

Comments from the IAC

March 07, 2012

In looking at the Additional Standards for Waiver of Surrender Charges, I noted that on page 4 there are alignment issues starting at the top and ending at bottom of page 4. On page 10, note issues in C. PRE-EXISTING CONDITIONS. On page 12 note issues with items G. and H.

January 7, 2013

Re: Tax Qualified Plan Provisions for Individual Life Insurance Policies

Page 3, B. VARAIBILITY OF INFORMATION

[A note should be made that this comment affects the annuity version of these standards.]

The section has 3 requirements, each of which should be assigned a numerical prefix, such as (1), (2) and (3).

We believe that the intent of the first provision was to say:

“The company shall file tax qualified plan provisions on a specific basis, *when the provision is specific to a specified tax code section*, and *when* each filing accommodates only *such* specified tax code *section*. *When qualified plan provisions are applicable to more than one specific tax code section, the company shall identify the applicable tax code sections in the Statement of Variability.*”

There are several tax code sections that share the same requirements, such as unisex rating, and it should not be necessary to file different policies or riders, amendments or endorsements to accommodate each tax code section. For example, the following tax code sections could be accommodated with “one filing”:

TSA/403B
Simple IRA
SEP
Roth IRA
Profit Sharing
Pension
Non-Qualified Section 457
Money Purchase
Keough
Inherited Roth IRA
Inherited IRA
IRA
Defined Benefit
412(i) Transfer
412(i)
412(e)(3) Transfer
412 (e)(3)
401(k) Profit Sharing
401(k) Money Purchase
401(k)
401(a)

Page 4, A. REQUIREMENTS FOR TAX QUALIFIED PLAN PROVISIONS, Item (3)
[A note should be made this comment affects the annuity version of these standards.]

The comments provided above are the same for this item. We suggest the following changes:

“(3) *If the form is only applicable to a specified tax code section*, the form shall specify the tax code *section* requiring the tax qualified plan provisions.”

April 24, 2014

The group DI companies have suggested that the following changes be made for clarity:

B. FAIRNESS

- (1) The statement of insurability shall not contain inconsistent, ambiguous, unfair, inequitable or misleading clauses; **nor contain** provisions that are against public policy as determined by the Interstate Insurance Product Regulation Commission; **nor contain** exceptions and conditions that unreasonably affect the risk purported to be assumed in the general coverage of the group certificate with which the statement of insurability will be used.

This would affect all standards and is more a grammatical clean-up.

Miriam Krol
American Council of Life Insurers

May 13, 2014

Attached are recommendations for Index-linked Crediting Feature for Deferred Non-Variable Annuities. The purpose of the recommended changes is only to clarify the original intent of the standard.

- **Index-linked Crediting Feature for Deferred Non-Variable Annuities** – The recommended changes clarify that the standard is applicable to both non-variable annuities and the general account portion of variable annuities. Except for the appendix, these are the same changes that were made to the **Additional Standards for Index-Linked Crediting Benefit Features for Individual Adjustable Life Policies**. We also took this opportunity to clean-up the language in the appendix to make the wording more consistent with other parts of the standard.

INDEX-LINKED CREDITING FEATURE FOR DEFERRED NON-VARIABLE ANNUITIES
(For use with Individual Deferred Non-Variable Annuity Contracts and the General Account Portion of Individual Deferred Variable Annuity Contracts)

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APPENDIX 2

PUBLIC COMMENTS

5-Year Review, Phases 2, 3 and 4 (Uniform Standards Effective 1/1/2008- 6/30/2009)

Scope: These standards apply to index-linked crediting features that are built-in to individual deferred non-variable annuity contracts or the general account portion of individual deferred variable annuity contracts.

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

§ 1 ADDITIONAL SUBMISSION REQUIREMENTS

A. GENERAL

The following additional filing submission requirements shall apply:

(1) The actuarial memorandum submitted with the form shall include the following information:

(a) A description of the index or indices used as the basis for the interest credited to the contract, and all elements used in determining the credited rate from an index, including but not limited to, index-linked interest caps, participation rates, index allocations, interest allocations, periods, terms, floors, and margins. Any guarantees or ranges associated with these elements shall be included.

(b) An example showing the derivation of the credited rate based on an assumed value of each index and crediting method available under the contract;

(c) An opinion statement that the company's investments backing the contract or the applicable general account portion of the contract are appropriate considering the index used and including confirmation that this opinion is based on the actuary's review of the company's documented investment policy as it relates to index-linked annuities; and

(d) If the company chooses to take an additional reduction in the initial nonforfeiture rate in accordance with Section 4C of the NAIC Standard Nonforfeiture Law for Individual Deferred Annuities, model #805, a demonstration of compliance with Section 4C. Compliance shall be demonstrated as described in Section 7B(1)-(3) of the NAIC Annuity Nonforfeiture Model Regulation, model #806, and include the certification required by Section 7B(3) of that Model Regulation, which is attached as the Index-Linked Appendix. The certification shall include a statement by the company that it will also comply with the annual certification requirements of Section 7B(4) of the Model Regulation.

B. VARIABILITY OF INFORMATION

(1) The index or indices used in determining the credited rate following items shall only be changed upon prior approval:

~~-(a) Index or indices used in determining the credited rate.~~

(2) Guaranteed elements used in determining the credited rate from an index 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

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filed for the guaranteed element shall be applicable for the life of the contract. Any change to the range filed for a guaranteed element requires a refiling for prior approval and shall be accompanied by a demonstration, if applicable, signed by a member of the American Academy of Actuaries, that the contracts issued within the new range comply with the NAIC Standard Nonforfeiture Law for Individual Deferred Annuities, model #805.

§ 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 annuity coverage provided; for example, flexible premium deferred annuity contract with an index-linked interest option, if the index account is not optional, then flexible premium deferred annuity contract with index-linked interest.

(b) ~~A d~~Disclosure that while contract values may be affected by an external index or indices, the contract does not directly participate in any stock or equity investment, if applicable.

B. SPECIFICATIONS PAGE

(1) The specifications page of the contract shall include the index or indices used.

(2) The specifications page shall include any guaranteed elements used in determining the credited rate from an index and a statement, if applicable, that:

(a) Index-linked returns do not include the portion of returns generated by the underlying index that come from dividends; and

(b) The elements used in determining the credited rate from the index are not guaranteed and can be changed by the company, subject to the guarantees in the contract or applicable to the general account portion of the variable annuity contract, and that any such changes can affect the return.

§3 CONTRACT PROVISIONS

A. AMENDMENTS

(1) The contract may provide for amendments made pursuant to the Discontinuation of or Substantial Change to an Index section of the standards. The change shall be made by the use of a rider, amendment or endorsement subject to the applicable prior approval requirement.

B. CONTRACT GUARANTEES

(1) The guaranteed interest rate shall be stated numerically, if possible, or, if not, by formula.

(2) Values of any elements used in determining a credited rate from an index and which are used in determining the account value, cash surrender value, annuity value and death benefit and are stated

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in the contract shall be guaranteed. Values of nonguaranteed elements shall not be included in the contract.

(3) The contract shall indicate which elements are guaranteed and which may be changed at the discretion of the company. The contract shall also indicate that the right to change any of these elements is subject to any guarantees with respect to the element and that any change shall be based on future anticipated experience.

C. DISCONTINUATION OF OR SUBSTANTIAL CHANGE TO AN INDEX

(1) The contract shall contain a provision indicating what occurs when any index is discontinued or the calculation of an index is substantially changed, with the provision being labeled as such. The provision shall state that if the index is discontinued or if the calculation of the index is changed substantially, the company may substitute a comparable index subject to approval by the Interstate Insurance Product Regulation Commission ~~(IPRC)~~. The contract shall also specify that, before a substitute index is used, the company shall notify the owner and any assignee of the substitution.

(2) The approval shall be contingent on the company providing the Interstate Insurance Product Regulation Commission IPRC with either confirmation that the index has been discontinued or documentation of the substantial change to the index and the reasons supporting the need for the index to be discontinued.

Index-Linked Appendix

Initial Actuarial Certification of Compliance
With the NAIC Model Annuity Nonforfeiture Regulation
for Index-Linked Crediting Feature of Individual Deferred Non-Variable Annuities
Or the General Account Portion of Individual Deferred Variable Annuities
with the NAIC Model Annuity Nonforfeiture Model Regulation

For use with Equity-Indexed ~~(referred to by the Interstate Insurance Product Regulation Commission as Index-Linked) Annuity contract forms at time of filing.~~

I, (state name and professional designation) am responsible for evaluating compliance with the NAIC Model Standard Nonforfeiture Law for Individual Deferred Annuities and the NAIC Annuity Nonforfeiture Model Regulation for (name of insurance company). I have reviewed (identify contract form) and am familiar with the NAIC Standard Nonforfeiture Law for Individual Deferred Annuities and the NAIC Annuity Nonforfeiture Model Regulation as they pertain to ~~equity-indexed index-linked annuities (called equity-indexed annuities in the model law and regulation)~~. I have also reviewed the methodology that will be used in calculating and setting assumptions for the additional reduction in nonforfeiture rate for ~~equity-indexed index-linked~~ annuities. Based on my review, I certify that the methodology used for ~~the contract form identified above (identify contract form)~~ meets the minimum requirements of the NAIC Model Standard Nonforfeiture Law for Individual Deferred Annuities and the NAIC Annuity Nonforfeiture Model Regulation.

(Name of actuary)

(Signature of actuary)

(Date of certification)

August 1, 2012

We have several comments, mostly focused on consistency:

1. We suggest that each standard include an *index* identifying the standards that are included and their page location.
2. We suggest that each standard include the *Mix and Match* and *Self-Certification* statements.
3. We suggest that the PSC review the various **ADDITIONAL SUBMISSION REQUIREMENTS** in the life, annuity, disability income and long-term care standards and decide on a uniform approach to those requirements that are included in all. For example:
 “If a filing is submitted on behalf of a company, a letter or other document authorizing the firm to file on behalf of the company shall be included with the filing.”
 vs.
 “If a filing is submitted on behalf of a company, include a letter or other document authorizing the firm to file on behalf of the company with the filing.”
4. We suggest that the PSC review the various **VARIABILITY OF INFORMATION** requirements in the annuity, disability income and long-term care standards and decide on a uniform approach to those requirements that are included in all.

Comments from NY Life Insurance Company
June 6, 2014

Draft Proposal to Amend the IIPRC Indexed Linked Payment Adjustment Benefit Standard

As part of its 5-year review, we respectfully request the IIPRC expand the scope of its Indexed Linked Payment Adjustment Benefit Standard to include individual deferred paid-up non-variable annuities (DIAs) that are in the income payment phase. Currently, this Standard is limited to individual immediate non-variable annuities. We believe that extending this Standard to DIAs (both non-participating and participating) in the payout phase makes sense since once payments begin there is little difference between a DIA and an immediate non-variable annuity.

At the time this Standard was developed in 2008, carriers were not offering DIAs so it was understandable that the DIA product was not included. However, as consumer demand and competition in the annuity market continues to evolve, product innovation is an integral component of meeting that demand while providing consumer value and remaining competitive in the market. Having the ability to provide the indexed-linked payments under a DIA is likely a product iteration that may be offered one day to provide more choice to consumers in tailoring their income needs.

We appreciate you taking the time to consider our request to expand the scope of the Indexed Linked Payment Adjustment Benefit Standard and look forward to hearing from you soon.

Sincerely,
Suzanne Wolf
Director – Product Compliance
New York Life Insurance Company