total number of words. The figure obtained shall be multiplied by a factor of 84.6.

4. The sum of the figures computed under (2) and (3) subtracted from 206.835 equals the Flesch reading ease score for the certificate.

5. For purposes of (2), (3), and (4), the following procedures shall be used:

   a. A contraction, hyphenated word, or numbers and letters, when separated by spaces, shall be counted as one word;

   b. A unit of words ending with a period, semicolon, or colon, but excluding headings and captions, shall be counted as a sentence; and

   c. A syllable means a unit of spoken language consisting of one or more letters of a word as divided by an accepted dictionary. Where the dictionary shows two or more equally acceptable pronunciations of a word, the pronunciation containing fewer syllables may be used.

6. The term “text” as used in this section shall include all printed matter except the following:

   a. The name and address of the company; the name, number or title of the contract; the table of contents or index; captions and sub-captions; specifications pages, schedules or tables; and;

   b. Any language that is drafted to conform to the requirements of any federal law or regulation; any language required by any collectively bargained agreement; any medical terminology; any words that are defined in the certificate; and any language required by law or regulation; provided, however, the company identifies the language or terminology excepted by the paragraph and certifies, in writing, that the language or terminology is entitled to be excepted by this paragraph.
(7) At the option of the company, riders, endorsements, applications and other forms made a part of the certificate Certificate may be scored as separate forms or as part of the certificate Certificate with which they may be used.