

**Agenda Item 2. Discuss alternatives regarding guaranteed separate accounts in the draft Single Premium Group Fixed Annuity Contract Uniform Standards for Employer Groups.**

Mary Mealer, Chair of the Product Standards Committee (PSC) noted that the Insurance Compact Office has been working with interested stakeholders regarding the issue raised by Texas and Minnesota regarding their requirements if a company is using guaranteed separate accounts for single premium group fixed annuity contracts. There appears to be a proposed resolution and the office is finalizing the details. This item will be further discussed on the next member call.

**Agenda Item 3. Discuss comments received for the draft of the Group Annuity Certificate Uniform Standards for Employer Groups.**

Ms. Mealer reminded the committee that the intent of the draft standard is for one set of certificate standards that can be applied to any group annuity contracts that can be filed with the Insurance Compact. She stated that the initial discussion draft was posted for public comment on November 15, 2018 and the PSC held a public call February 5<sup>th</sup> to hear oral comments. Comments were received from the ACLI.

Compact staff lead a discussion of the comments. In reference to the definition of “Annuitant” in the Scope as well as in § 3 Terms and Concepts, the PSC concluded that “a person entitled to receive one or more annuity benefits” was a common definition and that it was understood that this included both deferred and immediate annuitants. They concluded that deleting the second sentence of the definition in § 3 Terms and Concepts would resolve any perceived conflict. The PSC agreed to keep the terms defined in the Scope section as written (without capitalizing throughout the document) to be consistent with all other Uniform Standards. They decided that a change in formatting could be considered for all standards at another time and unrelated to development of a new standard.

The PSC concluded that riders, endorsements, amendments, etc. are generally part of the annuity contract, not the certificate, so they deleted the last phrase in the definition of “Certificate”.

“Certificate” means the document which describes the certificateholder’s benefits and rights under the contract, ~~and which includes any riders, endorsements or amendments, notices or other attachments to the certificate.~~

In keeping with revisions to the Single Premium Group Fixed Annuity Contract Standards, the PSC revised the definition of “Contract” as follows:

“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.

They also agreed to add “the person or” to the definition of contractholder, consistent with a similar change in the Single Premium Group Fixed Annuity Contract Standards.

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

Under the general submission requirements, § 1A(1) and (2), the PSC agreed to reverse the order, similar to the contract standards and to rephrase the sentence as follows. They agreed that the group application form was not needed and that this could be listed under associated filings if applicable.

The filing shall indicate the respective Interstate Insurance Product Regulation Commission filed group annuity contract form(s) to be used with the certificate.

The Committee discussed the comments regarding Flesch Score and noted that the ACLI had not responded to the request made in February asking them to clarify their comment that “certificates of 3 pages or more have a Flesch Score,” and to provide feedback about the group annuity carriers’ request to eliminate the Flesch Score or lower it to 40. Because all Insurance Compact uniform standards with Flesch Score requirements have a requirement for a minimum score of 50 and absent any further feedback as requested from ACLI, the committee indicated that they were disinclined to make a change that was inconsistent with other standards without clear justification.

Under § 1B(4), the PSC reviewed the ACLI questions and comments on variability descriptions. It was noted that the group annuity insurers who provided guidance with the standard development opted to use the same language that was in the draft of the single premium group annuity standards. The ACLI comment did not offer alternative language or explain why the language should change. Absent such feedback, the committee was not inclined to change the language. They agreed; however, to change “Plan/contract provisions” to “certificate provisions”.

The PSC did not agree with the ACLI comment that the requirement that the name of the insurance company and the certificate title be in prominent print on the cover page was in conflict with the standard that the overall appearance of the certificate should give “no undue prominence” to any portion of the certificate. The language is standard language in all Insurance Compact policy and contract uniform standards and is intended to address content of the certificate and not a consumer-friendly method for the certificateholder to quickly see the title of the certificate and name of the insurance company.

The PSC discussed the ACLI comment under § 2 A(2) that not all certificates have a signature of a company officer. After concluding that some states do require a signature or signatures, and noting that allowing only one signature that could also be added to the end of the certificate as an option was a compromise during initial drafting, the PSC made no change to this provision. Under § 2 A(5), the committee disagreed with the ACLI comment that the contract number should not have to be included on the cover page of the certificate. Members questioned how a consumer would know which contract provided the benefits listed on the certificate without a contract number.

In § 3 Terms and Concepts, the PSC agreed to change “Annuity Form” to “Form of Annuity” consistent with the *Single Premium Group Fixed Annuity Contract Standards*. Noting that the definitions for “Contingent Annuitant” or “Joint Annuitant” provided an accurate definition of these terms without getting into specific detail, and also noting that the preamble to this section states that these are examples and not intended to prescribe how the insurer defines their terms, the PSC determined that no change was required.

Product Standards Committee  
Member Call Summary  
May 7, 2019

Under § 4 Contract Provisions, A. Assignment, the PSC reviewed the ACLI comment asking about state-based legal issues and asking to clarify “whose” creditors. They agreed with the Insurance Compact Office comments that the Compact does not interpret applicable state law – this is between the company and the regulators. The language in (2) is standard language used in other adopted uniform standards and is also optional. The Compact reviewers would not prohibit a company from specifying “whose” creditors in certificate language. The Compact staff noted a typographical error in the first sentence of § 4 D(1).

The PSC will continue its review of the draft starting with § 4 F Death of the *Annuitant* on its next member call.

**Agenda Item 4. Any other Matters.**

The Chair stated that the next PSC call will be a public call scheduled for May 21<sup>st</sup> to hear comments on the *Additional Standards for Return of Premium for Individual Disability Income Insurance*.