

**Agenda Item 3. Receive Overview of the Current PSC Workload and Items for Public Comment for the February 5th Public Call.**

The Insurance Compact staff reviewed the items on the Product Standards Committee (PSC) workload that started in 2018 and would continue into the current year. Staff noted that the PSC would continue discussion of the initial draft of the *Single Premium Group Fixed Annuity Contract Uniform Standards for Employer Groups*. The final recommendations for amendments to the *Additional Standards for Overloan Protection Benefit* to add whole life insurance products have been posted to the Uniform Standards Under Construction on the Docket with a comment deadline of February 1<sup>st</sup>. The PSC will hear comments on this recommendation as well as the initial drafts of the *Group Annuity Certificate Uniform Standards* and the *Uniform Standards for Group Guaranteed Income Contracts for Non-Variable Annuities* on the public called scheduled for February 5<sup>th</sup>.

**Agenda Item 4. Review comments in Section 4 of the draft *Single Premium Group Fixed Annuity Contract Uniform Standards for Employer Groups*.**

Mary Mealer, the PSC Chair noted that the Compact staff updated the draft *Single Premium Group Fixed Annuity Contract Uniform Standards for Employer Groups* to summarize the proposed changes that were discussed on the December 2018 member calls as well as information related to conversations with the group annuity carriers based on PSC discussions. The Compact staff lead discussion on items in Section 4 – Contract Provisions.

Under §4B – Annuity Schedule, staff noted that as previously requested by the PSC, they discussed the Maryland comments with the group annuity carriers and also reviewed sample state approved contracts. The carriers noted that for these types of group annuity contracts, the plan sponsor reports the dollar amount of immediate annuity payable to retired participants and beneficiaries in pay status; it is not calculated by the insurer. If deferred annuitants are included in the contract the plan sponsor reports the dollar amount of annuity payable under the normal form of payment (usually a life annuity) for an unmarried participant. The insurer does not calculate a minimum benefit in the way it would be done for an annuity purchased with a participant’s 401(k) distribution. As such, the insurers do not believe a change should be made to the Annuity Schedule provision addressing calculation of annuity payments.

The insurers agreed that it would add clarity to include a subsection on the *Form of Annuity*. The PSC reviewed the Compact Office’s suggestion and agreed to add the following new subsection:

M. Form of Annuity

- (1) The contract shall identify the Forms of Annuity available to the Annuitant and a description of each Form of Annuity.
- (2) If the contract includes Deferred Annuitants, the contract shall include information as applicable on the normal (default) form of annuity, any optional

forms of annuity available to the Annuitant and impact on benefits in the event of early or deferred retirement or employment termination.

Under §4 C, Arbitration, the PSC agreed to table revisions to (1)(b) until the certificate standards are finalized and to make sure that the provisions in both standards are consistent and cover the scenarios related to where arbitration can be held. It was noted that AAA rules may address this issue.

Under §4 E, Beneficiary, the PSC agreed that since this was an optional provision and some contracts contain information related to the beneficiary in the contract as well as the certificate, that no change was needed.

The PSC agreed to revise (1) of §4F Commutation as follows:

- (1) The contract may contain a provision providing for the commutation of any life contingent or non-life contingent annuity benefits payable ~~to the Annuitant or~~ Beneficiary under the contract.

The PSC agreed that absent a clear explanation from industry why the Conformity provision in §4G was problematic, no change would be made, since this language is found in all the Uniform Standards.

The Committee reviewed §4H Data required. Compact staff noted that generally the information is gathered before the contract is issued and there may be a time period to correct any potential errors in the information. Staff also noted that the insurers explained that it is often contract and circumstance specific whether premiums or benefits are adjusted based on data errors or misstatements, and the members discussed examples of this. The PSC concluded that no changes were need to this provision.

The Chair stated that the Committee would conclude its review of the draft on the next member call.

**Agenda Item 5 –Overview of Remaining Proposed Work for 2019.**

Compact staff reviewed the other items that the Committee plans to address in 2019, including a new standard for *Return of Premium for Individual Disability Income Insurance Policies* and addressing the high and medium priority items for new and amended uniform standards for individual life and annuity products. The PSC agree to refer items on the priority list related to non-unit linked separate accounts as well as negative interest crediting to the Actuarial Working Group for discussion and recommendations.

**Agenda Item 6 - Any other Matters.**

The Chair reminded the members that the next call would be a public call on February 5<sup>th</sup>. At that time, the PSC will present its work plan to the public, hear whether there are any final comments on the proposed recommendations to the Management Committee on the amendments to the *Additional Standards for Overloan Protection Benefit*, and hear comments on the initial drafts of the *Group Annuity Certificate Uniform Standards* and the *Uniform Standards for Group Guaranteed Income Contracts for Non-Variable Annuities*.