• E Day was started Opening Remarks and introductions of the Mid-West Chapter Officers and Jenn Stephen reading the Anti-Trust and Speaker Policy Statements.

• The First Session was Commissioner Robertson from Indiana.
  o Commission Robertson promoted his department’s website, stated they had less than 90 employees and discussed each of his divisions and highlighted issues.
    ▪  [http://www.in.gov/idoi/](http://www.in.gov/idoi/)
    ▪  Divisions consisted of: Financial, Legal and Market Conduct, Operations, Life and Health, Property and Casualty, Consumer Affairs, Title and Bail Bonds.
    ▪  Issues: Uninsured Motorist Coverage, Companies vs. Consumer Complaints, Market Regulation Reforms, etc.

• The Second Session was Molly Lang from Nelson Levine de Luca & Hamilton.
  o As a reminder the FIO has authority that extends to all lines except Health and Long Term Care.

• The Third Session was the AICP Mid-West Chapter Meeting
  o Jenn Stephen discussed with the group the following items:
    ▪  Redesign of the Website and if anyone would like to assist, please volunteer.
    ▪  National Meeting - September 14-17th in Phoenix
    ▪  Karen Crooks volunteered to lead the Chapter Event at Nationals and is looking for additional volunteers.
    ▪  The Budget was submitted to National Committee
    ▪  The Mid-West Chapter is considering the possibilities of webinars in the future.

• The Fourth Session was the Peer Panel on What Keeps You Up At Night. The Peer Panel consisted of Debbie Eversole, Joel Place, Bob Lutton and Gary Behling. Some of the topics that were covered were:
  ▪  TRIA
  ▪  Predictive Analytics
  ▪  Using the Internet, Facebook, LinkedIn, Going paperless, E-Signatures
  ▪  Working from Home
  ▪  Risk Concentration with Catastrophic Events
  ▪  SRP in Michigan
  ▪  Data Calls

• The Fifth Session consisted of 2 break sessions.
  o Life and Health - Jeff Kulesus of Milliman - Update of Interstate Compact & Update on new Life & Annuity products
  o Property and Casualty - Michelle Rogers and Neil Alldredge of NAMIC discussed Emerging P&C Issues elaborating on the NAIC, International Business and FIO.

• The E Day ended with a Tour of the Indiana Department of Insurance.
Interstate Compact and Product Trend News

Jeff Kulesus, FLMI
December 3, 2013
- Interstate Compact
- Life and Annuity Product Trends
  - Fixed Indexed Annuities (FIAs)
  - Variable Annuities
  - Indexed Life
  - Combination Life with LTC or Chronic Illness Riders
Interstate Compact
Companies Registered

2008 2009 2010 2011 2012 2013 YTD***
Filings Received

YTD***
Forms Submitted

![Bar Chart showing Forms Submitted from 2007 to 2013, with a significant increase in 2012 and 2013.](chart.png)
Products Approved
Approval Times

<table>
<thead>
<tr>
<th>Year</th>
<th>Approval Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>35</td>
</tr>
<tr>
<td>2008</td>
<td>25</td>
</tr>
<tr>
<td>2009</td>
<td>30</td>
</tr>
<tr>
<td>2010</td>
<td>45</td>
</tr>
<tr>
<td>2011</td>
<td>40</td>
</tr>
<tr>
<td>2012</td>
<td>20</td>
</tr>
<tr>
<td>2013 YTD***</td>
<td>15</td>
</tr>
</tbody>
</table>
Transactions


Bar chart showing the number of transactions from 2007 to 2013 YTD. The transactions increase steadily each year.
State Update

- Arizona
- California
- Connecticut
- Delaware
- District of Columbia
- Florida
- New York
- North Dakota
- South Dakota
Montana

- **Montana joined the Compact effective 10-15-2013.**
  - Unisex requirements continue per State Constitution.
  - Compact filings must indicate sex-distinct or unisex.
  - Options:
    - File unisex endorsement.
    - File both sex-distinct and unisex contracts.
    - File sex-distinct and unisex contract schedules.
    - Some companies continue filing Montana outside the Compact.
State Update

- Arkansas joined the Compact effective 08-29-2013.
- Florida enacted, but…
- Nevada lifted opt-out of LTC uniform standards 10-01-2013.
Life and Annuity Product Trends

- Fixed Indexed Annuities (FIAs)
- Variable Annuities
- Indexed Universal Life (IUL)
- Combination Life with LTC or Chronic Illness Riders
Fixed Indexed Annuities
Historical FIA Annual Sales

Source: Wink’s Sales and Marketing Report
<table>
<thead>
<tr>
<th>6/30/13 Rank</th>
<th>Company</th>
<th>% Change vs. 2012</th>
<th>2013 Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Allianz Life</td>
<td>-16.0%</td>
<td>14.1%</td>
</tr>
<tr>
<td>2</td>
<td>Security Benefit Life</td>
<td>108.8%</td>
<td>12.2%</td>
</tr>
<tr>
<td>3</td>
<td>American Equity</td>
<td>18.0%</td>
<td>11.5%</td>
</tr>
<tr>
<td>4</td>
<td>GAFRI</td>
<td>213.0%</td>
<td>6.4%</td>
</tr>
<tr>
<td>5</td>
<td>Aviva</td>
<td>10.35%</td>
<td>6.4%</td>
</tr>
<tr>
<td>6</td>
<td>Equitrust</td>
<td>15.8%</td>
<td>5.9%</td>
</tr>
<tr>
<td>7</td>
<td>Jackson National Life</td>
<td>3.87%</td>
<td>5.6%</td>
</tr>
<tr>
<td>8</td>
<td>Midland National Life</td>
<td>106.6%</td>
<td>4.7%</td>
</tr>
<tr>
<td>9</td>
<td>ING</td>
<td>-6.2%</td>
<td>3.0%</td>
</tr>
<tr>
<td>10</td>
<td>Fidelity &amp; Guaranty Life</td>
<td>106.27%</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

Source: Wink’s Sales and Marketing Report
<table>
<thead>
<tr>
<th>Independent (87.3%, up from 87%)</th>
<th>Wirehouse (1.6%, down from 1.7%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allianz</td>
<td>ING</td>
</tr>
<tr>
<td>Security Benefit Life</td>
<td>Pacific Life</td>
</tr>
<tr>
<td>American Equity</td>
<td>Security Benefit Life</td>
</tr>
<tr>
<td>EquiTrust</td>
<td>Lincoln National Life</td>
</tr>
<tr>
<td>Great American</td>
<td>The Standard</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Bank (7.8%, down from 7.9%)</th>
<th>Career (3.3%, down from 3.4%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jackson National</td>
<td>Allstate</td>
</tr>
<tr>
<td>Great American</td>
<td>Aviva</td>
</tr>
<tr>
<td>Pacific Life</td>
<td>American General</td>
</tr>
<tr>
<td>ING</td>
<td>Lincoln National Life</td>
</tr>
<tr>
<td>Lincoln National Life</td>
<td>OneAmerica</td>
</tr>
</tbody>
</table>

Source: Wink’s Sales and Marketing Report
Surrender Charges
- Around 59% have 10-year SC
- Over 77% have SC <= 10-years
- Continued but slowing trend toward 10 / 10
- However, see more 14-yr product due to yield curve slope (10.2% up from 9.2%)

Agent Commission
- Trend toward lower commissions
- Average agent comp is 6.0%
- Down from 6.7% in 2010
- Down from 7.6% in 2008

Bonuses
- Majority of sales include a bonus, but fell to 68%, from 84% in 2008
- Typical bonuses are 5 – 10%
- Vesting schedules are a typical way to recoup bonus
- Portion of bonus might come with a rider

Average Issue age steady at 63
Qualified is 59% of sales
Average size is about $71,500, up a couple percent

Source: Wink’s Sales and Marketing Report
GLWBs
- GLWBs not as prevalent as on the VA side but growing
- On some products, portion electing GLWB > 95%
- Overall election likely in the 50 – 60%

Typical Structure
- Premiums accumulated at a set percent
  - 6% to 8% compound, 7% to 10% simple
  - Some offer “stacking” concept (3-5% plus a portion of interest credit)
  - Often for 10 years with one renewal available
- Payout factors that are similar to VA side
  - 5.0% to 5.5% at 65
- Charge is typically bps of benefit base assessed against AV

Challenges
- Low interest rate environment
- Actuarial Guideline 33
- Continued need for bonus and comp
• Current fixed buckets in FIAs between 1.25% and 1.75%
• Current caps are around 3.5 to 5% on S&P 500 strategies
  ▪ Difficult to tell upside story
• Blended indices
  ▪ Blend S&P 500 with a fixed crediting rate
    ▪ Fixed crediting rate might be low to subsidize S&P portion
    ▪ 0% credited interest Floor applied in aggregate
    ▪ Use of spread instead of cap to get more upside
• Alternative indices
  ▪ Use an index with lower volatility than S&P 500
  ▪ Trading off return potential for lower costing option
• Challenges
  ▪ Need to be able to buy option, less liquid than S&P
  ▪ Limited number of option sellers
  ▪ No historic experience – Must rely on backcasting
- Vast majority of sales still through IMOs
- Continued attention on GLWBs
- Significant activity in new indices
- Continued and accelerated attention from Banks and Wirehouses
  - Partial due to challenges on VA side
  - Desire to tell income story
  - Moderated product
- Sales likely up due to rise in interest rate environment
- Progress (hopefully) made on AG 33 issues
Historical VA Sales

Source: Morningstar
VA Assets

Source: Morningstar
- **Independent**
  - Jackson National
  - Lincoln Financial Group
  - Prudential Financial
  - AEGON/Transamerica
  - SunAmerica/VALIC

- **Regional**
  - Lincoln Financial Group
  - MetLife
  - SunAmerica/VALIC
  - Jackson National
  - Protective

- **Bank**
  - Jackson National
  - Lincoln Financial Group
  - SunAmerica/VALIC
  - AEGON/Transamerica
  - Nationwide

- **Wirehouse**
  - Jackson National
  - Lincoln Financial Group
  - AEGON/Transamerica
  - SunAmerica/VALIC
  - Nationwide

- **Career/Captive**
  - TIAA-CREF
  - Ameriprise Financial
  - AXA Equitable
  - MetLife
  - SunAmerica/VALIC

- **Direct Response**
  - Fidelity Investments Life
  - Mutual of America
  - AEGON/Transamerica
  - Security Benefit
  - Prudential Financial

Source: Morningstar
Product Trends

- Trimming sales
  - Closing contracts
  - Discontinuing sales of living benefits
  - Limiting sales
  - Disallowing 1035 exchanges

- De-risking
  - Increasing fees
  - Reduced withdrawal percentages
  - Reduced roll up rates
  - Consolidating/expanding age bands
  - Removal of step-up features that double benefit base after 10-12 years w/o withdrawal
Product Trends

- VA sales without GLBs rebounding
  - GLB election rates dropped to 82% in Q2 2013 from 90% in 2009
  - WB charges high and benefits reduced
  - Higher taxes make tax deferral more attractive
In-Force Management

- Many ways companies are managing their blocks
  - New Pricing
  - Manage Sales Volume
  - Stop Additional Contributions to Existing Products
  - Fund Lineup Changes
    - Carrots and Sticks
  - Buy-Back programs
Buy-Back Programs

- Buy-Back programs potentially allow writers to efficiently reduce risk and reserves.
  - Controversial? Drastic measures?
  - Companies are waiting to see how the few programs out there are working. Signs of more to come?
Indexed Universal Life
### Market Overview – Life Products

#### Individual Life Insurance Growth Rates by Product

<table>
<thead>
<tr>
<th></th>
<th>Percent Change 2012-2013</th>
<th>Annualized Premiums</th>
<th>Face Amount</th>
<th>Number of Policies</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Universal Life</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second Quarter</td>
<td></td>
<td>1%</td>
<td>-17%</td>
<td>-14%</td>
</tr>
<tr>
<td>Year to Date</td>
<td></td>
<td>5</td>
<td>-14</td>
<td>-16</td>
</tr>
<tr>
<td><strong>Variable Universal Life</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second Quarter</td>
<td></td>
<td>9</td>
<td>14</td>
<td>10</td>
</tr>
<tr>
<td>Year to Date</td>
<td></td>
<td>13</td>
<td>12</td>
<td>5</td>
</tr>
<tr>
<td><strong>Term</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second Quarter</td>
<td></td>
<td>6</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Year to Date</td>
<td></td>
<td>5</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td><strong>Whole Life</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Second Quarter</td>
<td></td>
<td>5</td>
<td>2</td>
<td>-2</td>
</tr>
<tr>
<td>Year to Date</td>
<td></td>
<td>6</td>
<td>3</td>
<td>-3</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td></td>
<td>4%</td>
<td>4%</td>
<td>-2%</td>
</tr>
<tr>
<td>2013 YTD</td>
<td></td>
<td>6%</td>
<td>-1%</td>
<td>-3%</td>
</tr>
</tbody>
</table>

Source: LIMRA’s U.S. Individual Life Insurance Sales Summary Report, Second Quarter 2013
2Q 2013 Market Share of Annualized Premium

- UL: 41%
- VUL: 5%
- Term: 21%
- Whole Life: 33%

Source: LIMRA
Indexed UL Sales (Total UL is 10+B)

$1,500
$1,300
$1,100
$900
$700
$500
$300
$100
-$100


Source: AnnuitySpecs’ Sales & Market Report 4th Quarter 2012
2Q 2013 UL Premium - Market Share by UL Type

Source: LIMRA
Life / Annuity Sales Drivers: Market Forces
Leaning on IUL

- Traditional current assumption UL difficulty illustrating well
  - Low cost death benefit
  - Retirement income
- Indexed UL continues to illustrate well
  - Historical lookback to set illustrated rate
- Annual pt to pt with cap remains most prevalent method
- Sometimes offer methods merely to boost illustrated rate
  - 2-yr pt to pt, even though seldom chosen by policyholders
- Is market leaning on IUL to do too much in this environment?
New Product Features - IUL

- Secondary Guarantees
- GLWB
- Indices and Crediting Strategies
Long Term Care Insurance
Long Term Care Insurance

Pricing is on a lifetime basis (level premium, increasing age curve), and major factors affect the rates:

- Morbidity – annual claims costs
- Lapse and mortality – determines how many people get to durations when claims are expected to be high
- Interest rate environment – determines how much money is made on large reserves that are accumulating
- Declines in last two elements have led to “perfect storm” for LTC insurers in the past several years
- These risks have led to many companies exiting the standalone LTC market
Combination products - Life/LTC Product Basics

- Riders addressing long term care needs may be attached to life products, either as long-term care riders or as chronic illness riders.
- Various base plans including single premium universal life, flexible premium UL, WL, and VUL.
- First Generation LTC combo - Accelerated Death Benefit LTC rider (ADB)
  - Pays out a specified portion of Death Benefit per month with a proportionate reduction to Cash Values when traditional LTC triggers are met (2 of 6 ADL’s or cognitive impairment).
  - ADB only, keeping the coverage low cost, and low risk to companies since the primary cost is time value of money on the acceleration.
  - Might be viewed largely as self insurance, as the consumer is receiving their own “assets” in advance of death.
  - Protect the producer.
Life/LTC Product Basics

- Second generation LTC combo, aka “Hybrids” or “linked benefit” products - adds Extension of benefit (EOB)
  - EOB riders are structured to continue paying benefits beyond the pure acceleration of the life face amount
    • They can potentially pay long-term care insurance benefits that may, over time, be two or three times the life face amount or even higher
  - Asset re-positioning: Return assets, a multiple of assets (DB), or a multiple of DB (EOB)
  - Inflation option rounds out the coverage and addresses the comprehensive LTC need
# Pension Protection Act Impact on Life/LTCI Combos

## Previous Law vs. PPA

<table>
<thead>
<tr>
<th></th>
<th>Previous Law</th>
<th>PPA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Benefits</strong></td>
<td>LTC benefits are tax-free if they qualify under 7702B or 101(g)</td>
<td>Same</td>
</tr>
<tr>
<td><strong>Tax Treatment of charges</strong></td>
<td>The LTC rider charges are treated as distributions. MEC contracts treated as gain first.</td>
<td>The LTC rider charges still distributions, but not taxable; however, they reduce basis in the life contract</td>
</tr>
<tr>
<td><strong>1035 Exchanges</strong></td>
<td>Tax treatment of transaction unclear</td>
<td>Allowed</td>
</tr>
</tbody>
</table>
Chronic Illness accelerated death benefit riders

- Chronic Illness Riders under IRC Section 101(g) and Model Reg 620
  - Designed to comply with 101(g) requirements means that the accelerated benefit payments received by the policyholder are intended to qualify for favorable tax treatment as death benefits
  - Unlike LTCI Riders under 7702B, chronic illness riders are generally governed by NAIC Model Regulation 620, the Accelerated Benefits Model Regulation, which pertains to accelerated benefits other than tax-qualified long-term care insurance benefits

- Products cannot be described or marketed as long-term care insurance
- No restrictions are permitted on the use of accelerated benefit proceeds (thereby simplifying claims administration versus most LTCI riders)
- Payment options must include option to take the benefit as a lump sum
- Other triggers allowed under Reg 620 include terminal illness, critical illness, permanent confinement in a care facility, or variations approved by the Commissioner
Chronic Illness accelerated death benefit riders

- Chronic Illness Riders under IRC Section 101(g)
  - A similarity between 101(g) riders and qualified LTCI riders (and thus a confusing point)
    - Although chronic illness riders are not qualified LTCI riders, IRC Section 101(g) imposes benefit trigger requirements, pointing back to the definition of “chronically ill individual” from Section 7702B(c)(2)
    - The individual must be “certified by a licensed health care practitioner within the preceding 12 month period as being unable to perform at least 2 ADLs for a period of at least 90 days, have a level of disability similar to the level of disability described in clause (i), or requiring substantial supervision to protect the individual from threats to health and safety due to severe cognitive impairment”
    - Some regulators, including the Interstate Compact, will constrain chronic illness plans to only cover conditions that are deemed to be permanent, which is less marketable
Chronic Illness accelerated death benefit riders

- Chronic Illness Riders under IRC Section 101(g)
  - Factors favoring chronic illness over LTC
    - For life insurance companies and producers not familiar with long-term care insurance regulations that govern qualified LTCI riders under 7702B, it may be an easier path to offer 101(g) chronic illness riders
    - Chronic illness riders are not subject to a variety of forms and applicants’ signatures mandated for LTCI
    - Agents do not need a health license or LTCI training in order to sell chronic illness riders
    - Annual lump sum payouts simplify claims processing, but HIPAA limits apply for favorable tax treatment; what happens when annual payment is made and insured recovers shortly thereafter?
Chronic Illness accelerated death benefit riders

– Factors favoring Tax Qualified LTC ADB over chronic illness
  • Possible springboard to a more complete LTC solution that goes beyond only advancing the death benefit; not possible with chronic illness
  • Chronic illness cannot be presented as LTC
  • Lump sum requirements for chronic illness forces companies into a more costly indemnity or disability model (claim costs may be 60% to 70% higher than for an expense reimbursement LTC model)
  • Terminal illness requirement for many chronic illness plans
  • Chronic illness plans that only cover conditions that are deemed to be permanent are less marketable
  • Agent training requirements for LTC may protect the producer
Pricing/Benefit Structures used in the Design of Chronic Illness Riders

- There are generally three different pricing structures used in the design of chronic illness riders: (1) Discounted death benefit approach, (2) Lien approach, and (3) Dollar-for-Dollar death benefit reduction approach.
  - **Discounted death benefit approach:**
    - Insurer pays the owner a discounted percentage of the face amount reduction, with the face amount reduction occurring at the same time as the payment
    - The most popular approach in the market, especially among smaller companies, avoiding the need for charges upfront
Pricing/Benefit Structures used in the Design of Chronic Illness Riders

- Lien approach:
  - The payment of accelerated death benefits is considered a lien or offset against the death benefit of the policy and access to the cash value is restricted to any excess of the cash value over the sum of any other outstanding loans and the lien
  - Future premiums or charges for the coverage are unaffected, and the gross cash value continues to grow as if the lien had not occurred
  - Hard to make this design profitable for insurers
Pricing/Benefit Structures used in the Design of Chronic Illness Riders

- **Dollar-for-dollar death benefit reduction approach:**
  - When an accelerated benefit is payable, there is a dollar-for-dollar reduction in the death benefit and a pro rata reduction in the cash value based on the percentage of death benefits accelerated.
  - Premium requirements or cost of insurance charges for the remaining life coverage are naturally reduced into the future by virtue of the reduction in future benefits.
  - Benefit payments are typically reduced by inherent loan repayments that result in a preservation of the loan-to-cash-value relationship.
  - Client receives undiscounted death benefits, potentially up to the full face amount under some products, avoiding the potential for misunderstanding that can occur under the discounted death benefit approach.
Market Developments – Sales

- According to LIMRA’s 2012 study regarding individual life combination products:
  - Individual life combination products grew 10% by premium in 2012, the fourth consecutive year of double-digit growth.
  - Total new premium for life combination products reached $2.4 billion in 2012, representing 11% of total individual life insurance new premium.
  - More than 86,000 combination policies were sold in 2012, a 19% increase compared with 2011 results.
  - Per Milliman survey, 16% of UL sales include LTC rider and 14% include chronic illness rider in first 9 months of 2012
Market Developments – Chronic Illness Accelerated Benefit riders

- Several companies offer chronic illness riders under 101(g), including Allstate, American National (ANICO), Ameritas Life, Aviva, Columbus Life, EquiTrust, Great-West, Guardian, Knights of Columbus, Hartford, Lincoln, Met Life, Midland National/NACOLAH, National Life, National Western Life, NACOLAH, Pacific Life, Penn Mutual, Principal, Protective Life, Prudential Financial, Security Mutual of NY, Symetra, Transamerica, United of Omaha and Western-Southern.

- Note: this is not an all-inclusive list.
Current Interest Rate Challenges for Life Combos

- Life combos may still work fine, but concerns exist about policyholder behavior if interest rates spike in the future
  - Return of premium provisions create some risk of exchanges to new, lower priced products in that environment
  - The risk diminishes fairly quickly in the first few years after issue since LTC costs for new issues go up by issue age
  - Vesting schedule for ROP, so it is now graduated
  - Pricing sensitivity testing should be conducted
  - Stochastic analysis
  - Hedging programs can help mitigate market value loss risk, but not unamortized acquisition expense risk
Questions?
DATE: October 1, 2013

FROM: Karen Z. Schutter
IIPRC Executive Director

RE: Filing Process for Product Filings that Include Montana to Demonstrate Compliance with Constitutional Unisex Requirement

Statutory References: Articles IV(3) and (6), X(2), and XVI(2) of the Interstate Insurance Product Regulation Compact as adopted by Compacting States.

Operating Procedure References: Section 103 of the Operating Procedure for the Filing and Approval of Product Filings (“Product Filing Rule”).

Purpose: Filing Information Notices explain steps or clarifications in the IIPRC’s process for filing and review of product filings under the applicable Uniform Standards. This Filing Information Notice only applies to product filings where Montana is an included Compacting State for purposes of use and approval.

BACKGROUND:

On October 1, 2013, Montana joined the Interstate Insurance Product Regulation Commission (“IIPRC”) when Senate Bill 28 became effective. The IIPRC will begin allowing companies to include Montana on applicable product filings on and after October 15, 2013.

In its enabling legislation, Montana opted out by legislation of long-term care Uniform Standards and disability income Uniform Standards. Furthermore, Montana’s constitutional equal protection requirement, as codified in Mont. Code Ann. § 49-2-309, prohibits discrimination solely on the basis of sex or marital status in the issuance or operation of any type of insurance policy, plan or coverage. This requirement is applicable to Compact-approved products issued or sold in Montana pursuant to Article XVI, Section 2 of the Interstate Insurance Product Regulation Compact.

This Filing Information Notice outlines the process for demonstrating compliance with Montana’s unisex requirement where Montana is an included Compacting State for purposes of use and approval.
FILING PROCEDURES:

1. Updated Submission Requirement for Stating Whether Policy is Sex-Distinct or Unisex:

a. Filers will be required to comply with an updated submission requirement for new Compact filing submissions submitted under applicable group and individual life Uniform Standards regarding the statement as to whether the policy is sex-distinct or unisex as follows:

State whether the policy is sex-distinct or unisex. If sex-distinct, the company shall confirm that the policy will not be issued in any employer-employee plans that are subject to the Norris decision and/or Title VII of the Civil Rights Act of 1964. If Montana is included in this filing or added to the filing after approval, please confirm that the company will issue the forms included in this filing to Montana residents on a unisex basis only, and will not issue to Montana residents on a sex-distinct basis.

b. Filers will be required to comply with a new submission requirement for new Compact filing submissions submitted under applicable individual annuity Uniform Standards regarding the statement as to whether the policy is sex-distinct or unisex as follows:

State whether the policy is sex-distinct or unisex. If sex-distinct, the company shall confirm that the policy will not be issued in any employer-employee plans that are subject to the Norris decision and/or Title VII of the Civil Rights Act of 1964. If Montana is included in this filing or added to the filing after approval, please confirm that the company will issue the forms included in this filing to Montana residents on a unisex basis only, and will not issue to Montana residents on a sex-distinct basis.

2. Including Montana in New Compact Filing Submissions

a. Filers may only include Montana on new Compact filing submissions that include forms and/or supporting documentation that can be issued on a unisex basis.

b. Filers have several methods for making a Compact filing submission that can be issued on a unisex basis such as:

i. A unisex endorsement filed for use with a Compact-approved product;

ii. Two separate policies—one sex-distinct and one unisex;

iii. Two versions of specification/data pages—one sex-distinct and one unisex (NOTE: this option requires separate form numbers for each version of the specification/data pages which must be separate and distinct from the contract form number); or
iv. One version of the form that is gender neutral or caveats or brackets the applicability of sex/gender references. Please note the IIPRC will not approve forms that specifically reference a particular Compacting State. Filers using bracketed language shall ensure consistency with the Statement of Variability.

c. Please note the Montana Office of the Commissioner of Securities and Insurance has informed the IIPRC Office it will not accept unisex endorsement filings filed directly with their Office on a mix-and-match basis with IIPRC-approved filings. If a filer wishes to use a unisex endorsement with an approved Compact filing, it must file with the IIPRC.

3. **Adding Montana to Previously-Approved Compact Filings**

a. Filers may only add Montana to previously-approved Compact filings that already include forms and/or supporting documentation that can be issued on a unisex basis.

b. Filers must **not** add Montana to previously-approved Compact filings that include forms and/or supporting documentation that can only be issued only on a sex-distinct basis.

c. If a previously-approved Compact filing has been approved on a sex-distinct basis, the filer shall **not** reopen the previously-approved filing to add forms or supporting documentation for a unisex basis. Instead, a new filing will be required for the unisex version. Please refer to Section 4.a. below.

4. **Making a Product Filing for Purposes of Making Previously-Approved Compact Product Filings Unisex**

a. If a filer has previously-approved Compact filings that include forms and/or supporting documentation that can be issued only on a sex-distinct basis, the filer must make a new product filing that includes a unisex version of the forms and/or supporting documentation, to be used with the previously submitted and/or approved forms. Please refer to Section 2.b. above for the suggested options.

b. The filer shall identify in the General Filing Description section the SERFF Tracking number for the previously submitted and/or approved Compact filings that the new forms will be used with.

c. Once the new product filing (i.e., the filing that is unisex) is approved by the IIPRC, the filer may add Montana to the previously-approved product filings (i.e., the filings that were originally only sex-distinct) provided the forms when issued in Montana, can only be issued on a unisex basis.

d. Please note applicable IIPRC filing fees as well as filing fees for states selected on the new filing will apply (NOTE: Montana does not have product filing fees).
APPLICABLE IIPRC FORMS:
None

EFFECTIVE DATE:
OCTOBER 15, 2013

CONTACT INFORMATION:
Questions regarding this Notice should be directed to:
Interstate Insurance product Regulation Commission
444 North Capitol Street, NW
Hall of the States, Suite 701
Washington, DC 20001-1509
Telephone: (202) 471-3962
Facsimile: (816) 460-7476
E-mail: comments@insurancecompact.org
IIPRC Product Filing Statistics
*As of October 31, 2013*

The tables below provide statistics on the product filings submitted to the IIPRC since first accepting product filings in June 2007 through October 31, 2013.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Companies Registered</td>
<td>178</td>
<td>167</td>
<td>132</td>
<td>113</td>
<td>74</td>
<td>38</td>
<td>N/A</td>
</tr>
<tr>
<td>Filings Received</td>
<td>661</td>
<td>744</td>
<td>464</td>
<td>368</td>
<td>244</td>
<td>106</td>
<td>36</td>
</tr>
<tr>
<td>Forms Submitted</td>
<td>2,329</td>
<td>2,595</td>
<td>1,588</td>
<td>1,456</td>
<td>1,314</td>
<td>395</td>
<td>113</td>
</tr>
<tr>
<td>Amended Filings</td>
<td>211</td>
<td>157</td>
<td>78</td>
<td>40</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Products Approved</td>
<td>651</td>
<td>625</td>
<td>436</td>
<td>320</td>
<td>279</td>
<td>126</td>
<td>29</td>
</tr>
<tr>
<td>Transactions *</td>
<td>20,833</td>
<td>19,063</td>
<td>13,685</td>
<td>8,446</td>
<td>7,494</td>
<td>3,063</td>
<td>552</td>
</tr>
<tr>
<td>Approval Time (avg) **</td>
<td>28</td>
<td>23</td>
<td>38</td>
<td>42</td>
<td>28</td>
<td>25</td>
<td>35</td>
</tr>
<tr>
<td>Average # of states/filing</td>
<td>31</td>
<td>31</td>
<td>31</td>
<td>26</td>
<td>28</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>Mix &amp; Match %</td>
<td>55%</td>
<td>62%</td>
<td>63%</td>
<td>63%</td>
<td>75%</td>
<td>75%</td>
<td>100%</td>
</tr>
<tr>
<td>State filing fees collected</td>
<td>$1,526,950</td>
<td>$1,728,081</td>
<td>$992,506</td>
<td>$735,683</td>
<td>$499,942</td>
<td>$139,910</td>
<td>$62,965</td>
</tr>
<tr>
<td>IIPRC filing fees (Approx.)</td>
<td>$477,002</td>
<td>$407,788</td>
<td>$274,127</td>
<td>$225,442</td>
<td>$130,900</td>
<td>$68,730</td>
<td>$18,050</td>
</tr>
</tbody>
</table>

**Historical Filing Data (Year To Date)**

Registrations as of Oct 31
2008 to 2013

* “Transactions” refers to the total number of SERFF transactions that have been made through the IIPRC.
** The time for product approval is calculated utilizing business days and excludes the company response time to objection letters, as defined in §105 of the “Product Filing Rule”.

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2013 IIPRC PRODUCT FILING TRENDS
* OCTOBER 31, 2013*

★ There are over **21 Types of Insurance (TOIs) available** for filing using the **91 adopted Uniform Standards** with more than **125 various sub-TOIs available**.

★ **2,466 products have been approved** by the IIPRC to date since June 2007; which equates to **73,136 SERFF transactions**.

★ The TOIs for the Product Filings submitted through SERFF for Compact Filings 2013 YTD:

- **LIFE** (66% of all filings received):
  o 38 % have been Whole Life Products
  o 30 % have been TOI – Other (generally application filings)
  o 15 % have been Term Life Products
  o 11 % have been Flexible Premium Adjustable
  o 4 % Variable Life
  o 2 % Endowment Life
- **ANNUITIES** (26% of all filings received):
  o 44 % have been Deferred Non-Variable Annuity
  o 33 % have been Deferred Variable Annuity
  o 14 % have been Annuity – Special (generally application filings)
  o 9 % have been Immediate Non-Variable Annuity
- **LONG-TERM CARE** (7% of all filings received)
- **DISABILITY INCOME** (1% of all filings received)

★ Of the 2013 Registered Companies who have submitted filings in 2013:
  o 4 % have filed 10 or more times
  o 23 % have filed 5 or more times
  o 51 % have filed 2 or more times
  o 22 % have filed once
  o 16 % are first time filers with 60% of these filers submitting 2 or more filings in 2013
  o 88 % of the 2013 registered companies are companies who have previously registered (to date).

★ There have been 9,790 forms submitted with product filing submissions. The average number of forms per filing is 4. In 2007, the most forms submitted in one product filing were 17; in 2010, the most forms submitted in a single submission were 63; in 2011, the most forms submitted in a single submission were 34; in 2012, the most forms submitted in a single submission were 65; and in 2013, the most forms submitted in a single submission were 103.