

**Agenda Item 2. Receive an update on drafts for the *Group Annuity Certificate Uniform Standards for Employer Groups and Uniform Standards for Group Guaranteed Interest Contracts for Non-Variable Annuities for Employer Groups.***

The Compact staff advised the Product Standards Committee (PSC) that work on discussion drafts for *Group Annuity Certificate Uniform Standards for Employer Groups* and *Uniform Standards for Group Guaranteed Interest Contracts for Non-Variable Annuities for Employer Groups* has been completed and those drafts have been posted to the Uniform Standards Under Construction section of the Docket on the Compact's website. The comment deadline is January 18, 2019. It was noted that the group annuity certificate standards are intended to apply to all group annuity products that become available to be filed with the Insurance Compact, so review to assure that they include all appropriate provisions for group annuity product types not yet under consideration would be especially welcome.

**Agenda Item 3. Begin discussion of comments on the draft *Single Premium Group Fixed Annuity Contract Uniform Standards for Employer Groups***

Mary Mealer, Chair of the PSC stated the Committee held a public call on October 30th to hear comments on the draft *Single Premium Group Fixed Annuity Contract Uniform Standards for Employer Groups*. Written comments from both regulators and industry representatives were received and posted to the Docket.

Compact staff lead the discussion of the submitted comments and suggested changes to Sections 1-3 of the draft. Under the Scope, there were several comments received questioning why separate accounts were referenced for Uniform Standards for a fixed annuity product. It was noted that when single premium group fixed annuity contracts are used for pension risk transfers, the plan sponsor can mitigate the risk of insurer insolvency using a separate account. This separate account is not used as an accumulation vehicle and is not a plan asset. Annuity payments are fixed and the insurer guarantees the annuity benefits, with the general account backing the separate account should the separate account funds be exhausted.

In response to comments asking what other products aside from pension risk transfers would be included, staff noted that the use of the word "often" in the draft Scope was to allow flexibility in the event there were similar products; however, since industry did not acknowledge any such products, eliminating the word would address the question. In reference to comments regarding who receives benefits under the contract, the PSC agreed with the suggestion to add and define *Alternate Payees*.

The Compact Office suggested the following revisions to the Scope and the PSC agreed. Tom Kilcoyne, PA expressed a preference for keeping a definition for Separate Accounts in §3 with some modifications. He agreed to submit the suggested revisions to the Compact Office for the Committee's consideration on the next PSC call.

Scope: These standards are intended to apply to paper or electronic group immediate or deferred single premium group fixed annuity contracts that are issued to employers, or the trustees of a fund established by an employer, and are permitted in the jurisdiction where the contract is delivered or issued for delivery. These contracts are ~~often~~ used as

part of a Pension Risk Transfer. The standards apply to single premium, fixed payments where funds are held in the General Account or in a book value Separate Accounts where the amount of the benefits paid under the contract pursuant to the guarantees will not vary with the investment performance of the Separate Account. The insurance company guarantees all annuity payments purchased under the contract. The contract provisions reflect the provisions of the Plan. The contracts may provide benefits to eligible Plan participants who are *Annuitants* and their *Beneficiaries or Alternate Payees\**. Separate additional standards apply to group annuity certificates.

\*Add to §3 Terms and Concepts:

“Alternate Payee” means a spouse, former spouse, child or other dependent of the Annuitant, or any other person allowed by law who is recognized by a Qualified Domestic Relations Order as having a right to receive any benefits payable under the contract.

The PSC agreed that except for the policyholder application and the certificate, there was no indication of additional riders or other benefit features that would be filed separately with states. Noting concerns about including Mix and Match for this product, they agreed to the following changes to the Mix and Match provision:

Mix and Match: These standards are not available to be used in combination with State Product Components as described in Section 111(b) of the Operating Procedure for the Filing and Approval of Product Filings; ~~however an Interstate Insurance Product Regulation Commission filed certificate must be included or associated with the contract.~~ These standards are available to be used in combination with IIPRC-approved ~~or state approved~~ group life insurance and annuity forms.

In response to the ACLI comments regarding the definition of “contract” the PSC agreed to change “includes” to “may incorporate” and to delete “notices and other attachments” replacing it with “schedules, exhibits and tables as suggested by Pennsylvania.

“Contract” means the group annuity contract issued to the contractholder, which ~~includes may incorporate~~ any riders, endorsements, ~~or amendments, notices or other attachments~~ to the contract, schedules, exhibits and tables.

The Committee also agreed with the suggestion to add person to the definition of “contractholder.”

“Contractholder” means the person or entity to whom the contract is issued.

The Committee agreed to reverse items (1) and (2) in §1A, and to include some clarifying language; however, they did not agree to change “filed” to “approved” in reference to the certificate, because at the time of contract filing, it is possible Compact filed certificates will not yet be approved.

In §1A(8), the PSC agreed to add “and a statement that any such identified features satisfy §2C of these standards” to the requirement. The Committee also agreed to delete item (9) based on feedback.

Under the Variability of Information provisions in §1C, the PSC noted that the ACLI request to add “Some elements may be undefinable until looking at a specific Plan” appeared to be more of an observation than a standard, and did not agree to this change. For item (2) the PSC concluded that “dates” would be included under “periods of time” so they did not agree to the requested change.

The PSC reviewed the ACLI comments suggesting that §1C(2) be deleted because it is covered under §1C(4). The Committee disagreed since (2) notes what items may be variable whereas (4) addresses the information that should be documented in the Statement of Variability. The PSC reviewed the ACLI comments under §1C(4) asking for “an acknowledgement that there may be no time for regulatory intervention” and questioning whether (4)(b) is the “strict limit upon which conditions of and variable items related to the Plan may change.” The Committee was unclear about what ACLI intended with these comments and suggested that ACLI members suggest specific language and explain their rationale for such proposed change.

Under §2 General Form Requirements - A. Contract Structure, the PSC agreed to the following clarifying changes:

- (5) The contract shall state that a certificate will be issued for each ~~person~~ *Annuitant* for whom an annuity has been purchased.
- (6) The contract shall include the amount of the single or initial premium paid, information on data finalization dates if applicable, the type of payment (e.g. cash or cash equivalents, securities or a combination of cash and securities), and the date upon which the risk to pay the benefits is transferred to the insurance company.

The PSC next reviewed §3 Terms and Concepts. They did not agree with the ACLI suggestion to define immediate annuitant since this term traditionally means something different than the suggested definition, and a review of several sample contracts did not indicate that most insurers define this term. The Committee noted that the absence of a term in this section does not mean an insurance company cannot define it in its contracts.

The PSC agreed to change the term *Annuity Form* to *Form of Annuity* for clarity. They also agreed to change the definition of *Contingent Annuitant* and *Joint Annuitant* as follows:

“*Contingent Annuitant*” means the person shown on the annuity schedule entitled to ~~the remaining benefits of the annuity~~ benefits following the death of the *Annuitant* under a Joint and Survivor Form of Annuity.

“*Joint Annuitant*” means the person named by the *Plan* participant on a Joint annuity *Form of Annuity* to ~~be the co-owner of the annuity~~ serve as the measuring life if still living following the death of the Annuitant.

The PSC agreed with the ACLI suggestions to revise the definitions of *Plan Administrator* and *Plan Sponsor* as follows:

“*Plan Administrator*” means the person or entity designated by the Plan or by the employer to manage the retirement *Plan*.

“*Plan Sponsor*” means the person or entity that ~~sets up~~ establishes or maintains the *Plan*.

**Agenda Item 4 - Any other Matters.** The Chair stated that the PSC’s next member call would be December 18<sup>th</sup> and the discussion of the draft of the *Single Premium Group Fixed Annuity Contract Uniform Standards* would continue starting with §4 Contract Provisions. The Committee would also review comments received on the proposed amendments to the *Additional Standards for Overloan Protection Benefits* and finalize its recommendations to the Management Committee.