

Agenda Item 2. Discuss public comments and finalize recommendation on *Additional Standards for Return of Premium for Individual Disability Income Insurance*.

Mary Mealer, Chair of the Product Standards Committee (PSC) stated that the PSC received written comments from two company filers and two member states. In addition, during the public call there were a few questions posed to industry about the product and the Chair asked states to review their complaint data to see if there were complaints regarding this benefit feature. She stated that of the states that responded, no state reported any complaints regarding return of premium.

The Compact staff reviewed the comments that were submitted as well as the additional documentation submitted by Mutual of Omaha in response to questions raised during the public call. In response to the comments seeking clarification that the standards do not impact the inclusion of language in policy provisions that specifically address a return of unearned premium situation, the PSC agreed to add “for an additional premium” to the Scope to clarify that return of unearned premium is not part of this benefit feature.

Scope: These standards apply to individual disability income insurance policies or disability business overhead expense policies that provide an optional benefit for an additional premium for return of a percentage of premium either at specified intervals as provided herein or when the rider or policy is surrendered or terminated, less claims or benefits paid.

The PSC also agreed to several technical, clarifying edits recommended by the North Carolina Department of Insurance. Upon review of further information and discussion of the items in § 2 B(3), the PSC concluded that a change should be made to (3)(b) as suggested by Pennsylvania, but absent any expressed concerns from industry, no further revisions were needed.

- (b) A level annual factor, ~~demonstrating a smooth pattern of increasing percentages,~~ shall be assumed with no mortality ~~factor~~ assumption included and an interest rate not to exceed five percent (5%) per year;

In reference to §3A(7), the Insurance Compact Office suggested clarifying language. A member noted that the intent of this provision is to address situations where the return of premium benefit is paid at specified intervals. He stated that the suggested language does not make it clear that the claim for benefits is incurred during the period for which the premium was returned. Following discussion, the PSC agreed to the following revision:

The return of premium benefit form shall state whether the disability income insurance claim benefits will be reduced, if received by the company after the premiums have already been returned to the owner if a claim for disability income insurance benefits is submitted after premiums have been returned to the owner for the period in which the claim was covered.

The PSC reviewed comments from the Oregon Division of Financial Regulation stating that the standards present the opportunity for insurers to create an additional opportunity for profit without an equal return to consumers. The PSC noted that return of premium for IDI is not a new benefit feature, but has been available in the marketplace for at least 20 years, and the purpose of the Uniform Standards is to provide a uniform method of review with needed consumer protections. The PSC concluded no further revisions were needed and the standards were ready to be recommended for formal rulemaking.

Agenda Item 3. Discuss alternatives regarding guaranteed separate accounts in the draft *Single Premium Group Fixed Annuity Contract Uniform Standards for Employer Groups*.

Ms. Mealer noted that the last time the PSC discussed this draft, they finalized everything except one issue. Texas and Minnesota had commented that they have restrictions related to guaranteed separate accounts, where the separate account is backed by the insurer's general account. The Insurance Compact Office has been working with these states.

Karen Schutter, Executive Director of the Insurance Compact, explained that the additional review of guaranteed separate accounts that is conducted by the Texas Department of Insurance for products issued in the state was outside the scope of the Compact's product content review and that Minnesota currently does not permit guaranteed separate accounts. She suggested language to the Scope section of the standards to make it clear that the domiciliary state and possibly the state of issue may have other requirements before an insurer may use a Compact-approved policy with guaranteed separate accounts. She explained that the Compact would maintain a list of states with such requirements on the Insurer resources page of the website, and would institute a procedure to notify member states that wished to know when such a product is filed with the Compact. Following discussion, the PSC agreed to the following language:

Separate Accounts: Approval by the Interstate Insurance Product Regulation Commission of an insurance product filing in compliance with this Uniform Standard shall not be deemed as regulatory approval of the company's use of *Separate Accounts* which are guaranteed in whole or in part by the *General Account*. Action from the Member State, both domiciliary state and if applicable, state of issue, may be required before an insurer may use an Interstate Insurance Product Regulation Commission approved policy or other product component backed by funds associated with a *Separate Account*. If the product contains *Separate Accounts*, all aspects of the *Separate Account* with respect to its operation, maintenance, insolation and producer licensing will be governed by applicable state law (both domiciliary and if applicable, state of issue). Upon a company receiving Interstate Insurance Product Regulation Commission approval that a policy or contract complies with the applicable Uniform Standards, the company shall ensure it has the necessary authorizations to use the *Separate Account* in the Compacting States based on state law requirements for *Separate Accounts*.

Drafting Note: The Interstate Insurance Product Regulation Commission will maintain a comprehensive listing of member states with requirements before an insurer may use

an Interstate Insurance Product Regulation Commission approved policy or other product component with *Separate Accounts* which are guaranteed in whole or in part by the *General Account*.

The Chair noted that these Uniform Standards would now be recommended to the Management Committee to begin the rulemaking process.

Agenda Item 4. Continue discussion of comments received for the draft of the *Group Annuity Certificate Uniform Standards for Employer Groups*

Compact staff lead a discussion of the remaining comments received for the draft of the *Group Annuity Certificate Uniform Standards for Employer Groups* starting with § 4 F Death of the *Annuitant*. The PSC reviewed the language from the individual Core Annuity Uniform Standards regarding death benefit proceeds and agreed that this language, updated for certificate standards, should be added to this draft under Death of the *Annuitant*.

Noting that most contract forms address the Entire Contract provision, rather than the certificate since the contract is between the contractholder and the insurance company, the PSC agreed to delete this provision. The PSC reviewed the ACLI comments suggesting deletion of item J, Legal Action, as it pertains to Certificate Standards to avoid a conflict with the Legal Action provisions in the contract itself. The Committee noted that the requirements are the same in the contract standards and that the provision is optional in the certificate standards, so the insurer can choose not to include it. The PSC determined that no change was needed.

Under the Payment of Premium provision, the PSC agreed to add the following language consistent with K. Payment of Benefits:

(2) The certificate may contain a provision describing adjustment of premiums as a result of a misstatement of age, sex or other relevant data; compliance with court orders or applicable law, or overpayments or underpayments.

Upon review of the Pennsylvania comments suggesting the addition of provisions for Failure to Act, Proof of Age, and Termination/Discharge of Liability, the PSC agreed to seek public comment on whether these provisions should be included and any suggested language.

Agenda Item 5. Any Other Matters.

The Chair stated that the next PSC member call will be on June 18th and that the Compact Office will schedule a public call to hear comments on the revisions to the *Group Annuity Certificate Uniform Standards for Employer Groups*.