

**Agenda Item 2. Receive public comments on the IIPRC Office Report and Recommendation to the Product Standards Committee for the Uniform Standards currently subject to 5-year review (Phase 5).**

Jason Lapham, Kansas, Chair of the Product Standards Committee (PSC), noted that the IIPRC Office report includes a series of recommended changes to 8 uniform standards, primarily related to additional standards for annuity products that became effective on or before June 30, 2010. IIPRC staff provided an overview of the contents of the report. The Chair noted that prior to the call the PSC received two written comments. RiverSource Insurance submitted comments suggesting that the PSC update the Additional Standards for Guaranteed Living Benefits for Individual Deferred Non-Variable and Variable Annuities to include the information found in Filing Information Notice 2012-2, specifically that the actuarial memorandum should clearly outline how the rider charges impact the base policy values and nonforfeiture compliance of the combined policy and additional benefit feature. In addition the commenter suggested clarifying that the requirements also apply to GLB's which are part of a fixed account in a Variable Annuity. The Chair stated that IIPRC staff will draft an additional clarification item regarding this issue for the PSC's consideration.

Miriam Krol, ACLI, representing the Industry Advisory Committee (IAC) commented on Clarification Item 6 – the Scope of the Additional Standards for Guaranteed Living Benefits for Individual Deferred Variable and Nonvariable Annuities. She stated that the current language states the withdrawal benefit is contingent on the covered life receiving care from a health care facility or being unable to perform a specified number of ADLs; however the test is whether a qualifying event has occurred, not if the person is receiving LTC benefits as a result of the qualifying event. The Chair stated that IIPRC staff will update the report to make this clear.

The Chair noted that the PSC asked the Actuarial Working Group (AWG) to review the first substantive change in the report which is the IAC request to eliminate the requirement of a 7%/7-year limitation of withdrawal charges for other than multi-year interest rate guarantee annuities for the Additional Standards for Market Value Adjustment Feature Provided through the General Account. The AWG had a member call to initially discuss the referral and had questions for IAC. Miriam Krol introduced two representatives for the insurers, Marc Cavadel of Protective Life Insurance Company and Bill Douglas of Standard Insurance Company, who provided responses to AWG questions. The companies explained that they are not able to demonstrate conformance with the prospective test after the MVA, but many states allow the demonstration prior to application of the MVA. They noted that industry has identified a need for longer surrender periods up to 10 years to be made available for general account MVA annuities, and resulting higher first-year surrender charges, specifically 10%.

In response to requests to demonstrate how the consumer benefits more by relaxing or removing the 7% surrender charge instead of restricting it, industry observed that a 10%/10 year period would allow them to develop plan designs that are sought by some consumers. Purchasers are more likely to hold on to the contract during the surrender period and a 10-year surrender period contributes to industry's confidence in placing a higher percentage of the premium in longer-term investments, providing an opportunity for the consumer to realize higher gains in guaranteed elements of the annuity. When asked what assurance there is that consumers reap the benefits of such higher gains, industry responded that there are no ultimate guarantees, just as there are not now, but competition and market forces would dictate that consumers benefit.

Ms. Krol stated that industry would provide detailed written comments addressing the three questions that the AWG had. IIPRC staff noted that these written comments would be posted to the website upon receipt.

The Chair asked if there were any other comments or questions on the report. In reference to Substantive Change Item 3 in the report and the request to allow a lower benefit base in the Guaranteed Living Benefits for Individual Deferred Variable Annuities, Fred Nepple, Consumer Advisory Commission, noted that consumers may not understand they are being offered a lower benefit base that could fall below the premiums paid, and asked how this would be explained or provided to consumers. Ken Bach of Forethought responded that lowering the benefit base could provide richer benefits to the consumer and that the options would be fully disclosed in the rider. Mr. Nepple requested that the Actuarial Working Group also review this item. Pete Weber, Ohio, Chair of the Actuarial Working Group indicated that the group would be happy to review it and provide their thoughts to the PSC.

### **Agenda Item 3. Any Other Matters**

The Chair requested that anyone who had additional feedback submit written comments to [comments@insurancecompact.org](mailto:comments@insurancecompact.org). The PSC will review the comments and prepare final recommendations for another public call with the goal to finalize recommendations to the Management Committee for its November meeting.