

Agenda Item 2. Update on the status of the amendments to the Individual Long-Term Care Insurance Policy Uniform Standards.

The Chair noted that the agenda and materials for this call was the same as the one originally distributed for April 25th. The April call was rescheduled because there was not a quorum. The Insurance Compact staff provided an update on the amendments to the Individual Long-Term Care Insurance Policy Uniform Standards. It was noted that because one required notice had not been issued prior to the April in person meeting of the Commission, adoption of the proposed amendments was deferred until June when a conference call of the Management Committee and the Commission will be held. At the request of the Management Committee, the Insurance Compact staff has prepared a referral of the issue regarding clarification of the application of a nonduplication of benefits provision for long-term care insurance products to the NAIC's Senior Issues (B) Task Force. Product Standard Committee (PSC) members will receive a copy of the referral and it will be posted to the Compact's website.

Agenda Item 3. Consider and discuss the Industry Advisory Committee request to add a Death Benefit Proceeds provision to the core annuity uniform standards.

The Insurance Compact staff provided an overview of the Industry Advisory Committee (IAC) request for consideration of amendments to the core annuity standards to add a provision addressing payment of death benefit proceeds. The IAC indicated that because state laws vary on whether annuity products are subject to death benefit proceeds requirements similar to life insurance products and because interest rates vary considerably, industry would like to have uniform standard for compact filings that addresses this issue. The Compact Office noted that staff requested clarification of why SEC regulated products for annuities have different requirements in the IAC proposed draft. The IAC indicated that Section 22e (Distribution, Redemption, and Repurchase of Redeemable Securities) of the Investment Company Act of 1940 states:

(e) No registered investment company shall suspend the right of redemption, or postpone the date of payment or satisfaction upon redemption of any redeemable security in accordance with its terms for more than seven days after the tender of such security to the company or its agent designated for that purpose for redemption..."

The IAC stated that because of this language, since the SEC allows 7 days from the date of receipt of due proof for the liquidation of the accounts and payment of the death benefit, on the eighth day the companies would begin the tolling of the 31 days during which interest accrues while the death benefit is not paid. Members commented that this approach did not appear to be required; rather the SEC requirement is to pay within seven days. They also asked why this requirement is for annuities but not for variable life policies that may be subject to SEC requirements. Members noted that the date of death requirement in life was a compromise after much discussion and further conversation about why the IAC believes the SEC requires the use of due proof of loss rather than date of death as well as why the IAC believes the SEC requirement for payment within seven days of proof of loss means adding days to the 30 day limit in the standards would be needed if the proposal is to be considered.

The PSC agreed that the request for amendments should be considered and agreed that the request will be exposed for public comment with a Public Call scheduled to discuss.

Agenda Item 4. Discuss proposal for drafting an Additional Standard for Incidental Benefits for Life Insurance Products.

Karen Schutter, IIPRC provided an overview of the Insurance Compact Office proposal to develop uniform standards for additional incidental or ancillary benefits for life insurance products. She reviewed draft definitions for such products and noted that Compact staff is finalizing a draft for review. The Texas department noted that they have a law as well as a rule on noninsurance benefits and would forward them to the Compact staff. The PSC agreed that this was a proposal worth consideration. Once a draft is finalized, information will be posted to begin the process of considering a draft for recommendation to the Management Committee and to obtain comments from interested parties.

Agenda Item 5. Any other matters.

The Chair stated that the Compact staff will continue work on the items discussed on the call as well as the initial draft for Phase 8 of the 5-Year Review – the Individual Disability Income Insurance standards. The office will send notice for the next call.