

Agenda Item 2. Review Items From the IIPRC Office Report and Recommendations for the Uniform Standards Currently Subject to Five-Year Review (Phase 7) for Which PSC Has Requested Feedback From AWG.

IIPRC staff provided an overview of the Private Placement, Longevity, Overloan Protection and Graded Death Benefit items in the *IIPRC Office Report and Recommendations for the Uniform Standards Currently Subject to Five-Year Review (Phase 7)* for which the Product Standards Committee (PSC) would like to receive input from the Actuarial Working Group (AWG). Pete Weber, Ohio, Chair of the AWG, noted that some issues may not be specifically actuarial in nature; however the PSC would like to receive feedback on whether the proposed changes may raise any actuarial concerns.

Agenda Item 3. Discuss Interim Work for Additional Standards for Private Placement Plans for Individual Variable Adjustable Life Insurance Policies and Additional Standards for Private Placement Plans for Individual Deferred Variable.

The Chair noted that the redlined revisions to the Private Placement Uniform Standards primarily address situations where a qualified owner ceases to be a qualified owner, as well as private placement products that offer investment options with limited availability and/or limited liquidity. Although the proposed changes are not specifically actuarial in nature, the PSC would like the AWG to review the drafts for any potential actuarial concerns. AWG members were asked to review the proposed revisions and email any questions or concerns to [Anne Marie Narcini](#) by November 28th. Absent any specific items for discussion, the AWG will not spend member call time reviewing these proposed revisions.

Agenda Item #4. Discuss Substantive Item #3 Dividends Used To Purchase Paid Up Additions.

The current standard requires that companies treat dividends as additional premium (i.e. determine income payments based on current annuity purchase rates). However, the Industry Advisory Committee points out that because dividends could be considered return of premium, an option should be available to determine additional income benefits purchased with dividends to be based on the guaranteed interest and mortality used to determine the annuity income at the time the premium that generated the dividend was paid. Some points raised during the call include:

- Is it appropriate for additional income payments purchased using dividends that are paid in cash to differ from (lower or higher) the additional income payments purchased with dividends?
 - Companies have expressed concern with the practical management of their dividend scales when a company combines all their business together (i.e. how can the company handle paid up additions if the company is unable to use the assumptions guaranteed at the time of the original premium payment? Future annuity purchase rates are unknown at the time dividend scales are determined.)
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Next Step: The AWG members decided that it would be beneficial to ask the industry for input on the equity (or lack thereof) between 1) paying a dividend in cash which is then used to purchase additional income benefits at current annuity purchase rates; and 2) a paid up addition used to purchase additional income benefits at the guaranteed interest rate and mortality at the time the premium that generated the dividend was paid.

Agenda Item #5. Discuss Clarification Item #7 Range For Minimum And Maximum Indebtedness.

The AWG discussed clarification item 7: Range for minimum and maximum indebtedness in the Overloan Protection standard. The current standard does not set a specific minimum loan indebtedness percentage. However, the variability of information provision would require that any minimum percentage be reasonable and realistic. The Industry Advisory Committee asked for a minimum percentage in order to avoid “arbitrary” determinations by Compact reviewers. Some points raised during the call include:

- Whether setting a minimum in the standard was getting into pricing of the product?
- What an appropriate minimum trigger would be (ex: not just a minimum percentage but also estimated length of time until lapse)?
- Whether the IIPRC reviewers should have discretion to determine what is reasonable?
- Whether the concern differs depending on automatic exercise or optional exercise of the overloan benefit (i.e. paid up life insurance)?

Next Step: The AWG members decided to ask the Industry Advisory Committee for input on whether it would be supportive of adding a minimum standard (ex: minimum percentage and/or length of time until lapse) for when the overloan benefit is exercised automatically only (i.e. no minimum standard for when the owner has the option to exercise or not).

Agenda Item # 6. Any other matters.

The Chair reminded members to review the redlined drafts on Private Placement and to advise IIPRC staff of any issues or concerns. The next AWG member call will be Wednesday, November 30th at 12 PM ET.
