

Agenda Item 2. Receive update on Uniform Standards development status.

The Insurance Compact staff provided an update on Uniform Standard development. Anne Marie Narcini noted that there was a public hearing on the proposed *Additional Standards for Return of Premium for Individual Disability Income Insurance and Single Premium Group Fixed Annuity Contract Uniform Standards* during the August 2nd in person meeting of the Commission. No oral comments were made and the deadline for written comments is August 23rd. She also stated that the Management Committee accepted the PSC recommendation to propose new *Group Annuity Certificate Uniform Standards* and those standards have now been posted with a comment deadline of October 7th. Finally, the Commission adopted the amendments to the *Additional Standards for Overloan Protection Benefit* to expand the scope to include whole life insurance products. The revised PSC work plan and timeline have been posted to the Insurance Compact website.

Agenda Item 3. Discuss public comments received for the revised draft of the *Uniform Standards for Group Guaranteed Interest Contracts for Non-Variable Annuities for Employer Groups* and finalize recommendation for the Management Committee.

Mary Mealer, Chair of the Product Standards Committee (PSC) stated that the Compact office extended the written comment period until July 31st and received comments from Tom Kilcoyne, Pennsylvania and the ACLI during that time. Comments were received later from the Minnesota Department of Commerce. Compact staff lead a review and discussion of the comments.

The PSC reviewed suggested comments from Mr. Kilcoyne. They agreed to add “rate” to the description in the Scope.

The standards apply to unallocated and allocated contracts, for funds to be held in an insurer’s General or Separate Account under contracts which guarantee principal and provide for a specified minimum or a single rate of interest (with or without rate resets, respectively) on amounts deposited by a contractholder and that may or may not have a fixed maturity date specified under the contract.

The PSC agreed to the recommended clarifying changes to the definitions of “active life certificate” and “retired life certificate”:

“Active Life Certificate” means a certificate delivered to each participant who is covered under an allocated contract, summarizing benefit provisions and the certificateholder’s rights under the contract.

“Retired Life Certificate” means a certificate delivered to each person to whom annuity benefits payments ~~will or~~ are scheduled or being paid under the contract.

The PSC discussed the suggested changes to certain Terms and Concepts as well as the industry comments on the proposal. Industry noted that the imposition of an MVA is not directly tied to whether something is a “Benefit Responsive Withdrawal” vs. a “Non-benefit Responsive Withdrawal”. MVAs

can occur in either event. The PSC agreed to the suggested revisions proposed by Tom Kilcoyne and modified by industry representatives as follows:

“*Benefit Responsive Contract*” means a contract that guarantees certain *Plan participant-initiated withdrawals*–*Benefit Responsive Withdrawals* and transfers at *Contract Value*, subject to applicable contract provisions (like *Plan Sponsor Initiated Events*), for specific qualifying *Plan* benefit payments such as retirement, separation from service, disability, death, hardship or loans (if the *Plan* permits).

“*Non-benefit Responsive Withdrawal*” means any payment ~~requested by the contract holder~~ that is not taken used for the purpose of paying any of the qualifying *Plan* benefit payments ~~to participants~~.

“*Benefit Responsive Withdrawal*” means amounts generally withdrawn at *Contract Value* from the contract ~~to pay eligible for qualifying *Plan* benefits~~–payments to a participant, beneficiary or alternate *Payee*, such as retirement, separation from service, disability, death, hardship or loans (if the *Plan* permits), pursuant to the terms of the *Plan* and the Internal Revenue Code.

Industry representatives reviewing member suggested revisions to terms suggested the following change to the definition of *Plan Sponsor Initiated Event* and the PSC agreed, with a change to the word “upon” instead of “of”:

“*Plan Sponsor Initiated Event*” means an action outside the normal operations of the *Plan* that potentially negatively impacts the *Contract Value* ~~of upon *Participant withdrawals resulting from, or affected by, the Plan Sponsor Initiated Event*~~, including but not limited to:

In reference to Mr. Kilcoyne’s suggested revisions to the definition of “Payee” he stated that he was withdrawing the first suggestion, but would like to know whether the Contract Schedule is routinely subject to amendment to the extent that a Payee can be named in a later designation. If this is the case, he suggests adding “as amended” following the words Contract Schedule. Industry representatives had not provided feedback specific to this question. The PSC asked Insurance Compact staff to follow up with industry representatives to obtain an answer.

The PSC next discussed the request from the Minnesota Department of Commerce to add a “carve out” for “Benefit Responsive Withdrawals” indicating that approval by the Compact shall not be deemed as regulatory approval of the company’s use of Benefit Responsive Withdrawal provisions. They indicated that MN Statute 61A.276 prohibits withdrawals based on mortality or morbidity contingencies. Tomasz Serbinowski, Utah asked how the circumstances outlined in the definition that allow for payments to the participant, beneficiary, or alternate Payee would be considered harmful. He indicated that Compact members generally don’t consider single state law requirements in standards unless there is consumer harm. If there is no consumer harm, why should this be considered? A representative from Minnesota said he would discuss with others in his office and respond on the next member call.

Minnesota also requested new language under § 4 I Distributions indicating that the contract shall describe the terms of withdrawals that are triggered by a downgrade of the company's rating, if they differ from the terms of all other withdrawals, as well as a 'carve out' provision for this item since Minnesota's Bulletin 99--4 prohibits bailout provisions. The PSC discussed the request and concluded that their preference would be to seek industry input on whether they would oppose language prohibiting bailout provisions. Compact staff will follow up with the group annuity insurers.

The PSC reviewed the ACLI comments related to § 4.K.(2) in which they express concern that a retirement plan may have relevant provisions, such as vesting or other provisions, that may be unknown to the insurer. As such, any description of the impact of early or deferred retirement or employment termination may be incomplete and consequently potentially misleading. The PSC agreed to delete the last phrase in (2):

- (2) If the contract includes *Deferred Annuitants*, the contract shall include information as applicable on the normal (default) form of annuity, any optional forms of annuity available to the *Annuitant* and impact on benefits in the event of early or deferred retirement or employment termination.

The Chair stated that the three follow up items mentioned on this call would be discussed on the next member call in two weeks.

Agenda Item 4. Discuss public comments received for the draft *Additional Standards for Qualifying Events Waiver of Premium Benefits* and *Additional Standards for Qualifying Events Waiver of Monthly Deductions Benefits*.

The Chair stated that comments were received from one company, Pacific Life Insurance, during the public comment period. Compact staff began a discussion of the comments in the limited time remaining for the call.

The PSC discussed the question from the company regarding why a benefit ineligibility option is only available when there is no identifiable charge and noting that such an option could help lower the cost of the benefit when there is a charge. The provision is similar to the definition found in the individual annuity *Additional Standards for Waiver of Surrender Charge Benefit*. Tomasz Serbinowski, Utah commented that for annuities, surrender charges can be rather high in early years and grade down. He asked if the use of the benefit is different on the life side and if the reasoning for not allowing an ineligibility period was the same on the life side as on the annuity side. He suggested perhaps limiting the ineligibility period may be a compromise. Insurance Compact staff noted that the issue of whether the reason for additions to this standard for new qualifying triggers is the same as for annuities is a key point of discussion for several of the proposed amendments and asked that PSC members review both the proposal and products they approve in their states for added waiver of premium triggers in advance of the next call.

The PSC reviewed the question of whether both (1) and (2) in the definition of "Qualifying Event" were required or either. It was noted that the definition says *any* of the following. A member

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commented that receipt of health care services seemed rather broad. Due to time constraints, the PSC agreed to take up the discussion on the next call.

Any Other Matters.

The Chair reminded members that the next member call would be in two weeks, on August 27th.