

## Individual Deferred Annuities Checklist

Every effort has been made to ensure the accuracy of the information in this document. All parties should consult the Texas Insurance Code (TIC), the Texas Administrative Code (TAC), and other applicable laws.

### Face Page Brief Description - [TIC Chapter 1701](#) and [28 TAC Section 3.2\(9\)\(C\)](#)

Page \_\_\_\_\_ : The face page must describe the type of annuity and may not be misleading or contradict the policy provisions.

### Required Nonforfeiture Contract Provisions - [TIC Section 1107.003](#)

Page \_\_\_\_\_ : A paid-up annuity benefit plan that is provided as a settlement option in the contract must be designated as an automatic option. The automatic settlement option may be set forth in the provisions of the contract; in the application (if the application is part of the entire contract); or on the data page.

Page \_\_\_\_\_ : The company may defer payment of a cash surrender value for up to six months from the date of request.

Page \_\_\_\_\_ : State the mortality table, if any, and interest rates used to compute any minimum paid-up annuity, cash surrender, or death benefits.

Page \_\_\_\_\_ : A statement that any paid-up annuity, cash surrender, or death benefits available under the contract are not less than the minimum benefits required by this state.

Page \_\_\_\_\_ : Explain how a paid-up annuity, cash surrender, or death benefit is changed due to additional amounts (any additional interest rates or bonuses) credited to the contract, indebtedness, or prior withdrawals, or partial surrenders.

### Optional Termination - [TIC Section 1107.004\(a\)](#)

Page \_\_\_\_\_ : The contract may provide for termination if no considerations have been received for two years and the automatic paid-up annuity plan at maturity would be less than \$20 per month.

### Contracts that Do Not Provide Cash Surrender Values or Death Benefits - [TIC Section 1107.005](#)

Page \_\_\_\_\_ : Contracts that do not provide a cash surrender benefit or a death benefit that is at least equal to the minimum nonforfeiture amount before annuity payments begin must include prominent statement that those benefits are not provided.

## **Maturity Date** - [TIC Section 1107.006](#)

Page \_\_\_\_\_ : In determining the value of benefits under Sections [1107.102](#), [1107.103](#), and [1107.104](#), the maturity date is the latest date on which an election is permitted by the contract, but not later than the next anniversary of the annuity contract that follows the annuitant's 70th birthday, or the 10<sup>th</sup> anniversary of the contract.

Page \_\_\_\_\_ : For contracts that allow for maturity of the contract at age 100 or higher, the automatic annuity option may not be a life only option.

## **Present Value of Paid-Up Annuity** - [TIC Section 1107.101\(b\)](#)

Page \_\_\_\_\_ : The present value shall be computed using the mortality table, if any, and the contract interest rate to determine the minimum paid-up annuity benefits.

## **Contracts That Provide Cash Surrender Benefits** - [TIC Sections 1107.103\(a\) and \(b\)](#)

Page \_\_\_\_\_ : Benefits shall not be less than the maturity value discounted to the date of surrender by an interest rate not more than 1% higher than the guaranteed interest rate.

## **Contracts That Provide Death Benefits** - [TIC Section 1107.104](#)

Page \_\_\_\_\_ : The value of the death benefit may not be less than the value of the cash surrender benefit.

## **Interim Cash Value Statement** - [TIC Section 1107.105](#)

Page \_\_\_\_\_ : For fixed, scheduled premium annuity contracts, the value of a paid-up annuity, cash surrender or death benefit that is available under the contract on a date other than an anniversary shall be computed to allow for the lapse of time and the payment of any premiums after the anniversary.

## **Contracts that Provide both Annuity and Life Insurance Benefits** - [TIC Section 1107.106](#)

Page \_\_\_\_\_ : If the contract provides both annuity benefits and life insurance benefits, which are greater than either the cash surrender value or gross premiums paid plus interest, then minimum nonforfeiture benefits for the two parts shall be calculated separately.

## **Rescission Period Required** - [TIC Sections 1116.002\(a\) and \(b\)](#)

Page \_\_\_\_\_ : A fixed annuity contract must provide that, for a period of at least 20 days after the date the contract is delivered, the purchaser may rescind the contract and receive an unconditional refund of premiums paid for the contract, including any contract fees or charges.

Page \_\_\_\_\_ : A variable or modified guaranteed annuity contract must provide that, for a period

of at least 20 days after the date the contract is delivered, the purchaser may rescind the contract and receive an unconditional refund that is equal to the cash surrender value provided in the contract plus any fees or charges deducted from the premiums or imposed under the contract.

**Entire Contract** - [TIC Section 841.303](#)

Page \_\_\_\_\_ : The policy, or policy and application, constitute the entire contract.

**Required Contract Provisions** - [TIC Chapter 1701](#) and [28 TAC Section 3.2\(9\)\(c\)](#)

Page \_\_\_\_\_ : The contract must address the beneficiary, any contingent beneficiary, or any change in beneficiary.

Page \_\_\_\_\_ : The contract must address distribution of the contract's proceeds: if more than one beneficiary is alive when the owner/annuitant dies; and if no beneficiary is alive when the owner/annuitant dies.

Page \_\_\_\_\_ : The contract must define any premium charges and any maximum or minimum limitations.

Page \_\_\_\_\_ : If the age or sex of the annuitant has been misstated, then the amount payable under the contract will be what the premiums would have purchased at the correct age.

Page \_\_\_\_\_ : If the contract discusses overpayments or underpayments, then it must address both.

Page \_\_\_\_\_ : If the contract discusses an interest rate for overpayments and underpayments, then the contract must state the interest rate or how the interest rate is determined.

Page \_\_\_\_\_ : Any reference to taxes must specify the type of tax (e.g., "premium," "maintenance," etc.) and include a clarifying phrase such as "if any" or "if applicable."

Page \_\_\_\_\_ : The contract must define the owner, his/her rights and responsibilities, any change in ownership, and any contingent owner.

Page \_\_\_\_\_ : The status of the contract upon the death of the owner prior to the maturity date, and the status of the contract and amounts available upon the death of the annuitant (if different) prior to the maturity date.

**Assignment** - [TIC Chapter 1701](#) and [28 TAC Section 3.2\(9\)\(C\)](#)

Page \_\_\_\_\_ : Any assignment provision, which attempts to restrict the owner's rights, is not permitted. [TIC Section 1701.055\(a\)\(2\)](#)

Page \_\_\_\_\_ : Assignment of the policy benefits or proceeds is not prohibited unless: The policy provides for dividends, coupon accumulations, or other guaranteed returns; and provides for the

assignment of these funds to a third party for the purpose of establishing an investment for the policyholder.

**Report to Contract Owners** - [28 TAC Section 4.2312](#)

Page \_\_\_\_\_ : For annuities in the payout period with changes in non-guaranteed elements and for the accumulation period of a deferred annuity, the insurer shall provide each contract owner with a report, at least annually, on the status of the contract.

**Annuity Mortality Table** - [28 TAC Sections 4.2701-4.2706](#) and Variable Material [28 TAC Section 3.4\(e\)](#)

Page \_\_\_\_\_ : The settlement options mortality table and interest rate must be specified in the contract.

Page \_\_\_\_\_ : The latest available maturity date must be defined in the contract and may be no later than age 115 (if using the Annuity 2000 Mortality Table) or 120 (if using the 2012 IAR Mortality Table).

Page \_\_\_\_\_ : The mortality table, interest rates, and any settlement option tables (if shown) may be bracketed.

**Note:** If interest rates are bracketed, the Statement of Variability must define a range, with a minimum greater than 0%.

Page \_\_\_\_\_ : A statement that settlement options and annuity payment amounts will be furnished upon request.

Page \_\_\_\_\_ : The contract must clarify the value which may be annuitized under a settlement option.

**Reserves** - [TIC Chapter 425](#) and [28 TAC Sections 4.2701-4.2706](#)

Page \_\_\_\_\_ : Reserves must be based on the 2012 IAR Table.

**Interest Rate Changes** - [28 TAC Section 3.1004\(3\)](#) and Variable Material - [28 TAC Section 3.4\(e\)](#)

Page \_\_\_\_\_ : Interest rate(s) can be variable. Variable material must be bracketed and include a statement of variability.

**Guaranteed Minimum Interest Rate Changes** - [TIC Chapters 1701](#) and [1107](#)

Page \_\_\_\_\_ : Any change to a fixed guaranteed minimum interest rate, that is not bracketed, on the policy schedule page and/or in the interest rate provision, must be submitted as a limited, partial refiling.

Page \_\_\_\_\_ : When the guaranteed minimum interest rate is a function of the five-year Constant

Maturity Treasury minimum nonforfeiture rate, then the guaranteed interest rate must be variable in the contract.

Page \_\_\_\_\_ : If the guaranteed interest rate is re-determined after issue, then the guaranteed interest rate methodology must be included in the contract.

### **Variable Material** - [28 TAC Section 3.4\(e\)](#)

Page \_\_\_\_\_ : All variable material must be bracketed and include a statement of variability.

### **Additional Guaranteed Interest Rate / Premium Bonus** - [TIC Section 1107.003\(d\)\(3\)](#)

Page \_\_\_\_\_ : The contract may indicate the guaranteed interest rate includes additional guaranteed interest rate or premium bonus, providing the contract does not provide for any front-end premium loads or expense charges.

Page \_\_\_\_\_ : The company may define a range for the additional guaranteed interest or premium bonus. The range must be reasonable and may not begin with zero.

Page \_\_\_\_\_ : The actuarial memorandum must address the reserve method for the additional guaranteed interest or premium bonus.

Page \_\_\_\_\_ : The company must provide an actuarial certification that: Any change in the method used to compute the additional guaranteed interest, premium bonus, or in the range specified will be provided to the department. The company may file uniquely numbered schedule pages reflecting the change, along with an amended actuarial memorandum.

Page \_\_\_\_\_ : Any changes in additional guaranteed interest or premium bonus must be applied in a manner that is not unfairly discriminatory.

### **Guaranteed Persistency Bonus Interest Rate** - [TIC Section 1107.003\(d\)\(3\)](#)

Page \_\_\_\_\_ : A definition of the guaranteed persistency bonus interest rate (must be an enhancement and guaranteed - e.g. 1% of the accumulated value or 1% above the declared rate), and a definition of all conditions and limitations applicable to the crediting of the persistency bonus interest.

Page \_\_\_\_\_ : A table of values, reflecting the guaranteed persistency bonus interest rate; or disclosure that the guaranteed persistency bonus interest rate is **not** reflected in the table of values.

Page \_\_\_\_\_ : Proper reserves for the guaranteed persistency bonus interest credited must be indicated in the actuarial memorandum.

## **Renewal Interest Rates and Tiered Interest Rates** - [TIC Chapter 1701](#) and [28 TAC Section 3.2\(9\)\(C\)](#)

Page \_\_\_\_\_ : Tiered interest rates based on banded premiums and banded accumulated values must meet the following requirements:

- The tiers are uniquely defined in the contract, and
- The current declared interest rate will increase in accordance with the increase in accumulated values.

Page \_\_\_\_\_ : If the tiered interest is guaranteed, then a specific increase in interest must be guaranteed for each increasing band.

## **Fixed Accounts** - [TIC Chapter 1701](#) and [28 TAC Section 3.2\(9\)\(C\)](#)

Page \_\_\_\_\_ : The company's right to limit the availability of the fixed account, premium allocations, or transfers must be defined in the contract, if applicable.

Page \_\_\_\_\_ : The contract must contain a provision that the company will provide the owner a written notice regarding changes in the availability of the fixed account at least 31 days prior to the effective date of the change.

Page \_\_\_\_\_ : A certification must be provided that the Department will be notified of any suspension of the availability of a specific period, limitations, or restrictions to the guaranteed investment periods.

Page \_\_\_\_\_ : The face page of the policy must provide prominent disclosure language regarding these limitations. For example:

- "The availability of the fixed account is determined by the company at its sole discretion."
- "The company reserves the right, at its sole discretion, to change the availability of the fixed account as shown on the schedule page."
- "The company reserves the right, at its sole discretion, to limit premium allocations, transfers, and the availability of the fixed account as shown on the schedule page."

## **Multiple Guaranteed Interest Periods** - [TIC Chapter 1701](#) and [28 TAC Section 3.2\(9\)\(C\)](#)

Page \_\_\_\_\_ : The form (application) used to elect the guaranteed interest periods must be provided.

Page \_\_\_\_\_ : All guaranteed interest period options must be defined in the transmittal or actuarial information.

Page \_\_\_\_\_ : The company's right to limit the availability of guaranteed interest periods, renewal of guaranteed interest periods, premium allocations, or transfers must be defined in the contract, if applicable.

Page \_\_\_\_\_ : The contract must contain a provision that the company will provide the owner a written notice regarding changes in the availability of guaranteed interest periods at least 31 days prior to the effective date of the change.

Page \_\_\_\_\_ : The face page of the policy must provide prominent disclosure language regarding these limitations. For example:

- "The availability of guaranteed interest periods is determined by the company at its sole discretion."
- "The company reserves the right, at its sole discretion, to change the availability of the guaranteed interest periods as shown on the schedule page."
- "The company reserves the right, at its sole discretion, to limit premium allocations, transfers, and renewals to the guaranteed interest periods as shown on the schedule page."
- "The availability of guaranteed interest periods, as shown on the schedule page are only guaranteed for the initial term."
- A certification must be provided that the Department will be notified of any suspension of the availability of a specific period, limitations, or restrictions to the guaranteed investment periods.

### **Two-Tiered Annuities** - [TIC Chapter 1701](#) and [28 TAC Section 3.2\(9\)\(C\)](#)

Page \_\_\_\_\_ : In a two-tiered annuity, the value available for annuitization (accumulation value) is always greater than the value available for surrender (cash surrender value). Two- tiered annuities must clearly disclose the following:

- The difference between the two values at all levels; and
- that the accumulation value is only available upon annuitization under specified settlement options.

### **Banded Premiums** - [TIC Chapter 1701](#) and [28 TAC Section 3.2\(9\)\(C\)](#)

Page \_\_\_\_\_ : A contract may provide for different initial guaranteed interest rates for the first year based on banded premiums.

### **Surrender Charges** - [TIC Chapter 1701](#) and [28 TAC Section 3.2\(9\)\(C\)](#)

Page \_\_\_\_\_ : Only one surrender charge is permitted under a unique form number for each annuitant class and guaranteed period.

Page \_\_\_\_\_ : If the contract contains more than one guaranteed interest period, a different surrender charge schedule is permitted for each guaranteed interest period.

Page \_\_\_\_\_ : If the contract states that excess interest paid will be recouped or reclaimed as part of a surrender, provide a certification that excess interest of no more than one year will be assessed as part of a surrender.

**Automatic Restarting of the Surrender Charges** - [TIC Chapter 1701](#) and [28 TAC Section 3.2\(9\)\(C\)](#)

Page \_\_\_\_\_ : The contract may provide for an automatic restarting of the surrender charges upon renewal of an interest guarantee period. Restarting of surrender charges must be optional and should provide some type of benefit, such as a higher guaranteed interest rate.

**Waiver of Surrender by the Same Insurer or an Affiliate of the Same Insurer that is part of the Same Holding Company** - [TIC Section 541.058\(b\)\(4\)](#)

Page \_\_\_\_\_ : A statement in the provision or rider which provides that the contract holder is given credit for the time that the previous contract was held when determining any surrender charges under the new contract.

**Minimum Nonforfeiture Amount** - [TIC Section 1107.057](#)

Page \_\_\_\_\_ : Companies must define their minimum nonforfeiture interest rate methodology, and it must be determinable at any point in the future. Companies must provide an actuarial certification that if the nonforfeiture methodology changes in the future, the company will submit a revised actuarial memorandum.

Page \_\_\_\_\_ : Companies, which will re-determine the minimum nonforfeiture rate after issue, must include the methodology in the contract.

Page \_\_\_\_\_ : A standard nonforfeiture law minimum values demonstration must be provided.

Page \_\_\_\_\_ : Companies must describe the guaranteed minimum interest rate methodology. The methodology for establishing the guaranteed minimum interest rate at issue must be determinable at any point in the future.

**Nonforfeiture Compliance Tests** - [TIC Section 1107.057](#) and [Section 1107.103](#)

Page \_\_\_\_\_ : Nonforfeiture demonstrations must pass both the retrospective test and the prospective test for any issue ages and premium payment patterns.

Page \_\_\_\_\_ : The maturity value must be the contract account value.

Page \_\_\_\_\_ : No surrender charge is permitted on or past the maturity date.



Page \_\_\_\_\_ : Bonus amounts accumulated at interest using the rate or rates specified in the contract are to be considered part of the contract maturity value.

Page \_\_\_\_\_ : The maturity value shall be discounted at an interest rate not to exceed 1% higher than the level of imputed interest rate that produces a maturity value equal to that produced by the interest rate or rates specified in the contract. The level imputed interest rate shall be derived such that gross considerations, net of any expense loads specified in the contract, accumulated at such level imputed interest rate, equals gross considerations, net of any expense loads specified in the contract, plus the bonus accumulated at the rate or rates specified in the contract to the maturity date.

Page \_\_\_\_\_ : An actuarial memorandum specifying the formulas, guaranteed interest rates, the maximum surrender charges, and any other maximum charges applicable in the determination of the nonforfeiture values must accompany each form. A table of values must be provided if not provided in the contract. The values shown must equal or exceed the standard nonforfeiture law minimum values. The table may reflect minimum values based on the minimum guaranteed interest rate and maximum administrative (expense) charges, providing that full disclosure is made that such values do not reflect any initial interest rate guarantee and / or guaranteed bonus.

Page \_\_\_\_\_ : The actuarial memorandum must define the interest rate used to calculate the standard nonforfeiture law minimum values.

Page \_\_\_\_\_ : The actuarial memorandum must provide the methodology for the calculation of the annual interest rate in Section 1107.055 such that this interest rate can be determined for any contract issued under this contract. Effective January 1, 2022, the resulting interest rate, as referenced under [TIC Section 1107.055\(3\)](#) will be 0.15%.

### **Binding Arbitration and Waiver of Jury Trial** - [TIC Chapter 1701](#) and [28 TAC Section 3.2\(9\)\(C\)](#)

Page \_\_\_\_\_ : The Texas Department of Insurance is required to verify that approved forms allow consumers all statutory protections granted by the legislature, including rights, benefits, and remedies relating to court access in insurance actions. Mandatory binding arbitration and waiver of jury trial clauses are prohibited because they deny consumers statutorily guaranteed access to courts. Statutory consumer protections include: [TIC Chapters 541](#), [542](#), and [544](#).

### **Prohibited Provisions** - [TIC Section 1701.062](#) and [28 TAC Section 3.1202-Section 3.1203](#)

Page \_\_\_\_\_ : Discretionary clauses are prohibited.

### **Bailout Interest Rate** - [TIC Chapters 1701](#) and [425](#)

Page \_\_\_\_\_ : The bailout interest rate must be defined in the contract.

Page \_\_\_\_\_ : The method of computing the bailout interest rate must be defined in the actuarial memorandum.

Page \_\_\_\_\_ : The bailout interest rate cannot be changed in the contract unless the interest rate on which it is based is subsequently changed.

Page \_\_\_\_\_ : The new bailout interest rate must be computed according to the same method defined in the actuarial memorandum at issue.

Page \_\_\_\_\_ : The actuarial memorandum must state the reserve method used for the bailout.

### **Guaranteed Minimum Death Benefits** - [TIC Chapter 1701](#) and [28 TAC Section 3.2\(9\)\(C\)](#)

Page \_\_\_\_\_ : A description of how the guaranteed minimum death benefit will be calculated (step up or roll up).

### **Optional Loan Provisions** - [TIC Chapter 1110](#) and [Section 1110.001\(1\)\(B\)](#); [28 TAC Section 3.2\(9\)\(C\)](#)

Page \_\_\_\_\_ : Loans must be made available at any time while the policy is in force after premiums for three full years have been paid and a cash value is available.

Page \_\_\_\_\_ : The loan clause must provide for proper assignment of the policy to the company.

Page \_\_\_\_\_ : The policy must be the sole security for the loan.

Page \_\_\_\_\_ : The maximum rate of interest must be specified, that does not to exceed 10% or is an adjustable maximum interest rate and does not exceed the lesser of:

- 15% a year; or
- the greater of the Moody's Corporate Bond Yield Average, monthly average for the calendar month that ended two months before the date on which the rate is determined, or the rate used to compute cash surrender values under the life insurance policy plus 1% per year.

Page \_\_\_\_\_ : The loan clause must provide for lending a sum equal to, or at the option of the policy owner, less than, the cash value of the policy and of any dividend additions.

Page \_\_\_\_\_ : The policy may provide that the company may deduct from such loan value any existing indebtedness on the policy and any unpaid balance of the premium for the current policy year and may collect interest in advance on the loan to the end of the current year.

Page \_\_\_\_\_ : Loans may be deferred for not more than six months from date of request.

Page \_\_\_\_\_ : The policy must provide for termination of the policy when the total indebtedness equals or exceeds the cash value.

## **Waiver of Surrender Charge Benefits (Disability, Confinement, Terminal Illness, or Unemployment) - [TIC Chapter 1701](#) and [28 TAC Section 3.2\(9\)\(C\)](#)**

Page \_\_\_\_\_ : The provision must define applicable terms, such as:

- Written Proof
- Doctor/Physician
- Nursing Home
- Nursing Facility
- Hospice
- Inpatient Nursing
- Convalescent Home
- Confinement
- Disability
- Terminal Illness
- Residential Care
- Unemployment
- Intermediate Nursing Home
- Hospital

Page \_\_\_\_\_ : The provision must be clear as to whether eligibility is based on the owner or annuitant.

Page \_\_\_\_\_ : Eligibility for a waiver of surrender charge for terminal illness or hospice care must be made available on the effective date.

Page \_\_\_\_\_ : Eligibility for a waiver of surrender charge due to confinement in a long-term care facility or hospital may be conditioned upon a reasonable waiting period, not to exceed one year from the contract issue date.

Page \_\_\_\_\_ : Eligibility for a waiver of surrender charge for unemployment must clearly state any waiting period or other conditions applicable to the waiver.

Page \_\_\_\_\_ : Requirements for written proof to substantiate eligibility for the waiver of surrender charge.

Page \_\_\_\_\_ : Requirements for care or confinement.

Page \_\_\_\_\_ : Requirements for disability.

Page \_\_\_\_\_ : Requirements for unemployment.

Page \_\_\_\_\_ : Whether the company reserves the right to require a medical examination by a physician of their choice.

Page \_\_\_\_\_ : Clarification that such examination must be at the company's expense and, which opinion rules if there are conflicting opinions between the company's physician and the annuitant's physician.

Page \_\_\_\_\_ : The provision may provide that a waiver of surrender charge due to confinement or terminal illness is ineffective for the following reasons:

- The annuitant is confined in a nursing home, nursing facility, etc. on the contract date; or
- The terminal illness was diagnosed on or before the contract date.

**Note: Submission Requirements for Optional Benefits** - [TIC Chapter 1701](#) and [28 TAC Section 3.2\(9\)\(C\)](#)

**Note:** For riders, endorsements and amendments refer to the [Life and Annuity Riders, Endorsements, and Amendments Checklist](#).