

**DATE:** February 8, 2007

**TO:** IIPRC Management Committee

**FROM:** IIPRC Industry Advisory Committee

**SUBJECT:** Individual Deferred Variable Annuity Contract Standards  
Individual Deferred Non-Variable Annuity Contract Standards  
  
Mortality Table Change Standards  
Product Standards Committee Memorandum Dated November 29,  
2007, Page 2

**Re: Individual Deferred Annuity Contract Standards**

In addition to the comments below, we are including copies of the latest drafts which have been red-lined to reflect the comments included below.

Some of the suggested changes are the same for both the *Variable* and the *Non-Variable* standards, and when this is the case it is so noted.

**Variable Standards**

**Scope**

In the listing of what *benefits are outside of scope*, we suggest deleting the reference to “indexing” since it does not apply to variable annuities. The same change is suggested in the title to **GUIDELINES FOR APPENDICES A-1 AND A-2**.

We suggest changing “*modified guaranteed annuities, market value adjusted annuities*” to “modified guaranteed/market value adjustments” since they are essentially the same thing. This is how they are described in the title to **GUIDELINES FOR APPENDICES A-1 AND A-2** (after slight grammatical editing).

*This change would also need to be made to the Non-Variable Annuity standards.*

*We have also recently become aware that guaranteed death benefits and guaranteed living benefits could be applicable to Deferred Non-Variable Annuities, and so we are suggesting that these benefit be added to the listing of what benefits are outside of scope for the Deferred Non-Variable Annuity*

## Variable Standards (Continued)

### Scope (Continued)

*standards. A similar change would also need to be made to the title of the GUIDELINES FOR APPENDICES A-1 and A-2 of the Deferred Non-Variable Annuity standards.*

We suggest deleting the word “*the*” as a modifier of “*separate accounts*” since there may be more than one separate account. Similar modifications should be made in the rest of the standard. (Sometimes “the” was taken out and sometimes it was replaced with “a”.)

Under the *definition of “account value,”* we suggest replacing “withdrawals” with “partial withdrawals.” This was done throughout the standard for consistency purposes

*This change would also need to be made to the Non-Variable Annuity standards.*

In the *definition of “account value” for separate accounts,* we suggest deleting the second “adjusted by” as this is not necessary.

We suggest updating the *definition of “annuity value”* to note that it is also called “Maturity Value”. The term “annuity value” is used throughout the standard, except for the parts of the standard that discuss compliance with the nonforfeiture model law. This is because the term “annuity value” is usually used in contract language and the term “maturity value” is used in the nonforfeiture law. We also suggest adding “account value at the time of annuitization,” and eliminating the reference to “unless otherwise described in the contract” because that would be true for all definitions.

*This change to the “annuity value” definition would also need to be made to the Non-Variable Annuity standards.*

We suggest changing the *definition of “cash value”* to include “and any final charges and expenses” to allow for any additional charges at this time, e.g. state premium taxes, if applicable.

*This change to the “cash value” definition would also need to be made to the Non-Variable Annuity standards.*

## Variable Standards (Continued)

### ADDITIONAL SUBMISSION REQUIREMENTS

*Item (8):*

We suggest changing “cash value” to “cash surrender value” to be more accurate.

*This change would also need to be made to the Non-Variable Annuity standards.*

*Item (9):*

We suggest adding “and funds” to “separate accounts” to mirror the language used in the VARIABILITY OF INFORMATION section of the Individual Annuity Application Standards, as well as elsewhere in these standards.

*Item (11):*

We suggest adding a description of innovative features as a conforming change.

### VARIABILITY OF INFORMATION

*Item (3)(iii) :*

We suggest deleting “whenever the contract guarantee minimum interest rate is less than 3%” because this is not totally accurate. This would only be the case when the minimum nonforfeiture value rate is disclosed in the contract. There are product designs that could have a minimum nonforfeiture rate that is less than 3% that could comply with the minimum nonforfeiture model law without referring to the nonforfeiture minimums in the contract.

*This change would also need to be made to the Non-Variable Annuity standards.*

### SPECIFICATIONS PAGE

*Item (2):*

We suggest adding “cash value” to be more consistent with other lists of contract values in the standards.

*This change would also need to be made to the Non-Variable Annuity standards.*

## Variable Standards (Continued)

### SPECIFICATIONS PAGE (Continued)

***Item (5) :***

We suggest deleting “annuity date” because it is not defined in the standards.

***This change would also need to be made to the Non-Variable Annuity standards.***

***Item (6):***

We suggest changing “cash surrender benefit” to “cash surrender value benefit” to be more consistent with the definitions.

***This change would also need to be made to the Non-Variable Annuity standards.***

***Item (8):***

We suggest including this item – it is the last item in the NONFORFEITURE VALUES section and it should be disclosed in the SPECIFICATIONS PAGE.

***This change would also need to be made to the Non-Variable Annuity standards.***

### CONTRACT VALUES

***Item (1):***

We suggest changing “partial surrender” to “partial withdrawal” to be consistent with the terminology we are using in the standards.

***This change would also need to be made to the Non-Variable Annuity standards.***

***Items (2), (3) and (4):***

We suggest making these changes for clarity and to conform to changes made to the Immediate Variable Annuity standards.

## Variable Standards (Continued)

### DEFERRED OF PAYMENTS

#### *Title and Items (1) and (2):*

We suggest making these changes shown for clarity and to conform to the changes made to the Immediate Variable Annuity standards.

*These changes would also need to be made to the Non-Variable Annuity standards.*

#### *Item (4):*

We suggest making the changes shown for clarity and to conform the changes made to the Immediate Variable Annuity standards.

### INCONTESTABILITY

#### *Item (2):*

We suggest deleting “to or endorse” for clarity. This change was made to the Immediate Variable Annuity standards by the Product Standards Committee which was approved by the Management Committee on January 28, and we understand it will be recommended as a conforming amendment to all standards.

*This change would also need to be made to the Non-Variable Annuity standards.*

### LOANS

#### *Item (2)(g):*

We suggest changing “cash value” to “cash surrender value” to be more accurate, and changing “maturity value” to “annuity value” as a more commonly used term in contract language.

*This change would also need to be made to the Non-Variable Annuity standards.*

## Variable Standards (Continued)

### LOANS (Continued)

*Item(2)(j):*

We suggest changing “cash value” to “account value” since interest is credited to the account value.

*This change would also need to be made to the Non-Variable Annuity standards.*

### NONFORFEITURE VALUES

*Items (1)(b), (c), (d) and (e):*

We suggest changing “cash surrender benefits” to “cash surrender values” to be more consistent with the definitions in the standards.

*Theses changes would also need to be made to the Non-Variable Annuity standards.*

*Item (1)(e):*

We suggest deleting the reference to “partial surrenders” since the standards only define “partial withdrawals”.

*This change would also need to be made to the Non-Variable Annuity standards.*

*Item (2):*

We suggest deleting the reference to subaccounts as it is unnecessary.

*Item (2)(b):*

We suggest deleting the last sentence since it was already included in item (3) of the DEFERRAL OF PAYMENTS section.

*Item (2)(c):*

We suggest changing “cash surrender benefits” to “cash surrender values” to be more consistent with the definitions in the standards. We suggest deleting the reference to “partial surrenders” since the standards only defines “partial withdrawals”.

## Variable Standards (Continued)

### NONFORFEITURE VALUES (Continued)

*Item (5):*

We suggest changing “Nonforfeiture rates” to say “nonforfeiture rate”.

### SEPARATE ACCOUNTS

*Item (1):*

We suggest changing “subaccounts” to “funds” to be more consistent with the rest of the standards. We also suggest cleaning up the language to be clearer.

*Item (4):*

We suggest adding “and funds” to “separate accounts” to be more consistent with similar descriptions in the standards.

### SETTLEMENT OPTIONS

*Item (1):*

We suggest adding “or funds” to “separate accounts” to be more consistent with similar descriptions in the standards.

### GUIDELINES FOR APPENDICES A-1 AND A-2

*Items (1) and (2):*

We suggest making the conforming changes to make the language the same as that in the Deferred Non-Variable Annuity standards.

*Item (5):*

We suggest changing “Cash surrender value” to “cash value” to be more accurate.

***This change would also need to be made to the Non-Variable Annuity standards.***

## Variable Standards (Continued)

### APPENDIX A-2

#### *Title of Column (B):*

We suggest changing to “Discounted Maturity\* Value Based on Premiums to Date” since this would be a more clearly worded title.

*This change would also need to be made to the Non-Variable Annuity standards.*

#### *First Footnote:*

We suggest changing the footnote to be more consistent with the wording in Guideline #2 in the **GUIDELINES FOR APPENDICES A-1 AND A-2**.

*This change would also need to be made to the Non-Variable Annuity standards.*

## Re: Mortality Table Change Form Standards

We are including below the Product Standards Committee comments dated November 29, 2007:

### **“3. Standards for 2001 CSO Mortality Table Change Form**

(IAC Comments) We have worked with the NAIC Life Team to develop standards for this form that addresses the regulatory concerns, and as of the week of November 5<sup>th</sup> the standards have been forwarded to the Product Standards Committee. Accordingly, we believe that this form should be added to the Appendix section G.

**Response:** The PSC agrees that it is important to have standards for changing mortality tables that apply to IIPRC-approved policy forms. The PSC is recommending standards for a Mortality Table Change Form to the Management Committee at the December 1 meeting. ***The PSC observes that several steps, such as nonforfeiture testing, are involved in approving a change of mortality table. Full documentation for the necessary steps is not currently required under IIPRC filing guidelines.*** It is premature to include change of mortality table on Appendix A without further discussion about how to get the necessary information to the IIPRC. ***Additional discussion would include whether the IIPRC and states will allow amendment of state-approved forms via the limited mix and match process.***” (Emphasis Added)



## **Re: Mortality Table Change Form Standards (Continued)**

The standards were adopted by the Product Standards Committee (PSC) on November 16<sup>th</sup>. It appears that somewhere between November 16<sup>th</sup> and November 29<sup>th</sup> a state or several states expressed concern about nonforfeiture testing issues, but since these were never vetted with industry, we have little information as the specifics of this issues, and we are at a loss as to how suggest a solution to the concerns we know little about.

As for the “mix and match” PSC comments, *the sole purpose of this standard was to enable companies to use the IIPRC to update their state approved policies on a “mix and match” basis.* If a company were to file an individual life insurance policy with the IIPRC in 2008, they would not need the Mortality Table Change Form standard because it is highly unlikely that the company would not include the mortality table required to comply with the CSO requirements that take effect January 1, 2009.

Unless the Management Committee makes a firm commitment to discuss and address the PSC concerns immediately, there is no need to spend any further time on this standard since there would be little need for it by the fall of 2008.

Submitted by:

### ***IIPRC Industry Advisory Committee:***

Steve Buhr, AEGON  
Tom English, New York Life  
Michael Gerber, NAIFA  
Dennis Herchel, Mass Mutual Life Insurance Company  
Nancy Johnson, UNUM  
Michael Lovendusky, ACLI  
Randi Reichel, AHIP  
Gary Sanders, AHIA