

**Agenda Item 2. Discuss public comments for the proposed *Single Premium Group Fixed Annuity Contract Uniform Standards for Employer Groups* and finalize recommendation for the Management Committee**

Mary Mealer, Chair of the Product Standards Committee (PSC) stated that before the Management Committee and Commission consider these Uniform Standards for adoption, at the request of the Officers, the PSC will consider the public comments that were received. She noted that all comments were submitted in writing; there were no additional comments during the public hearing.

Compact staff reviewed the comments as well as information received from insurers who issue pension risk transfer contracts. Under the Scope section, the PSC decided to recommend that the provision addressing use with combination group products approved by the Insurance Compact be deleted. They noted that PRT's are not issued in combination with other policies and this would eliminate any confusion.

The Committee reviewed a request from Yvonne Hunter, Consumer Advisory Committee, under §4 A – Amendments, asking for clarification of when “unilateral amendments that reduce or eliminate benefits or coverage, or impair or invalidate any right granted to the contractholder” can be made and suggesting a 30-day notice requirement. They concluded that this provision is found in other Uniform Standards, so changes made to this standard would impact others. Since such unilateral amendments can only be made if there are changes to provisions or requirements of the Internal Revenue Code, the IRS would dictate when such provisions are effective and may have notice requirements. The PSC concluded no change should be made.

Under § 4 F – Commutation, Utah asked if commutation was only at the choice or request of the annuitant or beneficiary. The Compact staff reported that industry representatives explained that although this is usually the case, there are circumstances where an insurer may cash out small benefits with present values below a threshold permitted under tax rules or where a beneficiary is not found so payment is made to the estate. The PSC concluded that no change should be recommended.

The PSC reviewed a clarifying recommendation by Tom Kilcoyne of Pennsylvania under §4 H Data Required, and agreed to the following change:

- (3) The provision may state that if the insurance company or the contractholder makes an error in the data, an equitable adjustment to the premiums and/or benefits will be ~~adjusted~~ made according to the correct data. An error will not end insurance validly in effect, nor will it continue insurance validly ended.

The PSC next discussed the request to add frequency to the standards allowing an insurer to request proof of life under §4 L. Evidence of Survival. They noted industry's explanation of difficulty in specifying a certain time period if independent evidence such as the Social Security master death file indicates the annuitant is deceased. Audit procedures and information indicating the annuitant may be deceased are reasons an insurer may request verification that the annuitant is alive. Following discussion, the PSC concluded no change was recommended.

Under §4 Q Termination, Utah asked if the Plan Sponsor and the Insurer could mutually agree to terminate the agreement prior to the last payment being made. Compact staff explained that mutually agreed upon terminations do not apply to single premium PRT. The risk is transferred upon payment of the single premium and the insurer is responsible for benefits owed under the contract. The PSC agreed that no change should be made.

The Chair stated that the Compact staff would distribute an updated copy of the proposed Uniform Standards for final comment on the recommendations during next week's September 17th public call. The standards would then be presented for adoption during the September 30<sup>th</sup> Management Committee and Commission call.

**Agenda Item 3. Discuss public comments for the proposed *Additional Standards for Return of Premium for Individual Disability Income Insurance* and finalize recommendation for the Management Committee.**

The Compact staff lead a review of public comments received by the Management Committee on the proposed *Additional Standards for Return of Premium for Individual Disability Income Insurance*. Several technical edits were suggested by Utah and there was no objection to accepting those changes.

The Committee reviewed Utah's request to simplify the schedule showing the percentage of premium returned at each policy year by eliminating the formula and providing a clearer explanation. The Committee agreed to the following change to § 2 B.(3):

- (c) ~~If the percentages will be applied to premiums paid to date, rather than premiums projected to maturity, the above calculation shall be adjusted by (A)/(B), where (A) is the duration at maturity, and (B) is the duration corresponding to the above unadjusted percentages; The schedule may present the benefit as a percentage of premium paid to date or percent of all premiums projected to maturity, provided that the resulting dollar amounts would be equivalent;~~
- (d) The schedule should clearly label whether the percentage shown applies to premiums paid to date or all premiums projected to maturity;

The members also agreed to add a clarifying drafting note to new § 2 B.(3)(e), stating that the standard "... does not require that 100% of premium be returned at maturity or maximum age. It requires the full benefit be available no later than maturity or maximum age."

Under §3A.(7), the PSC agreed to add a clarifying drafting note as follows:

**Drafting Note:** This provision addresses situations where an owner may receive return of premium benefits without deduction of any paid disability benefits, but later submits a claim for disability benefits for the same period. In such a case, the form should note whether the insurance company may reduce benefits due to the previously paid return of premium benefit.

Product Standards Committee  
Member Call Summary  
September 10, 2019

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**Agenda Item 4. Any Other Matters.**

The Chair stated that the next call would be a public call is scheduled for September 17<sup>th</sup>.