

### **Agenda Item 1. Roll and Introduction.**

Mary Mealer, Chair of the Product Standards Committee (PSC) noted that initially the agenda included an item to hear comments on the initial draft for *Additional Standards for Return of Premium for Individual Disability Income Insurance*. However, the PSC still has some items they want to discuss and fine tune on the draft, so it was pulled from the agenda. She stated that the PSC hopes to release a draft for public input in the coming weeks on the Compact's website – Uniform Standards Under Construction on the [Docket](#).

### **Agenda Item 2. Receive Comments on the Revised Draft of the *Single Premium Group Fixed Annuity Contract Uniform Standards for Employer Groups*.**

The Chair stated that the initial discussion draft of the *Single Premium Group Fixed Annuity Contract Uniform Standards* was posted for public comment on September 25, 2018. In addition to soliciting written comments, the PSC held a public call on October 30, 2018 to hear further comments. Comments and feedback were received from member states, insurance company filers and the ACLI.

She noted that since that public call, the PSC has gone through the initial draft section by section and reviewed all the comments that were received. As a result of that review and those discussions, a revised draft, including a redlined document showing all the changes from the initial draft as well as an annotated draft that in each section of the draft includes the comments received and a summary of the PSC discussion and actions was posted and distributed on February 26<sup>th</sup>. Ms. Mealer state that the PSC believes this document along with the call summaries that are posted shortly after each PSC call allow all members and interested parties to follow the process and understand how the Committee makes its decisions.

Prior to the call, written comments were received from the Oregon Division of Financial Regulation. Tashia Sizemore, Oregon, presented a summary of the comments. In reference to the comment that the Entire Contract provision should be mandatory, Missouri noted that not all of these types of contracts include certificates and asked the importance of this provision as a mandatory provision. Ms. Sizemore stated that it is an important consumer protection and prevents the insurer from referencing documents that are not a part of the contract. Minnesota asked if Oregon would oppose referencing plan provisions as a part of the contract. Janice Hart of Oregon responded that plan documents may be referenced. Maryland asked if Entire Contract provisions in Oregon apply to group as well as individual, noting that Maryland requirements apply to individual only. Oregon indicated their requirements include group. Pennsylvania asked if changing “may” to “shall” would satisfy their concerns and Oregon responded affirmatively.

In reference to Oregon's comments seeking inclusion of an Incontestability provision, Brendan Bridgeland, Consumer Advisory Committee, said he shared the concern and did not believe this was usually optional. Insurance Compact staff noted that for this type of product, their discussions with the PSC and other member states, review of state checklists and discussions with group annuity carriers, they had only identified Oregon as a state that said they mandated incontestability for group pension risk transfer contracts, but invited any other state on the call that may have a requirement to comment. Ted Hamby of North Carolina stated that the content of pension risk transfer contracts is very flexible

and that the employer, a sophisticated buyer is the one making the arrangements for the risk transfer and the party to the contract. He said the product is like a holding pot for issuing pension benefits. Because of the nature of the product, although North Carolina has some requirements for provisions like grace period and incontestability for certain group annuity contracts, they do not require them for pension risk transfers. He encouraged focus on what the product is and how it operates.

Pennsylvania asked if insurers could provide feedback on this point. Emily Micale, ACLI stated that they were still soliciting feedback overall from its members but that ACLI opposes adding requirements that the vast majority of states do not require. Helen Walsh, Metropolitan Life stated that incontestability does not apply for PRTs since eligibility for an annuity is determined by the Plan, not the insurer. The insurer continues to administer the benefit as the benefit would have been paid under the terms of the plan. Those terms must be reported to the insurer by the employer. Only the employer can determine eligibility because the employer knows the employee's service, salary, and the formula to determine the benefit earned under the plan. She stated that her company has made 50 state filings and incontestability was not a requirement.

Ms. Mealer asked Oregon to explain their third comment about changes to group annuity contracts. Ms. Sizemore stated that they have noted receiving filings for fee changes that could translate to less funds available. When asked if this was related to the types of annuity contracts covered under these uniform standards, she responded that she was not certain but thought one filing from several years ago may have been.

Oregon stated that they wished to again express concerns that the Compact process lacks transparency and does not allow members to contribute and that they wished to know the votes on all comments that were submitted. Ms. Mealer responded that draft documents include a summary of all comments received, and public calls include requests for comments from members and all interested parties. Ms. Mealer further stated that discussions at the committee level do not generally include specific roll call votes on all items; however, she does ask if any member opposes each decision made and call summaries posted to the website reflect all of these discussions. She noted that it is not uncommon for Compact staff to research and prepare initial drafts for discussion both at the committee level and in public to start the process and questioned how development could move forward absent such work. Ms. Mealer stated that the PSC would consider the comments and call summaries would reflect their decisions. She asked if there were any other questions or concerns about the drafting process from any regulator or any interested party. There were no other comments.

Ms. Mealer then asked if there were any oral comments regarding the draft *Single Premium Group Fixed Annuity Contract Uniform Standards* from any regulators or any interested parties on the call. There were no further comments.

#### **Agenda Item 5. Any other Matters.**

The Chair stated that the the PSC would review the comments on the revised draft of the *Single Premium Group Fixed Annuity Contract Uniform Standards* with the goal of finalizing its recommendations to the Management Committee for the April 5<sup>th</sup> meeting so that the Rulemaking process could commence.