

Commonwealth of Kentucky

HOUSE OF REPRESENTATIVES

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HOUSE MAJORITY CAUCUS CHAIRMAN

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Mary Jo Hudson, Chair, IIPRC
Ohio Insurance Director
444 North Capitol Street, NW
Hall of the States, Suite 701
Washington, DC 20001-1509

Dear Chair Hudson and Members of the IIPRC:

Thank you for your dedication to your state and their insurance consumers. Your participation in the NAIC and in particular the Interstate Insurance Product Regulation Commission (IIPRC) is appreciated and applauded while we work to continue state regulation of insurance.

On November 19, 2009, the Life Insurance and Financial Planning Committee of NCOIL held an open hearing to review and discuss the three (3) standards currently being reviewed by the IIPRC. Based on discussions with NCOIL members that resulted from this hearing, this letter is to request amendments to the following draft uniform standards. For purposes of brevity, only the sections where the amended language is requested are included in this letter, the language stricken is intended to represent deleting this language from the draft uniform standards.

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

H. 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;
- (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*

H. 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.

❖ *Additional Standards for Guaranteed Minimum Death Benefits for Individual Deferred Variable Annuities.*

G. TERMINATION

(1) A GMDB form that is attached to the contract by rider, endorsement or amendment shall include the following termination conditions:

- (a) Upon termination of the contract;
- (b) After the remaining benefit amount is reduced to zero, if applicable; or
- (c) Upon the annuitization start date.

(2) A GMDB 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 payment of the death benefit (unless spousal continuation is an option and is chosen);
- (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 GMDB form;
- (e) Upon change in a covered person under a GMDB form that isn't otherwise specifically allowed in the 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 GMDB form;

(h) Spousal continuation is elected and the surviving spouse is older than a specified age as of the date of the owner/annuitant's death;

(i) The contract is continued under a beneficiary continuation option; or

(j) Other termination conditions, as approved by the IIPRC.

(3) If the GMDB form is attached to the contract by rider, endorsement or amendment, the GMDB form shall describe, if applicable, the procedure for reinstating the GMDB feature after termination.

As legislators, we are concerned with the restrictive language that currently exists in the draft of these uniform standards and do not believe that it may be in the best interests of consumers to restrict their ability to seek outside assistance in the settlement of their annuities if they so chose. There does not seem to be enough actuarial data and experience to support the claims regarding pricing nor does there seem to be significant interest from the secondary market on the purchase of these annuities.

We are requesting that you accept these amendments to the current drafts and eliminate these provisions.

Yours truly,



Robert R. Damron
State Representative
Chair of the IIPRC Legislative Committee

RRD:vgm