

Agenda Item 2. Consider recommendations of Clarification Items in the IIPRC Office Report to Product Standards Committee

IIPRC staff updates on previously discussed items

- *Variability of Information – Tax Codes* (Number 9 on Clarification list). IIPRC staff explained that their understanding of the proposal is that the revision would only apply if the language was identical except for the tax code reference that is applicable to the form. The company could then use the same form, except the tax code reference included in the form would be bracketed and varied. As a result of discussions during the July 15 call, the IIPRC Office reviewed several approved tax-qualified forms and was not able to find examples that would fit the need for this request. In addition to the tax code reference, the language varied by type of tax code. The PSC decided to request that the Industry Advisory Committee provide specific examples of qualified plan provisions that are identical across tax code sections, where only the reference to the tax code varies. This request will be included in the documentation for the public call on July 29.
- *Benefit Provisions –Tax Qualified Plans* (Number 10 on Clarification list). The PSC agreed to defer its recommendation on this item pending further information on Item 9 since the two matters are related.
- *Indexed Linked Payment Adjustment* (Number 12 on Clarification list). IIPRC staff stated that upon further review of the request to expand the scope, they would consider this item to be a Substantive change item rather than a clarification, since the IIPRC does not currently accept filings under the Indexed Linked Payment Adjustment Benefit Standard to include individual deferred paid-up non-variable annuities (DIAs) that are in the income payment phase. The proposed change would alter the application of the standard to also apply to DIA's. The PSC agreed that the matter would be listed as a Substantive item in its final report and recommendation to the Management Committee. Some members asked whether these are new products or if they have been previously submitted to states. The PSC asked that industry be requested to respond to this question and that a request be made for industry to provide a sample product containing this benefit in generic format.

Comments or questions on any other Clarification Items

IIPRC staff went over the remaining clarification items discussed on the July 15th member call to see if there were any additional comments or questions. With no further comments, the PSC agreed to the recommendations contained in the IIPRC Office Report for Clarification items 1-8 and 11.

Action Items:

- IIPRC staff will update the clarification items section of the report to reflect the PSC's questions on items 9 and 12 and recommendations on the remaining items and distribute the updated report for the July 29 public call.
- PSC members will check with their respective staff to see if they have seen filings with indexed linked payment adjustment benefits for DIAs that are in the income payment phase.

Agenda Item 3. Conforming Amendment Items and Technical Change Items identified in IIPRC Office Report to Product Standards Committee for Phases 2, 3 and 4 of the Five Year review. IIPRC staff reported that they received one comment from the IAC related to Conforming Amendment Item 6 on Page 30 of the report. The recommendation was to change "policy" to "contract" in the last line of the paragraph to be inserted, for consistency with annuity standards. The office agreed with the recommendation and the PSC had no objection to the change.

Agenda Item 4. Written Public Comments on the proposed rule amendments for Phase One of the 5 Year review- Comments from the IAC dated July 14, 2014. IIPRC staff reported that one additional comment was received from the IAC dated July 14th. The comment to the Management Committee was a request to change item (10) of the Nonforfeiture provisions in the Individual Flexible Premium Adjustable Life Insurance Policy Standards. As currently drafted, the provision requires that the cash surrender value on the date of surrender shall equal the cash surrender value on the policy monthly deduction date. By requiring the amount to be equal to rather than not less than, consumers may sometimes receive less than the value a company would pay if it provided the cash surrender value plus interest for the time since the policy monthly deduction date. The IAC recommended changing the word “equal” to “not less than.” The PSC agreed that it supported the IAC recommendation.

Agenda Item 5. PSC Public Call

The next PSC call is a public call scheduled for July 29, 2014 at 12:30 Central Time.
