

Department of Consumer & Business Services  
**Oregon Division of Financial Regulation – 5**

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**SUPPLEMENT B**  
**DEFERRED PAID-UP ANNUITY BENEFIT**  
ORS 742.003(1)

This checklist (product standards) has been provided as an aid to assist you in preparing your filing.

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 standard), 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. If filing a deferred paid-up annuity contract, this checklist must be included with the appropriate deferred contract standards. If the deferred paid-up benefit is a rider, submit this checklist with the checklist for riders, endorsements, and amendments. Complete the appropriate sections for the types of coverages checked. *Information requested 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, etc.*

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

**Types of Insurance:**

- A03I.003 Individual deferred variable paid-up annuity
- A02I.003 Individual deferred non-variable paid-up annuity
- A02.11.003 Individual deferred variable and non-variable paid-up annuity

(Where "contract" is used in these standards, it also applies to riders providing this benefit.)

Review requirements	Reference	Description of review standards requirements	Check the box verifying compliance
<b>GENERAL REQUIREMENTS</b>			
Submission requirements	ORS 731.296, OAR 836-051-0920	A sample annual report to the contract owner is included, which fairly represents the contract annuitization guarantees, beginning and ending date of the report period, selected annuitization date, selected annuitization option and includes subsequent premiums (if any) and their required guarantees as to income date, etc. and the selected income date and option	Yes <input type="checkbox"/> No <input type="checkbox"/>
	ORS 746.100, OAR 836-080-0090, OAR 836-080-0170 to 0190 and ORS 731.296	Include a description of the company's training programs for producers on the paid-up annuity features and limitations in this contract, including required and optional sessions, time commitment, and who in the home office has responsibility for monitoring the training. Verify that training includes the following: (a) Limitation of the annuity values. (b) Limited or no access to cash-surrender values. (c) Suitability issues including recommended ages and income levels best suited, and the basic types of sales that the company would not accept as suitable. (d) Lack of death benefit prior to annuitization, if applicable.	Yes <input type="checkbox"/> No <input type="checkbox"/>
	ORS 743.284(2)	If the contract includes a cash-surrender or commuted value option during the deferral period, it must be filed using the appropriate contract standards and comply with nonforfeiture values for cash surrender contracts. <i>(Do not submit this supplement.)</i>	
Variable text	ORS 742.023, ORS 742.003(1) ORS 742.005(3) & (4)	All applicable items referred to under the Variable Text category on the applicable annuity contract standards apply.	
Advertisements	ORS 742.009, ORS 731.296	Disclosure materials provided to the producer and to the consumer prior to sale are included in this submission. 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 determining the paid-up annuity benefit. 3. A description that includes examples of any commuted value options, how the option will affect annuity payments. 4. Statement confirming that a Contract Summary is provided the applicant at the time of sale illustrating the purchased contract guarantees and meeting the requirements of the NAIC Annuity Disclosure Model.	Yes <input type="checkbox"/> Yes <input type="checkbox"/> Yes <input type="checkbox"/> N/A <input type="checkbox"/> Yes <input type="checkbox"/>

Review requirements	Reference	Description of review standards requirements	Check the box verifying compliance
Applications	ORS 742.005(2), ORS 742.023(f)	The application is included in the filing and includes a prominent statement for the applicant to acknowledge that no cash values are available and if applicable, no death benefit is available prior to annuitization and all other limitations.	Yes <input type="checkbox"/>
		If an optional rider that allows surrender or commuted values is included, the application must contain a prominent statement for the applicant to acknowledge that the applicant understands that the exercise of any cash-surrender or commuted option will affect the values of the paid-up benefit.	Yes <input type="checkbox"/>
<b>CONTRACT PROVISIONS</b>			
Cover	ORS 743.290, ORS 742.023(b),(f)	A contract that does not provide cash-surrender values must prominently disclose the limitation directly beneath the title. The contract must be titled as a deferred paid up annuity contract.	Yes <input type="checkbox"/>
	ORS 743.290, ORS 742.023(b),(f)	A contract that does not pay a death benefit prior to annuitization or limits the payment of a death benefit deferring until the time of annuitization must prominently disclose the limitation directly beneath the title.	Yes <input type="checkbox"/>
Specifications page	ORS 743.153, ORS 743.278(1)(c)	The Specifications page shall include: <ol style="list-style-type: none"> <li>1. Identification of the annuitization option selected.</li> <li>2. Disclosure of any time periods the annuitization option can be changed and limitations to changes.</li> <li>3. Identification of any optional riders providing cash-surrender periods or commuted values and charges for the option.</li> </ol>	Yes <input type="checkbox"/> Yes <input type="checkbox"/> Yes <input type="checkbox"/> N/A <input type="checkbox"/>
Death Benefit	ORS 743.275 to ORS 743.293	If any death occurs prior to annuitization and a death benefit is provided, the contract must contain language that meets one of the following and a lump sum option must be provided; additional options may be provided but must be described:	Yes <input type="checkbox"/>
		1. If the death benefit is paid on the annuitization date, it must be equal to the nonforfeiture value and the contract must indicate how that value is calculated, including the mortality table and interest rate.	Yes <input type="checkbox"/>
		2. If the death benefit is paid prior to the annuitization date, it is equal to the nonforfeiture value discounted using the interest rate and mortality specified in the contract.	Yes <input type="checkbox"/>

Review requirements	Reference	Description of review standards requirements	Check the box verifying compliance
Provisions	ORS 743.207(1)(e)(B), ORS 743.278(1)(c), ORS 742.005(2), ORS 742.023	<p>A paid-up annuity contract/benefit provides for the following:</p> <ol style="list-style-type: none"> <li>1. A clear and prominent description of the method used to calculate the paid-up annuity based on the premium payment, interest credited and mortality table applied, if any.</li> <li>2. A clear description of the income option and any additional options available for change or available for additional premium payments, if permitted.</li> <li>3. Disclosure of any loads applied to the premium payment (fees, expenses, etc.).</li> <li>4. If the contract has a flexible premium provision, it cannot limit additional premium payment except for a stated maximum for the contract or the maximum amount per premium payment. If additional premiums are allowed the paid up additional amount of income is based on the attained age at the time of the additional premium and specified income date; it cannot be less than the current annuity rate for a new contract for the same age and annuitization date.</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>
Commuted values - optional	ORS 742.005(3) & (4), ORS 743.284(2)	<p>Commuted or surrender values may be provided by a contract rider that is optional to the contract owner. The rider must be filed in compliance with minimum nonforfeiture values. <i>(Any contract provision that provides for commuted or surrender values does not qualify the contract as a paid-up annuity under these standards.)</i></p> <ol style="list-style-type: none"> <li>1. Any optional rider that provides for an access period to surrender values or commuted values does not change the calculation or recalculate the paid-up benefit to a lesser benefit than a proportional reduction equal to the withdrawn amount.</li> <li>2. Values for the deferred annuity contract meet the nonforfeiture prospective test under ORS 743.284(2).</li> </ol>	<p>Yes <input type="checkbox"/> N/A <input type="checkbox"/></p> <p>Yes <input type="checkbox"/></p> <p>Yes <input type="checkbox"/></p>

## REQUIREMENTS FOR RATES

Actuarial filing requirements for demonstrating compliance.

Ratemaking	ORS 731.296	Include as part of the actuarial information the asset allocation program for this benefit, any liquidity risk of hedging option and any hedging policy used to support this benefit, and pricing risk for infrequently set product parameters.	Yes <input type="checkbox"/>
		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.	Yes <input type="checkbox"/>
		A description of the interest crediting methodology used to develop the paid-up benefit. If utilized, describe weaknesses revealed by asset-adequacy testing and how the weakness will be minimized. (Example: If the interest rates decrease for a number of years, how would the company address cash flow and reserve needs to support the guarantees under the policies? Include a statement as to how the product will be reported for risk-based capital purposes.)	Yes <input type="checkbox"/>
Nonforfeiture demonstration	ORS 743.293	<p>If a death benefit is available in the event death occurs during the deferral period, include the following demonstration with narrative:</p> <p>(a) To demonstrate that the contract values are in compliance with nonforfeiture values, compare the accumulating values for the crediting methodology compared to the nonforfeiture values.</p> <p>(b) Indicate whether the CMT nonforfeiture rate is used or a fixed 3%.</p> <p>(c) If using the CMT nonforfeiture rate, describe the formula used that complies with ORS 743.293.</p>	<p>Yes N/A</p> <p><input type="checkbox"/> <input type="checkbox"/></p> <p><input type="checkbox"/> <input type="checkbox"/></p> <p><input type="checkbox"/> <input type="checkbox"/></p>
Commutated values	ORS 731.296	Provide a comparison of the benefit reduction with a proportional reduction showing the benefit to be at least that of the proportional reduction amounts.	Yes <input type="checkbox"/>