

Agenda Item 2. Receive Public Comments on the Clarification Items for Phases 2, 3, and 4 of the 5-Year Review.

The IIPRC staff noted that the IIPRC Office report includes a series of recommended changes to a group of 19 uniform standards that became effective between January 1, 2008 and June 30, 2009. These standards are primarily related to annuity products or additional standards for life products. The Product Standards Committee (PSC) has discussed these 12 clarification items and on most of the items has already reached agreement with the recommendations contained in the report. Staff indicated there were two items where the PSC was seeking additional guidance.

The first area where additional guidance was requested was with items 9 and 10 on the Clarification items within the report, in reference to the Additional Submission Requirements in Standards for Forms Used to Provide Tax Qualified Plan Provisions. Since the request for public comments on these items, the IIPRC staff received contact from the Industry Advisory Committee (IAC) indicating that they wish to withdraw these items from further consideration by the PSC. Miriam Krol of the ACLI, representing the IAC, confirmed that the IAC did not believe that items 9 and 10 required any further consideration and could be withdrawn. There were no further comments or questions on these items.

IIPRC staff explained that the next item where additional guidance was requested involved the item currently listed as #12 under the clarification items. This is a request by industry to expand the scope of the 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; however the industry believes that once payments begin there is little difference between a DIA and an immediate non-variable annuity. It was noted that the PSC has agreed this item should be listed as a substantive change in the final report to the Management Committee, since under the current standards DIA's are not covered by the standard, so the change would alter the application of the standard by expanding its scope. Staff explained that changing the item to a substantive change would not impact the recommendation; it simply clarifies that the change does allow for new products to be considered under the standard.

IIPRC staff stated that the PSC is seeking additional guidance regarding whether there is a need for this change to accommodate products that are currently filed on a state-by-state basis and about how this benefit feature would work. New York Life Insurance Company provided written comments prior to the call and was asked if they wish to expound on those comments. Michael Tobin of New York Life stated that the Compact currently allows an index-linked inflation protection feature for immediate annuities. Their proposed amendment is intended to provide DIA customers that are in the income payment phase with this same benefit, serving as an inflation protection. The company is aware that these products already offered by one or two other companies within the marketplace and having the ability to file them with the IIPRC would increase efficiencies and provide benefits. When asked if the company has a specimen sample, he responded that New York Life does not currently offer a DIA product with an inflation protection feature so they are unable to provide a sample; however the company is aware that there are companies currently offering the product in the market place. A PSC member asked whether the index was applied during the deferral period such that if the index were to go down there would be a corresponding drop in the amount promised. Mr. Tobin responded that the index does not apply during the deferral period.

The Chair asked if there were any other comments or questions on any of the other proposed recommendations in the Clarification item list of the report. There were no additional comments on the proposed recommendations from members or from other interested parties on the call.

Product Standards Committee

Public Call Summary

July 29, 2014

The Chair explained that the PSC's goal is to finalize its recommendations over the next two weeks and prepare a final recommendation on Phases 2, 3 and 4 of the Five Year Review to provide to the Management Committee for its meeting on August 15, 2014.