

Agenda Item 2. Review the Actuarial Working Group recommendation regarding item 1 of the Substantive Changes in the IIPRC Office Report and Recommendation to Product Standards Committee for Phase 5 of the Five-Year Review.

IIPRC staff and Pete Weber, Ohio, Chair of the Actuarial Working Group (AWG), provided the PSC with an overview of the AWG's recommendation regarding the request to eliminate the 7%/7 Year limitation on surrender charges for general account non-MYGA market value adjusted annuities that is contained in the Additional Standards for Market Value Adjustment Provided through the General Account. The AWG recommended that the PSC remove the separate requirements in Appendix B for other than Multi-Year Interest Rate Guarantee Annuities since general account non-MYGA MVA products without the limitation on surrender charges are being approved by and sold in the majority of the member states. The AWG noted that there appears to be evidence to suggest that companies are using the IIPRC approved forms only in those few states that don't approve general account non-MYGA MVA forms. Even with the elimination of the limitations, nonforfeiture and cash surrender values would still be subject to the retrospective and prospective test minimums, and because the IIPRC standard requires a maturity date equal to the later of age 70 or 10 years for purposes of the prospective test, surrender charges are limited to approximately 10% grading down over 10 years for most issue ages.

The AWG also recommended adding an actuarial certification requiring the actuary to certify that "cost trade-offs between the product being filed and similar products without an MVA were reviewed and deemed appropriate and differences in crediting rates, caps, spreads, participation rates or other design variables will provide value to the contract owner relative to the product without the MVA." This certification is similar to the certification required under the IIPRC standard for Bonus Benefit for Individual Deferred Variable Annuity Contracts. Such a certification provides some assurance that removing the 7%/7 year surrender charge limitation will benefit consumers, as the industry has argued that is the primary reason for the removing the limitation. Finally, the AWG recommends deleting the actuarial opinion (c) as unnecessary.

The PSC reviewed the information and agreed with the AWG recommendation.

Agenda Item 3. Review the revised recommendation for Clarification Item 2 based upon the AWG's recommendations for the revisions to the Additional Standards for Market Value Adjustment Feature Provided through the General Account.

IIPRC staff noted that because the intent of this clarification item in the report was to provide clarification to filers about limitations on surrender charges for products that are not multi-year interest rate guarantee annuities and to provide more information within the standard itself instead of only in Appendix B, the revisions the PSC now agreed to within Appendix B necessitate some revision to this clarification item. The PSC agreed that there is no longer a need to add an additional sentence to the Scope of the Additional Standards for Market Value Adjustment Provided through the General Account, and that the proposed revisions to Actuarial Memorandum requirements found in §1 B(1)(f) should be revised as follows:

- (1)(f) A demonstration that the values of the contract, ~~after application of any market value adjustment,~~ comply with the nonforfeiture requirements, including Appendix A-1 and Appendix A-2 of the ~~provisions of the NAIC Standard Nonforfeiture Law for Individual Deferred Annuities, model #805, as interpreted in the~~ Individual Deferred Non-Variable Annuity Contract Standards, to which these standards are attached. ~~Any MVA assumptions used in the nonforfeiture demonstration shall be disclosed in Appendices A-1 and A-2 described in the Individual Deferred Non-Variable Annuity Contract Standards and further elaborated on in Appendix B attached. Modifications to these demonstrations are outlined in Appendix B.~~

Agenda Item 4. Review the new Clarification Item 8 and suggested revisions to Appendix A of the Additional Standards for Market Value Adjustment Feature Provided through the General Account.

IIPRC staff provided the PSC with an overview of a new clarification item added to the report. During the review of the Additional Standards for Market Value Adjustment Feature Provided through the General Account, IIPRC actuaries noted that the guidance in Appendix A, Sample Acceptable MVA Formulas for an MVA Based on an Index, lacked clarity. The IIPRC office recommended and the PSC agreed to the following clarifications to Appendix A:

For an MVA Based on an Index (see examples of I & J in section §3.C.(6))

I = The value of the index with a maturity equal to the number of months in the full MVA period of the contract (or specific premium account), as of a specified date before the effective date of the declared interest rate for the contract or premium account.

J = The value ~~of the same index on the date of the surrender or~~ as of a specified date it is publicly available before the effective date of the surrender equal to either:

- the same index described in I, or
- the value of another index in the same series ~~as of a specified date before the effective date of the surrender~~ with a maturity equal to the number of months remaining in the MVA period of the contract (or specified premium account), rounded to the nearest whole number of months or the next higher whole number of months for which an index in that series is available.

K = 0

Agenda Item 5. Any other matters.

The Chair noted that the PSC will hold a Public Call November 10, 2015 to obtain public comment on its final Report and Recommendation to the Management Committee for Phase Five of the Uniform Standards subject to 5-Year Review. He recommended that members plan on

Product Standards Committee
Member Call Summary
October 27, 2015

having a member call on Thursday November 12th to discuss the public comments in hopes of finalizing the report to present to the Management Committee during the joint meeting of the Management Committee and Commission on November 18th.