FORM FILING GUIDELINES FOR EQUITY INDEXED PRODUCTS

Please note that compliance of this form does not constitute approval of the filing, as all Oklahoma statutes and regulations must be satisfied.

Actuarial Memorandum

The actuarial memorandum must be prepared and signed by a qualified actuary and contain the following information:

1) A description of the product.

2) A description of the external index used and the criteria for selecting a substitute index if the current one is no longer in existence or applicable. Advance notification must be provided to the insurance department on the substitute index, the rationale for replacing the existing index and the substitute index used for in-force contracts.

3) A description of how indexed benefits are calculated, including level, up and down scenarios, and a description of how index based benefits are set initially and the company's plan to reset them after issue.

4) A demonstration of compliance with applicable nonforfeiture requirements.

5) A description of the reserving method used, especially for the index based benefits.

6) A description of asset adequacy testing methodologies used to address unique features of equity indexed products, if applicable.

Basic Materials Provided After Sale

The filing must include the following:

1) The policy form (including the policy data page, which is policy specific) and the application.

2) A sample of the policy summary (also know as statement of cost and benefit information).

3) A sample of the annual policyholder report.

   a) The report should satisfy the NAIC Model Rules Governing the Advertising of Life Insurance, and must contain, at a minimum, the following values as of the annual report date:

      i) Cash Surrender Value;

ii) Account Value;
iii) Death Benefit;
iv) Contributions during the year;
v) Outstanding policy loans, if any; and
vi) Any other item specific to the equity indexed design that affected policy values during the year.

Hedging Policy

The hedging policy should include, at least, the following information:

1) A description of the hedging instruments, if any, the company plans to acquire to fund the obligations inherent in the contract.

2) The details concerning methods used to determine the amount and type of hedging instruments used, if any.

3) A description of the methods used to determine the extent and frequency of rebalancing the portfolio supporting the product.

4) A description of responsibility within the company, i.e. who determines the hedging policy, who approves it, and who has the responsibility to carry out this policy.

5) A description of how company handles risks associated with purchasing hedging instruments. This includes, but is not limited to:

   a) Liquidity risk due to limited ability to hedge, close out or sell a financial risk position.
   b) Credit risk associated with possible counterparty defaults.
   c) Market risk due to fluctuating market values of assets and liabilities.
   d) Pricing risk arising from infrequently set product parameters relative to the cost of options that are yet to be purchased.
   e) Legal risk arising from legal agreements with derivative dealers.
   f) Operations risk, due to inadequate systems and control, human error or management failure.

6) The details supporting any required reserve certifications regarding "reasonableness" or "consistency" of assumptions.

7) If the reserving method is based upon the attainment of any "hedged as required" criteria, details should be provided as to how such criteria will be met.

Marketing Material and Disclosure

The filing must include any advertising materials, including any illustrations used in marketing the contract.

1) Advertising material must:

    a) Be truthful and not misleading in fact or by implication.
    b) Be sufficiently complete and clear so as to avoid deception.
    c) Not have the capacity or tendency to mislead or deceive.
    d) Contain balancing language between the positive (pros) and the negative (cons) of the product by placing equal emphasis on each, in any advertising material containing language regarding non-guaranteed elements. Please note that non-guaranteed elements cannot be emphasized more than guaranteed elements.

2) Agents' Training Material:

    a) Is included as advertising material pursuant to Oklahoma Regulation 365:10-3-31(A)(iii).

3) Invitation to Contract Material:

    a) Must meet the advertising requirements stated above. Any subsequent changes to these materials will need to be filed before they can be used.

4) Disclosure: The proposed NAIC Annuity Disclosure Model Regulation is currently under development. That document will require:

    a) Disclosure of all fully guaranteed benefits and values and all guaranteed parameters related to the non-guaranteed equity indexed design.
    b) Description of all guaranteed and non-guaranteed elements of the contract, their limitations, if any, and an explanation of how they operate.
    c) That a disclosure document be given to all applicants. The document should have acknowledgment statements to be signed by the applicant and agent using wording similar to the following:

        i) **Applicant –** I have received a copy of the company disclosure material for this policy. I understand that any values shown, other than guaranteed minimum values, are not guarantees, promises, or warranties.
        ii) **Agent –** I certify that the company disclosure material has been presented to the applicant. A copy was provided to the applicant. I have not made statements which differ in any significant manner from this material. I have not made any promises or guarantees about the future value of any non-guaranteed elements.

    d) Given the proliferation of equity indexed product design, no specific format will be required for any disclosure of total amounts of non-guaranteed elements of the product design document. In fact, the disclosure of such elements will be optional. If the company chooses to include this in the disclosure document, several requirements must be met.

i) The disclosure must be supplemented by balancing language. This leaves flexibility with the company while ensuring that consumers have full and balanced information upon which to make a decision.
ii) If the disclosure is generic, rather than personal, it must be clearly identified as such.
iii) Any projection period used must be such that the implications of going beyond the initial policy term are clearly disclosed.

e) NAIC buyer's guide to equity indexed products (Model Regulation, January 1999).

Life Insurance Illustrations

All equity indexed group and individual life policies and certificates must supply:

1) A statement as to whether the policy will or will not be illustrated.

2) If it will be illustrated, a specimen illustration must be included in the filing. We recognize that some aspects of the Illustration Model Regulation are not clearly defined with respect to equity indexed life policies.

Reserving

The Academy report lists three acceptable reserving methods to be used with equity indexed products. They are loosely referred to in the Academy report as CARVM with Updated Market Values (CARVM-UMV), Market Value Reserve Method (MVRM) and the Enhanced Discounted Intrinsic Value Method (EDIM). This would include a demonstration of compliance with the conditions regarding "hedged as required," if appropriate. This essentially requires compliance with proposed Guideline ZZZ, which is currently being exposed by the NAIC.

1) In order to use EDIM, the appointed actuary needs to certify quarterly that it meets the following criteria (together with related questions regarding criteria).

   a) Required equivalence of characteristics between the option contracts held and the options imbedded in the products with respect to specific contract features such as: index, averaging, features, option type, strike price, term, etc.

2) If the actuary chooses to use CARVM-UMV or MVRM, he must quarterly certify:

   a) That the valuation of the hedges is done on a consistent basis between the asset and liability sides of the balance sheet; and

b) That the valuation of the call options for reserve purposes is based on assumptions that are reasonable in light of the current economic environment.

Investment Plan

The filing must include a description of the investment plan used to fund this policy, if not addressed above.

Securities and Exchange Commission (SEC) Registration

The filing should include the following:

1) A statement clarifying whether or not the form has been filed with the SEC.

2) A statement clarifying whether or not the policy is required to be filed with the SEC.

Risk Based Capital

We will concur with the Academy report concerning the proper categorization of the risk of hedge mismatch, as well as with the determination of proper C3 factors.