



## MEMORANDUM

**TO:** IIPRC Management Committee

**FROM:** Product Standards Committee

**DATE:** October 13, 2009

**SUBJECT:** Additional Standards for Guaranteed Living and Minimum Death Benefit Features to Individual Deferred Annuity Contract Standards

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The Product Standards Committee (“Standards Committee”) of the Interstate Insurance Product Regulation Commission (“IIPRC”) is charged with formulating a plan for review and adoption of uniform product standards and with finalizing proposed drafts of uniform product standards. In carrying out its charge, the Standards Committee has finalized three new benefit feature standards and one proposed amendment to existing uniform standards.

**The Standards Committee recommends the Management Committee initiate the rulemaking procedure<sup>1</sup> with respect to the following uniform standards, copies of which are attached:**

- **Additional Standards for Guaranteed Living Benefits for Individual Deferred Non-Variable Annuities;**
- **Additional Standards for Guaranteed Living Benefits for Individual Deferred Variable Annuities; and**
- **Additional Standards for Guaranteed Minimum Death Benefits for Individual Deferred Non-Variable Annuities.**

**In addition, the Standards Committee submits the attached proposal for Conforming Amendment to Individual Annuity Application Standards and requests the Management Committee initiate the procedure established in the IIPRC Rule for the Adoption of Conforming Amendments to a Uniform Standard.**

The proposed standards and amendment were originally developed by the NAIC National Standards (EX) Working Group. The new standards encompass product features that may be added to or incorporated in individual deferred variable and non-variable annuity contracts. Two substantive revisions were made by the Standards Committee. The revisions were:

1. To add a statement that the proposed standards are available to be used in combination with state-approved products, also known as the “mix and match” process; and
2. To add a provision, consistent with other individual life and annuity standards, specifying that forms with an option for a spouse to continue the underlying annuity contract, the form shall comply with applicable law in the state where the contract is delivered or issued for delivery.

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<sup>1</sup> The rulemaking procedure is set forth in the Rule for Adoption, Amendment and Repeal of Rules for the IIPRC.

The proposed standards and amendment were subject to public participation by written comment and a teleconference meeting on October 13. The only written and oral comments were offered on behalf of the Life Insurance Settlement Association advocating deletion of a provision in both versions of the Additional Standards for Guaranteed Living Benefits allowing for the benefit to terminate upon a change of ownership or assignment except in limited circumstances. The Standards Committee agreed with the NAIC National Standards Working Group's determination not to adopt the suggestion to delete this termination provision because the limited termination provision seeks to preserve the current pricing of these products, to mitigate against the need for insurance companies to substantially increase the cost of the benefits in order to hedge against the potential sale of the benefits to secondary market investors, and to prevent the benefits from being priced where they will become unaffordable for many consumers.

The conforming amendments to the Individual Annuity Application Standards would add a provision that already appears in the Individual Life Insurance Application Standards. The provision establishes the ability for the application to ask whether any party to the application has or plans to enter into any agreement to sell or assign ownership of a beneficial interest in the applied-for contract, and whether any party to the application has ever sold, transferred or assigned an annuity contract. The amendment also permits the application to include a notice regarding potential state-imposed limitations on the ability to sell, transfer or assign an annuity contract.

Further information about the scope of the standards and proposed conforming amendments are provided in the attached drafts.