

Agenda Item 2. Discuss Comments Received on Proposed Amendments to the Uniform Standards Listed under Phase 7 of the Five-Year Review.

Mary Mealer, Chair of the Product Standards Committee (PSC), noted that during the June meeting of the Management Committee, the PSC was asked to review the comments that were received during rulemaking for Phase 7 of the Five-Year Review. She noted that comments were received from the Pennsylvania Department of Insurance and Northwestern Mutual. IIPRC staff provided an overview of those comments.

With respect to the technical suggestion from the Pennsylvania Department of Insurance for §3.F(3) of the Additional Standards for Private Placement Plans for Individual Deferred Variable Annuity Contracts, the PSC agree to strike the word “liquidity” from the phrase “specified redemption liquidity notice periods” in the last sentence since the word was unintentionally left in the proposal.

The PSC agreed with Northwestern Mutual’s suggestion to reformat §3.H(3) of the Individual Deferred Paid-Up Non-Variable Annuity Contract Standards to clarify that the maximum deferral period does not apply to lifetime income. They also agreed with the suggested clarifying language in §3.B(1)(c) of the Individual Deferred Paid-Up Non-Variable Annuity Contract Standards to note that the income benefit from additional premium payments applied to a dividend-paying DIA contract does not need to be greater than the income benefit from a DIA contract that doesn’t pay dividends. The PSC agreed with the IIPRC Office recommendation to use the term “class of annuitants” rather than “class of purchasers” as suggested by the company to be consistent with the term used in the actuarial certification required under Appendix A of the standards.

- (c) The term “current annuity purchase rates,” as used in item (b) above, requires that the income payments purchased by additional premiums are:
 - (i) Not less than that in a new contract subject to these standards for the same class of annuitants (annuitants of annuity contracts that are not expected to pay dividends shall be considered a separate class from annuitants of annuity contracts that are expected to pay dividends), attained age and specified income commencement date if the company offers a deferred paid-up non-variable annuity contract subject to this standard at the time the additional premium is paid; or; and

The PSC discussed Northwestern Mutual’s comments questioning why the proposed amendments establish a 60% limitation on commutation when such a specific limit is not included in the Individual Immediate Non-Variable Annuity Contract Standards. It was noted that the initial proposal submitted by the Industry Advisory Committee included the 60% limitation. The proposed addition of the commutation provision was discussed in great detail by the Actuarial Working Group and the PSC and fully vetted with interested parties before the recommendations for amendments were made to the Management Committee.

The PSC agreed that they would not recommend further amendments to this provision since commutation is limited in order to assure that some income payments remain after the commutation so that it meets the original purpose of the contract to provide some amount (reduced though it may be in the event of a commutation) of income payments for life, or for the elected certain period. They noted that the request that the commutation provision match the Individual Immediate Non-Variable Annuity Contract Standards is not sufficient in and of itself to justify further change since these two standards have different purposes.

Agenda Item 3. Preview Compacting State Survey Regarding Application of Annuity Nonforfeiture Requirements.

Karen Schutter, Executive Director of the IIPRC explained that the Compact Office is seeing an emerging trend with respect to a separate rider charge for common benefit features like Waiver of Surrender Charges. In addition, the office continues to hear from some companies with respect to including rider charges within the nonforfeiture calculations, indicating that Compacting States do not take this approach. She explained that staff has worked with the Actuarial Working Group over the last several years to get their concurrence on the approach to separate charges for guaranteed benefit features.

The Compact Office developed the draft survey to gain an understanding of the approach each Compacting States takes. She noted that the goal is to distribute the survey in the next week and have responses due later in August. She asked that the PSC review the draft with applicable department staff and provide any feedback on revisions by Tuesday August 1st to [her](#) or [Anne Marie Narcini](#). She emphasized that the survey should not be completed at this time, just reviewed to see if there are any suggested changes.

Agenda Item 4. Discuss feedback and next steps regarding Incidental Benefits for life insurance products.

Ms. Schutter summarized the public comments received during the PSC Public call on July 11th. She stated that after hearing the discussion, the Compact Office is proposing stepping back from specific language and discussing this issue more conceptually. She noted that the NAIC has identified staying ahead of product innovation and development in terms of regulatory development as a key priority and there is a need to stay relevant in terms of regulating the emerging insurance marketplace. Ms. Schutter proposed that the PSC undertake a format similar in nature to the Innovations Task Force or the LTC Innovations Subgroup with public calls to solicit input about the type of products and benefit features companies file state-by-state because the Compact does not have Uniform Standards, as well as the type of products and benefit features consumers want that insurers are not able to provide because of state regulatory requirements. The PSC agreed that the Chair would update the Management Committee and Commission on this proposed direction at the August 5th meeting and if there are no objections, would move forward from there.

Agenda Item 5. Any Other Matters

The Chair noted that because of the NAIC meetings and the IRES CDS, the PSC would not meet again until the end of August. IIPRC staff will send notice of the call in advance.