INTERSTATE INSURANCE
PRODUCT REGULATION COMMISSION

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IIPRC-AB-03-I-PP

ADDITIONAL STANDARDS FOR PRIVATE PLACEMENT PLANS FOR INDIVIDUAL DEFERRED VARIABLE ANNUITY CONTRACTS

(For use with Individual Deferred Variable Annuity Contracts)

1. Date Adopted: March 25, 2011

2. Purpose and Scope: The Additional Standards for Private Placement Plans for Individual Deferred Variable Annuity Contracts (the "Proposed Standards") specify additional submission requirements for benefits that are built into individual deferred variable annuity contracts, that are issued exclusively to an accredited investor or qualified purchaser, and that vary in relation to the performance of an underlying separate account where the investment funds in the private placement separate account may be exempt from registration with the SEC.

3. Rules Repealed, Amended or Suspended by the Rule: None.

4. Statutory Authority: Among the IIPRC's primary purposes and powers is to establish reasonable uniform standards for the insurance products covered in the Interstate Insurance Product Regulation Compact ('Compact"), specifically pursuant to Article I §2, Article IV §2 and Article VII §1 of the Compact, as enacted into law by each IIPRC member state.

5. Required Findings: None

6. Effective Date: July 3, 2011

ADDITIONAL STANDARDS FOR PRIVATE PLACEMENT PLANS FOR INDIVIDUAL DEFERRED VARIABLE ANNUITY CONTRACTS

(For use with Individual Deferred Variable Annuity Contracts)

Scope: These standards apply to private placement plans that are built in to individual variable deferred annuity contracts. Private placement plans are variable annuities that are issued exclusively to an accredited investor or qualified purchaser, as those terms are defined by the Securities Act of 1933, as amended, the Investment Company Act of 1940, as amended, or the regulations promulgated under either of those acts, and provide for benefits that vary in relation to the performance of an underlying separate account where the investment funds in the private placement separate account are exempt from registration with the SEC under the Investment Company Act of 1940, as amended. Private Placement Plans may also offer non-exempt funds.

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.

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.

As used in these standards the following definitions apply:

"Exempt Fund" is an investment fund (including managed separate accounts) that is exempt from registration with the SEC under the Investment Company Act of 1940, as amended.

"Liquidity date" is a date established for the purpose of accepting funds for premium payments, loan repayments, or transfers into an exempt fund; or processing fund withdrawals for death benefits, surrenders, partial withdrawals, loans, or transfers from an exempt fund. Liquidity dates may be unique for a particular exempt fund or type of transaction. And within those funds or transactions there could be multiple liquidity dates.

"Liquidity notice period" is the minimum number of days needed before a liquidity date if the owner intends to make a contract transaction (premium payment, loan repayment, death benefit, surrender, partial withdrawal, loan, or transfers into or out of an exempt fund). Liquidity notice periods may be unique for a particular exempt fund or type of transaction.

"Qualified owner" is an owner who is an accredited investor or qualified purchaser, as those terms are defined by the Securities Act of 1933, as amended, the Investment Company Act of 1940, as amended, or the regulations promulgated under either of those acts.

Drafting Note:

Other terms may be used in the contract provided they are used consistently.

In addition to the Core Standards requirements for individual variable deferred annuity contracts, the following standards, as appropriate, apply:

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§ 1 ADDITIONAL SUBMISSION REQUIREMENTS

A. VARIABILITY OF INFORMATION

(1) The company may identify product specifications that may be changed without prior approval, as long as the Statement of Variability presents reasonable and realistic ranges for the item. These items include categories of qualified owners.

§ 2 GENERAL FORM REQUIREMENTS

A. COVER PAGE

(1) The contract shall contain a brief description that shall appear in prominent print on the cover page of the contract or is visible without opening the contract. The brief description shall contain at least the following information:

(a) A caption of the type of coverage provided; for example, private placement variable deferred annuity contract.

§3 CONTRACT PROVISIONS

A. ASSIGNMENT

(1) The contract shall contain an assignment provision. The contract shall not include any restrictions on the availability of contract assignments, except in situations where restrictions are required for purposes of satisfying applicable laws or regulations, or the requirement that the assignee be a qualified owner.

B. DEFERRAL AND VALUATION OF PAYMENTS

(1) The contract may provide that the company reserves the right to defer the determination and payment of any benefits (e.g. death benefits, surrenders, partial withdrawals, loans and transfers) attributable to the exempt fund until the next liquidity date, subject to a liquidity notice period, as specified in the contract. Alternatively, the contract may provide that the company reserves the right to defer a specified percentage of the payment until the next liquidity date.

C. LOANS

(1) The contract may provide for a loan provision.

(2) The contract may limit to qualified owners the availability of loans.

(3) The contract may defer loans from the exempt fund until the next liquidity date.

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(4) The contract may state that the repayment of loans be made to a non-exempt fund or the general account until the next liquidity date of the exempt fund. The repayment allocated to the exempt fund will then be the value in effect as of the applicable liquidity date.

D. OWNERSHIP

(1) The contract shall contain an ownership provision. The provision shall describe the procedures for designating or changing the owner and indicating when the designation is effective. The contract shall not include any restrictions on change of owner other than for purposes of satisfying applicable laws or regulations, or the requirement that the new owner be a qualified owner.

(2) The contract shall only be sold or transferred in a transaction that is exempt from registration under the Securities Act of 1933, as amended.

(3) The contract shall only be sold or transferred to a qualified owner. The contract shall state that the owner must be a qualified owner to make payments into the contract or to make transfers among the investment divisions, but that the owner is eligible to exchange the contract for an annuity currently being offered by the company that does not require qualified owner status, as described in the CONTRACT EXCHANGE section below, or to surrender the contract for cash, all subject to the liquidity dates and liquidity notice periods specified in the contract.

(4) If the contract has multiple owners, they shall all be qualified owners.

E. PARTIAL WITHDRAWALS

(1) The contract may limit to qualified owners the ability to make partial withdrawals. The contract may state that the company has the right, at their discretion, to arrange for partial withdrawals (or a full surrender) if the company determines that the owner has ceased to be a qualified owner.

(2) The contract may defer partial withdrawals until the next liquidity date.

F. PAYMENT OF PREMIUM

(1) The contract may limit to qualified owners the ability to pay additional premiums.

(2) The contract may require that the net premium be applied to a non-exempt fund or the general account until the next liquidity date of an exempt fund. The net premium allocated to the exempt fund will then be the value in effect as of the applicable liquidity date.

G. CONTRACT EXCHANGE

(1) The contract shall state that if at any time the owner ceases to be a qualified owner, the owner shall be permitted or required to exchange the contract for an annuity currently

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being offered by the company that does not require qualified owner status, subject to the conditions described in the contract.

(2) With respect to the new contract, the following applies:

(a) A contract exchange shall not trigger a new contestable period, unless additional premium is paid. If additional premium is paid, contestability may apply to the additional premium for up to two years beginning with the date of issue of the new contract. The new contract may include an exception to the incontestability provision for fraud in the procurement of the new contract when permitted by applicable law in the state where the contract is delivered or issued for delivery.

(b) If a contract contains a reinstatement provision or other contract provision that references the subject matter of Paragraph (2)(a), the contract references shall be consistent with (2)(a).

(c) A contract exchange shall not trigger a new surrender charge period, unless additional premium is paid. If additional premium is paid, the new surrender period may apply to the additional premium beginning with the date of issue of the new contract.

H. REINSTATEMENT

(1) Fixed premium contracts shall contain a reinstatement of the contract provision. Such contracts may require that only qualified owners be permitted to reinstate the contract.

(2) If the owner ceases to be a qualified owner, the contract may allow reinstatement (i.e. exchange) to an annuity currently being offered by the company that does not require qualified owner status, subject to the same reinstatement conditions as in the Core Standards for Individual Deferred Variable Annuity Contracts.

I. REPORTS TO OWNER

(1) The contract shall state that the annual report will include at least the following:

(a) An indication, if applicable, that the cash value and death benefit shown in the report are not available until the liquidity date as described in the contract.

J. SETTLEMENT

(1) The contract may state that for the portion of any death benefit proceeds invested in an exempt fund, settlement will not be made to the beneficiary until the liquidity date of the applicable exempt fund.

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K. SURRENDERS

(1) If the company determines that the owner has ceased to be a qualified owner, and the owner does not elect to exchange the contract for an annuity that does not require qualified owner status, the contract may require that the contract be surrendered. If the owner declines the opportunity to exchange and is required to surrender the contract, the contract shall state that surrender charges may apply.

(2) The contract may defer surrenders, but not any later than the next liquidity date.

L. TRANSFERS

(1) The contract may require that only qualified owners are permitted to transfer funds into an exempt account.

(2) The contract may require that any transfers to an exempt fund be applied to a non-exempt fund or the general account until the next liquidity date of the exempt fund. The transfer allocated to the exempt fund will then be the value in effect as of the applicable liquidity date.

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