

**Agenda Item 2. Discuss Substantive Change Item # 9 - Adding a Return of Premium Benefit provision to §3.D. Optional Provisions of the STANDARDS FOR INDIVIDUAL DISABILITY INCOME INSURANCE POLICIES under the proposed amendments to the Individual Disability Income Insurance Uniform Standards under Phase 8 of the Five-Year Review.**

Mary Mealer, Chair of the Product Standards Committee (PSC) noted that on the June 12<sup>th</sup> PSC member call, the Committee decided that it was willing to explore adding an optional provision for Return of Premium, but did not wish to use the draft the Industry presented since it was very specific to one company's approach and also did not address nonforfeiture. A subgroup of members from Minnesota, Texas, Utah, Pennsylvania, New Hampshire and Colorado was formed to work with the Compact office to draft a provision for the Committee's consideration.

The Compact staff reported that the subgroup reviewed state regulations regarding Return of Premium, sample riders, and a draft provision based on parameters established in several state regulations. The subgroup noted that some companies offered a cash surrender value while others offered only a return of a portion of premium benefit over a certain term period and that both types of benefits tended to be rather expensive. The subgroup raised concerns that because of this expense, some surrender value should be offered and the specific cost of the benefit should be disclosed separately from the policy premium. The subgroup believed there was a need to consider nonforfeiture values in greater detail and determine whether there should be different requirements for Cash Surrender Value and Return of Premium benefit features. Because of the need for more detailed discussion and actuarial input, the subgroup concluded that rather than delay adoption of the amendments to the Individual Disability Income Insurance Uniform Standards, the PSC may wish to consider recommending future development of a separate and new Additional Standards for Return of Premium or Cash Value Benefit.

The PSC agreed with this recommendation and if this new standard is drafted, agreed to ask the Actuarial Working Group (AWG) for input.

**Agenda Item 3 - Next steps for the proposed amendments to the Individual Disability Income Insurance Uniform Standards under Phase 8 of the Five-Year Review.**

The Chair stated that the PSC would hold a Public Call on July 17<sup>th</sup> to accept comments on its recommendations regarding the comments submitted for the proposed amendments to the Individual Disability Income Insurance Uniform Standards. The goal is for adoption to be considered at the Joint Meeting of the Management Committee and full Commission on August 3<sup>rd</sup>.

**Agenda Item 4 - Review and discuss suggested prioritization of requested development of amendments to individual life Uniform Standards**

The Chair referenced the gap analysis memorandum memo and the chart listing the Compact office's suggestions on prioritization of the requests related to the individual life insurance uniform standards that were distributed to members with the call notice. She noted that the PSC was being asked to consider the requests for both individual life and annuity benefit features over the next few weeks, and once finalized, the Committee would ask for feedback from the Management Committee on the proposed approach. She emphasized that the discussion should be limited to determining benefits or products to consider for

future discussion of development of standards. She noted that agreeing to the items on the list does not mean standards will be developed, rather that the PSC agrees that these requests are ones to consider for further discussion of pros and cons of drafting standards and to prioritize the requests.

The Compact staff summarized the items on the list. For the option to select installment payments only for death benefit proceeds (item #5 on the chart) it was noted that this request would include both confirmation or clarification that the current standard provision means that the owner of the policy always has the option of a lump sum, as well as discussion of the industry request for an irrevocable selection of installment payments at the time the policy is issued. It was noted that several states have concerns with irrevocable installment benefits, including how they are marketed.

During discussion of the request for standards for an adjustable life insurance policy that is not required to vary in relation to the performance of an underlying separate account but instead have a guaranteed floor or negative interest crediting (item #8), Utah questioned whether such products would be considered variable and if securities registration is required. The Compact staff noted that these were good questions that should be addressed when the request is considered and that this was an item where AWG input would be beneficial.

The Committee considered the request for standards for Premium Deposit Fund Riders. It was noted that not all states consider these insurance products and not all companies may want standards; however the Compact has addressed situations where standards apply only in states with such requirements, such as the disclosures at the time of application for Accelerated Death Benefits. Missouri noted that they are starting to see more of these products being filed. Kentucky noted that it would be important to disclose that they are not covered by life insurance guaranty associations.

The PSC considered all of the items on the list and agreed to keep all of them as listed with the priority rankings suggested. The Committee also agreed that items 13, 14, and 15 would be more appropriately addressed through the Five-Year Review process.

**Agenda Item 5 - Any other Matters.** The Chair reminded the Committee that the PSC will have a Public Call on July 17<sup>th</sup> to receive feedback on the final recommendations on the IDI amendments as well as the plan to address requests to develop new or amended standards to fill the gaps in individual life and annuity products. To have these items finalized for the August 3<sup>rd</sup> in-person meeting, the Committee will have a call July 10<sup>th</sup> to review the annuity requests and a final call on Tuesday July 24<sup>th</sup> to discuss any comments received on the July 17<sup>th</sup> Public call.