

Five Year Review – Phase 5  
Certain Uniform Standards Effective On or Before June 30, 2010

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# SUBSTANTIVE CHANGE ITEMS

5-Year Review, Phase 5 (Certain Uniform Standards Effective On or Before June 30, 2010)

## **Substantive Change Items**

Substantive change items are proposed amendments to the Uniform Standards that would change or alter the meaning, application or interpretation of the provision. Substantive change items would likely impact not only the Uniform Standards but product filings submitted to the IIPRC and would be the equivalent to a change in an individual state's laws or regulations. When looking at the substantive change items, the scope of review should consider whether circumstances or underlying assumptions have changed since the last time the rule was adopted, amended or reviewed.

### **List of Substantive Change Items**

1. Market Value Adjustment Feature - 7%/7 Year limitation on surrender charges
2. Bonus Benefits – Termination Provisions
3. Guaranteed Living Benefits - Benefit Base
4. Guaranteed Living Benefits - Benefit Triggers

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### (1) MARKET VALUE ADJUSTMENT FEATURE – 7%/7 YEAR LIMITATION ON SURRENDER CHARGES

**APPLIES:** APPENDIX B of the Additional Standards for Market Value Adjustment  
Feature Provided through the General Account

#### **CURRENT PROVISION:**

For purposes of demonstrating compliance with the NAIC Standard Nonforfeiture Law For Individual Deferred Annuities, Model #805 (the Law), and compliance with the requirements of the core Interstate Insurance Product Regulation Commission standards for individual non-variable deferred annuity products, the following requirements apply to MVA Annuities:

- (1) For purposes of the retrospective test of the Law (Appendix A-1), the guaranteed cash value is after the market value adjustment. This means that the MVA formula must always produce a value at least as great as that determined under the retrospective test as outlined in the guidance for the core standards, or the contract must contain a floor that complies with the retrospective test.
- (2) For purposes of the prospective test of the Law (Appendix A-2):
  - (i) For multi-year interest rate guarantee annuities, the unadjusted guaranteed cash value (or the guaranteed cash value resulting from assuming that the application of the MVA formula is an MVA amount of zero) shall be at least as great as that determined under the prospective test as outlined in the guidance for the core standards.
  - (ii) For other than multi-year interest rate guarantee annuities, in lieu of demonstrating compliance with the prospective test, the guaranteed cash value shall be shown to be at least as great as a percentage of the account value before application of the market value adjustment; such percentage equal to 93% in contract (or premium) year 1, increasing by 1% per year to 100% in contract (or premium) year 8 and later, plus or minus the MVA.

#### **COMMENTS:**

*Industry Comment:* The Industry Advisory Committee (IAC) requested that the IIPRC remove the 7%/7-year limitation of withdrawal charges for general account, non-Multi Year Guarantee annuities (item (2)(ii) above). The commenters stated that applying the prospective (smoothness) test to the unadjusted maturity value assures that the withdrawal charge pattern grades down uniformly and conforms to the general requirements for individual deferred annuities. They believe that limiting the actual market value adjustment (MVA) to the difference between the unadjusted cash surrender value and the minimum

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accumulation value determined by the retrospective test supports the IIPRC's requirement that the market value adjustment be symmetric and assures that the adjusted cash surrender value will never be less than the result of the minimum accumulation test.

The IAC does not believe there is any regulatory or consumer protection interest served by having additional restrictions on the non-forfeiture value of general account annuities with a market value adjustment that are not already addressed in the existing Standard Non-Forfeiture Law for Individual Deferred Annuities. They note that the current requirement is counter-productive since it prevents useful, consumer-centric products from being submitted and approved through the Compact. The IAC believes that product designs subject to the current 7%/ 7-year limitation deprive consumers of the potentially higher rates normally associated with higher yields on the longer investment instruments, because of asset/liability matching concerns with the company's general account portfolio.

The IAC notes that the current requirement drives companies back to state direct filings, noting that most states accept and approve general account MVA annuities with surrender charge patterns that comply with the Standard Nonforfeiture Law. The IAC observes that inconsistencies in state approach and requirements increase marketing, distribution, operations, compliance and maintenance costs, which are passed on to the consumers generally in the form of lower credited rates, further reducing the potential benefit of these product for investors who might otherwise consider them.

The IAC also observes that the current provision deprives companies of the opportunity to offer higher rates based on legitimate structural and operational differences between traditional fixed and fixed indexed annuities, and similar products with a limited market value adjustment. They believe consumers benefit when companies add an MVA to a traditional fixed annuity since it supports more efficient use of capital and companies can assume more favorable persistency because a portion of the interest rate risk is legitimately transferred to the contract owner, reducing possible adverse selection in an increasing interest rate environment. They state that in pricing models, both factors generally favor higher declared rates in both fixed and indexed-linked scenarios.

The suggested revisions would be as follows:

- (2) For purposes of the prospective test of the Law (Appendix A-2):
  - (i) ~~For multi-year interest rate guarantee annuities,~~ the unadjusted guaranteed cash value (or the guaranteed cash value resulting from assuming that the application of the MVA formula is an MVA amount of zero) shall be at least as great as that determined under the prospective test as outlined in the guidance for the core standards.

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~~(ii) For other than multi-year interest rate guarantee annuities, in lieu of demonstrating compliance with the prospective test, the guaranteed cash value shall be shown to be at least as great as a percentage of the account value before application of the market value adjustment; such percentage equal to 93% in contract (or premium) year 1, increasing by 1% per year to 100% in contract (or premium) year 8 and later, plus or minus the MVA.~~

*IIPRC Office Comments/Observations:* The IIPRC Office notes that similar concerns have been raised by filers. With the evolution of the marketplace, insurance companies face a competitive disadvantage when products must meet the limitations in the current standard and yet these products are generally accepted in the majority or more of Compacting States under state law.

*IIPRC Office Recommendation:* The IIPRC Office recommends that the PSC refer the proposed recommendation from the IAC (listed below) to the Actuarial Working Group for their consideration and recommendation.

**October 27, 2015 IIPRC Office Update:** The Actuarial Working Group has recommended that the PSC remove the separate requirements in Appendix B for other than Multi-Year Interest Rate Guarantee Annuities since general account non-MYGA MVA products without the limitation on surrender charges are being approved by and sold in the majority of the member states. There appears to be evidence to suggest that companies are using the IIPRC approved forms only in those few states that don't approve general account non-MYGA MVA forms. Even with the elimination of the limitations, nonforfeiture and cash surrender values would still be subject to the retrospective and prospective test minimums and because the IIPRC standard requires a maturity date equal to the later of age 70 or 10 years for purposes of the prospective test, surrender charges are limited to approximately 10% grading down over 10 years for most issue ages.

The AWG also recommends adding an actuarial certification requiring the actuary to certify that “cost trade-offs between the product being filed and similar products without an MVA were reviewed and deemed appropriate and differences in crediting rates, caps, spreads, participation rates or other design variables will provide value to the contract owner relative to the product without the MVA.” This certification is similar to the certification required under the IIPRC standard for BONUS BENEFIT FOR INDIVIDUAL DEFERRED VARIABLE ANNUITY CONTRACTS. Such a certification provides some assurance that removing the 7%/7 year surrender charge limitation will benefit consumers, as the industry has argued that is the primary reason for the removing the limitation. The AWG recommends deleting the actuarial opinion (c) as unnecessary.

The AWG recommends the following revisions:

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## **§1. ADDITIONAL SUBMISSION REQUIREMENTS**

### **B. ACTUARIAL MEMORANDUM**

(1) The actuarial memorandum required for the Individual Deferred Non-Variable Annuity Contract Standards that include a MVA feature, and which is prepared, dated and signed by the member of the American Academy of Actuaries, shall include the following information on the MVA feature:

- (a) A description of the MVA feature, including:
  - (i) Any formula or methodology used to determine the market value adjustment (sample acceptable formulas are included in Appendix A attached; other formulas may be used if they are approved by the IIPRC),
  - (ii) Whether the market value adjustment will be based on an index or the company's current guaranteed interest rate being offered on new premium (or new rates for renewal periods for CD annuities) ,
  - (iii) Under what conditions the market value adjustment is applicable, including any limitations on the MVA period and whether it coincides with an interest guarantee period, a surrender charge period, or some other period, and
  - (iv) How the MVA formula is applicable for both upward and downward adjustments. The same MVA formula must be applied during a period when its application would result in an increase in the cash value as is applied during a period when its application would result in a decrease in the cash value. If the MVA form limits the amount of upward adjustment (whether explicitly or not) it must contractually provide that any MVA adjustment triggering this limitation also trigger an identical dollar amount downward limitation on the MVA adjustment;
- (b) A description of any index used as the basis for the market value adjustment and all elements used in determining the market value adjustment from the index;

~~(c) — An actuarial opinion stating that the MVA formula is expected to produce results reasonably similar to changes in the market value of the company's investments backing the contract. The opinion shall also state that the company's investments backing the contract including the MVA feature are appropriate considering any index and including confirmation that this opinion~~

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~~is based on the actuary's review of the company's documented investment policy as it relates to annuities with an MVA feature.~~

- (c) An example showing the derivation of the market value adjustment based on an assumed change in the value of the index or an assumed change in the value of the company's guaranteed interest rates;
- (d) A description of any elements used in determining the market value adjustment, including, for MVA formulas based on the difference between guaranteed interest rates being credited and current guaranteed interest rates, any amount by which the company may increase, for purposes of this calculation, the current guaranteed interest rate (but not to exceed 25 basis points), and any guarantees or ranges associated with these elements;
- (e) A demonstration that the values of the contract, after application of any market value adjustment, comply with the provisions of the NAIC Standard Nonforfeiture Law for Individual Deferred Annuities, model #805, as interpreted in the Individual Deferred Non-Variable Annuity Contract Standards, to which these standards are attached. Any MVA assumptions used in the nonforfeiture demonstration shall be disclosed in Appendices A-1 and A-2 described in the Individual Deferred Non-Variable Annuity Contract Standards and further elaborated on in Appendix B attached.
- (f) An actuarial certification that the cost trade-offs between the product being filed and similar products without an MVA were reviewed and deemed appropriate and differences in crediting rates, caps, spreads, participation rates or other design variables will provide value to the contract owner relative to the product without the MVA.

### **Appendix B**

The market value adjustment (MVA) feature is a positive or negative adjustment that may apply to the account value/cash value of the annuity upon withdrawal, surrender, or annuitization, based upon the movement of an index or the company's current guaranteed interest rate being offered on new premium (or new rates for renewal periods for CD annuities), if that withdrawal, surrender, or annuitization occurs at a time other than on a specified guaranteed benefit date.

For purposes of demonstrating compliance with the NAIC Standard Nonforfeiture Law For Individual Deferred Annuities, Model #805 (the Law), and compliance with the requirements of the core Interstate Insurance Product Regulation Commission standards for individual non-variable deferred annuity products, the following requirements apply to MVA Annuities:

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- (1) For purposes of the retrospective test of the Law (Appendix A-1), the guaranteed cash value is after the market value adjustment, this means that the MVA formula must always produce a value at least as great as that determined under the retrospective test as outlined in the guidance for the core standards, or the contract must contain a floor that complies with the retrospective test.
- (2) For purposes of the prospective test of the Law (Appendix A-2):
  - (i) ~~For multi year interest rate guarantee annuities,~~ The unadjusted guaranteed cash value (or the guaranteed cash value resulting from assuming that the application of the MVA formula is an MVA amount of zero) shall be at least as great as that determined under the prospective test as outlined in the guidance for the core standards.
  - ~~(ii) For other than multi year interest rate guarantee annuities, in lieu of demonstrating compliance with the prospective test, the guaranteed cash value shall be shown to be at least as great as a percentage of the account value before application of the market value adjustment; such percentage equal to 93% in contract (or premium) year 1, increasing by 1% per year to 100% in contract (or premium) year 8 and later, plus or minus the mva.~~

**IIPRC staff update following the 10/27/2015 PSC Member Call:** The PSC agreed with the Actuarial Working Group recommendations.



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### (2) BONUS BENEFITS – TERMINATION PROVISIONS

**APPLIES:** §2. G of the Additional Standards for Bonus Benefits for Individual Deferred Variable Annuity Contracts

#### CURRENT PROVISION:

### § 2 GENERAL FORM REQUIREMENTS

#### G. TERMINATION

- (1) A bonus benefit form that is attached to the contract by rider, endorsement or amendment shall include the following termination conditions:
  - (a) Upon written request from the owner;
  - (b) Upon termination of the contract; or
  - (c) Upon nonpayment of any identifiable charge.

#### COMMENTS:

*IIPRC Office Comments/Observations:* The IIPRC staff notes that they issue objections and receive questions from filers regarding the mandatory requirement for a termination provision for the benefit at the request of the owner. The bonus benefit is generally a consumer benefit that typically does not have a separate, identified premium. Companies always include the termination provision “upon termination of the contract” and “upon nonpayment of any identifiable charge,” so the added provision does not seem necessary.

*IIPRC Office Recommendation:* The IIPRC Office requests that the PSC consider removing this condition which generally appears not applicable or duplicative in the current list of conditions. A suggested revision to § 2. G. (1) is as follows:

- (1) A bonus benefit form that is attached to the contract by rider, endorsement or amendment shall include the following termination conditions:
  - (a) ~~Upon written request from the owner;~~
  - (~~b~~) Upon termination of the contract; or
  - (~~e~~b) Upon nonpayment of any identifiable charge.

**IIPRC staff update following the 10/6/2015 PSC Member Call:** After discussing that most bonus benefits do not have separate charges and that other annuity benefit Uniform Standards do not require this termination provision, instead leaving it optional, the PSC agreed with the recommendation as written.

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### **(3) GUARANTEED LIVING BENEFITS - BENEFIT BASE**

**APPLIES:** §2. C (1)(a) of the Additional Standards for Guaranteed Living Benefits for Individual Deferred Variable Annuities

#### **CURRENT PROVISION:**

### **§ 2 GENERAL REQUIREMENTS**

#### **C. GLB AMOUNTS**

- (1) The GLB form shall describe any formulae or methodology used to determine the GLB amounts. The GLB form shall describe:
  - (a) The calculation of the guaranteed benefit base. The value of the guaranteed benefit base shall be equal to the initial premium payment, increased by any additional premium payments, and may be further increased or decreased as follows:
    - (i) Increased under specified conditions (e.g. bonus credits received on specified dates, step-up provisions, percentage increases or roll-up amounts, etc.);
    - (ii) Decreased due to a reset that is triggered by a change that is stated in the contract (e.g. a change in covered person may trigger a reset to the account value);
    - (iii) Decreased due to a reset that is triggered by a decrease in the account value or an external index. Such reset shall not allow the guaranteed benefit base to fall below the sum of all premiums paid less the greater of (a) the dollar amount of any withdrawals previously made, and (b) the value of those same withdrawals in the proportion that each withdrawal reduced the account value on the date of the withdrawal;
    - (iv) Decreased due to partial withdrawals made under a GMWB feature before some minimum time period (or attained age) or that are in excess of the guaranteed period withdrawal amount or guaranteed lifetime withdrawal amount;
    - (v) Decreased due to proportional withdrawals;
    - (vi) Increased or decreased based on changes made at the request of the owner; and/or
    - (vii) Decreased due to a GLB charge.

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### COMMENTS:

*Industry Comment:* An Industry commenter noted that the current Guaranteed Living Benefits Standards require benefit bases to initially have a floor amount of the premium paid and only in limited circumstances could the benefit bases be dropped below premiums. The commenter suggested that if the rider is transparent about when the benefit base could be less than premium, it should be permissible. The commenter provided an example that an 80% Guaranteed Minimum Accumulation Benefit rider would not be permitted under existing standards, but such a rider would allow consumers the choice to receive a lesser guarantee at what would likely be a lower cost or other benefit. The commenter provided the following suggested recommendations to amend §2 B. (1):

(1) The GLB form shall describe any formulae or methodology used to determine the GLB amounts. The GLB form shall describe:

(a) The calculation of the guaranteed benefit base. The value of the guaranteed benefit base shall be equal to a percentage of the initial premium payment, increased by a percentage of any additional premium payments, and may be further increased or decreased as follows:

(i) Increased under specified conditions (e.g. bonus credits received on specified dates, step-up provisions, percentage increases or roll-up amounts, etc.);

(ii) Decreased due to a reset that is triggered by a change that is stated in the contract (e.g. a change in covered person may trigger a reset to the account value);

(iii) Decreased due to a reset that is triggered by a decrease in the account value or an external index. Such reset shall not allow the guaranteed benefit base to fall below a percentage of the sum of all premiums paid less the greater of (a) the dollar amount of any withdrawals previously made, and (b) the value of those same withdrawals in the proportion that each withdrawal reduced the account value on the date of the withdrawal;

(iv) Decreased due to partial withdrawals made under a GMWB feature before some minimum time period (or attained age) or that are in excess of the guaranteed period withdrawal amount or guaranteed lifetime withdrawal amount;

(v) Decreased due to proportional withdrawals;

(vi) Increased or decreased based on changes made at the request of the owner;

(vii) Decreased due to a GLB charge; and/or

(viii) Increased or decreased under provisions guaranteed in the rider.

*IIPRC Office Comments/Observations:* The IIPRC office observes that filers have requested flexibility in using a benefit base other than 100% of the initial premium, especially in cases

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where the GMAB is issued after the issue date of the rider. Including a benefit base that is derived on historical values that were not subject to rider charges could result in anti-selection to the Company, causing more conservative pricing which would be to the detriment of policyholders.

*IIPRC Office Recommendation:* The IIPRC Office notes that under Clarification Item 5, IIPRC staff recommended amending §2 B. (1)(a) to clarify that the initial benefit base is equal to the contract/account value. The PSC may wish to review the above comment and Clarification Item 5 together and consider a revision that incorporates both, as well as noting that increases and decreases under provisions guaranteed in the rider are subject to approval of the IIPRC.

**IIPRC staff update following the 9/1/2015 Public Call:** The Consumer Advisory Committee commented that the calculation floor in the current standard provides some minimal protection for the consumer. The consumer is not in a position to assess the costs of reduction or elimination of this protection or to evaluate whether its loss is offset by some unspecified benefit. The CAC requested that the PSC ask the Actuarial Working Group for its opinion regarding the proposal and particularly whether the current approach of a minimum floor provides adequate flexibility while still providing the consumer some degree of protection.

The IIPRC office has also updated the recommendation to separate out the staff recommendation contained in Clarification Item 5

**IIPRC staff update following the 9/22/2015 AWG Member Call:** The Actuarial Working Group reviewed this recommendation and noted that there are no actuarial concerns with the Commenter's proposal. Members questioned why the requirement that the benefit base be the initial premium was included in the initial Uniform Standard and said the decision whether to make the change was one that should be made by the PSC.

**IIPRC staff update following the 10/6/2015 PSC Member Call:** The PSC reviewed and discussed the request to change the value of the guaranteed benefit base from the initial premium to a percentage of the initial premium, and decided to not recommend this change. Members expressed concerns that the suggested change contained no minimum percentage, nor any parameters to protect the consumer. They noted that there did not appear to be a market need for such a change and expressed concerns about amending the standard for potential and not fully vetted product innovation.

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### 4. **BENEFIT TRIGGERS - GUARANTEED LIVING BENEFITS**

**APPLIES:** Additional Standards for Guaranteed Living Benefits for Individual Deferred Variable Annuities

Additional Standards for Guaranteed Living Benefits for Individual Deferred Non-Variable Annuities

#### **CURRENT PROVISIONS:**

#### **§ 2 GENERAL REQUIREMENTS**

##### **C. GLB AMOUNTS**

- (1) The GLB form shall describe any formulae or methodology used to determine the GLB amounts. The GLB form shall describe:
  - (b) For a GMWB feature, the calculation of the guaranteed period withdrawal amount or the guaranteed lifetime withdrawal amount, and how the guaranteed period withdrawal percentage or the guaranteed lifetime withdrawal percentage used in that calculation might increase under specified conditions (e.g. when the covered life is receiving care from a health care facility or is unable to perform a specified number of “activities of daily living”). – See Filing Information Notice 2013-1: Guaranteed Living Benefit Amounts Contingent on Inability to Perform Activities of Daily Living or Receiving Care from a Health Facility).

#### **COMMENTS:**

*Industry Comment:* The IAC suggests that the Additional Standards for Guaranteed Living Benefits for Individual Deferred Variable and Nonvariable Annuities require substantial revisions to address additional benefit triggers and increased withdrawal benefits based on certain benefit triggers. The IAC notes that when these standards were first developed and adopted by the IIPRC, the industry was primarily offering traditional GLWB, GMAB and GMIB rider benefits. Ideas for new products and riders that would serve specific consumer needs were still evolving and in the developmental stages.

In recent years, GLWB riders with enhanced features have become widely available in the marketplace. One of these features is an enhancement to a traditional GLB rider that provides increased payments upon confinement to a nursing home, inability to perform activities of daily living, diagnosis of a severe cognitive impairment, or diagnosis of a terminal illness. With a majority of states approving these enhanced GLB rider benefits on annuity products and a growing number of companies offering these riders, the IAC recommends that the IIPRC update the standards to accommodate the benefit triggers. The IAC notes that similar triggers are

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included in the Additional Standards for Accelerated Death Benefits and the Additional Standards for Waiver of Surrender Charge Benefit.

*IIPRC Office Comments/Observations:* The IIPRC Office notes that similar concerns have been raised by filers. Features as described by the IAC are presented to the IIPRC in pre-filing communications as well as pending filings. Filing companies have had to withdraw filings in whole or in part because of certain benefit features that were not contemplated at the time the standards were developed.

*IIPRC Office Recommendation:* The IIPRC Office recommends that staff work with the PSC to amend these uniform standards to address these enhanced GLB rider benefits. In addition to their written comments, the IAC submitted redlined drafts for the PSC's consideration. The IIPRC Office will work with the PSC to provide suggested revisions that are consistent with other uniform standards with similar benefit triggers.

**IIPRC staff update following the 10/6/2015 PSC Member Call:** IIPRC staff reviewed the request for changes to the Additional Standards for Guaranteed Living Benefits and noted that the IAC had drafted revisions that were submitted with their comments for this phase of the 5-Year Review. IIPRC staff provided an overview of draft revisions prepared by the IIPRC office using the event triggers and other provisions in the adopted Additional Standards for Waiver of Surrender Charges as a model. The PSC agreed that the definition of elimination period should include a provision that the maximum period should be 90 days. They agreed that the qualifying events should be the same as those in the Additional Standards for Waiver of Surrender Charges, but with a requirement of inability to perform no more than two ADL's, consistent with recent Uniform Standards.

**IIPRC staff update following the 10/20/2015 PSC Member Call:** The PSC members discussed the defined terms and their review of similar products approved in member states and agreed to a maximum Qualifying Event Election Waiting Period of 5 years, consistent with products they have seen in the marketplace. Under §2. C. GLB Amounts, the Committee agreed to add a new item (10) stating that the GLB form shall not contain any restrictions on the use of the benefit proceeds. They also agreed to revise the suggested language in new §2. F. Evidence of Continued Eligibility for a Qualifying Event Withdrawal Increase to make it clear that the company may not request that the covered person provide evidence of continuing to meet the requirements of a qualifying event any more frequently than once per contract year.

The PSC agreed to all of the other suggested revisions in the IIPRC office recommended draft revisions to these Uniform Standards. Due to the extensive revisions to these standards, they are attached as Appendix 2 to this report.

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### **Clarification Items**

Clarification items are proposed edits to clarify the meaning, application, and/or intent of a provision in the Uniform Standard. Clarification items would not change the meaning or effect of the provision or the current application and interpretation of the provision or Uniform Standard but would provide further or detailed explanation, description, or specification to the language in the Uniform Standard. The clarification items are compiled not only from suggestions or issues in the Comments but also from questions, issues, and circumstances that have arisen in the application and interpretation of the Uniform Standards by the IIPRC product and actuarial reviewers.

### **List of Clarification Items**

1. Bonus Benefits – Non-level Interest Rate Guarantee
2. Market Value Adjustment – Limitation on Surrender Charges
3. Definition of Multi-Year Interest Rate Guarantee Annuity
4. MVA Feature Methodology
5. Calculation of the Guaranteed Benefit Base for GLB
6. Scope of GLB - Guaranteed Withdrawal Benefit
7. Nonforfeiture Requirements - Guaranteed Living Benefits
8. Market Value Adjustment - MVA Based On an Index

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### 1. **BONUS BENEFITS - Non-Level Interest Rate Guarantee**

**APPLIES:** Scope of the Additional Standards for Bonus Benefits for Individual Deferred Variable Annuity Contracts

#### **CURRENT PROVISION:**

**Scope:** These standards apply to bonus benefits that are built into individual deferred variable annuity contracts or added to such contracts by rider, endorsement or amendment. The bonus benefit can be an interest bonus, a premium bonus, a persistency bonus or any other amounts/percentages that are credited to the premiums paid, account value, cash value, cash surrender value or annuity/maturity value under a specified condition, other than benefits of the type described above that are provided through any pattern of non-level interest rate guarantees on the general account portion of the contract that may be similar to but are not specifically referred to as bonuses or additional credits. The bonus benefit form may reference the bonus as a credit, enhancement, bonus or similar terminology.

#### **COMMENTS:**

*IIPRC Office Comment/Observation:* IIPRC staff notes that it may be helpful to filers and avoid questions or objections if the scope defines or explains the term “non-level interest rate guarantees.”

*IIPRC Office Recommendation:* The IIPRC Office recommends the following clarification to the Scope of the Standard:

**Scope:** These standards apply to bonus benefits that are built into individual deferred variable annuity contracts or added to such contracts by rider, endorsement or amendment. The bonus benefit can be an interest bonus, a premium bonus, a persistency bonus or any other amounts/percentages that are credited to the premiums paid, account value, cash value, cash surrender value or annuity/maturity value under a specified condition, other than benefits of the type described above that are provided through any pattern of non-level interest rate guarantees (Interest rate guarantees that vary over time) on the general account portion of the contract that may be similar to but are not specifically referred to as bonuses or additional credits. The bonus benefit form may reference the bonus as a credit, enhancement, bonus or similar terminology.

**IIPRC staff update following the 9/15/2015 PSC Member Call:** The PSC agreed with the IIPRC Office recommendation.



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### 2. LIMITATION ON SURRENDER CHARGES

**APPLIES:** Appendix B of the Additional Standards for Market Value Adjustment Feature Provided through the General Account

**CURRENT PROVISION:**

(2) For purposes of the prospective test of the Law (Appendix A-2):

(i) For multi-year interest rate guarantee annuities, the unadjusted guaranteed cash value (or the guaranteed cash value resulting from assuming that the application of the MVA formula is an MVA amount of zero) shall be at least as great as that determined under the prospective test as outlined in the guidance for the core standards.

(ii) For other than multi-year interest rate guarantee annuities, in lieu of demonstrating compliance with the prospective test, the guaranteed cash value shall be shown to be at least as great as a percentage of the account value before application of the market value adjustment; such percentage equal to 93% in contract (or premium) year 1, increasing by 1% per year to 100% in contract (or premium) year 8 and later, plus or minus the MVA.

**COMMENTS:**

*IIPRC Office Comments/Observations:* The IIPRC Office issues objections and responds to questions raised by filers about limitations on surrender charges for products that are not multi-year interest rate guarantee annuities. It would be helpful to filers and eliminate confusion if the information was provided within the standard itself instead of only in Appendix B

*IIPRC Office Recommendation:* The IIPRC Office recommends the following revisions to provide clarity regarding the requirements for other than multi-year interest rate guarantee annuities:

**Scope:** These standards apply to market value adjustment (MVA) features provided through the general account that are built into individual deferred non-variable annuity contracts (including index-linked annuities) or the general account portions of individual deferred variable annuities (including index-linked annuities) or added to such contracts at issue by rider, endorsement or amendment. The MVA feature is a positive or negative adjustment that may apply to the account value/cash value of the annuity upon withdrawal, surrender, or annuitization, based upon the movement of an index or the company's current guaranteed interest rate being offered on new premium (or new rates for renewal periods for CD annuities), if that withdrawal, surrender, or annuitization occurs at a time other than on a specified guaranteed benefit date. These standards do not apply to MVA features provided through the use of separate accounts.

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Actuarial demonstration requirements and MVA feature provision differ for products that meet the definition of Multi-Year Interest Rate Guarantee Annuities and those that do not.

### §1. ADDITIONAL SUBMISSION REQUIREMENTS

#### B. ACTUARIAL MEMORANDUM

- (1)(f) A demonstration that the values of the contract, ~~after application of any market value adjustment,~~ comply with the nonforfeiture requirements, including Appendix A-1 and Appendix A-2 of the ~~provisions of the NAIC Standard Nonforfeiture Law for Individual Deferred Annuities, model #805, as interpreted in the~~ Individual Deferred Non-Variable Annuity Contract Standards, to which these standards are attached. ~~Any MVA assumptions used in the nonforfeiture demonstration shall be disclosed in Appendices A-1 and A-2 described in the Individual Deferred Non-Variable Annuity Contract Standards and further elaborated on in Appendix B attached.~~ Modifications to these demonstrations are outlined in Appendix B and apply different requirements for Multi-Year Interest Rate Guarantee Annuities and other than Multi-Year Interest Rate Guarantee Annuities.

IIPRC staff update following the 9/15/2015 PSC Member Call: The PSC agreed with the IIPRC Office recommendation.

**October 27, 2015 IIPRC Office Update:** The Actuarial Working Group has recommended that the PSC remove the separate requirements in Appendix B for other than Multi-Year Interest Rate Guarantee Annuities. If the PSC accepts this recommendation, the IIPRC office recommends no revision to the Scope and the following revisions to §1. B.(1)(f):

### §1. ADDITIONAL SUBMISSION REQUIREMENTS

#### B. ACTUARIAL MEMORANDUM

- (1)(f) A demonstration that the values of the contract, ~~after application of any market value adjustment,~~ comply with the nonforfeiture requirements, including Appendix A-1 and Appendix A-2 of the ~~provisions of the NAIC Standard Nonforfeiture Law for Individual Deferred Annuities, model #805, as interpreted in the~~ Individual Deferred Non-Variable Annuity Contract Standards, to which these standards are attached. ~~Any MVA assumptions used in the nonforfeiture demonstration shall be disclosed in Appendices A-1 and A-2 described in the Individual Deferred Non-Variable Annuity Contract Standards and further elaborated on in Appendix B attached.~~ Modifications to these demonstrations are outlined in Appendix B.

## CLARIFICATION CHANGE ITEMS

5-Year Review, Phase 5 (Certain Uniform Standards Effective On or Before June 30, 2010)

**IIPRC staff update following the 10/27/2015 PSC Member Call:** The PSC agreed to the following revision to the IIPRC Office recommendation:

### **§1. ADDITIONAL SUBMISSION REQUIREMENTS**

#### **B. ACTUARIAL MEMORANDUM**

- (1)(f) A demonstration that the values of the contract, ~~after application of any market value adjustment,~~ comply with the nonforfeiture requirements, including Appendix A-1 and Appendix A-2 of the ~~provisions of the NAIC Standard Nonforfeiture Law for Individual Deferred Annuities, model #805, as interpreted in the~~ Individual Deferred Non-Variable Annuity Contract Standards, to which these standards are attached. ~~Any MVA assumptions used in the nonforfeiture demonstration shall be disclosed in Appendices A-1 and A-2 described in the Individual Deferred Non-Variable Annuity Contract Standards and further elaborated on in Appendix B attached.~~ Further guidance for satisfying these requirements is found in Appendix B.

## CLARIFICATION CHANGE ITEMS

5-Year Review, Phase 5 (Certain Uniform Standards Effective On or Before June 30, 2010)

### 3. DEFINITION OF MULTI-YEAR INTEREST RATE GUARANTEE ANNUITY

**APPLIES:** Definitions in the Additional Standards for Market Value Adjustment Feature Provided through the General Account and the Additional Standards for Market Value Adjustment Feature Provided through a Separate Account

#### **CURRENT PROVISION:**

As used in these standards, the following definitions apply:

“Multi-Year Interest Rate Guarantee Annuity” is defined as an annuity with an MVA where: (i) interest is declared at the beginning of a specified multi-year period of time and is not subject to change (either up or down); and (ii) the end of this period is a guaranteed benefit date where the entire cash surrender value without market value adjustment is made available to the contract holder. For the purposes of this standard, an annuity with a one year guarantee and an MVA may be treated as a multi-year interest rate guarantee annuity, as long as the guaranteed benefit date is at the end of the one year period. This multi-year interest rate guarantee annuity may allow for a renewal of the interest rate guarantee subject to the limitations in the definition of the multi-year interest rate guarantee annuity specified in (i) and (ii) above.

#### **COMMENTS:**

*IIPRC Office Comments/Observations:* The IIPRC Office notes that it issues objections to filers who were under the impression that indexed linked annuities qualify as Multi-Year Interest Rate Guarantee Annuities because the formula and parameters for the index are guaranteed. The IIPRC office does not consider indexed linked annuities to qualify as Multi-Year Interest Rate Guarantee Annuities because the interest is not declared at the beginning of the period; rather a formula is declared, and the rate can move up or down, depending on the Index, during the multi-year period. The IIPRC Office believes it would be helpful to clarify the definition of Multi-Year Interest Rate Guarantee Annuity to state that indexed linked annuities do not qualify.

*IIPRC Office Recommendation:* The IIPRC Office recommends the following clarifying language be added to the definition of Multi-Year Interest Rate Guarantee Annuity:

“Multi-Year Interest Rate Guarantee Annuity” is defined as an annuity with an MVA where: (i) interest is declared at the beginning of a specified multi-year period of time and is not subject to change (either up or down); and (ii) the end of this period is a guaranteed benefit date where the entire cash surrender value without market value adjustment is made available to the contractholder. For the purposes of this standard, an annuity with a one year guarantee and an MVA may be treated as a multi-year interest rate guarantee annuity,

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5-Year Review, Phase 5 (Certain Uniform Standards Effective On or Before June 30, 2010)

as long as the guaranteed benefit date is at the end of the one year period. This multi-year interest rate guarantee annuity may allow for a renewal of the interest rate guarantee subject to the limitations in the definition of the multi-year interest rate guarantee annuity specified in (i) and (ii) above. An indexed linked annuity is not a Multi-Year Interest Rate Guarantee Annuity.

IIPRC staff update following the 9/15/2015 PSC Member Call: The PSC agreed with the IIPRC Office recommendation.

## CLARIFICATION CHANGE ITEMS

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### 4. MVA FEATURE - METHODOLOGY

**APPLIES:** §3 MVA Feature Provision for Additional Standards for Market Value Adjustment Feature Provided through the General Account and Additional Standards for Market Value Adjustment Feature Provided through a Separate Account

#### **CURRENT PROVISION:**

### **§3. MVA FEATURE PROVISIONS**

#### **C. MARKET VALUE ADJUSTMENT**

(8) For multi-year interest rate guarantee annuities, the following shall be included:

(a) The procedure to determine the rate to be used in the event that the current guaranteed interest rate cannot be determined from the company's contracts then being offered; and

(b) A statement of the procedure to determine the adjustment in the event the company no longer issues multi-year interest rate guarantee annuities.

#### **COMMENTS:**

*IIPRC Office Comments/Observations:* The IIPRC Office notes that this provision only applies if the market value is a function of the company's current rate. This is an area of confusion with some filers, resulting in additional communications and potential delays.

*IIPRC Office Recommendation:* The IIPRC Office recommends the following addition to clarify the application of this provision:

(8) For multi-year interest rate guarantee annuities based on current rate, the following shall be included:

(a) The procedure to determine the rate to be used in the event that the current guaranteed interest rate cannot be determined from the company's contracts then being offered; and

(b) A statement of the procedure to determine the adjustment in the event the company no longer issues multi-year interest rate guarantee annuities.

**IIPRC staff update following the 9/15/2015 PSC Member Call:** The PSC agreed with the IIPRC Office recommendation.

## CLARIFICATION CHANGE ITEMS

5-Year Review, Phase 5 (Certain Uniform Standards Effective On or Before June 30, 2010)

### 5. CALCULATION OF GUARANTEED BENEFIT BASE FOR GLB

**APPLIES:** Additional Standards for Guaranteed Living Benefits for Individual Deferred Variable Annuities

#### **CURRENT PROVISION:**

#### **§ 2 GENERAL REQUIREMENTS**

##### **C. GLB AMOUNTS**

- (1) The GLB form shall describe any formulae or methodology used to determine the GLB amounts. The GLB form shall describe:
  - (a) The calculation of the guaranteed benefit base. The value of the guaranteed benefit base shall be equal to the initial premium payment, increased by any additional premium payments, and may be further increased or decreased as follows:
    - (i) Increased under specified conditions (e.g. bonus credits received on specified dates, step-up provisions, percentage increases or roll-up amounts, etc.);
    - (ii) Decreased due to a reset that is triggered by a change that is stated in the contract (e.g. a change in covered person may trigger a reset to the account value);
    - (iii) Decreased due to a reset that is triggered by a decrease in the account value or an external index. Such reset shall not allow the guaranteed benefit base to fall below the sum of all premiums paid less the greater of (a) the dollar amount of any withdrawals previously made, and (b) the value of those same withdrawals in the proportion that each withdrawal reduced the account value on the date of the withdrawal;
    - (iv) Decreased due to partial withdrawals made under a GMWB feature before some minimum time period (or attained age) or that are in excess of the guaranteed period withdrawal amount or guaranteed lifetime withdrawal amount;
    - (v) Decreased due to proportional withdrawals;
    - (vi) Increased or decreased based on changes made at the request of the owner; and/or

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(vii) Decreased due to a GLB charge.

### COMMENTS:

*IIPRC Office Comments/Observations:* The IIPRC Office notes that if the Guaranteed Living Benefit is added after contract issue, the account values will fluctuate based on investment experience and most likely will not be equal to the initial premium payment. In such situations, IIPRC staff interprets the provision to be that the initial benefit base is equal to the contract/account value.

*IIPRC Office Recommendation:* The IIPRC Office recommends that the PSC consider amending the provision to clarify that the initial benefit base is equal to the contract/account value.

- (1) The GLB form shall describe any formulae or methodology used to determine the GLB amounts. The GLB form shall describe:
  - (a) The calculation of the guaranteed benefit base. The value of the guaranteed benefit base shall be equal to the contract/account value ~~initial premium payment, increased by any additional premium payments~~, and may be further increased or decreased as follows:

**IIPRC staff update following the 9/15/2015 PSC Member Call:** The IIPRC staff further clarified that the account value is used for a GLB benefit added after contract issue. The PSC agreed with the IIPRC Office recommendation:

- (a) The calculation of the guaranteed benefit base. The value of the guaranteed benefit base for a GLB benefit included at contract issue shall be equal to the initial premium payment, and for a GLB benefit added after contract issue shall be equal to the account value, increased by any additional premium, and may be further increased or decreased as follows:



## CLARIFICATION CHANGE ITEMS

5-Year Review, Phase 5 (Certain Uniform Standards Effective On or Before June 30, 2010)

### 6. SCOPE OF GLB – GUARANTEED WITHDRAWAL BENEFIT

**APPLIES:** Additional Standards for Guaranteed Living Benefits for Individual Deferred Variable Annuities

Additional Standards for Guaranteed Living Benefits for Individual Deferred Non-Variable Annuities

#### **CURRENT PROVISION:**

**Scope:** These standards apply to guaranteed living benefits (GLB) that are built into individual deferred variable annuity contracts or added to such contracts by rider, endorsement or amendment. The GLB feature provides for a minimum guarantee under specified conditions for any of the following: (1) periodic withdrawals (Guaranteed Minimum Withdrawal Benefit or GMWB); (2) the annuitization amount and related annual income amount (Guaranteed Minimum Income Benefit or GMIB); or (3) the account value after a specified period of time (Guaranteed Minimum Accumulation Benefit or GMAB).

**Scope:** These standards apply to guaranteed living benefits (GLB) that are built into individual deferred non-variable annuity contracts (including index-linked annuities) or added to such contracts by rider, endorsement or amendment. The GLB feature provides for a minimum guarantee under specified conditions for any of the following: (1) periodic withdrawals (Guaranteed Minimum Withdrawal Benefit or GMWB); (2) the annuitization amount and related annual income amount (Guaranteed Minimum Income Benefit or GMIB); or (3) the account value after a specified period of time (Guaranteed Minimum Accumulation Benefit or GMAB).

#### **COMMENTS:**

*IIPRC Office Comments/Observations:* In February 2013, the IIPRC Office issued Filing Information Notice 2013-1 to provide clarification of a parenthetical clause in the GLB Standards that when read in conjunction with the LTC Standards requires submissions that contain a guaranteed withdrawal benefit in which the benefit or the amount of the benefit is contingent on the covered person not being able to perform a certain number of activities of daily living or receiving care from a health facility to also show compliance with the applicable Long Term Care Standards. Unlike the Additional Standards for Accelerated Death Benefits, the current Scope of these Uniform Standards does not specify that if the benefit or withdrawal benefit is contingent on the covered person not being able to perform a certain number of activities of daily living or receiving care from a health facility, the filing must comply with the applicable Long Term Care Standards.

## CLARIFICATION CHANGE ITEMS

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Industry Comment: The IAC submitted comments requesting substantial changes to these uniform standards including amending the Scope of these standards.

*IIPRC Office Recommendation:* The IIPRC Office recommends that the PSC consider amending the Scope of the Guaranteed Living Benefits Uniform Standards to clarify that if the benefit or withdrawal benefit is contingent on the covered life receiving care from a health care facility or is unable to perform a specified number of activities of daily living, the product filing must comply with the uniform standards for individual long-term care insurance. The IIPRC office suggests language similar to that found in the Scope of the Additional Standards for Accelerated Death Benefits.

**Scope:** These standards apply to guaranteed living benefits (GLB) that are built into individual deferred non-variable annuity contracts (including index-linked annuities) or added to such contracts by rider, endorsement or amendment. The GLB feature provides for a minimum guarantee under specified conditions for any of the following: (1) periodic withdrawals (Guaranteed Minimum Withdrawal Benefit or GMWB); (2) the annuitization amount and related annual income amount (Guaranteed Minimum Income Benefit or GMIB; or (3) the account value after a specified period of time (Guaranteed Minimum Accumulation Benefit or GMAB).

Products subject to these standards shall not be described as long-term care insurance or as providing long-term care benefits. If the benefit or withdrawal benefit is contingent on the covered life receiving care from a health care facility or is unable to perform a specified number of activities of daily living, these standards shall not apply and such benefit will be subject to the Interstate Insurance Product Regulation Commission standards for individual long-term care insurance.

**IIPRC staff update following the 9/15/2015 PSC Member Call:** The IAC submitted the following written comment:

As stated in the IIPRC Accelerated Death Benefit standards (individual and group) on page 1, ***the key to whether or not a payment of a benefit is subject or not subject to the LTC standards is if the payment of the benefit is contingent upon receipt of long-term care.*** On pages 20-21, the proposed IIPRC language states that the key is if the “***withdrawal benefit is contingent on the covered life receiving care from a health care facility or is unable to perform a specified number of ADLs...***”. On this basis, there would never be any benefit under the GLB (or the accelerated death benefit) because the trigger requires ADL deficiency, confinement, terminal illness, etc. The distinction between these benefits (GLB, Accelerated Death Benefits) and LTC is that for GLB and Accelerated Death Benefits qualifying events the company is merely looking to see if a qualifying event has occurred, and not if the person is receiving LTC benefits as a result of the qualifying event.

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This is what our current proposed Scope section says:

These standards shall not apply to long-term care insurance products or products providing long-term care benefits as provided in the Interstate Insurance Product Regulation Commission standards for long-term care insurance. With regard to the calculation referred to in § 2.C.(1)(b), *if the use of the qualifying event trigger is contingent upon the covered person's receipt of qualified long-term care*, the Interstate Insurance Product Regulation Commission shall require that such benefit be filed in accordance with its long-term care insurance standards. [emphasis added for this email]

This is what the group accelerated death benefit standards say:

Products subject to these standards shall not be described as long-term care insurance or as providing long-term care benefits. If the payment of accelerated death benefit is contingent upon receipt of long-term care services or supports, these standards shall not apply and such benefit will be subject to the IIPRC standards for long-term care insurance.

If we need to make our proposal read more like the accelerated death benefits standard, we can say:

Products subject to these standards shall not be described as long-term care insurance products or as products providing long-term care benefits. With regard to the calculation referred to in § 2.C.(1)(b), if the use of the qualifying event trigger is contingent upon the covered person's receipt of long-term care, these standards shall not apply and such benefit will be subject to the Interstate Insurance Product Regulation Commission standards for individual long-term care insurance.

Please note that in the proposed GLB standards rely on “covered person”, a defined term, and not “covered life”.

Based on IAC input, the IIPRC staff has edited the comment and recommendation as follows:

*IIPRC Office Comments/Observations:* In February 2013, the IIPRC Office issued Filing Information Notice 2013-1 to provide clarification of a parenthetical clause in the GLB Standards that when read in conjunction with the LTC Standards requires submissions that contain a guaranteed withdrawal benefit in which the benefit or the amount of the benefit is contingent on the covered person not being able to perform a certain number of activities of daily living or receiving care from a health facility to also show compliance with the applicable Long Term Care Standards. Unlike the Additional Standards for Accelerated Death Benefits, the current Scope of these Uniform Standards does not specify that if the

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benefit or withdrawal benefit is contingent upon receipt of long-term care services or supports, these standards shall not apply and such benefit will be subject to the IIPRC standards for long-term care insurance.

*IIPRC Office Recommendation:* The IIPRC Office recommends that the PSC consider amending the Scope of the Guaranteed Living Benefits Uniform Standards to clarify that if the benefit or withdrawal benefit is contingent upon receipt of long-term care services or supports, these standards shall not apply and such benefit will be subject to the IIPRC standards for long-term care insurance. The IIPRC office suggests language similar to that found in the Scope of the Additional Standards for Accelerated Death Benefits.

**Scope:** These standards apply to guaranteed living benefits (GLB) that are built into individual deferred non-variable annuity contracts (including index-linked annuities) or added to such contracts by rider, endorsement or amendment. The GLB feature provides for a minimum guarantee under specified conditions for any of the following: (1) periodic withdrawals (Guaranteed Minimum Withdrawal Benefit or GMWB); (2) the annuitization amount and related annual income amount (Guaranteed Minimum Income Benefit or GMIB; or (3) the account value after a specified period of time (Guaranteed Minimum Accumulation Benefit or GMAB).

Products subject to these standards shall not be described as long-term care insurance or as providing long-term care benefits. If the benefit or withdrawal benefit is contingent on the covered person's receipt of long-term care services or supports, these standards shall not apply and such benefit will be subject to the Interstate Insurance Product Regulation Commission standards for individual long-term care insurance.

**IIPRC staff update following the 9/15/2015 PSC Member Call:** The PSC agreed with the Actuarial Working Group recommendations. The PSC agreed with the revised IIPRC Office recommendation.

## CLARIFICATION CHANGE ITEMS

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### 7. NONFORFEITURE REQUIREMENTS - GUARANTEED LIVING BENEFITS

**IIPRC staff update following the 9/1/2015 Public Call:** The IIPRC staff drafted additional Clarification item # 7 in response to written comments submitted prior to the Public call.

**APPLIES:** Additional Standards for Guaranteed Living Benefits for Individual Deferred Variable Annuities

Additional Standards for Guaranteed Living Benefits for Individual Deferred Non-Variable Annuities

#### **CURRENT PROVISION:**

#### **B. ACTUARIAL MEMORANDUM**

(1) The actuarial memorandum required by the core standards to which these GLB standards refer, and which is prepared, dated and signed by the member of the American Academy of Actuaries, shall include the following information about the GLB feature:

- (a) A description of the GLB feature, including any formulae or methodology used to determine GLB amounts;
- (b) A description of any elements used in determining the GLB amounts and any guarantees or ranges associated with these elements;
- (c) Any age limitations on adding the GLB feature;
- (d) Any conditions that may reduce or terminate the GLB feature;
- (e) What forms of withdrawal are available (e.g. spousal guarantee with a payout for the survivor of two covered persons);
- (f) Whether the GLB charge rate, guaranteed period withdrawal percentages, guaranteed lifetime withdrawal percentages, or other elements of the GLB vary by issue age, attained age, duration or other criteria;
- (g) Examples showing the derivation of the following GLB amounts over the potential life of the contract:
  - (i) The potential changes in the guaranteed benefit base before the date the GLB feature is exercised (i.e. the date the first guaranteed withdrawal is taken under a GMWB, the effective date of the minimum accumulation amount under a GMAB, or the effective date of the minimum annuitization amount under a GMIB), illustrating all the types of options

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for increases and decreases. The example(s) shall include, if applicable, the derivation of proportional withdrawal amounts;

(ii) For a GMWB feature, the guaranteed period withdrawal amount and/or the guaranteed lifetime withdrawal amount at the time the GMWB feature is exercised, and how the amounts might change over time;

(iii) For a GMWB feature, the change in the remaining benefit amount from the time the GMWB feature is exercised to the termination of the contract, illustrating the effect of excess withdrawals and any other options that might be available during this time period; and

(iv) The change in the account value related to any of the above changes to amounts described in items (i), (ii), and (iii) above.

(h) A description of the GLB charge rate, including how it is applied to produce the GLB charge.

### COMMENTS:

*Industry Comment:* An Industry commenter noted it would be helpful if these Uniform Standards were updated to include the information found in Filing Information Notice (FIN) 2012-2 that for product filing that contains guaranteed living benefits as part of a non-variable annuity contract, the actuarial memorandum should clearly outline how the rider charges impact the base policy values and nonforfeiture compliance of the combined policy and additional benefit feature. The commenter also noted that the requirements also apply to variable annuities with a fixed account, and it would help avoid objections if this information was noted in the Uniform Standards.

*IIPRC Office Recommendation:* The IIPRC office agrees that it would help alleviate questions and objections if the Uniform Standards were updated as suggested by the commenter. IIPRC staff has issued objections when filings do not contain the required demonstration of compliance. While FIN 2012-2 applies to GLB's that are part of nonvariable annuity contracts, if a variable annuity includes a fixed account, the fixed account is subject to the Nonvariable annuity nonforfeiture requirements. Therefore the FIN also applies to GLB's which are part of a fixed account in a variable annuity.

The IIPRC office notes that the Additional Standards for Incidental Guaranteed Minimum Death Benefits for Individual Deferred Non-Variable Annuities contains a drafting note to the provisions for Actuarial Memorandum requirements which would also be applicable for GLB's. The IIPRC office recommends that the PSC consider the following drafting note at the end of the Actuarial memorandum provision in each of the two Uniform Standards:

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For Additional Standards for Guaranteed Living Benefits for Individual Deferred Non-Variable Annuities:

**Drafting Note:** A contract with a GLB charge must satisfy minimum nonforfeiture requirements, pursuant to the Core Standards for Individual Deferred Non-Variable Annuity Contracts. The minimum value requirements in Section 4A of the Standard Nonforfeiture Law for Individual Deferred Annuities (# 805) do not allow for any reductions in minimum value for the rider charges.

For Additional Standards for Guaranteed Living Benefits for Individual Deferred Variable Annuities:

**Drafting Note:** A contract with a charge for a GLB which is part of a fixed account in a variable annuity must satisfy minimum nonforfeiture requirements, pursuant to the Core Standards for Individual Deferred Non-Variable Annuity Contracts. The minimum value requirements in Section 4A of the Standard Nonforfeiture Law for Individual Deferred Annuities (# 805) do not allow for any reductions in minimum value for the rider charges

**IIPRC staff update following the 9/15/2015 PSC Member Call:** The PSC agreed with the IIPRC Office recommendation.

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### 8. MARKET VALUE ADJUSTMENT - MVA BASED ON AN INDEX

**APPLIES:** Appendix A of the Additional Standards for Market Value Adjustment Feature Provided Through the General Account

#### **CURRENT PROVISION:**

##### **For an MVA Based on an Index**

I = The value of the index with a maturity equal to the number of months in the full MVA period of the contract (or specific premium account), as of a specified date before the effective date of the declared interest rate for the contract or premium account.

J = The value of the same index as of a specified date before the effective date of the surrender the value of another index in the same series with a maturity equal to the number of months remaining in the MVA period of the contract (or specified premium account), rounded to the nearest whole number of months or the next higher whole number of months for which an index in that series is available.

K = 0

#### **COMMENTS:**

*IIPRC Office Comments/Observations:* The IIPRC Office has noted questions about the application of this Sample Acceptable MVA Formula and how it relates to the provisions within §3.C.(6). Since the Actuarial Working Group was reviewing this Uniform Standard, it would be helpful to clarify the description of “J” for an MVA based on an index in Appendix A.

*IIPRC Office Recommendation:* The IIPRC Office recommends the following revisions to provide clarity regarding the description of “J” for an MVA based on an index in Appendix A. The Actuarial Working Group had no objections to this clarification.

##### **For an MVA Based on an Index** (see examples of I & J in section §3.C.(6))

I = The value of the index with a maturity equal to the number of months in the full MVA period of the contract (or specific premium account), as of a specified date before the effective date of the declared interest rate for the contract or premium account.

J = The value ~~of the same index on the date of the surrender or~~ as of a specified date it is publicly available before the effective date of the surrender equal to either:

- the same index described in I, or



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- the value of another index in the same series ~~as of a specified date before the effective date of the surrender~~ with a maturity equal to the number of months remaining in the MVA period of the contract (or specified premium account), rounded to the nearest whole number of months or the next higher whole number of months for which an index in that series is available.

**IIPRC staff update following the 10/27/2015 PSC Member Call:** The PSC agreed with the IIPRC Office recommendation.

## CONFORMING AMENDMENT ITEMS

5-Year Review, Phase 5 (Certain Uniform Standards Effective On or Before June 30, 2010)

### **Conforming Amendments**

Pursuant to Article III of the Bylaws of the Interstate Insurance Product Regulation Commission, the Commission established procedures for Conforming Amendments to Uniform Standards. A conforming amendment is an amendment to an existing Uniform Standard where the substantive provisions of the amendment are included in another adopted Uniform Standard and the amendment will have the same substantive effect on the application of the existing Uniform Standard as it does on in the other adopted Uniform Standard. As part of the Five Year Review process, the applicable changes adopted by the Commission in the Phase One process will be presented as conforming amendments to standards subject to Phases 2, 3 and 4 of the process. These items will be presented to the Management Committee for Conforming Amendments.

### **List of Conforming Amendments**

1. Bonus Features for Deferred Variable Annuities
2. Actuarial Demonstrations

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### **1. BONUS FEATURES FOR DEFERRED VARIABLE ANNUITIES** (*Cross-Reference to IIPRC Office Report 8/15/14– Clarification Item #6*)

**APPLIES:** Scope and General Form Requirements of Additional Standards for Bonus Benefits for Individual Deferred Variable Annuities.

#### CONFORMING AMENDMENT

**Scope:** These standards apply to bonus benefits that are built into individual deferred variable annuity contracts or added to such contracts by rider, endorsement or amendment. The bonus benefit can be an interest bonus, a premium bonus, a persistency bonus or any other amounts/percentages that are credited to the premiums paid, account value, cash value, cash surrender value or annuity/maturity value under a specified condition, other than benefits of the type described above that are provided through any pattern of non-level interest rate guarantees on the general account portion of the contract that may be similar to but are not specifically referred to as bonuses or additional credits. The bonus benefit form may reference the bonus as a credit, enhancement, bonus or similar terminology.

**These standards do not apply to products with a zero (0) bonus.**

#### § 2 GENERAL FORM REQUIREMENTS

##### B. SPECIFICATIONS PAGE

- (1) The specifications page of the bonus benefit form shall include any guaranteed elements used in determining the bonus benefit and a statement, if applicable, that:
  - (a) The elements used in determining the bonus benefit are not guaranteed and can be changed by the company, subject to the guarantees in the bonus benefit form, and that any such changes can affect the account value.
  - (b) There may be situations in which your bonus benefit may not be fully earned and the owner should read the bonus benefit, surrender charge and bonus benefit forfeiture provisions (or the provisions where those topics are addressed) of the contract carefully.
- (2) The specifications page of the bonus benefit form shall include any identifiable charge for the bonus benefit.
- (3) **Separate policy forms must be submitted when the product is being offered with bonus and non-bonus features. Separate specifications pages to handle both cannot be accepted.**

## CONFORMING AMENDMENT ITEMS

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- (4) For variations in types of bonuses or guaranteed elements for bonus features, these benefits can be shown through different specifications pages, with a generic cover page indicating a bonus is present. Alternatively, separate policy forms may be submitted to reflect the variations.**

### **E. CONDITIONS UNDER WHICH BONUS BENEFIT MAY BE FORFEITED**

- (1) The contract may, at the option of the company, deduct from the account value the amount of any bonus benefit credited, provided the following conditions are met:
- (a) The conditions for forfeiture are described in the contract;
  - (b) Forfeiture of the bonus will not reduce the cash value below the minimum nonforfeiture benefit as required under this standard; ~~and~~
  - (c) No bonus will be forfeited after the end of the surrender charge period.; and
  - (d) A zero bonus is not acceptable under the conditions outlined.**

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### **2. ACTUARIAL DEMONSTRATIONS** *(Cross-Reference to IIPRC Office Report 8/13/13– Clarification Item #10)*

**APPLIES:** Additional submission requirements for Additional Standards for Bonus Benefits for Individual Deferred Variable Annuity Contracts

## CONFORMING AMENDMENT

### § 1 ADDITIONAL SUBMISSION REQUIREMENTS

#### B. ACTUARIAL MEMORANDUM REQUIREMENTS

- (1) The actuarial memorandum required by the Individual Deferred Variable Annuity Contract Standards to which these bonus benefit standards are attached, and which is prepared, dated and signed by the member of the American Academy of Actuaries, shall include the following bonus benefit information concerning the calculation of the nonforfeiture values **(including both cash surrender values and nonforfeiture values)**:

## **TECHNICAL ITEMS**

5-Year Review, Phase 5 (Certain Uniform Standards Effective On or Before June 30, 2010)

### **Technical Items**

Technical items are proposed changes and corrections to the Uniform Standards to make formatting, typographical, and/or drafting corrections that would not change the meaning or effect of the provision, or the current application and interpretation of the provision or applicable Uniform Standards. Technical items would also encompass changes that would make the Uniform Standards consistent with one another where appropriate, in terms of formatting and wording. The IIPRC Office will insert and clearly distinguish technical items in the Uniform Standards. As has been the practice when making technical changes to the Uniform Standards during the rulemaking process, these technical items will not be specifically discussed unless there is a concern or question raised by members, regulators, or interested parties.

### **List of Technical Change Items**

1. Inclusion of Table of Contents
2. Inclusion of Standard Title in Header
3. Additional Submission Requirements - Language Consistency
4. Additional Standards – Consistency in Title
5. Inclusion of Mix and Match and Self-Certification
6. Formatting Consistency

## **TECHNICAL ITEMS**

5-Year Review, Phase 5 (Certain Uniform Standards Effective On or Before June 30, 2010)

### **1. INCLUSION OF TABLE OF CONENTS**

**APPLIES:** All Uniform Standards subject to Phase 5 of the Five Year review.

**CURRENT PROVISION:** These Uniform Standards do not contain a Table of Contents.

#### **COMMENTS:**

*IIPRC Office Comment/Observation:* The IIPRC Office received a suggestion through the website to include a Table of Contents in all Uniform Standards.

*IIPRC Office Recommendation:* The IIPRC Office agrees with this suggestion and has been incorporating Table of Contents to all Uniform Standards as they become subject to Five Year review.

## **TECHNICAL ITEMS**

5-Year Review, Phase 5 (Certain Uniform Standards Effective On or Before June 30, 2010)

### **2. INCLUSION OF STANDARD TITLE IN HEADER**

**APPLIES:** All Uniform Standards subject to Phase 5 of the Five Year review.

**CURRENT PROVISION:** These Uniform Standards do not contain the name of the Uniform Standard in the header.

#### **COMMENTS:**

*IIPRC Office Comment/Observation:* The IIPRC Office notes that the header currently provides the effective date of the standard, but does not identify the standard. It is sometimes difficult to identify the Standard when multiple Standards are viewed at the same time.

*IIPRC Office Recommendation:* The IIPRC Office recommends adding the title of the standard to the header of all Uniform Standards subject to this Five Year review.



## **TECHNICAL ITEMS**

5-Year Review, Phase 5 (Certain Uniform Standards Effective On or Before June 30, 2010)

### **3. ADDITIONAL SUBMISSION REQUIREMENTS – LANGUAGE CONSISTENCY APPLIES:**

Additional Standards for Bonus Benefits for Individual Deferred Variable Annuity Contracts

Additional Standards for Market Value Adjustment Feature Provided Through the General

Additional Standards for Market Value Adjustment Feature Provided Through a Separate

Additional Standards for Guaranteed Living Benefits for Individual Deferred Non-Variable Annuities

Additional Standards for Guaranteed Living Benefits for Individual Deferred Variable Annuities

Additional Standards for Guaranteed Minimum Death Benefits for Individual Deferred Variable Annuities

Additional Standards for Intermediate Period Endowment Benefit Features for Individual Life Insurance Policies

### **CURRENT PROVISION (Sample from Additional Standards for Guaranteed Living Benefits for Individual Deferred Variable Annuities):**

#### **§ 1 ADDITIONAL SUBMISSION REQUIREMENTS**

##### **A. GENERAL**

The following additional filing submission requirements apply:

- (1) If a GLB feature is provided by attachment to the contract by rider, endorsement or amendment, the following shall be included:
  - (a) A listing by filing jurisdiction of the types of contracts with which the GLB form will be used, including the contract form numbers, the corresponding approval date for these contracts and any filing identification number.
  - (b) A statement as to whether the GLB form will be made part of the contract at issue or is intended for use after the date of issue of a contract, or both.
  - (c) A statement as to whether the GLB form is intended for use with new issues and/or in force business.
  - (d) A description of the GLB feature for all types of contract forms with which the benefit will be used.
  - (e) Any contract pages or provisions referenced in the GLB form.

##### **COMMENTS:**

*IAC Comments:* The IAC submitted written comments in November 2012 requesting that the Additional Submission Requirements in all Uniform Standards be consistent.

## TECHNICAL ITEMS

5-Year Review, Phase 5 (Certain Uniform Standards Effective On or Before June 30, 2010)

*IIPRC Office Comment/Observation:* The IIPRC Office agrees that the Uniform Standards be consistent and directive since they are filing requirements.

*IIPRC Office Recommendation:* The IIPRC recommends that the ADDITIONAL SUBMISSION REQUIREMENTS provision be amended for consistency and to be more directive.

### § 1 ADDITIONAL SUBMISSION REQUIREMENTS

#### A. GENERAL

- (1) If a GLB feature is provided by attachment to the contract by rider, endorsement or amendment, ~~the following shall be~~ included:
  - (a) A listing by filing jurisdiction of the types of contracts with which the GLB form will be used, including the contract form numbers, the corresponding approval date for these contracts and any filing identification number.
  - (b) A statement as to whether the GLB form will be made part of the contract at issue or is intended for use after the date of issue of a contract, or both.
  - (c) A statement as to whether the GLB form is intended for use with new issues and/or in force business.
  - (d) A description of the GLB feature for all types of contract forms with which the benefit will be used.
  - (e) Any contract pages or provisions referenced in the GLB form.

## **TECHNICAL ITEMS**

5-Year Review, Phase 5 (Certain Uniform Standards Effective On or Before June 30, 2010)

### **4. ADDITIONAL STANDARDS – CONSISTENCY IN TITLE**

**APPLIES:** Standards for Waiver of Premium Benefit for Child Insurance in the Event of Payor's Total Disability or Death

**CURRENT PROVISION:** This additional standard is titled “Standards for” while others are titled “Additional Standards for.”

#### **COMMENTS:**

*IIPRC Office Comment/Observation:* During the initial drafting of some of the earlier additional standards, the title of the standard did not reflect that it was an “additional” standard for specific product types. Later additional standards were titled “Additional Standards for,” providing clarity that other standards also applied, depending on the product type

*IIPRC Office Recommendation:* The IIPRC Office recommends adding the word “Additional” to Standards for Waiver of Premium Benefit for Child Insurance in the Event of Payor's Total Disability or Death for clarity and consistency:

## TECHNICAL ITEMS

5-Year Review, Phase 5 (Certain Uniform Standards Effective On or Before June 30, 2010)

### 5. INCLUSION OF MIX AND MATCH AND SELF-CERTIFICATION

#### APPLIES:

The following standards do not have Mix and Match or Self Certification provisions:

Standards for Waiver of Premium Benefit for Child Insurance in the Event of Payor's Total Disability or Death

Additional Standards for Bonus Benefits for Individual Deferred Variable Annuity Contracts

Additional Standards for Market Value Adjustment Feature Provided Through the General

Additional Standards for Market Value Adjustment Feature Provided Through a Separate

The following standards do not have Self Certification provisions:

Additional Standards for Guaranteed Minimum Death Benefits for Individual Deferred Variable Annuities

Additional Standards for Guaranteed Living Benefits for Individual Deferred Non-Variable Annuities

Additional Standards for Guaranteed Living Benefits for Individual Deferred Variable Annuities

Additional Standards for Intermediate Period Endowment Benefit Features for Individual Life Insurance Policies

**CURRENT PROVISION:** Currently, if the Uniform Standards are silent with regard to Mix and Match, it is permitted. If the Uniform Standards are silent with regard to Self-Certification, it is not permitted.

#### COMMENTS:

*IAC Comments:* The IAC has suggested that each Uniform Standards include the Mix and Match and Self-Certification statements.

*IIPRC Office Comment/Observation:* During the initial drafting of these applicable Uniform Standards, there was a timeline in place regarding the duration of Mix and Match. That timeline was removed in December 2009. When the timeline was removed, it was stated that if the Uniform Standards were silent with regard to Mix and Match, then it was permitted. The development and adoption of the Rule for the Self-Certification of Product Components filed with the Interstate Insurance Product Regulation Commission took place after the development of the Uniform Standards subject to this five year review. The Self-Certification Rule states that a “self-certified product filing may be made for Product Components which have been designated for self-certification as expressly authorized by the applicable Uniform Standard.” (§102(a))

## TECHNICAL ITEMS

5-Year Review, Phase 5 (Certain Uniform Standards Effective On or Before June 30, 2010)

*IIPRC Office Recommendation:* The IIPRC Office recommends that this would be the appropriate time to insert the language into the Uniform Standards.

**Mix and Match: These standards are available to be used in combination with State Product Components as described in Section 111(b) of the Operating Procedure for the Filing and Approval of Product Filings.**

**Self-Certification: These standards are not available to be filed using the Rule for the Self-Certification of Product Components Filed with the Interstate Insurance Product Regulation Commission.**

## TECHNICAL ITEMS

5-Year Review, Phase 5 (Certain Uniform Standards Effective On or Before June 30, 2010)

### 6. FORMATTING CONSISTENCY

#### APPLIES:

Standards for Waiver of Premium Benefit for Child Insurance in the Event of Payor's Total Disability or Death

**CURRENT PROVISION:** Currently there is no Section and item numbering in this Uniform Standard.

#### COMMENTS:

*IIPRC Office Comment/Observation:* During the drafting of this Uniform Standard the Section, and item numbering was overlooked. It makes it rather difficult to provide a proper citation in filing correspondence without these.

*IIPRC Office Recommendation:* The IIPRC Office recommends amending the aforementioned Uniform Standard to include Section and item numbering consistent with other Uniform Standards.

### **§ 1 ADDITIONAL SUBMISSION REQUIREMENTS**

#### **A. GENERAL**

The following additional filing submission requirements shall apply:

- (1) A statement of the type of policy forms with which this benefit will be offered, any underwriting restrictions involving face amount or age, and whether the benefit is intended for use with new issues and/or in force business.
- (2) A description of the benefit for all types of forms with which the benefit will be used.
- (3) The formulae, if any, used to determine the benefit, including any limitations on the amount of the benefit and sample calculations for representative issue ages, including issue age 35 if within the issue age range.

**Phase Five Standards**

**IIPRC-A-03-I-BONUS**

Additional Standards for Bonus Benefits for Individual Deferred Variable Annuity Contracts

**IIPRC-L-08-LB-I-WPBChild**

Standards for Waiver of Premium Benefit for Child Insurance in the Event of Payor's Total Disability or Death

**IIPRC-A-07-I-2**

Additional Standards for Market Value Adjustment Feature Provided Through the General

**IIPRC-A-07-I-3**

Additional Standards for Market Value Adjustment Feature Provided Through a Separate

**IIPRC-A-03-I-GLB**

Additional Standards for Guaranteed Living Benefits for Individual Deferred Variable Annuities

**IIPRC-AB-I-GMDB**

Additional Standards for Guaranteed Minimum Death Benefits for Individual Deferred Variable Annuities

**IIPRC-AB-02-I-GLB**

Additional Standards for Guaranteed Living Benefits for Individual Deferred Non-Variable Annuities

**IIPRC-LB-04-I-ROP**

Additional Standards for Intermediate Period Endowment Benefit Features for Individual Life Insurance Policies

**ADDITIONAL STANDARDS FOR GUARANTEED LIVING BENEFITS  
for Individual Deferred Non-Variable Annuities**

**Scope:** These standards apply to guaranteed living benefits (GLB) that are built into individual deferred non-variable annuity contracts (including index-linked annuities) or added to such contracts by rider, endorsement or amendment. The GLB feature provides for a minimum guarantee under specified conditions for any of the following: (1) periodic withdrawals (Guaranteed Minimum Withdrawal Benefit or GMWB); (2) the annuitization amount and related annual income amount (Guaranteed Minimum Income Benefit or GMIB; or (3) the account value after a specified period of time (Guaranteed Minimum Accumulation Benefit or GMAB).

Products subject to these standards shall not be described as long-term care insurance or as providing long-term care benefits. If the benefit is contingent on the covered person’s receipt of long-term care services or supports, these standards shall not apply and such benefit will be subject to the Interstate Insurance Product Regulation Commission standards for individual long-term care insurance.

**IIPRC staff note:** The PSC agreed to Clarification Item 6 to amend the Scope of the GLB standards to address additional benefit triggers including qualifying events related to medical conditions and this added language is similar to the one in the Additional Standards for Accelerated Death Benefits clarifying that they cannot be used for benefits described as long term care insurance or long term care benefits.

**Mix and Match:** These standards are available to be used in combination with State Product Components as described in Section 110(b) of the Operating Procedure for the Filing and Approval of Product Filings.

As used in these standards, the following definitions apply:

**The term** “GLB **F**orm” refers to a GLB feature that is either built into the contract or added by rider, endorsement or amendment on or after the date of issue of the contract.

**The terms** “GLB **C**harge **R**ate,” “**I**nitial GLB **C**harge **R**ate,” and “**M**aximum GLB **C**harge **R**ate” refer to percentages that are applied to the same base amount, as specified in the contract (e.g. account value, guaranteed benefit base, or remaining benefit amount), to produce a dollar amount GLB charge which is then deducted from the account value. “GLB charge rate,” “initial GLB charge rate,” and “maximum GLB charge rate” may also refer to a formula to produce a dollar amount GLB charge (e.g. a percentage plus a flat dollar amount or a just a flat dollar amount).

“Covered Person(s)” is the person or persons whose age (and possibly gender) is used to determine the guaranteed period withdrawal percentage, guaranteed lifetime withdrawal percentage, or any other amounts that are based on life expectancy.

“Elimination Period” means a specified period of time during which the covered person meets the terms of the qualifying event. The elimination period shall not exceed 90 days.



**IIPRC Staff Note:** Does the PSC want to include a maximum elimination period? Contracts IIPRC staff reviewed that are in the market generally had 90 day elimination. The SOA report on this product mentions examples such as “180 of the last 365 days, or a 90-day period.”

**IIPRC Staff Note following the 10/6/2015 PSC Member Call:** The PSC agreed to a 90 day elimination period.

“**GLB** Waiting **P**eriod” means any minimum time period the contract must be in force before: (1) the first guaranteed withdrawal or the first withdrawal based on a step-up is allowed under a GMWB feature; (2) annuitization under a GMIB feature is allowed; or (3) the minimum guarantee under a GMAB feature is effective.

“Guaranteed Lifetime Withdrawal Amount” is the amount available for periodic withdrawal (usually annual) beginning at a specified age for the lifetime of a covered person or persons.

“Guaranteed Period Withdrawal Amount” is the amount available for periodic withdrawal for a specified number of years or until the remaining benefit amount is reduced to zero.

“Guaranteed Benefit Base” is the amount used to determine the value of the GLB, such as a guaranteed period withdrawal amount or a guaranteed lifetime withdrawal amount, a minimum annuitization amount under a GMIB, or a minimum accumulation amount under a GMAB.

“Guaranteed Lifetime Withdrawal Percentage” is the percentage applied to the guaranteed benefit base to determine the guaranteed lifetime withdrawal amount.

“Guaranteed Period Withdrawal Percentage” is the percentage applied to the guaranteed benefit base to determine the guaranteed period withdrawal amount.

“Minimum Accumulation Amount” is an amount which, on the effective date, is equal to the guaranteed benefit base and becomes a new floor for the contract account value.

“Minimum Annuitization Amount” is an amount which, on the effective date, is equal to the guaranteed benefit base and becomes a new floor for the contract annuity value.

“Proportional Withdrawal Amount” is the amount by which the guaranteed benefit base could be reduced, when the account value is reduced by a withdrawal (under a GMAB or GMIB feature) or an excess withdrawal (under a GMWB feature or a corridor feature of a GMAB or GMIB). It is equal to the guaranteed benefit base (immediately preceding the withdrawal or excess withdrawal), multiplied by the ratio of the withdrawal (or excess withdrawal) including any surrender charge over the account value (immediately preceding the withdrawal or excess withdrawal).

“Qualifying event” means any of the following:

1. The covered person is receiving care from a health care facility. A health care facility may include, but is not limited to, the following facilities: nursing home, skilled nursing, extended care, intermediate care, convalescent care or hospice care. Care may also include personal or home care provided under a program administered by a health care facility. The care may have to be continuous for the elimination period.
2. The covered person is diagnosed with a medical condition that is expected to result in limited life span. The period of time shall not be restricted to a period of less than six months.
3. The covered person is diagnosed with any medical condition that would in the absence of treatment result in death within a limited period of time. The period of time shall not be restricted to a period of less than six months.
4. The covered person is determined to have a total and permanent disability that prevents the covered person from performing any work for pay or profit for a period of time. The period of time shall not be longer than 12 months. There shall not be a requirement that the covered person be eligible for Social Security benefits. The disability may have to be continuous for the elimination period.
5. The covered person is determined to have a disability that prevents him or her from engaging in the substantial and material duties of an occupation for which he or she is or becomes qualified by reason of education or training for a period of time. The period of time shall not be longer than 12 months. There shall not be a requirement that the covered person be eligible for Social Security benefits. The disability may have to be continuous for the elimination period.
6. The covered person is unable to perform a certain number of “activities of daily living” as defined below. Requirements for the qualifying event shall not be more restrictive than the covered person’s inability to perform not more than two of the activities of daily living. The inability to perform the activities of daily living may have to be continuous for the elimination period.
  - a. “Bathing” means washing oneself by sponge bath; or in either a tub or shower, including the task of getting into or out of the tub or shower.
  - b. “Continence” means the ability to maintain control of bowel and bladder function; or, when unable to maintain control of bowel or bladder function, the ability to perform associated personal hygiene (including caring for catheter or colostomy bag).
  - c. “Dressing” means putting on and taking off all items of clothing and any necessary braces, fasteners or artificial limbs.
  - d. “Eating” means feeding oneself by food into the body from a receptacle (such as a plate, cup or table) or by a feeding tube or intravenously.

- e. “Toileting” means getting to and from the toilet, getting on and off the toilet, and performing associated personal hygiene.
  - f. “Transferring” means moving into or out of a bed, chair or wheelchair.
7. The covered person is determined to have a cognitive impairment, meaning a deficiency in a person’s short or long-term memory, orientation as to person, place and time, deductive or abstract reasoning, or judgment as it relates to safety awareness. The cognitive impairment may have to be continuous for the elimination period.
8. The covered person becomes involuntarily or voluntarily unemployed.

**IIPRC Staff Note:** The proposed qualifying events are the same triggers listed in §3 A.(3) of the Additional Standards for Waiver of Surrender Charges.

**IIPRC Staff Note following the 10/6/2015 PSC Member Call:** The PSC had no recommended changes to the revisions and agreed that the qualifying events should be the same as the ones in the Additional Standards for Waiver of Surrender Charge, but with a requirement of inability to perform no more than 2 Activities of Daily Living instead of 3 which is consistent with more recent Uniform Standards.

“Qualifying Event Election Waiting Period” means any minimum time period the contract must be in force before the owner can elect the increased calculation for the guaranteed withdrawal amounts based on one or more Qualifying Events. Such waiting period shall not exceed 5 years.

**IIPRC Staff Note following the 10/20/2015 PSC Member Call:** Following discussion, the PSC agreed to a maximum Qualifying Event Election Waiting Period of 5 years, consistent with products they have seen in the marketplace.

“Step-up” is an increase in the guaranteed benefit base, the remaining benefit amount, the guaranteed period withdrawal amount, or the guaranteed lifetime withdrawal amount, for any reason, except for additional premium payments.

**Drafting Note:** These definitions are only for the purpose of defining these terms as they are used in this standard. It does not suggest that these terms must be used in the contract. Other terms may be used, provided they are defined and used consistently, or the same terms can be used in different ways, as long as they are clearly defined in the contract. In addition, these definitions are not intended to dictate specific product designs, as long as the elements of the product design are mathematically equivalent to (or better than) the elements defined above.

## **§ 1 ADDITIONAL SUBMISSION REQUIREMENTS**

### **A. GENERAL**

The following additional filing submission requirements apply:

- (1) If a GLB feature is provided by attachment to the contract by rider, endorsement or amendment, the following shall be included:
  - (a) A listing by filing jurisdiction of the types of contracts with which the GLB form will be used, including the contract form numbers, the corresponding approval date for these contracts and any filing identification number.
  - (b) A statement as to whether the GLB form will be made part of the contract at issue or is intended for use after the date of issue of a contract, or both.
  - (c) A statement as to whether the GLB form is intended for use with new issues and/or in force business.
  - (d) A description of the GLB feature for all types of contract forms with which the benefit will be used.
  - (e) Any contract pages or provisions referenced in the GLB form.

## **B. ACTUARIAL MEMORANDUM**

- (1) The actuarial memorandum required by the core standards to which these GLB standards refer, and which is prepared, dated and signed by the member of the American Academy of Actuaries, shall include the following information about the GLB feature:
  - (a) A description of the GLB feature, including any formulae or methodology used to determine GLB amounts as well as any modified benefit or benefit period if a covered person meets the requirements of a qualifying event;
  - (b) A description of any elements used in determining the GLB amounts and any guarantees or ranges associated with these elements;
  - (c) Any age limitations on adding the GLB feature;
  - (d) Any conditions that may reduce or terminate the GLB feature;
  - (e) What forms of withdrawal are available (e.g. spousal guarantee with a payout for the survivor of two covered persons);
  - (f) Whether the GLB charge rate, guaranteed period withdrawal percentages, guaranteed lifetime withdrawal percentages, or other elements of the GLB vary by issue age, attained age, duration or other criteria;
  - (g) Examples showing the derivation of the following GLB amounts over the potential life of the contract:

- (i) The potential changes in the guaranteed benefit base before the date the GLB feature is exercised (i.e. the date the first guaranteed withdrawal is taken under a GMWB, the effective date of the minimum accumulation amount under a GMAB, or the effective date of the minimum annuitization amount under a GMIB), illustrating all the types of options for increases and decreases. The example(s) shall include, if applicable, the derivation of proportional withdrawal amounts;
  - (ii) For a GMWB feature, the guaranteed period withdrawal amount and/or the guaranteed lifetime withdrawal amount at the time the GMWB feature is exercised including any modified benefit or benefit period if a covered person meets the requirements of a qualifying event, and how the amounts might change over time;
  - (iii) For a GMWB feature, the change in the remaining benefit amount from the time the GMWB feature is exercised to the termination of the contract, illustrating the effect of excess withdrawals and any other options that might be available during this time period; and
  - (iv) The change in the account value related to any of the above changes to amounts described in items (i), (ii), and (iii) above.
- (h) A description of the GLB charge rate, including how it is applied to produce the GLB charge.

**Drafting Note:** A contract with a GLB charge must satisfy minimum nonforfeiture requirements, pursuant to the Core Standards for Individual Deferred Non-Variable Annuity Contracts. The minimum value requirements in Section 4A of the Standard Nonforfeiture Law for Individual Deferred Annuities (# 805) do not allow for any reductions in minimum value for the rider charges.

**IIPRC Staff Note:** The PSC agreed to the addition of the above drafting note during the 9/15/15 member discussion of Clarification Item #7 in the IIPRC office report.

**IIPRC Staff Note following the 10/20/2015 PSC Member Call:** The PSC agreed to the revisions listed in this subsection.

## C. VARIABILITY OF INFORMATION

- (1) Guaranteed elements used in determining GLB amounts or any other product specifications may be changed for new issues without prior notice or approval, as long as the Statement of Variability presents reasonable and realistic ranges for each guaranteed element. At issue a single value within the range filed for the guaranteed element shall be applicable for the life of the contract.

- (2) The maximum GLB charge rate may be considered a variable item and marked to denote variability.
- (3) The guaranteed period withdrawal percentage and the guaranteed lifetime withdrawal percentage used in the calculation of the increases for a qualifying event election may be considered a variable item and marked to denote variability.
- (4) The company may also identify benefit specifications that may be changed without prior notice or approval, as long as the Statement of Variability presents reasonable and realistic ranges for the item. These items include:
  - (a) The qualifying events for triggering an increased calculation for the guaranteed withdrawal amounts as long as at least one qualifying event is always included when the increased calculation for the guaranteed withdrawal amounts benefit is offered;
  - (b) The life expectancy for qualifying events, but shall not be restricted to a period of less than six months;
  - (c) The period of time to meet the disability requirements for qualifying events, but shall not be longer than 12 months;
  - (d) The number of activities of daily living for qualifying events, but shall not be more than two;
  - (e) The minimum or maximum age for eligibility for the increased calculation for the guaranteed withdrawal amounts based on one or more qualifying events;
  - (f) The period of time for which confinement in a health care facility is required to be eligible for the increased calculation for the guaranteed withdrawal amounts based on one or more qualifying events may be considered a variable item and marked to denote variability.
- (5) A zero entry in a range for any benefit or credit is unacceptable, and any change to a range requires a refiling for prior approval.

**IIPRC Staff Note:** The added variable items are consistent with similar items listed in the §1B. Variability of Information in the Additional Standards for Waiver of Surrender Charges.

**IIPRC Staff Note following the 10/20/2015 PSC Member Call:** The PSC agreed with the additions.

## **§ 2 GENERAL REQUIREMENTS**

### **A. COVER PAGE**

- (1) If the GLB feature is provided by attachment to the contract by rider, endorsement or amendment, the following shall be included on the cover page:
  - (a) At least one signature of a company officer if the GLB form is added after the date of issue of a contract. Alternatively, the signature may be added at the end of the rider, endorsement or amendment.
  - (b) A statement to the effect that the GLB form is made a part of the contract and that its provisions apply in lieu of any contract provisions to the contrary.
- (2) The GLB form shall contain a brief description that shall appear in prominent print on the cover page of the GLB form or is visible without opening the GLB form. The brief description shall contain at least the following information:
  - (a) A caption stating that a GLB feature is provided; for example, single premium deferred non-variable annuity contract with guaranteed minimum withdrawal benefit provision, flexible premium deferred annuity contract with an index-linked interest option and a guaranteed minimum withdrawal benefit provision, guaranteed minimum withdrawal benefit rider, guaranteed minimum accumulation benefit rider, or guaranteed minimum income benefit rider.
- (3) If the GLB form provides for termination of the GLB feature upon assignment or a change in ownership as permitted under paragraph (2)(e) of the TERMINATION section of this standard, the following statement shall be included in prominent print on the cover page or the first specifications page:

The purpose of the guaranteed living benefit provided under this annuity contract is to provide security through a stream of monthly income payments to the owner. The guaranteed living benefit will terminate upon assignment or a change in ownership of the contract unless the new assignee or owner meets the qualifications specified in the Termination provision of the guaranteed living benefit.

## **B. SPECIFICATIONS PAGE**

- (1) The specifications page of the GLB form shall include:
  - (a) For a GMWB feature, covered person(s), if the guaranteed lifetime withdrawal percentage is based on a life (lives) other than the owner or annuitant, or if the guaranteed period withdrawal percentage is based on a covered person(s)'s age;
  - (b) Effective date, if the GLB form is an attachment to the contract;
  - (c) Any guaranteed elements which affect any GLB amounts, including, but not limited to, the guaranteed period withdrawal percentage, the guaranteed lifetime withdrawal percentage, the period of time during which the increases for a

qualifying event election are available, any maximum guaranteed benefit base, any GLB waiting period or qualifying event election waiting period, any elimination period, any minimum guaranteed bonus credits/percentages, and any limitations on additional premium payments; and

- (d) The maximum GLB charge rate.
- (2) The specifications page may include the initial GLB charge rate, provided it is subject to a guarantee and such guarantee is stated on the specifications page. Examples of guarantees include:
  - (a) For a particular time period; or
  - (b) For the life of the contract, provided no step-ups elected.

**Drafting Note:** If the maximum GLB charge rate and the initial GLB charge rate are one and the same, the contract need only refer to the GLB charge rate.

- (3) The specifications page of the GLB form shall state, if applicable, that:
  - (a) The GLB charge rate is not guaranteed and can be changed by the company, subject to the maximum GLB charge rate in the contract.
  - (b) The initial GLB charge rate is guaranteed under the conditions stated in the contract and in effect when it was set. Utilization of step-ups or other changes may increase the GLB charge rate, subject to the maximum GLB charge rate in the contract.

**IIPRC Staff Note following the 10/20/2015 PSC Member Call:** The PSC agreed to the revisions in this subsection.

### C. GLB AMOUNTS

- (1) The GLB form shall describe any formulae or methodology used to determine the GLB amounts. The GLB form shall describe:
  - (b) The calculation of the guaranteed benefit base. The value of the guaranteed benefit base for a GLB benefit included at contract issue shall be equal to the initial premium payment, and for a GLB benefit added after contract issue shall be equal to the account value, increased by any additional premium, and may be further increased or decreased as follows:

**IIPRC staff note:** During the 9/15 member call, the PSC agreed to Clarification Item 5 to make it clear that the initial benefit base is equal to the account value when the GLB is added after the contract is issued.



Appendix 2 – Proposed Revisions to Guaranteed living Benefits Uniform Standards

- (i) Increased under specified conditions (e.g. bonus credits received on specified dates, step-up provisions, percentage increases or roll-up amounts, etc.);
  - (ii) Decreased due to partial withdrawals made under a GMWB feature before some minimum time period (or attained age) or that are in excess of the guaranteed period withdrawal amount or guaranteed lifetime withdrawal amount;
  - (iii) Decreased due to proportional withdrawals;
  - (iv) Increased or decreased based on changes made at the request of the owner; and/or
  - (v) Decreased due to a GLB charge.
- (c) For a GMWB feature, the calculation of the guaranteed period withdrawal amount or the guaranteed lifetime withdrawal amount, and how the guaranteed period withdrawal percentage or the guaranteed lifetime withdrawal percentage used in that calculation might increase, including if a covered person meets the requirements of a qualifying event. under specified conditions (e.g. when the covered life is receiving care from a health care facility or is unable to perform a specified number of “activities of daily living”). Only events listed in the definition of qualifying events are eligible for the increased calculation for the guaranteed withdrawal amounts based on one or more qualifying events.
- (d) How any step-up provision works, and whether it is automatic or based on some condition.
- (d) How and when any guaranteed lifetime withdrawal percentage (or, if applicable, a guaranteed period withdrawal percentage) based on the age of a specific covered person is determined.
- (e) How proportional withdrawals, if applicable, are determined.
- (2) The GLB form shall describe any condition or limitations on the GLB feature, including:
- (a) A statement, in prominent print, where applicable, to the effect that the guaranteed benefit base cannot be withdrawn in a lump sum and/or is not payable as a death benefit.
  - (b) The maximum limit, if any, on the guaranteed benefit base.
  - (c) Any qualifying event election waiting period or GLB waiting period.
  - (d) Any exclusion or limitation of coverage for qualifying events that occur prior to the effective date of the GLB form.

- (e) Any elimination period.
- (f) Any limitations /conditions on availability of a step-up.
- (g) How withdrawals and additional premium payments shall be allocated among any index funds and/or the general account, if applicable.
- (h) Any limitations on additional premium payments.
- (i) Whether or not the guaranteed period withdrawal amount or the guaranteed lifetime withdrawal amount is locked in once the first withdrawal is made.
  - (j) Whether or not any premium payments are excluded in determining the guaranteed benefit base.
  - (k) Any requirements for requesting or continuing increased withdrawal amounts resulting from specified qualifying events.
- (3) A GMWB form shall describe what happens to future benefits and/or contractual rights if the owner withdraws more than the guaranteed period withdrawal amount or the guaranteed lifetime withdrawal amount in any one year (referred to in these standards as excess withdrawal treatment). The GMWB form, shall also state, if applicable, the following:
  - (a) A warning in prominent print, that such excess withdrawals could reduce future benefits by more than the dollar amount of the excess withdrawals.
  - (b) That surrender charges would apply if withdrawals exceed the contract's annual free withdrawal amount.
  - (c) That if such excess withdrawals are RMDs, those excess withdrawals will be:
    - (i) Treated the same as any other excess withdrawal; or
    - (ii) Subject to more favorable excess withdrawal treatment (including not being subject to excess withdrawal treatment at all), and that such treatment is contingent on the owner accepting the company's calculations of the RMD amounts, and that the calculations will be limited to this contract only.
  - (d) That if, at any time, the owner requests a withdrawal over the telephone, the company will let the owner know whether such withdrawal will trigger excess withdrawal treatment and/or what the maximum amount is that the owner could withdraw without triggering excess withdrawal treatment.

(e) That if, at any time, the owner requests a withdrawal via a withdrawal form provided by the company, the withdrawal form shall include:

- (i) A warning in prominent print that any excess withdrawals could reduce future benefits by more than the dollar amount of the excess withdrawals, and
- (ii) An option to contact the company by telephone to find out if, as of that date, a contemplated withdrawal amount would trigger excess withdrawal treatment.

And that the actual dollar effect of such withdrawal on future benefits will be determined as of the date the form is received by the company, consistent with the terms set out in the GMWB form.

- (4) A GMWB form shall describe what happens if the owner withdraws less than the guaranteed period withdrawal amount or the guaranteed lifetime withdrawal amount in any one year, if the difference can be applied toward future withdrawals, and if so, how it is applied and what effect such application has on other GMWB amounts.
- (5) The GLB form shall describe what happens when the account value becomes zero (e.g. any effect on contract values or contract rights).
- (6) A GMWB form shall describe the rights to and options for income when the contract to which it is attached or built into matures. The annuity purchase rates available at maturity shall not provide an income less than the Guaranteed Lifetime Withdrawal Amount in effect on the day prior to the maturity date.
- (7) A GMWB form shall describe any additional forms of withdrawal, if available.
- (8) The GLB form shall describe the effect of any withdrawals on all GLB amounts. The GLB form shall describe the impact that exercising other contract benefits will have on GLB amounts.
- (9) A GMWB form shall describe under what circumstances a covered person may be removed or added and what happens when one of the covered persons dies or there is a divorce.
- (10) A GMWB form shall not contain any restrictions on the use of the benefit proceeds.

**IIPRC Staff Note following the 10/20/2015 PSC Member Call:** The PSC agree to the revisions in this subsection. The new addition of (10) is consistent with the Accelerated Death Benefit Uniform Standards and makes it clear that these are not long term care benefits.

**D. EVIDENCE OF SURVIVAL**

- (1) A GMWB form may provide the company with the right to require proof that the covered person is living on the date of withdrawal.

**E. DEATH BENEFIT**

- (1) The GLB form shall describe how the GLB feature affects the amount of the entire contract's death benefit (if different than the account value or cash surrender value).
- (2) If there is an option for the spouse to continue the contract in lieu of receiving the death benefit, the GLB form shall state the effect, if any, on all the GLB amounts, percentages, and conditions.
- (3) With respect to an option for the spouse to continue the contract,
  - (a) The GLB form shall comply with the applicable state law where the form is delivered or issued for delivery, with respect to the coverage and benefits available to a person who is in a legally-sanctioned domestic partnership or civil union and to their families, or available to a person who is in a legally-sanctioned marriage with the insured and to their families; and
  - (b) Nothing in this provision shall be construed as requiring any company to provide coverage or benefits to any person who is in a domestic partnership, civil union or marriage or to their families in a state where such relationships are not legally recognized.

**F. EVIDENCE OF CONTINUED ELIGIBILITY FOR A QUALIFYING EVENT WITHDRAWAL INCREASE**

- (1) A GMWB form with a guaranteed withdrawal increase for a qualifying event may provide the company with the right to require proof no more frequently than once each contract year that the covered person continues to meet the requirements of the qualifying event.

**IIPRC Staff Note following the 10/20/2015 PSC Member Call:** The PSC agreed to the addition of new F. with the clarification that the requests can be made no more frequently than once per contract year.

**FG. GLB CHARGE**

- (1) The GLB form shall describe any elements used in determining the GLB charge and any guarantees or ranges associated with these elements.
- (2) The GLB form shall include a description of the GLB charge, including how it is calculated (e.g. as a percentage of the account value, the guaranteed benefit base or the remaining benefit amount), how it is deducted, how often it is deducted, and how it affects the guaranteed benefit base, if at all. If the GLB charge is included as part of

another expense charge under the contract, the GLB portion of that charge must be explicitly identified.

- (3) The GLB form shall describe how the GLB charge is allocated among any index funds and/or the general account, if applicable.
- (4) The GLB form shall describe the conditions under which the GLB charge rate could increase (e.g. a step-up), what rights the owner has to accept or reject the increase, and that the owner will be notified in writing of such increase.
- (5) The GLB form shall state that the GLB charge rate will never exceed the maximum GLB charge rate on the specifications page.
- (6) The GLB form shall state under what conditions, if any, the GLB charge will be waived.
- (7) The GLB form shall describe the method and timing of deducting the GLB charge from the account value (e.g. if the GLB charge is deducted in arrears, or if the GLB charge is prorated for effective date of a change in the rate that is not at the beginning of a charge period).
- (8) The GLB form shall state that if the GLB is terminated, the GLB charge shall be terminated.

#### **GH. REPORT**

- (1) The GLB form shall state that the annual report will contain at least the following:
  - (a) For a GMWB feature that pays a guaranteed period withdrawal amount:
    - (i) Before the first guaranteed withdrawal is taken, the guaranteed benefit base and the guaranteed period withdrawal amount
    - (ii) After the first guaranteed withdrawal is taken, the guaranteed period withdrawal amount and the remaining benefit amount.
  - (b) For a GMWB feature that pays a guaranteed lifetime withdrawal amount:
    - (i) Before the first guaranteed withdrawal is taken, the guaranteed benefit base and the guaranteed lifetime withdrawal amount for the earliest possible initial withdrawal date (or an option to contact the company to find out what the guaranteed lifetime withdrawal amount would be for a particular initial withdrawal date, assuming future activity is limited to continuation of guarantees in the contract).
    - (ii) After the first guaranteed withdrawal is taken, the guaranteed lifetime withdrawal amount.

- (c) For a GMIB feature, the guaranteed benefit base (i.e. the minimum annuitization amount) and related minimum income amount, based on the guaranteed purchase rates in the contract for the earliest possible date the GMIB feature can be exercised.
- (d) For a GMAB feature, the guaranteed benefit base (i.e. the minimum accumulation amount).

### **III. TERMINATION**

- (1) A GLB form that is attached to the contract by rider, endorsement or amendment shall include the following termination conditions:
  - (a) Upon termination of the contract; or
  - (b) After the remaining benefit amount is reduced to zero, if applicable.
- (2) A GLB form that is built in or attached to the contract by rider, endorsement or amendment may include the following conditions for termination of the benefit feature or the rider, endorsement or amendment:
  - (a) Upon written request from the owner;
  - (b) Upon the death of an owner, annuitant or sole surviving covered person;
  - (c) Upon divorce, annulment, or dissolution of a marriage, if the form contains a spousal benefit;
  - (d) Upon change in a covered person under a GMWB form that isn't otherwise specifically allowed in the form;
  - (e) Upon a change in ownership (or assignment) of the contract unless:
    - (i) The new owner or assignee assumes full ownership of the contract and is essentially the same person (e.g. an individual ownership changed to a personal revocable trust, a joint ownership of husband and wife changed to the surviving spouse when one of them dies, a change to the owner's spouse during the owner's lifetime, a change to a court appointed guardian representing the owner during the owner's lifetime, etc.); or
    - (ii) The assignment is for the purposes of effectuating a 1035 exchange of the contract (i.e. the rider may continue during the temporary assignment period and not terminate until the contract is actually surrendered);
  - (f) Upon reaching specified contract anniversaries, as specified in the GLB form;

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- (g) Upon the payment of the death benefit, unless there is a provision to continue the contract by the spouse;
  - (h) Upon exercising a settlement option under the contract; or
  - (i) Other termination conditions, as approved by the IIPRC.
- (3) If the GLB form is attached to the contract by rider, endorsement or amendment, the GLB form shall describe, if applicable, the procedure for reinstating the GLB feature after termination.

## **ADDITIONAL STANDARDS FOR GUARANTEED LIVING BENEFITS for Individual Deferred Variable Annuities**

**Scope:** These standards apply to guaranteed living benefits (GLB) that are built into individual deferred variable annuity contracts or added to such contracts by rider, endorsement or amendment. The GLB feature provides for a minimum guarantee under specified conditions for any of the following: (1) periodic withdrawals (Guaranteed Minimum Withdrawal Benefit or GMWB); (2) the annuitization amount and related annual income amount (Guaranteed Minimum Income Benefit or GMIB); or (3) the account value after a specified period of time (Guaranteed Minimum Accumulation Benefit or GMAB).

Products subject to these standards shall not be described as long-term care insurance or as providing long-term care benefits. If the benefit is contingent on the covered person’s receipt of long-term care services or supports, these standards shall not apply and such benefit will be subject to the Interstate Insurance Product Regulation Commission standards for individual long-term care insurance.

**Mix and Match:** These standards are available to be used in combination with State Product Components as described in Section 111(b) of the Operating Procedure for the Filing and Approval of Product Filings.

As used in these standards, the following definitions apply:

~~The term~~ “GLB **F**orm” refers to a GLB feature that is either built into the contract or added by rider, endorsement or amendment on or after the date of issue of the contract.

~~The terms~~ “GLB **C**harge **R**ate,” **I**nitial GLB **C**harge **R**ate,” and “**M**aximum GLB **C**harge **R**ate” refer to percentages that are applied to the same base amount, as specified in the contract (e.g. account value, guaranteed benefit base, or remaining benefit amount), to produce a dollar amount GLB charge which is then deducted from the account value. “GLB charge rate,” “initial GLB charge rate,” and “maximum GLB charge rate” may also refer to a formula to produce a dollar amount GLB charge (e.g. a percentage plus a flat dollar amount or a just a flat dollar amount).

“Covered Person(s)” is the person or persons whose age (and possibly gender) is used to determine the guaranteed period withdrawal percentage, guaranteed lifetime withdrawal percentage, or any other amounts that are based on life expectancy.

“Elimination Period” means a specified period of time during which the covered person meets the terms of the qualifying event. The elimination period shall not exceed 90 days.

“**GLB** Waiting period” means any minimum time period the contract must be in force before: (1) the first guaranteed withdrawal or the first withdrawal based on a step-up is allowed under a GMWB feature; (2) annuitization under a GMIB feature is allowed; or (3) the minimum guarantee under a GMAB feature is effective.



“Guaranteed Lifetime Withdrawal Amount” is the amount available for periodic withdrawal (usually annual) beginning at a specified age for the lifetime of a covered person or persons.

“Guaranteed Period Withdrawal Amount” is the amount available for periodic withdrawal for a specified number of years or until the remaining benefit amount is reduced to zero.

“Guaranteed Benefit Base” is the amount used to determine the value of the GLB, such as a guaranteed period withdrawal amount or a guaranteed lifetime withdrawal amount, a minimum annuitization amount under a GMIB, or a minimum accumulation amount under a GMAB.

“Guaranteed Lifetime Withdrawal Percentage” is the percentage applied to the guaranteed benefit base to determine the guaranteed lifetime withdrawal amount.

“Guaranteed Period Withdrawal Percentage” is the percentage applied to the guaranteed benefit base to determine the guaranteed period withdrawal amount.

“Minimum Accumulation Amount” is an amount which, on the effective date, is equal to the guaranteed benefit base and becomes a new floor for the contract account value.

“Minimum Annuitization Amount” is an amount which, on the effective date, is equal to the guaranteed benefit base and becomes a new floor for the contract annuity value.

“Proportional Withdrawal Amount” is the amount by which the guaranteed benefit base could be reduced, when the account value is reduced by a withdrawal (under a GMAB or GMIB feature) or an excess withdrawal (under a GMWB feature or a corridor feature of a GMAB or GMIB). It is equal to the guaranteed benefit base (immediately preceding the withdrawal or excess withdrawal), multiplied by the ratio of the withdrawal (or excess withdrawal) including any surrender charge over the account value (immediately preceding the withdrawal or excess withdrawal).

“Qualifying event” means any of the following:

1. The covered person is receiving care from a health care facility. A health care facility may include, but is not limited to, the following facilities: nursing home, skilled nursing, extended care, intermediate care, convalescent care or hospice care. Care may also include personal or home care provided under a program administered by a health care facility. The care may have to be continuous for the elimination period.
2. The covered person is diagnosed with a medical condition that is expected to result in limited life span. The period of time shall not be restricted to a period of less than six months.
3. The covered person is diagnosed with any medical condition that would in the absence of treatment result in death within a limited period of time. The period of time shall not be restricted to a period of less than six months.

4. The covered person is determined to have a total and permanent disability that prevents the covered person from performing any work for pay or profit for a period of time. The period of time shall not be longer than 12 months. There shall not be a requirement that the covered person be eligible for Social Security benefits. The disability may have to be continuous for the elimination period.
5. The covered person is determined to have a disability that prevents him or her from engaging in the substantial and material duties of an occupation for which he or she is or becomes qualified by reason of education or training for a period of time. The period of time shall not be longer than 12 months. There shall not be a requirement that the covered person be eligible for Social Security benefits. The disability may have to be continuous for the elimination period.
6. The covered person is unable to perform a certain number of “activities of daily living” as defined below. Requirements for the qualifying event shall not be more restrictive than the covered person’s inability to perform not more than two of the activities of daily living. The inability to perform the activities of daily living may have to be continuous for the elimination period.
  - a. “Bathing” means washing oneself by sponge bath; or in either a tub or shower, including the task of getting into or out of the tub or shower.
  - b. “Continence” means the ability to maintain control of bowel and bladder function; or, when unable to maintain control of bowel or bladder function, the ability to perform associated personal hygiene (including caring for catheter or colostomy bag).
  - c. “Dressing” means putting on and taking off all items of clothing and any necessary braces, fasteners or artificial limbs.
  - d. “Eating” means feeding oneself by food into the body from a receptacle (such as a plate, cup or table) or by a feeding tube or intravenously.
  - e. “Toileting” means getting to and from the toilet, getting on and off the toilet, and performing associated personal hygiene.
  - f. “Transferring” means moving into or out of a bed, chair or wheelchair.
7. The covered person is determined to have a cognitive impairment, meaning a deficiency in a person’s short or long-term memory, orientation as to person, place and time, deductive or abstract reasoning, or judgment as it relates to safety awareness. The cognitive impairment may have to be continuous for the elimination period.
8. The covered person becomes involuntarily or voluntarily unemployed.

“Qualifying Event Election Waiting Period” means any minimum time period the contract must be in force before the owner can elect the increased calculation for the guaranteed

withdrawal amounts based on one or more Qualifying Events. Such waiting period shall not exceed 5 years.

“Remaining Benefit Amount” is the guaranteed benefit base of a GMWB adjusted for withdrawals to-date.

“Reset” is a change in the guaranteed benefit base, the remaining benefit amount, the guaranteed period withdrawal amount, or the guaranteed lifetime withdrawal amount, for any reason, except for additional premium payments.

“Step-up” is a reset that is an increase.

Drafting Note: These definitions are only for the purpose of defining these terms as they are used in this standard. It does not suggest that these terms must be used in the contract. Other terms may be used, provided they are defined and used consistently. Or the same terms can be used in different ways, as long as they are clearly defined in the contract. In addition, these definitions are not intended to dictate specific product designs, as long as the elements of the product design are mathematically equivalent to (or better than) the elements defined above.

## § 1 ADDITIONAL SUBMISSION REQUIREMENTS

### A. GENERAL

The following additional filing submission requirements apply:

(1) If a GLB feature is provided by attachment to the contract by rider, endorsement or amendment, the following shall be included:

- (a) A listing by filing jurisdiction of the types of contracts with which the GLB form will be used, including the contract form numbers, the corresponding approval date for these contracts and any filing identification number.
- (b) A statement as to whether the GLB form will be made part of the contract at issue or is intended for use after the date of issue of a contract, or both.
- (c) A statement as to whether the GLB form is intended for use with new issues and/or in force business.
- (d) A description of the GLB feature for all types of contract forms with which the benefit will be used.
- (e) Any contract pages or provisions referenced in the GLB form.

## B. ACTUARIAL MEMORANDUM

- (1) The actuarial memorandum required by the Individual Deferred Variable Annuity Contract Standards to which these GLB standards are attached, and which is prepared, dated and signed by the member of the American Academy of Actuaries, shall include the following information about the GLB feature:
  - (a) A description of the GLB feature, including any formulae or methodology used to determine GLB amounts as well as any modified benefit or benefit period if a covered person meets the requirements of a qualifying event;
  - (b) A description of any elements used in determining the GLB amounts and any guarantees or ranges associated with these elements;
  - (c) Any age limitations on adding the GLB feature;
  - (d) Any conditions that may reduce or terminate the GLB feature;
  - (e) What forms of withdrawal are available (e.g. spousal guarantee with a payout for the survivor of two covered persons);
  - (f) Whether the GLB charge rate, guaranteed period withdrawal percentages, guaranteed lifetime withdrawal percentages, or other elements of the GLB vary by issue age, attained age, duration or other criteria;
  - (g) Examples showing the derivation of the following GLB amounts over the potential life of the contract, under both positive and negative economic scenarios:
    - i. The potential changes in the guaranteed benefit base before the date the GLB feature is exercised (i.e. the date the first guaranteed withdrawal is taken under a GMWB, the effective date of the minimum accumulation amount under a GMAB, or the effective date of the minimum annuitization amount under a GMIB), illustrating all the types of options for increases and decreases. The example(s) shall include, if applicable, the derivation of proportional withdrawal amounts;
    - ii. For a GMWB feature, including any modified benefit or benefit period if a covered person meets the requirements of a qualifying event, the guaranteed period withdrawal amount and/or the guaranteed lifetime withdrawal amount at the time the GMWB feature is exercised, and how the amounts might change over time;
    - iii. For a GMWB feature, the change in the remaining benefit amount from the time the GMWB feature is exercised to the termination of the contract,

illustrating the effect of excess withdrawals and any other options that might be available during this time period; and

- iv. The change in the account value related to any of the above changes to amounts described in items (i), (ii), and (iii) above.
- (h) A description of the GLB charge rate, including how it is applied to produce the GLB charge.

### C. VARIABILITY OF INFORMATION

- (1) Guaranteed elements used in determining GLB amounts or any other product specifications may be changed for new issues without prior notice or approval, as long as the Statement of Variability presents reasonable and realistic ranges for each guaranteed element. At issue a single value within the range filed for the guaranteed element shall be applicable for the life of the contract.
- (2) The maximum GLB charge rate may be considered a variable item and marked to denote variability.
- (3) The guaranteed period withdrawal percentage and the guaranteed lifetime withdrawal percentage used in the calculation of the increases for a qualifying event election may be considered a variable item and marked to denote variability.
- (4) The company may also identify benefit specifications that may be changed without prior notice or approval, as long as the Statement of Variability presents reasonable and realistic ranges for the item. These items include:
  - (a) The qualifying events for triggering an increased calculation for the guaranteed withdrawal amounts as long as at least one qualifying event is always included when the increased calculation for the guaranteed withdrawal amounts benefit is offered;
  - (b) The life expectancy for qualifying events, but shall not be restricted to a period of less than six months;
  - (c) The period of time to meet the disability requirements for qualifying events, but shall not be longer than 12 months;
  - (d) The number of activities of daily living for qualifying events, but shall not be more than two;
  - (e) The minimum or maximum age for eligibility for the increased calculation for the guaranteed withdrawal amounts based on one or more qualifying events;
  - (f) The period of time for which confinement in a health care facility is required to be eligible for the increased calculation for the guaranteed withdrawal amounts based on

one or more qualifying events may be considered a variable item and marked to denote variability.

- (35) A zero entry in a range for any benefit or credit is unacceptable, and any change to a range requires a refiling for prior approval.

## **§ 2 GENERAL REQUIREMENTS**

### **A. COVER PAGE**

- (2) If the GLB feature is provided by attachment to the contract by rider, endorsement or amendment, the following shall be included on the cover page:
- (a) At least one signature of a company officer if the GLB form is added after the date of issue of a contract. Alternatively, the signature may be added at the end of the rider, endorsement or amendment.
  - (b) A statement to the effect that the GLB form is made a part of the contract and that its provisions apply in lieu of any contract provisions to the contrary.
- (2) The GLB form shall contain a brief description that shall appear in prominent print on the cover page of the GLB form or is visible without opening the GLB form. The brief description shall contain at least the following information:
- (b) A caption stating that a GLB feature is provided; for example, single premium deferred variable annuity contract with guaranteed minimum withdrawal benefit provision, guaranteed minimum withdrawal benefit rider, guaranteed minimum accumulation benefit rider, or guaranteed minimum income benefit rider.
- (3) If the GLB form provides for termination of the GLB feature upon assignment or a change in ownership as permitted under paragraph (2)(f) of the TERMINATION section of this standard, the following statement shall be included in prominent print on the cover page or the first specifications page:

The purpose of the guaranteed living benefit provided under this annuity contract is to provide security through a stream of monthly income payments to the owner. The guaranteed living benefit will terminate upon assignment or a change in ownership of the contract unless the new assignee or owner meets the qualifications specified in the Termination provision of the guaranteed living benefit.

### **B. SPECIFICATIONS PAGE**

- (2) The specifications page of the GLB form shall include:

- (c) For a GMWB feature, covered person(s), if the guaranteed lifetime withdrawal percentage is based on a life (lives) other than the owner or annuitant, or if the guaranteed period withdrawal percentage is based on a covered person(s)'s age;
  - (d) Effective date, if the GLB form is an attachment to the contract;
  - (c) Any guaranteed elements which affect any GLB amounts, including, but not limited to, the guaranteed period withdrawal percentage, the guaranteed lifetime withdrawal percentage, the period of time during which the increases for a qualifying event election are available, any maximum guaranteed benefit base, any GLB waiting period or qualifying event election waiting period, any elimination period, any minimum guaranteed bonus credits/percentages, any limitations on additional premium payments, and any investment allocations restrictions/limitations; and
  - (d) The maximum GLB charge rate.
- (2) The specifications page may include the initial GLB charge rate, provided it is subject to a guarantee and such guarantee is stated on the specifications page. Examples of guarantees include:
- (c) For a particular time period;
  - (d) For the life of the contract, provided no step-ups elected; or
  - (e) For the life of the contract, provided no changes elected to investment allocations.
- (3) The specifications page of the GLB form shall state, if applicable, that:
- (b) The GLB charge rate is not guaranteed and can be changed by the company, subject to the maximum GLB charge rate in the contract.
  - (b) The initial GLB charge rate is guaranteed under the conditions stated in the contract and in effect when it was set. Utilization of step-ups, changes to investment allocations, or other changes may increase the GLB charge rate, subject to the maximum GLB charge rate in the contract.

### **C. GLB AMOUNTS**

- (1) The GLB form shall describe any formulae or methodology used to determine the GLB amounts. The GLB form shall describe:
- (e) The calculation of the guaranteed benefit base. The value of the guaranteed benefit base for a GLB benefit included at contract issue shall be equal to the initial premium payment, and for a GLB benefit added after contract issue shall be

equal to the account value, increased by any additional premium, and may be further increased or decreased as follows:

- (vi) Increased under specified conditions (e.g. bonus credits received on specified dates, step-up provisions, percentage increases or roll-up amounts, etc.);
  - (vii) Decreased due to a reset that is triggered by a change that is stated in the contract (e.g. a change in covered person may trigger a reset to the account value);
  - (viii) Decreased due to a reset that is triggered by a decrease in the account value or an external index. Such reset shall not allow the guaranteed benefit base to fall below the sum of all premiums paid less the greater of (a) the dollar amount of any withdrawals previously made, and (b) the value of those same withdrawals in the proportion that each withdrawal reduced the account value on the date of the withdrawal;
  - (ix) Decreased due to partial withdrawals made under a GMWB feature before some minimum time period (or attained age) or that are in excess of the guaranteed period withdrawal amount or guaranteed lifetime withdrawal amount;
  - (x) Decreased due to proportional withdrawals;
  - (xi) Increased or decreased based on changes made at the request of the owner; and/or
  - (xii) Decreased due to a GLB charge.
- (f) For a GMWB feature, the calculation of the guaranteed period withdrawal amount or the guaranteed lifetime withdrawal amount, and how the guaranteed period withdrawal percentage or the guaranteed lifetime withdrawal percentage used in that calculation might increase, including if a covered person meets the requirements of a qualifying event under specified conditions (e.g. when the covered life is receiving care from a health care facility or is unable to perform a specified number of “activities of daily living”). ~~See Filing Information Notice 2013-1: Guaranteed Living Benefit Amounts Contingent on Inability to Perform Activities of Daily Living or Receiving Care from a Health Facility.~~ Only events listed in the definition of qualifying events are eligible for the increased calculation for the guaranteed withdrawal amounts based on one or more qualifying events.
- (g) How any reset provision works.



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- (h) How and when any guaranteed lifetime withdrawal percentage (or, if applicable, a guaranteed period withdrawal percentage) based on the age of a specific covered person is determined.
- (i) How proportional withdrawals, if applicable, are determined.
- (2) The GLB form shall describe any condition or limitations on the GLB feature, including:
  - (a) A statement, if applicable, in prominent print, to the effect that the guaranteed benefit base cannot be withdrawn in a lump sum and is not payable as a death benefit.
  - (b) The maximum limit, if any, on the guaranteed benefit base.
  - (c) Any qualifying event election waiting period or GLB waiting period.
  - (d) Any elimination period.
  - (e) Any limitations /conditions on availability of a reset.
  - (f) Any limitations on the investment options or allocations while the GLB feature is in effect (e.g. required reallocations upon the first withdrawal), and that the owner would be notified in writing if these limitations change.
  - (g) Any limitations on or triggers with respect to transfers among the separate account funds and/or the general account (including any index-linked funds) while the GLB feature is in effect.
  - (h) How withdrawals and additional premium payments shall be allocated among the separate account funds and/or the general account, including any index-linked funds (e.g. prorated among accounts/funds or subject to some limitations).
  - (i) Any limitations on additional premium payments.
  - (j) Whether or not the guaranteed period withdrawal amount or the guaranteed lifetime withdrawal amount is locked in once the first withdrawal is made.
  - (k) Whether or not any premium payments are excluded in determining the guaranteed benefit base.
  - (l) Whether any changes in covered person are allowed, and whether such change triggers any changes in the GLB feature (e.g. a reset of the guaranteed benefit base to the account value).
  - (m) Any requirements for requesting or continuing increased withdrawal amounts resulting from specified qualifying events.

- (3) A GMWB form shall describe what happens to future benefits and/or contractual rights if the owner withdraws more than the guaranteed period withdrawal amount or the guaranteed lifetime withdrawal amount in any one year (referred to in these standards as excess withdrawal treatment). The GMWB form, shall also state, if applicable, the following:
- (a) A warning in prominent print, that such excess withdrawals could reduce future benefits by more than the dollar amount of the excess withdrawals.
  - (b) That surrender charges would apply if withdrawals exceed the contract’s annual free withdrawal amount.
  - (c) That if such excess withdrawals are RMDs, those excess withdrawals will be:
    - (i) Treated the same as any other excess withdrawal; or
    - (ii) Subject to more favorable excess withdrawal treatment (including not being subject to excess withdrawal treatment at all), and that such treatment is contingent on the owner accepting the company’s calculations of the RMD amounts, and that the calculations will be limited to this contract only.
  - (d) That if, at any time, the owner requests a withdrawal over the telephone, the company will let the owner know whether such withdrawal will trigger excess withdrawal treatment and/or what the maximum amount is that the owner could withdraw without triggering excess withdrawal treatment.
  - (e) That if, at any time, the owner requests a withdrawal via a withdrawal form provided by the company, the withdrawal form shall include:
    - (i) A warning in prominent print that any excess withdrawals could reduce future benefits by more than the dollar amount of the excess withdrawals, and
    - (ii) An option to contact the company by telephone to find out if, as of that date, a contemplated withdrawal amount would trigger excess withdrawal treatment.
- And that the actual dollar effect of such withdrawal on future benefits will be determined as of the date the form is received by the company, consistent with the terms set out in the GMWB form.
- (4) A GMWB form shall describe what happens if the owner withdraws less than the guaranteed period withdrawal amount or the guaranteed lifetime withdrawal amount in any one year, if the difference can be applied toward future withdrawals, and if so, how it is applied and what effect such application has on other GMWB amounts.

- (5) The GLB form shall describe what happens when the account value becomes zero (e.g. any effect on contract values or contract rights).
- (6) A GMWB form shall describe the rights to and options for income when the contract to which it is attached or built into matures. The annuity purchase rates available at maturity shall not provide an income less than the Guaranteed Lifetime Withdrawal Amount in effect on the day prior to the maturity date.
- (7) A GMWB form shall describe any additional forms of withdrawal, if available.
- (8) The GLB form shall describe the effect of any withdrawals on all GLB amounts. The GLB form shall describe the impact that exercising other contract benefits will have on GLB amounts.
- (9) A GMWB form shall describe under what circumstances a covered person may be removed or added and what happens when one of the covered persons dies or there is a divorce.
- (10) A GMWB form shall not contain any restrictions on the use of the benefit proceeds.

**D. EVIDENCE OF SURVIVAL**

- (1) A GMWB or GMIB form may provide the company with the right to require proof that the covered person is living on the date of withdrawal.

**E. DEATH BENEFIT**

- (3) The GLB form shall describe how the GLB feature affects the amount of the entire contract's death benefit (if different than the account value or cash surrender value).
- (4) If there is an option for the spouse to continue the contract in lieu of receiving the death benefit, the GLB form shall state the effect, if any, on all the GLB amounts, percentages, and conditions.
- (3) With respect to an option for the spouse to continue the contract,
  - (a) The GLB form shall comply with the applicable state law where the form is delivered or issued for delivery, with respect to the coverage and benefits available to a person who is in a legally-sanctioned domestic partnership or civil union and to their families, or available to a person who is in a legally-sanctioned marriage with the insured and to their families; and
  - (b) Nothing in this provision shall be construed as requiring any company to provide coverage or benefits to any person who is in a domestic partnership, civil union or

marriage or to their families in a state where such relationships are not legally recognized.

**F. EVIDENCE OF CONTINUED ELIGIBILITY FOR A QUALIFYING EVENT WITHDRAWAL INCREASE**

**(1)** A GMWB form with a guaranteed withdrawal increase for a qualifying event may provide the company with the right to require proof no more frequently than once each contract year that the covered person continues to meet the requirements of the qualifying event.

**FG. GLB CHARGE**

- (3) The GLB form shall describe any elements used in determining the GLB charge and any guarantees or ranges associated with these elements.
- (4) The GLB form shall include a description of the GLB charge, including how it is calculated (e.g. as a percentage of the account value, the guaranteed benefit base or the remaining benefit amount), how it is deducted (e.g. from the entire account value or from only the separate account portion of the account value via the mortality and expense charge), how often it is deducted, and how it affects the guaranteed benefit base, if at all. If the GLB charge is included as part of another expense charge under the contract, the GLB portion of that charge must be explicitly identified. If the GLB charge rate varies based on the asset allocation model used, the GLB form shall so state.
- (3) The GLB form shall describe how the GLB charge is allocated among the separate account funds and/or the general account, including any index-linked funds.
- (4) The GLB form shall describe the conditions under which the GLB charge rate could increase (e.g. a change in the asset allocation model or a step-up), what rights the owner has to accept or reject the increase, and that the owner will be notified in writing of such increase.
- (5) The GLB form shall state that the GLB charge rate will never exceed the maximum GLB charge rate on the specifications page.
- (6) The GLB form shall state under what conditions, if any, the GLB charge will be waived.
- (7) The GLB form shall describe the method and timing of deducting the GLB charge from the account value (e.g. if the GLB charge is deducted in arrears, or if the GLB charge is prorated for effective date of a change in the rate that is not at the beginning of a charge period).
- (8) The GLB form shall state that if the GLB is terminated, the GLB charge shall be terminated.

## **GH. REPORT**

- (1) The GLB form shall state that the annual report will contain at least the following:
  - (a) For a GMWB feature that pays a guaranteed period withdrawal amount:
    - (i) Before the first guaranteed withdrawal is taken, the guaranteed benefit base and the guaranteed period withdrawal amount.
    - (ii) After the first guaranteed withdrawal is taken, the guaranteed period withdrawal amount and the remaining benefit amount.
  - (b) For a GMWB feature that pays a guaranteed lifetime withdrawal amount:
    - (i) Before the first guaranteed withdrawal is taken, the guaranteed benefit base and the guaranteed lifetime withdrawal amount for the earliest possible initial withdrawal date (or an option to contact the company to find out what the guaranteed lifetime withdrawal amount would be for a particular initial withdrawal date, assuming future activity is limited to continuation of guarantees in the contract).
    - (ii) After the first guaranteed withdrawal is taken, the guaranteed lifetime withdrawal amount.
  - (c) For a GMIB feature, the guaranteed benefit base (i.e. the minimum annuitization amount) and related minimum income amount, based on the guaranteed purchase rates in the contract for the earliest possible date the GMIB feature can be exercised.
  - (d) For a GMAB feature, the guaranteed benefit base (i.e. the minimum accumulation amount).

## **HI. TERMINATION**

- (1) A GLB form that is attached to the contract by rider, endorsement or amendment shall include the following termination conditions:
  - (a) Upon termination of the contract; or
  - (b) After the remaining benefit amount is reduced to zero, if applicable.
- (2) A GLB form that is built in or attached to the contract by rider, endorsement or amendment may include the following conditions for termination of the benefit feature or the rider, endorsement, or amendment:
  - (a) Upon written request from the owner;

- (b) Upon the death of an owner, annuitant or sole surviving covered person;
  - (c) Upon divorce, annulment, or dissolution of a marriage, if the form contains a spousal benefit;
  - (d) Upon transfers or changes to the investment allocations such that the resulting investment allocations no longer meet the requirements of the GLB form;
  - (e) Upon change in a covered person that isn't otherwise specifically allowed in the GLB form;
  - (f) Upon a change in ownership (or assignment) of the contract unless:
    - (i) The new owner or assignee assumes full ownership of the contract and is essentially the same person (e.g. an individual ownership changed to a personal revocable trust, a joint ownership of husband and wife changed to the surviving spouse when one of them dies, a change to the owner's spouse during the owner's lifetime, a change to a court appointed guardian representing the owner during the owner's lifetime, etc.); or
    - (ii) The assignment is for the purposes of effectuating a 1035 exchange of the contract (i.e. the rider may continue during the temporary assignment period and not terminate until the contract is actually surrendered);
  - (g) Upon reaching specified contract anniversaries, as specified in the GLB form;
  - (h) Upon the payment of the death benefit, unless there is a provision to continue the contract by the spouse;
  - (i) Upon exercising a settlement option under the contract; or
  - (j) Other termination conditions, as approved by the IIPRC.
- (3) If the GLB form is attached to the contract by rider, endorsement or amendment, the GLB form shall describe, if applicable, the procedure for reinstating the GLB feature after termination.