

Agenda Item 2. Overview of the 2019 Product Standards Committee (PSC) Work Plan and Timeline.

The Insurance Compact staff reviewed the items on the Product Standards Committee (PSC) workload for 2019, referencing the work plan provided with the call materials. Mary Mealer, Chair of the PSC, reminded members and interested parties that they can follow the work of the Committee by reviewing drafts posted on the Compact's Docket under the section called Uniform Standards Under Construction, which contains updated drafts as well as information on deadlines for written comments. Call summaries of each PSC call are also found on the Compact's website under the PSC link in the area labeled "About the Compact." She noted that the PSC will be scheduling quite a few public calls this year since there are many proposals on the work plan and full participation and input from all interested parties is needed to achieve all goals. She encouraged everyone to keep an eye out for call notices, submit written comments and actively participate on these calls.

Agenda Item 3. Receive Final Comments on the PSC Recommendations for Amendments to the *Additional Standards for Overloan Protection Benefit to Add Whole Life Insurance Products.*

The Chair noted that this item is the first of the PSC's work on the priority lists for amending or creating new uniform standards for individual life and annuity products to fill gaps in the existing uniform standards. In mid-October of 2018, the Committee exposed a draft proposal to amend the scope and several provisions of the standards to accommodate whole life insurance protects. There was a public call to discuss the proposal and written comments were received from a company filer as well as from the ACLI. The PSC discussed those comments and as a result, made some revisions to the draft, and the second draft was exposed in January for final review prior to the Committee making a recommendation to the Management Committee. No written comments were received on this draft.

The Chair asked if there were any oral comments before the PSC submits its final recommendation. Tashia Sizemore, Oregon Division of Financial Regulation stated that Oregon has general concerns with the process of uniform standard development as well as how the agenda is set and believes it lacks transparency. She stated that all members should see drafts before they are made public. In reference to this proposal she stated that Oregon is concerned that there are limited circumstances where the loan interest rate would be reduced and that what Oregon refers to as the core life insurance product standards, would now have the word core removed or the core life insurance product standards would be altered.

In §3A(1) Oregon said they agreed with what Utah suggested in October that the original language "will automatically become paid up life insurance" should not be removed from the standards. Oregon stated that this is a known term used in textbooks so it should remain in the standards. Under §3 D Termination where the PSC agreed that changing "and" to "or" clarified the provision, Oregon stated they prefer their law which says "shall not" rather than references to "and" or "or".

The Chair noted that these comments had not been received prior to the call and asked Oregon if they could submit their comments in writing by the end of this week so the PSC could consider them on its next call.

There were no further comments on this item.

Agenda Item 5 –Hear an Overview and Receive Comments on the Initial Draft of the Uniform Standards for Group Guaranteed Interest Contracts for Non-Variable Annuities.

The Chair noted that she was going to address the 5th agenda item before item 4. She reminded everyone that in September of last year, the first set of group annuity standards were exposed for review and discussion. The PSC is currently reviewing the comments that were received for the *Single Premium Group Fixed Annuity Contract Standards* and anticipates issuing a revised draft in the coming weeks.

The initial working draft of the *Uniform Standards for Group Guaranteed Interest Contracts for Non-Variable Annuities* was first distributed and posted in November. Before hearing comments, the Chair invited Keith Mancini, Assistant General Counsel for Products & Government Affairs at Great-West Financial and fellow members of the Group Annuity and Pension Compliance Association (GAPCA) to provide an overview of these products.

Mr. Mancini noted that the term GIC can mean either guaranteed interest contracts or guaranteed investment contracts, but for the purposes of these standards, there was little difference, but the term guaranteed interest contract would be used. He noted the differences in how GICs and group annuity contracts used for Pension Risk Transfer (PRT) operate. For a pension risk transfer, a single premium annuity is used to pay the pension obligations. The insurance company assumes the plan's pension liabilities. GICs fund retirement benefits in a different way and are often used for funding deferred compensation plans, 401K and 457B plans. With a GIC, the insurance company provides a guaranteed rate of return in exchange for holding the deposited funds for a fixed period.

He explained that PRTs have a specific annuity payout while GICs do not and because the insurance company assumes the obligation to make the fixed annuity payments for PRTs, they are allocated funds, while GICs can be allocated or unallocated. GIC contracts that are allocated have more requirements for information provided in certificates whereas those that are unallocated would only have certificates issued if the participant chose to annuitize.

The Chair noted that written comments were received from ACLI. Emily Micale, representing ACLI stated that the appropriate groups and subgroups of ACLI members, numbering nearly 600 people reviewed the draft and the written submission reflected their comments. Ms. Mealer asked whether it was ACLI's position that enrollment forms were needed. Mr. Mancini noted that from his perspective, for GICs as part of a retirement plan, individual enrollment forms were not needed. Ms. Micale indicated she would follow up with members for further clarification.

Ms. Mealer asked if under the variability section, items like benchmark, duration, permitted and prohibited investments wouldn't fall under plan parameters or contract provisions that are subject to the plan design or underwriting standards, and was advised that some ACLI members thought the specific items should be spelled out.

Roger Stefani of Minnesota asked for clarification of whether ACLI wanted the statement that for participating contracts, dividends are not guaranteed, to be listed under Cover Page requirements instead of Specifications page requirements, or if they prefer adding a statement that this information

could also be listed on the Cover page. Ms. Micale responded that companies have indicated states normally require it on the cover page.

Oregon noted that the draft varies from their requirements in that it does not have an incontestability provision, it allows for a guaranteed minimum interest rate of 0% rather than greater than 0%, and rate reset provisions did not appear clear about whether it applied to the current rate or guaranteed minimum rate. Oregon also asked if synthetic GICS were included in the standard and was advised that they do not. The Chair asked Oregon to submit these comments in writing as well.

There were no further comments on this agenda item.

Agenda Item 4 - Receive Comments on the Initial Draft of the *Group Annuity Certificate Uniform Standards*.

The Chair noted that written comments on the *Group Annuity Certificate Uniform Standards* were received from ACLI. Ms. Micale indicated their comments were self-explanatory and asked if there were any questions. Ms. Mealer noted that the ACLI comments stated that certificates of 3 pages or more have a Flesch score; however, in discussions with the group annuity carriers, they indicated that not all states require a Flesch score and those that did had a minimum requirement of 40. States were asked to check their requirements for group annuity certificates. The Chair also indicated that the PSC was asking for input on whether provisions like arbitration, conversion, continuation, and portability might be applicable in some cases for group annuity certificates. She asked states to check both their requirements and approved filings and let the Compact staff know.

There were no further comments on this item.

Agenda Item 6 - Any other Matters.

The Chair stated that when Oregon submits their comments on the *Additional Standards for Overloan Protection Benefit*, the PSC will review them and finalize its recommendations to the Management Committee on the proposed amendments for the February 25th joint call of the Management Committee and Commission. The Committee also anticipates finalizing the next draft of the *Single Premium Group Fixed Annuity Contract Standards* shortly and will post it to the Docket for further review.

Ms. Mealer noted that there has been work with actuaries of some member states and interested parties on an initial discussion draft proposal for *Additional Standards for Return of Premium for Individual Disability Income Insurance* which will be presented to the PSC and exposed for initial comments this month. In the coming weeks the PSC will also begin discussing the comments it received today on the Group Annuity Certificate Standards and the GIC standards. Everyone was reminded to review the Docket, check email notices from the Compact, review Call Summaries and provide written comments. The next Public Call is tentatively scheduled for March 19th.