



---

**MEMORANDUM**

**TO: IIPRC Management Committee**

**FROM: Product Standards Committee**

**DATE: June 21, 2017**

**SUBJECT: Amendment to Add a Death Benefit Proceeds Provision to Annuity Uniform Standards**

---

The Product Standards Committee (PSC) of the Interstate Insurance Product Regulation Commission is recommending an amendment to add a Death Benefit Proceeds provision to annuity contract uniform standards. The proposed amendment would be added to the Contract Provisions section of the following Uniform Standards:

Core Standards for Individual Deferred Variable Annuity Contracts  
Individual Immediate Variable Annuity Contract Standards  
Core Standards for Individual Deferred Non-Variable Annuity Contracts  
Individual Immediate Non-Variable Annuity Contract Standards

The recommendation is as a result of a request from the Industry Advisory Committee (IAC). The IAC noted that state requirements vary widely regarding the payment of interest on annuity death benefit proceeds, both in regard to when interest payment commences and the amount of interest owed. Some jurisdictions include annuities in their death benefit proceeds laws or regulations while others are silent on annuities. The IAC suggested that a standard for annuities, similar to the provision in the life Uniform Standards, would provide additional consumer protection as well as needed clarity and uniformity for compacting states and filers. The recommended amendment is based upon the life Uniform Standards, revised to apply to annuity products. One major difference is that variable annuity products are subject to the Securities and Exchange Commission's (SEC) rules governing the liquidation of account values at the death of the measuring life. Because the funds are maintained in the separate account until due proof of death is received, the proposal does not require interest payment until the eighth day following due proof of death (SEC requirements require the liquidation within seven days of due proof of death). The proposal also adds a completed claim form and a completed request for redemption form to the requirements for due proof of death – items that are typically required for annuity contracts.

The Product Standards Committee, after notice and opportunity for written comment, held a public conference call to receive comments from regulators and interested parties, including

members of the Legislative Committee, Consumer Advisory Committee and Industry Advisory Committee. During this public call, no comments were received in opposition to recommending an amendment.

The Product Standards Committee therefore brings forth a recommendation to amend the aforementioned Uniform Standards as provided in Appendix A.

## APPENDIX A

Proposed revision to:

Core Standards for Individual Deferred Variable Annuity Contracts

Individual Immediate Variable Annuity Contract Standards

Core Standards for Individual Deferred Non-Variable Annuity Contracts

Individual Immediate Non-Variable Annuity Contract Standards

### § 3 CONTRACT PROVISIONS

#### I. DEATH BENEFIT PROCEEDS

- (1) The contract shall describe how the death benefit proceeds are determined and shall describe all death benefit options available under the contract. For purposes of this section, the individual whose death triggers the death benefit proceeds is the measuring life.
- (2) The contract shall contain a provision for the payment of interest on the death benefit, as follows:
  - (a) Interest shall accrue and be payable as follows:
    - (i) for variable annuity contracts subject to the Securities and Exchange Commission's (SEC) rules governing the liquidation of account values at the death of the measuring life, from the eighth day following the date that due proof of death is received by the company; and
    - (ii) for all other annuity contracts, from the date of death of the measuring life, unless the contract specifies that the contract remains in force until the date that due proof of death is received by the company;
  - (b) Interest shall accrue at the rate or rates applicable to the contract for funds left on deposit or, if the company has not established a rate for funds left on deposit, at the Two Year Treasury Constant Maturity Rate as published by the Federal Reserve. In determining the effective annual rate or rates, the company shall use the rate in effect on the date that due proof of death is received by the company or the date of death, as determined in Item (a) above; and
  - (c) Interest shall accrue at the effective annual rate determined in Item (b) above, plus additional interest at a rate of 10% annually beginning with the date that is 31 calendar days from the latest of Items (i), (ii) and (iii) to the date the claim is paid, where it is:
    - (i) The date that due proof of death is received by the company;

## APPENDIX A

- (ii) The date the company receives sufficient information to determine its liability, the extent of the liability, and the appropriate payee legally entitled to the proceeds; and
  - (iii) The date that legal impediments to payment of proceeds that depend on the action of parties other than the company are resolved and sufficient evidence of the same is provided to the company. Legal impediments to payment include, but are not limited to (a) the establishment of guardianships and conservatorships; (b) the appointment and qualification of trustees, executors and administrators; and (c) the submission of information required to satisfy a state and federal reporting requirements.
- (3) The death benefit proceeds paid shall be at least equal to the death benefit of the contract and any riders that are payable, plus any dividend values in the contract at the time of death, less any indebtedness.
- (4) The contract may require that due proof of the death of the measuring life will consist of:
  - (a) a certified copy of the death certificate of the measuring life, or other lawful evidence providing equivalent information;
  - (b) a completed claim form;
  - (c) a completed request for redemption form; and
  - (d) proof of the claimant's interest in the proceeds.