

**Utah Insurance Department
Content Standards
Individual Annuity
(Single and Flexible Premium Deferred, Fixed Interest, including Fixed Interest Sub-Accounts)**

These Standards are provided to assist the insurer in filing forms and rates. They are not intended to be all-inclusive and are a work in progress. References beginning with "31A" refer to the insurance code as part of Utah Code Annotated (U.C.A.) and those beginning with "R590" refer to department rules as part of the Utah Administrative Code (U.A.C.). All references should be reviewed for compliance. As required by U.C.A. § 31A-21-201(2), the insurer is responsible for assuring that forms and rates submitted are in compliance with the Utah Insurance Code and Rules.

FILING PROCEDURES		
Filing of Forms	31A-21-201 R590-227-5 R590-227-7	Forms are accepted on a "FILE AND USE" basis. It is the insurer's responsibility that the filing is in compliance with Utah law and rules.
Sample Data	R590-227-5	All filing information and data must be accurate, complete and consistent within all filing documents. The data page must contain amounts consistent with the actuarial memorandum and demonstration of values.
Variability - (bracketed data)	R590-227-6 R590-227-7	Any information that is variable must be bracketed and must be explained in a statement of variability. Any change in the items contained within the brackets or on the statement of variability must be refiled prior to use.
GENERAL REQUIREMENTS		
Amendments or Endorsements	31A-21-106(2)	The contract may not be modified unless the modification is in writing and agreed to by the party against whose interest the modification operates.
Application	31A-21-201(3) R590-93-7 R590-93-8	An application must identify the insurer's name and address and state of domicile. Existing insurance statements must be on or attached to the application.
Arbitration	31A-21-314	An arbitration provision must be properly disclosed in the policy, certificate, application and enrollment forms. No provision may deprive Utah courts of jurisdiction over an action against an insurer, except as provided in permissible arbitration provisions.
Assignment	31A-22-412	Subject to the exceptions allowed in the code, the assignment provision must allow the owner of any rights in the contract to assign any of those rights.
Cash Surrender Option	31A-22-409(6) 31A-22-409(7)	The contract must clearly disclose the conditions for cash surrender.
Claims Settlement	31A-26-301(1) R590-191	All proceeds and claims settlement provisions must provide for prompt claim handling.
Coverage Name, Description & Special Features	31A-22-426	The coverage name or title, a brief description of the coverage and any special features must be disclosed on the contract cover.
Data Page	R590-227-7	Sample data page(s) must be accurate and complete with sample data to reflect the market intended. Data must disclose the interest rate methodology, including any guaranteed interest terms, investment strategies, index options, maximum surrender charge schedules, loads, market value adjustments, and any other factors available in the submitted form. As appropriate, submit one data page for each product design.
Death Benefit	31A-22-409	The contract must clearly describe the death benefit and how the proceeds are determined. The death benefit amount must be compliant with the Standard Nonforfeiture Law.
Death Claim Interest	31A-22-428 R590-191-5	Interest on the death proceeds is payable according to the date of issue.

Deferral of Payment of Values	31A-22-409(3) R590-98	The right to defer payment of values for six months <u>with the consent of the commissioner</u> must be in the policy.
Entire Contract Provision	31A-22-424	The contract must contain an entire contract provision that defines the documents and agreements that constitute the entire contract.
Examination Period	31A-22-423 R590-93	A minimum examination period of 10 days for new issues and 30 days for replacement policies must be prominently printed on the cover page. A refund of premium is required upon return of the policy within the examination period.
Incontestability	31A-22-403	Incontestability provision must state that if the contract is contestable, it is incontestable after it has been in force during the lifetime of the insured for a period of two years or less. The code does not allow an exception for fraud.
Incorporation by Reference	31A-21-106	Except as provided in 31A-21-106(1)(b), no policy may contain any agreement or incorporate any provision not fully set forth in the policy.
Insurer Name	31A-21-201(3)(a)(iii) 31A-21-301(1)(a)	The exact name of the insurer, the administrative office address, and state of domicile must be identified conspicuously on the contract.
Interest Rates, Indexed Factors, Withdrawal and Surrender Charges	31A-22-409	All guaranteed interest rates, indexed factors, surrender charges, and partial withdrawal charges, any initial guaranteed interest rates, and any other factors that may affect the values must be disclosed and described in the contract in detail. <u>U.C.A. § 31A-22-409(3) requires an annuity contract to contain sufficient information to determine the cash surrender value, the death benefit, and the minimum paid-up annuity benefits.</u> NOTE: If the minimum guaranteed crediting rate in any year is lower than the nonforfeiture rate, then the contract must: <ul style="list-style-type: none"> a. Disclose the nonforfeiture rate on the data page; b. Describe the nonforfeiture amount (the floor) in detail based on 87½% of the premium accumulated at the nonforfeiture rate; and c. Include a provision in the contract that the interest credited in any year will be sufficient to keep the values under the contract at least as great as the minimum nonforfeiture amount. d. Redetermination provision: If the nonforfeiture interest rate will be redetermined, the contract must state: the initial period, the redetermination dates, the redetermination basis, and the redetermination period. e. Indexed Annuities: The contract must identify all indexed options, terms, and factors. The <u>initial and subsequent factors</u> must be disclosed, including the: <ul style="list-style-type: none"> Minimum participation rate, Minimum interest rate cap, Maximum spread, and Any other factors.
Limitation of Actions	31A-21-313 31A-21-314	An insurance contract may not limit the time for beginning an action to earlier than 60 days after proof of loss has been furnished as required by the contract. An insurance contract not contain a provision limiting the right of action against an insurer to less than three years from the date the cause of action accrues. The provision cannot prescribe in what court an action may be brought.
Maturity Date	31A-21-301(1)(f) 31A-22-409	The maturity or annuitization date must be disclosed. The contract must clearly disclose whether or not the policyholder can select or change the maturity date.
Minimum Premium	31A-21-302	The contract shall state any minimum premium requirements.
Misstatement of Age and/or Sex	31A-22-405	The contract must state that if the age and/or sex of the insured is misstated in an application and the error is not adjusted during the person's lifetime, the amount payable is what the premium paid would have purchased at the correct age and/or sex.
Modification or Amendment of Contract	31A-21-106(2)	No contract, rider or endorsement may contain unilateral provisions that allow the company " <u>in its sole discretion</u> " to limit the policyholder's rights. A contract may not be modified unless the modification is in writing and "agreed to by the party against whose interest the modification operates".
Nonforfeiture Provisions	31A-22-409,	The contract must contain provisions at least as favorable as the following:

	Bulletin 2002-6 Bulletin 2006-5	<p>(a) Upon cessation of payments, the company will grant a paid-up annuity benefit.</p> <p>(b) A statement in the contract of the interest rates used in calculating the minimum paid-up annuity, cash surrender and death benefits guaranteed, together with sufficient information for the policyholder to determine the amounts of such benefits. The sufficient information includes all expense, withdrawal and surrender charges.</p> <p>(c) A statement that any paid-up annuity, cash surrender or death benefits that may be available under the contract are not less than the minimum benefits required by any law in state where the contract is delivered.</p> <p>(d) An explanation of the manner in which benefits are altered by the existence of any additional amounts credited by the company, any indebtedness or any prior withdrawals or partial surrenders.</p>
Payment of Values	R590-98	A request for payment of values must be processed within the allowable time limit.
Premiums	31A-21-302	Premiums for the policy and for each rider must be clearly disclosed separately on the data pages. Policy fees and charges must be disclosed separately.
Proof of Loss	31A-21-312 Bulletin 87-6	Proof of loss provision must allow the insured or claimant to file proof of loss as soon as reasonably possible. Failure to file within the time specified does not invalidate a claim if the insured or claimant shows that it was not reasonably possible to file within the time specified and that notice and/or proof was filed as soon as reasonably possible. The provision <u>may not</u> state that in no event, except in the absence of legal capacity, may proof be filed later than the time proof is otherwise required.
Settlement Options	31A-22-406	If the policy provides that proceeds may be payable in installments that are determinable at the issue date of the policy then it shall provide a table showing the amounts and intervals of the installments.
Termination Option	31A-22-409(3)	The contract may provide that if no consideration has been received for two years and the portion of the paid-up annuity benefit at maturity would be less than \$20 monthly, the company may terminate the contract by payment in cash of the present value of the paid-up benefit.
Unfair, Misleading, Deceptive Provisions.	31A-21-201(3)(a)	Provisions may not be inequitable, unfairly discriminatory, misleading, deceptive, obscure, unfair, encourage misrepresentation, or not in the public interest. The policy may not contain inconsistent, ambiguous or misleading clauses, or contain exceptions and conditions that unreasonably affect the benefits purported to be provided in the general coverage of the contract.
Values	31A-22-409 Bulletin 2002-6 Bulletin 2006-5	<p>The Standard Nonforfeiture Law applies to individual non-registered, general account contracts and fixed accounts in a variable annuity. Guaranteed cash values must be in compliance with the Standard Nonforfeiture Law for Deferred Annuities. U.C.A. § 31A-22-409(10) requires that on or past the maturity date, the cash surrender value must be equal to the amount used to determine annuity benefits. A surrender charge may not be imposed on or past this date. Surrender charges at the later of attained age 70 or the tenth anniversary must equal zero. Surrender charges for seniors (ages 60+) are limited to 10 years and are generally limited to a maximum initial charge of 10%.</p> <p>a) If the contract guarantees an interest rate of less than the nonforfeiture rate, then the contract must contain a floor of guaranteed minimum cash surrender values: such as 87.5% of premium accumulated at the nonforfeiture percentage (%) rate.</p> <p>b) All Equity Index Annuity contracts must provide a guaranteed minimum surrender values (floor) such as 87.5% of premium accumulated at the nonforfeiture (%) rate.</p> <p>c) A Market Value Adjustment (or similar adjustment) is allowed only during periods of fixed interest rate guarantees contained in the contract. A market value adjustment must be limited so as to not invade minimum nonforfeiture values required by the retrospective test of the nonforfeiture law.</p> <p>d) Renewing term annuities that renew surrender charges must provide that the ending term value becomes vested for subsequent terms. The contract must provide for a reasonable time period at renewal (a window) during which the contract can be surrendered free of surrender charges or any other penalties.</p> <p>e) Rolling surrender charges, flexible premium contracts with separate surrender charge schedules associated with each premium payment must provide values at least as great as separate single premium payments (the contract must provide a minimum of 90% of net premium accumulated at 3% interest). The contract partial withdrawal provision must allow for withdrawals subject to the smallest</p>

		surrender penalty first (commonly referred to as first-in first-out - FIFO). f) Strategies and options: Contracts that contain multiple accounts, strategies and options with different guaranteed elements, must comply individually with the Standard Nonforfeiture Law. A sample data page must be submitted for each account, strategy and/or option.
MARKETING AND DISCLOSURE FORMS		
Annual Report	R590-229	The report must include the beginning and ending dates, the account value and surrender value, and total amounts credited, charged or paid during the report period.
ACTUARIAL DOCUMENTS		
Actuarial Memorandum, Demonstration, and Certification of Compliance	31A-22-409 R590-227-6 R590-227-8 Bulletin 2002-6 Bulletin 2006-5 Standard Valuation Law 31A-17 Part 5	Actuarial memorandum, demonstration, and Certification of Compliance must be currently signed and dated by the actuary responsible for the certification. The actuarial memorandum to identify the specific subsection of the Utah nonforfeiture law that applies to the submitted annuity. ACTUARIAL MEMORANDUM: (a) Identify the specific subsection(s) of the nonforfeiture law that applies to the annuity submitted; (b) Describe all provisions in detail, including both guaranteed and nonguaranteed factors; (c) Identify the <u>guaranteed minimum values</u> provided by the contract including: (d) Formulas to calculate minimum guaranteed values provided by the contract; (e) Formulas to calculate minimum nonforfeiture values; (f) Interest crediting rate(s); (g) Interest terms (h) Redetermination dates and provisions; (i) Charges, fees, loads, bonuses, market value adjustments, and any other factors used to calculate the <u>guaranteed minimum nonforfeiture</u> values required by law; (j) Describe method used to calculate the nonforfeiture rate for the contract; (k) Describe the <u>relationship</u> of the minimum guaranteed crediting rate to the nonforfeiture rate; Include formulas used to calculate minimum guaranteed values required by applicable subsections of nonforfeiture law. ACTUARIAL DEMONSTRATION: (a) Demonstrate compliance with applicable nonforfeiture law for age 35 and highest possible age; (b) Use a SINGLE PREMIUM and for representative premium patterns for flexible premiums; (c) Numerically demonstrate values on guaranteed minimum interest rates, maximum surrender charges, fees, loads, and any other factors, provide values in compliance with the nonforfeiture law using BOTH retrospective and prospective tests: (d) For retrospective test, describe net consideration and interest rate in the accumulation, <u>numerically compare guaranteed contract values with minimum values required by nonforfeiture law</u> ; (e) For prospective test, identify the maturity value and the interest rate used each year to determine the present value, <u>numerically compare the guaranteed maturity value in the contract with the minimum values required by nonforfeiture law</u> . Demonstration of compliance with the prospective test must end at maturity (anniversary next following annuitant's 70th birthday or 10th anniversary, if later). <u>Surrender charges at the later of attained age 70 or the tenth anniversary must equal zero.</u> ACTUARIAL CERTIFICATION: The certification must state that the formulas used and values provided are in compliance with Utah laws and rules. NOTE: Cash surrender value must equal annuitization value at age 70 or the 10 th anniversary, if later.

