



MEMORANDUM

TO: Insurance Compact Management Committee

FROM: Product Standards Committee

DATE: September 30, 2019

SUBJECT: Uniform Standards for Group Guaranteed Interest Contracts for Non-Variable Annuities for Employer Groups and Amendments to Group Policyholder Application Uniform Standards

The Product Standards Committee (“PSC”) of the Interstate Insurance Product Regulation Commission (“Commission”) is charged with developing proposed drafts of Uniform Standards. In carrying out its charge, the PSC has finalized the following drafts in the group annuity product line. The first is a new Uniform Standard for group guaranteed interest contracts, and the second is proposed amendments to the *Group Policyholder Application Uniform Standards*. The PSC is recommending that the Management Committee initiate the rulemaking procedure¹ with respect to these proposed uniform standards:

- **Uniform Standards for Group Guaranteed Interest Contracts for Non-Variable Annuities for Employer Groups**
- **Group Policyholder Application Uniform Standards**

The first recommendation is to initiate the rulemaking procedure with respect to the third of the Insurance Compact’s uniform standards for the group annuity product line. Pursuant to §103 of the *Rule for Adoption, Amendment and Repeal of Rules for the Interstate Insurance Product Regulation Commission*, on November 27, 2018, the Commission issued notice requesting comments on a draft proposal for *Uniform Standards for Group Guaranteed Interest Contracts for Non-Variable Annuities for Employer Groups* (“GIC standards”). The draft was developed with input from several group annuity insurers who are members of the Group Annuity and Pension Compliance Association, as well as review of filed contracts in the marketplace today and state filing requirements. Guaranteed interest contracts apply to both unallocated and allocated contracts which guarantee principal and provide for a specified minimum or a single rate of interest.

¹ The rulemaking procedure is set forth in the *Rule for Adoption, Amendment and Repeal of Rules for the Interstate Insurance Product Regulation Commission*.

These uniform standards apply to the contract; additional uniform standards have been developed for the group annuity certificates. The certificate uniform standards are currently in the 60-day public comment period, with the public hearing set for today's call.

The Committee recommends these uniform standards be available for Mix and Match to be used in combination with non-certificate State Product Components as described in §111 of the IIPRC *Operating Procedure for the Filing and Approval of Product Filings*. The PSC also recommends that the uniform standards be available for use in combination with Commission-approved and state-approved group life insurance and annuity forms, and that filings submitted under these Uniform Standards be subject to prior review and approval and not self-certification.

The PSC exposed updates to the draft for public comment and held two public calls to obtain further input. Comments were received from three member states, a company filer, and the ACLI.

Several revisions were made to the initial draft to conform to provisions included in the proposed *Single Premium Group Fixed Annuity Contract Uniform Standards*. During the development of those uniform standards, two member states noted that they have restrictions or additional requirements for guaranteed separate accounts for all contracts issued in their states, not just their domestic insurers. As a result, the PSC added a statement within the Scope section that advises that approval by the Commission of an insurance product filing in compliance with the Uniform Standards is not deemed as regulatory approval of the company's use of separate accounts which are guaranteed in whole or in part by the general account and that action may be required by the domiciliary state and/or state of issue before an insurer may use the Commission-approved contract. The same provision has been added to these proposed GIC standards.

There were several comments from industry representatives seeking modifications to language found in other adopted Uniform Standards. Absent clear reasons for such change, the PSC chose to be consistent with other uniform standards and is not recommending such changes.

There were several comments from a Member State seeking addition of standards related to their state-specific requirements, including incontestability, notification and timing of withdrawals, and requirements of minimum interest rate above 0%. The PSC determined that these requirements appeared to be single state issues and documented that the proposed standards provide appropriate protections for the contractholder.

Another member state raised state specific concerns related to their interpretation of funding agreement state requirements as well as a request to prohibit bailout provisions, but following further discussion, agreed that no further revisions were necessary. The remaining discussions centered around revisions to clarify and strengthen the uniform standards.

The second recommendation is to propose a few clarifying amendments to the *Group Policyholder Application Uniform Standards*. These uniform standards were intended to apply to all group products that are available to be filed with the Insurance Compact. They apply to the policyholder, not the certificate holder, and are not product specific, with relatively generic information and no

underwriting questions. During the drafting process for group annuity uniform standards, the PSC became aware that some of the current provisions do not always apply to annuity products. In addition, some language was geared more towards life or disability products than to annuities. The minor proposed amendments provide clarity and amend some provisions to make them also applicable to annuity products. The suggested revisions were posted for comment on July 23rd and were the subject of a public call. There were no comments or opposition to the proposal.

Given the extensive, transparent, and documented drafting process preceding this recommendation, the PSC suggests that any additional comments or concerns about these recommended Uniform Standards be raised, considered, and discussed by all members and interested parties during the Management Committee's formal rulemaking process.

The PSC is available to respond to any questions or requests for information to assist the Management Committee.