

Angela M. Schaaf
Assistant Director Product Compliance
720 E. Wisconsin Avenue
Milwaukee, WI 53202
Phone: (414) 665-7233
angelaschaaf@northwesternmutual.com

May 22, 2017

IIPRC Product Standards Committee (PSC)

RE: IIPRC 5 Year Review for Phase 7: Individual Deferred Paid-Up Non-Variable Annuity Contract Standards (commonly marketed as Longevity Standards)

To Whom it May Concern:

Our comments on the revisions to the Individual Deferred Paid-Up Non-Variable Annuity Contract Standards (commonly marketed as Longevity Standards) are below.

Substantive Change Item #1 – Period Certain Payments for INDIVIDUAL DEFERRED PAID-UP NON-VARIABLE ANNUITIES

The revision to §3G.(3) (to be renumbered as §3H.(3)) introduces a maximum deferral period of twenty years. According to the transmittal memo, this maximum is intended to be applied only to period certain-only DIAs. We recommend the following language to clarify that the maximum deferral period does not apply to lifetime income:

(3) The contract shall provide that the income payable on the income commencement date is payable for:

(a) The annuitant's lifetime (with or without a guarantee period); or

(b) A stipulated period certain for a minimum of five (5) years with a maximum deferral period of twenty (20) years.

Substantive Change Item #2 – Commutation for INDIVIDUAL DEFERRED PAID-UP NON-VARIABLE ANNUITIES

We question why the new commutation provision is inconsistent with the commutation provision in the Individual Immediate Non-Variable Annuity Contract Standards. Both the proposed Longevity Standards and the Individual Immediate Non-Variable Annuity Contract Standards allow companies to limit commutation to a certain portion of the life contingent or non-life contingent annuity benefits, provided any such limitation is indicated in the contract (§3F.(6)). However, §3F.(1)(c)-(d) of the proposed Longevity Standards sets forth a specific limit (60% of the commuted value). The specific limit seems arbitrary and is not included in the Individual Immediate Non-Variable Annuity Contract Standards. Additionally, the commutation of life only income benefit options is not allowed under §3F.(1)(b) of the proposed Longevity Standards, however no such restriction exists in the Individual Immediate Non-Variable Annuity Contract Standards.

Recommended Clarification Item #2 – Additional Purchase Payments After Issue for INDIVIDUAL DEFERRED PAID-UP NON-VARIABLE ANNUITIES

We recommend the following revision to §3B.(1)(c)(i) to clarify that the income benefit from additional premium payments applied to a dividend-paying DIA contract does not need to be greater than the income benefit from a DIA contract that doesn't pay dividends:

(c) The term “current annuity purchase rates,” as used in item (b) above, requires that the income payments purchased by additional premiums are:

(i) Not less than that in a new contract subject to these standards for the same class of purchaser (purchasers of income annuity contracts that are not expected to pay dividends shall be considered a separate class from purchasers of income annuity contracts that are expected to pay dividends), attained age, and specified income commencement date if the company offers a deferred paid-up non-variable annuity contract subject to this standard at the time the additional premium is paid; or

(ii) If the company does not offer a deferred paid-up non-variable annuity contract subject to this standard at the time the additional premium is paid, based on reasonable actuarial assumptions;

Sincerely,



Angela M. Schaaf