

Agenda Item 2. Finalize discussion of 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 there were a few items pending on this draft following the last member call. The Compact staff lead a discussion of the remaining items.

For the definition of “Payee,” the Compact staff noted that industry representatives indicated that upon further review of this definition, reference to the contract schedule should be eliminated. There generally isn’t a contract schedule for GICs and the term is not defined within the standards. Industry suggested a clearer definition and the PSC agreed to the following change:

“Payee” means the person(s), or entity(ies), ~~as shown on the Contract Schedule~~ to whom withdrawal payments under the contract will be made. ~~The Payee will be named by the Owner in the application or in a later designation.~~

In reference to the definition of “Plan Sponsor Initiated Event,” industry representatives had suggested a change previously, but upon further review, they believe the original language was more appropriate. The PSC agreed with the request to withdraw the suggested revision.

In reference to the concerns Minnesota expressed regarding “Benefit Responsive Withdrawals,” the Compact Office noted that the draft GIC standards are intended to apply to Employer/Employee groups and were drafted based upon discussions with group annuity insurance companies and reviews of existing approved GIC contracts in the marketplace today. The statute that Minnesota referenced appears to be for funding agreements, which most states view as purely financial instruments with no insurance risk, unlike GICs. Minnesota indicated they would be comfortable if the standards had a required element for a “minimal” annuitization basis (mortality and interest). The Compact noted that §4B requires that “a table of annuity purchase rates or actuarial description of annuity purchase rates to be used shall be set forth in the contract.” Minnesota stated that this would address their concerns.

Under § 4 I Distributions, on the previous call the Compact Office was asked to follow up to see if industry representatives would support a prohibition on bailout provisions in these contracts. The Compact staff noted that industry representatives opposed the inclusion of language prohibiting bailout provisions. Such provisions had sometimes been included in contracts for institutional markets and funding agreements, not employer/employee GICs. They indicated that including such language in GIC standards would be confusing to filers and reviewers. Minnesota was satisfied with the explanation and the PSC agreed no change was needed.

The Chair stated that the Compact staff would update the draft and these Uniform Standards would be recommended to the Management Committee during the September 30th Commission call.

Agenda Item 3. 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 Compact staff lead a review of public comments received on the draft *Additional Standards for Qualifying Events Waiver of Premium Benefits*, noting that any changes made to this draft would also be included in the *Additional Standards for Qualifying Events Waiver of Monthly Deductions Benefits*.

Under the definition of “benefit ineligibility period,” a company questioned why this was limited to policies without identifiable rider premium charge. The PSC discussed this definition further and noted that as used in the Uniform Standards, there are two separate terms “benefit ineligibility period” and “waiting period.” The “waiting period” is the time between when the trigger occurs and benefits can begin while the “benefit ineligibility period” is a time from issue date until when the insured is eligible for benefits, whether or not a qualifying event occurs. Only the latter is prohibited if a premium is charged for the rider. The PSC decided to make no change.

In reference to the definition of “qualifying event,” the Compact staff noted that the formatting of this item adds to the confusion and suggested listing the items individually. Staff also noted that the definition does not include all qualifying events listed under §3 A (3). The PSC agreed to the following suggested change:

Qualifying event” means any of the following, as long as the event meets the requirements of this standard:

- (1) Diagnosis of limited life expectancy or life-threatening condition;
- (2) Cognitive impairment;
- (3) Inability to perform certain activities of daily living;
- (4) Receipt of care from a health care facility;
- (5) Disability; or
- (6) Unemployment.

The PSC reviewed several sections of the draft where an insurance company had indicated that prescriptive requirements could be limiting potential innovation. The PSC noted that the purpose of Uniform Standards is to provide clear, concise standards for form review and eliminate inconsistent application of requirements and “desk drawer rules.” They noted that it would be beneficial if industry would explain specific concerns and provide examples of instances where the standard would not work with certain benefits offered, rather than a general comment that this does not promote innovation.

Upon review of the comment question the need for the provision that restrictions on life expectancy cannot be less than a life expectancy of 6 months, the PSC questioned whether this comment was based on a misunderstanding of the provision. The limit means that a company cannot require a life expectancy of, for example, no greater than 2 months or 1 month in order to be eligible for the benefit. It does not restrict life expectancy greater than 6 months. The purpose is to offer a meaningful benefit, not an illusory benefit.

The PSC reviewed a comment requesting reconsideration of allowing zero entry in a range for any benefit. The Compact staff noted that the purpose of prohibiting zero entries is so companies do not write one large policy, packaged many different ways using zero or n/a for multiple products under one form. A zero entry for a consumer benefit (for example no waiting period) would be allowed after questioning if the company was actually offering that as part of the range. The PSC agreed no change was needed.

In reference to an insurance company question on whether they can define what constitutes the customary duties for homemakers, the PSC agreed with the Compact office response that this would be permitted as long as it met fairness provisions.

The PSC reviewed a comment from a member suggesting the addition of “grooming/personal hygiene” to the list of activities of daily living. An insurer asked if there were tax qualification ramifications. The PSC noted the included list was based on long-term care definitions and agreed that absent a definitive reason to add, it was better to leave the list as is.

In reference to the comment asking why provisions stating the waiver benefit form shall not restrict the qualifying event to one or more specific medical conditions and shall not limit a qualifying event to sickness only or injury only were added, the PSC noted that some states would not have restrictions for a single medical condition or for just sickness or just injury; however, industry had not provided detail on how these provisions would limit products currently in the marketplace. Absent more specific industry feedback, the PSC was not inclined to make a change.

The PSC reviewed comments questioning restrictions on preexisting conditions. They noted that the standards do not allow a company to exclude a pre-existing condition. Those conditions can be underwritten prior to policy issuance. A condition may exist prior to issuance; however, the need for treatment or services, or the disability may be required to occur after the waiver benefit issue date. A company cannot require that it occur after the benefit eligibility date. The PSC noted that the drafting note does not make B(3) any clearer, and saw no reason for the drafting note.

Insurance Compact staff noted that contrary to the company’s assertion, under the current waiver of premium standards, a company would not have been permitted to exclude a condition unless it was for “Total disability caused or contributed to by any condition disclosed in the application and explicitly excluded in a form attached to the policy.” The current standards also allow exclusion for “Any condition disclosed in the application and explicitly excluded in a form attached to the policy.” The PSC agreed that no further change was warranted.

The Committee reviewed a company comment regarding the provision allowing for exclusions for “disability occurring after the benefit anniversary on which the insured attains a specified age no less than age 65,” in which the company said previously they were permitted to exclude after age 60. The Compact staff noted that this exclusion is unchanged except for the formatting. The current version has the same exclusion under (1)(g). It was never listed as age 60. The PSC agreed.

The Chair stated that the revised draft would be posted and circulated so that public comments could be received during the September 17th public call.

Product Standards Committee
Member Call Summary
August 27, 2019

Agenda Item 4. Any Other Matters.

The Chair that Compact staff would advise members regarding whether there would be a member call on September 10th. A public call is scheduled for September 17th.