

Department of Consumer & Business Services  
**Oregon Insurance Division – 5**  
P. O. Box 14480  
350 Winter St. NE,  
Salem, Oregon 97309-3883  
Phone (503) 947-7983

**SUPPLEMENT A**  
**EQUITY INDEX OR TWO-TIERED ANNUITIES**  
ORS 742.003(1)

*This checklist (product standards) has been provided as an aid to assist you in preparing your filing. It does not need to be included with a paper submission, nor does it need to be attached in SERFF under the Supporting Documentation tab. However, the reviewer may request the completed checklist (product standards) at any time during their review. ORS 731.296, OAR 836-080-0011 (2) & (3). Please see the base contract product standards (or the riders, endorsements or amendments product standards, if applicable) for items that are not specifically addressed in this product standard but which are relevant.*

*This checklist includes relevant statutes, rules, bulletins and other documented positions to enforce ORS 731.016. **The standards are summaries. Review of the entire statute or rule may be necessary.** After diligent consideration has been given to each item, mark either the “Yes” or the “N/A” box. Compliance with these provisions must be certified by both the filer and an officer of the company signing the Certificate of Compliance form. These signatures certify the forms being submitted meet the requirements of our checklist and statutes. “Not applicable” can be used only if the item does not apply to the coverage being filed. If the reviewer requests the checklist (product standards), any line left blank may result in the delay or disapproval of the filing. To assist in our review, please identify the required provisions by providing the page/paragraph of the provisions on this form. You may also bookmark the various provisions.*

*These standards are established by the Commissioner as minimum requirements for fair consumer protection and adequate understanding by the consumer and producer of this complex product. Information under this supplement is determined necessary to evaluate the filing for compliance. ORS 731.296. Please note that many of the requirements referred to in the appropriate deferred contract standards or if applicable, the riders, endorsements and amendments product standards are also required for this product. For example, the free look period, entire contract, incontestability, etc. are applicable here.*

*Note: Oregon statutes describe annuities as policies. All references to contract are subject to “policy” statutory references.*

**Completed for policy number:** \_\_\_\_\_

**Types of coverage:**

A07I.001 Individual fixed equity index

A07G.001 Group fixed equity index

(Complete and attach if filing includes an equity-indexed or two-tiered annuity)

Review requirements	Reference	Description of review standards requirements	Check the box verifying compliance
<b>GENERAL REQUIREMENTS</b>			
Submission requirements	ORS 731.296	Specify upfront in the cover letter or description that this is an equity indexed product or two-tiered product. A sample annual report to the contract owner is included, which fairly represents the contract guarantees and the limitations on secondary values.	Yes <input type="checkbox"/> No <input type="checkbox"/>
	ORS 746.100	A description of the company's training programs for agents on the equity index or two-tiered features in this contract, including required and optional sessions, time commitment, and who in the home office has responsibility for monitoring the training.	Yes <input type="checkbox"/> No <input type="checkbox"/>
	OAR 836-080-0090, OAR 836-080-0170 to 0190	Include the table of contents for each section of the training manual and handouts that verify the inclusion of the following: (1) The volatile nature of the annuity values (2) The limited access to cash-surrender values (3) The application of suitability issues including recommended ages and income levels best suited. Identify the specific types of sales that the company would <u>not</u> accept as suitable. (4) The interest crediting methodology and calculation.	Yes <input type="checkbox"/>
Advertisements	ORS 742.009, ORS 731.296, Transmittal and Standards for Life and Annuity Advertisements	Disclosure materials provided to the agent and to the consumer prior to sale are included in this submission. Any equity indexed advertisements are subject to pre-approval. The disclosure materials include the following: (1) The guaranteed basis for the contract, clearly and prominently stated before other features. (2) An easily understandable description of key factors that go into the index or tiers calculation method. (3) A description that includes examples of how the index fluctuates or the spread differs between the tiers and how factors such as the index participation rate, cap, or spread in the contract affect the returns, how they operate in conjunction with one another, and how the factors can change. (4) A description of all current and guaranteed rates, period, etc., and how they may change in the future.	Yes <input type="checkbox"/> Yes <input type="checkbox"/> Yes <input type="checkbox"/> Yes <input type="checkbox"/> Yes <input type="checkbox"/> N/A <input type="checkbox"/>

Review requirements	Reference	Description of review standards requirements	Check the box verifying compliance	
Advertisements	ORS 742.009, ORS 731.296, Transmittal and Standards for Life and Annuity Advertisements	(5) Any numerical summaries for indexed products are similar to the life rule in OAR 836-051-0500 to 0600 that illustrate the pros and cons of possible performance results. (Example: comparison of indexed products to the performance of the insurer's traditional product. The illustration may be based on the prior 10 years or more, showing results to the current date, had both products been purchased. Illustrate values, including cash-surrender values, for the end of each year. The indexed values must be actual values from the period indicated and the contract participation factor. The minimum guaranteed values for each year need to be shown within reasonable proximity. Any example or illustration of an index must prominently disclose a NOTICE that actual future performance depends on future market conditions and is not guaranteed in excess of the minimum guaranteed interest rate.)	Yes <input type="checkbox"/>	N/A <input type="checkbox"/>
		(6) Illustration of two-tiered values, clearly and prominently states cash-surrender value and all limitations to receiving the annuitization tier value, including minimum annuitization options and the effect on death benefits.	Yes <input type="checkbox"/>	N/A <input type="checkbox"/>
Applications	ORS 742.005(2)	The application is included in the filing and includes a prominent statement for the applicant to acknowledge that specifies the limitations to receiving indexed values during any term period or second-tiered values should the contract be surrendered.	Yes <input type="checkbox"/>	N/A <input type="checkbox"/>
		The application must contain a prominent statement for the applicant to acknowledge that the applicant understands that he/she is applying for an equity indexed annuity. The application must also disclose that while the values of the policy may be affected by an external index, the policy does not directly participate in any stock or equity investments. Disclose to the consumer that the contract may use a different method to calculate gains in the index after the first term (if applicable).	Yes <input type="checkbox"/>	N/A <input type="checkbox"/>

## CONTRACT PROVISIONS

Account value	ORS 731.296, ORS 742.005(2), OAR 836-080-0170 to 0190 and OAR 836-080-0090	If the contract does not include account options other than an equity index or two-tiered account or transfer rights to a fixed contract, <i>explain the suitability measures taken.</i>	Yes <input type="checkbox"/>
	ORS 742.005(2)	The contract clearly describes additional values (based on equity index or two tiers) in an understandable manner, easy for the consumer to calculate using minimal formulas and factors and well-defined terms.	Yes <input type="checkbox"/>
Account value (two-tiered)	ORS 743.278(1)(e), ORS 742.005(2) & (3), ORS 743.153, ORS 742.023	Two-tiered contract includes the following for the secondary tier. (1) Clear and prominent description of the nonforfeiture method as the calculation for contract values. (See policy and actuarial requirement for nonforfeiture in the appropriate product standards.) (2) Clear identification on the specification page of the base contract as providing the cash-surrender values during the accumulation period. (3) The required cash value table on the specification page is based on minimum nonforfeiture values and not the secondary tier. This table is required for two-tiered contracts regardless of compliance with the Annuity Disclosure Model Regulation. (4) Any loads that apply to premiums are expressed as cost factors and not as reductions in premium. (5) Accumulation differences between the tiers, disclosed on the specifications page and clearly defined in the contract.	Yes <input type="checkbox"/> Yes <input type="checkbox"/> Yes <input type="checkbox"/> Yes <input type="checkbox"/> Yes <input type="checkbox"/>
Equity index	ORS 743.278(1)(c), ORS 742.023	The contract provision describes the index, which is an established index published in a recognized journal. If the provision allows for the replacement if the index is discontinued, or the calculation of the index itself changes substantially the contract states it is subject to state approval. The name of the index may be bracketed as variable for filing purposes if all the alternate indices are listed on the Statement of Variability (SOV). The index interest crediting methodology may be bracketed on the specifications page for filing purposes if a) all the alternate index interest crediting methodologies are listed on the SOV; b) along with all the text that would be included in the contract explaining how each crediting methodology is calculated is on the SOV; and c) the text for explaining how the index interest crediting methodologies is included in the contract (it may be on the specifications page or elsewhere in the contract).	Yes N/A <input type="checkbox"/> <input type="checkbox"/>
	ORS 742.005(2), ORS 742.023(1)	The policy form must include a description of the death benefit provided by the policy and how the death of the policyholder affects the cash value and excess interest accumulation in the policy.	Yes N/A <input type="checkbox"/> <input type="checkbox"/>

Review requirements	Reference	Description of review standards requirements	Check the box verifying compliance
Equity index, continued	ORS 742.005(2), ORS 742.023(1)	The cover page must contain a prominent notice accurately describing the contract's involvement with an external index. The notice should disclose that while values of the policy may be affected by an external index, the policy does not directly participate in any stock or equity investments. This notice must include a disclosure to the consumer that they might not receive any gain in the index due to the method used to calculate and apportion gain. Disclose to the consumer that the contract may use a different method to calculate gains in the index after the first term (if applicable).	Yes <input type="checkbox"/> N/A <input type="checkbox"/>
	ORS 743.293(5) & (6), ORS 743.293(4)(b)	<p>In order to take advantage of the 1% reduction in ORS 743.295(5) the contract must meet the substantive participation requirement and the annual cost of the equity index benefit must be demonstrated to be at least 25 basis points. To meet substantive participation, the contract must state that after taking into account the participation rate, cap, spread, margin, etc. working in conjunction with each other that it will provide a 15% pass through of any gain in the index if the participation rate, cap, spread, margin, etc. in the contract does not otherwise provide for that.</p> <p>To demonstrate the annual cost of the equity index benefit, provide the following demonstration :</p> <p>(1) Calculate the annualized option cost in the form of basis points for the entire Index Term as of the beginning of the Index Term.</p> <p>(a) Use the contract's guaranteed product features, such as the guaranteed participation rate, guaranteed caps, etc.</p> <p>(b) For the option cost, use a basis representative of the point in time at the beginning of the current index term. The company cannot change this basis during the index term.</p> <p>(c) Make no adjustments for persistency, death, utilization, etc.</p> <p>(d) The method and parameters for the option cost shall be calibrated to capital markets based option pricing.</p> <p>(2) If the contract meets the criteria for substantive equity-indexed participation, then a reduction is available equal to the lesser of 100 basis points and the annual cost basis value but not below the 1% minimum in ORS 743.293(4)(b).</p> <p>(3) The company shall prepare and submit an actuarial certification, signed by a member of the American Academy of Actuaries that the reduction complies with requirements at the time that the contract form is filed.</p>	<p>Yes <input type="checkbox"/> min. 15% <input type="checkbox"/> points</p> <p>Confirm <input type="checkbox"/></p>

Review requirements	Reference	Description of review standards requirements	Check the box verifying compliance
Equity index, continued	ORS 743.278(1)(c), ORS 742.005(2) & (3), ORS 742.023, ORS 743.153(1)(f), ORS 743.293, ORS 743.284	<p>Equity-indexed contracts include the following for the equity-indexed portion. <i>(If the contract includes other fixed accounts, minimum guarantees are demonstrated as required in the appropriate product standards.)</i></p> <ol style="list-style-type: none"> <li>1. Clear and prominent description of the nonforfeiture method as the calculation for contract values as required in the contract nonforfeiture standards on the appropriate product standards.</li> <li>2. Clear identification on the specification page of all factors applied to the index, such as the index participation rate, cap, or spread. Clear description of how these factors are applied in a simple, understandable formula.</li> <li>3. Current initial participation rates, caps, margins, etc., disclosed on the specification page also discloses the initial period for the current factors, and the applicable minimum or maximum guarantee for each current factors. The guaranteed and current items must be in close proximity to each other. The guaranteed participation rate, cap, margin and spread may be bracketed for filing purposes. Once issued, the guaranteed values are not variable and are applicable for the duration of the contract. The SOV must contain a reasonable and realistic range.</li> <li>4. Any loads that apply to premiums, expressed as cost factors and not reductions in premium.</li> <li>5. If the contract includes both a non-indexed fixed account and an equity-indexed option, the required cash-value table on the specification page is provided for each, disclosing minimum values. The table is not required if the insurer is in compliance with the Annuity Disclosure Model Regulation.</li> <li>6. If the guaranteed term is available for only one term at issue, prominent disclosure of the fact on the specifications page and description of how funds will be transferred to non-indexed fixed account.</li> <li>7. If guaranteed terms are available upon renewal, options are on the specification page, and described in the contract.</li> <li>8. A statement that, at the end of the guaranteed term, any equity index value is added to the contract accumulation value and any renewal of guaranteed terms does not restart surrender charges or loads.</li> <li>9. If an indexed credit is applied only at the end of a term, prominent disclosure on the specification page that no credits are added if withdrawal, transfer, surrender, annuitization or death occur prior to the end of the term.</li> <li>10. The contract must state whether or not stock dividends on the index itself are part of the index value.</li> <li>11. The indexed portion of the contract must use the same minimum guaranteed interest rate (MGIR) and/or nonforfeiture rate as the non-indexed portion.</li> </ol>	<p>Yes <input type="checkbox"/></p> <p>Yes <input type="checkbox"/></p> <p>Yes <input type="checkbox"/></p> <p>Yes <input type="checkbox"/></p> <p>Yes <input type="checkbox"/></p> <p>Yes <input type="checkbox"/></p> <p>Yes <input type="checkbox"/></p> <p>Yes <input type="checkbox"/></p> <p>Yes <input type="checkbox"/></p> <p>Yes <input type="checkbox"/></p> <p>Yes <input type="checkbox"/></p>



Review requirements	Reference	Description of review standards requirements	Check the box verifying compliance
Ratemaking - Equity index, continued	ORS 731.296	(3) A description of the reserving methodology used to calculate statutory reserves and a description of the methodology used to calculate the statutory value of any derivative instrument used in the investment strategy. (Include the method of valuation of the index-based benefits and any assumptions used.)	Yes <input type="checkbox"/>
		(4) A description of the asset-testing methodologies that address product features, describing weaknesses revealed by asset-adequacy testing and how the weakness will be minimized. (Example: If the index remained level for three years, how would the company address cash flow and reserve needs for active policies? Include a statement as to how the product will be reported for risk-based capital purposes.)	Yes <input type="checkbox"/>
		(5) An explanation of how the investments are appropriate for the liabilities and the market risk due to fluctuation of asset and liability values. For equity-indexed guaranteed periods, show for each guaranteed period.	Yes <input type="checkbox"/>
Equity index	ORS 731.296	Equity-indexed filings: (a) If the participation rate, cap, margins, etc., are filed as variable ranges, include a chart setting forth how each will vary in conjunction with one another. (b) Current participation rates, caps, margins, etc., are prospectively declared and do not change during a term period. (c) Demonstrate compliance with nonforfeiture values in accordance with the appropriate product standard. (In the formula description for CMT, describe any additional basis points utilized in accordance with ORS 743.293(5).)	Yes N/A <input type="checkbox"/> <input type="checkbox"/> Yes N/A <input type="checkbox"/> <input type="checkbox"/> Yes N/A <input type="checkbox"/> <input type="checkbox"/>
Two-tiered annuities	ORS 731.296	Two-tiered filings: (a) A description of how the second tier is supported and a demonstration that its support is not based on the first tier. (b) A demonstration of compliance with nonforfeiture values in accordance with the appropriate product standard.	Yes N/A <input type="checkbox"/> <input type="checkbox"/> Yes N/A <input type="checkbox"/> <input type="checkbox"/>