



DATE: October 12, 2022

TO: Management Committee

FROM: Product Standards Committee

RE: PSC Recommendation for Prioritization of Uniform Standards Development for 2023

The Product Standards Committee submits its recommendation for the prioritization of Uniform Standards Development. This process allows input by Commissioners, regulators, and legislators, consumer representatives, insurers, the Legislative Committee, Consumer Advisory Committee, the Industry Advisory Committee, other interested parties, or the Compact Office.

By formalizing an annual process, the Compact members can determine if the prioritization of Uniform Standards development is aligned with the organization's strategic initiatives and incorporate with budget planning if there are implications to the operating revenues or expenses of the organization.

The Uniform Standards Identification List for 2023 Prioritization (2023 Identification List) was compiled in early July based on Uniform Standards Development requests submitted by June 30, 2022, along with the Uniform Standards remaining for development from the 2018 Uniform Standards Prioritization list.

The Product Standards Committee (PSC) held public calls on July 26, 2022, and October 4, 2022, to receive comments and feedback to assist in the prioritization of the Uniform Standards on the 2023 Identification List. The PSC reviewed the comments from the public calls and prepared prioritization of the Uniform Standards for development in 2023 by high, medium, and low. The PSC also noted where further discussion on the item would be needed before a recommendation to draft the requested standard was determined. There were no comments on the proposed prioritization of the items on the list at the October 4, 2022, call.

Please contact Jason Lapham of the Colorado Division of Insurance, Chair of the Product Standards Committee, or Susan Ezalarab, the Compact Office's Regulatory Coordinator Consultant if there are questions.

PSC Draft Recommendation for Prioritization of Uniform Standards Development for 2023
For consideration by the PSC

| Product Line | Uniform Standard Request | Description of Request | Reason / Explanation | New or Amend | Requestor |
|---------------------|--|---|---|---|---|
| Group Life | Group Whole Life Uniform Standard | New product standards for group whole life insurance policy and certificate. These standards could closely align with the individual whole life standards making development more efficient. | Develop a full suite of group life product standards to include whole life and guaranteed issue products. Group whole life insurance products are issued in every state today. | New High Priority | New York Life ACLI |
| Group Life | Additional Standards for Graded Death Benefit Group Whole Life and Term Life | New product standards for graded death benefit features for group whole life or term life | Most groups want guaranteed issue products with graded benefit features in their offerings. | New High Priority | New York Life ACLI |
| Group Products | Amendments for Non-Employer Group Terminology and Provisions for to Existing Group Uniform Standards | Amendments to group Uniform Standards to amend terminology / provisions to accommodate use of Uniform Standards for other than employer group types, that are permitted in the jurisdiction where the policy is delivered or issued for delivery. The proposed amendments would expand the scope from traditional employer groups to eligible non-employer groups that are permitted in a particular state or jurisdiction. | This request would allow insurers to more efficiently file for approval of a wider variety of group term life insurance products which in turn would benefit those consumers who are unable to obtain group term life insurance through employers. These products have been filed an approved in Compacting States. | Amend High Priority – Follow or at same time as working on Group Whole Life | ACLI New York Life Commission expected to take action on Rulemaking Committee non-employer group recommendation by end of 2022. |
| Individual Life | New Provision in individual term life Uniform Standards allowing installment payments graded death benefit | New product standards for graded death benefit feature for individual term life insurance policies | Term product enables lower cost. Successfully approved in 8 states, but graded death benefit feature of rider does not fit within current compact standards | New High Priority – Draft when doing Group | Swiss Re |

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| Individual Annuities | (Registered) Indexed-Linked Variable Annuities | New uniform standard for annuity products with credits based on the performance of an index with caps on returns, participation rates, spreads or margins, or other crediting elements, that include a risk of negative index returns subject to limitations on the loss, such as a floor or a buffer. These products are not unitized and do not invest directly in the assets whose performance forms the basis for the credits. | This is the most requested missing Uniform Standard. The Compact's Actuarial Working Group as well as the Indexed-Linked Variable Annuity Subgroup of LATF have been working on actuarial guidance / standards for these products which are filed in all states except Oregon. An Actuarial Guideline and a Uniform Standard can bring a more standard, holistic product requirement and approval approach for member states and filers. | New High Priority – Work on at or right after Group Whole Life | ACLI, several companies and Compacting States |
| Individual Life | (Registered) Indexed-Linked Variable Life | New uniform standard for index-linked life products. These products are similar to their counterparts on the annuities side. | Companies have been asking to file these products but the current Uniform Standards restrict products to unit-linked. | New High Priority – Work on at or right after Indexed-Linked Annuities | ACLI, several companies and Compacting States |
| Group Annuities | Single Premium Group Fixed Annuity Contract Uniform Standards | Amend scope of standard to permit other group fixed annuity contracts beyond pension risk transfers and / or single premium contracts. | Companies have asked to file other contracts than single premium or one-time pension risk transfers. When asked, the PSC generally agreed the standard was broad enough to cover other designs but concerned the scope and possibly other provisions need to be amended. | Amend High-to-Medium Priority – effort should be minimal | Filing Companies and PSC suggestion |

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| Individual Life | Individual Flexible Premium Adjustable Life Insurance Policy Standards and Individual Flexible Adjustable Variable Life Insurance Policy Standards | Amendments to provide guidance on following actuarial issues: 1. the benchmark used to determine the interest rate for the expense allowance that cannot be lower than (nonforfeiture interest rate or guaranteed interest rate); 2. codify that clarify that guaranteed interest rate enhancements be included in the guaranteed interest rate used as the amortization rate; and 3. codify that a charge for cash value enhancements, in whatever form they take, is an administrative charge and not a benefit charge; 4. Other suggested clarifications | The Compact Office recommends guidance and clarifications to these Flexible Premium Adjustable Standard to address questions and concerns that have arisen during the actuarial review of these products. | Amend – Medium Priority – suggest referring to AWG | Compact Office |
| Individual Products (Application) | Amend Variability of Policy Form Provisions to Accommodate Agile Systems and Digital / Electronic Delivery | This has been on the prioritization list since 2018. It has been a common request from companies when surveyed and during Compact presentations and Roundtables | The Uniform Standards lists the specific items that can be variable. | Amend Medium Priority – Discuss before drafting | ACLI and filing companies |
| Individual Life | Additional Standards for Guaranteed Living Benefits for Variable and Non-Variable Adjustable Life Insurance Policies | On prioritization list since 2018 | 2018 Prioritization List approved by Management Committee but not yet addressed | New Medium Priority – use the GLB standards for Annuities as a guide. | 2018 List Pacific Life |

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| Individual Life | New Provision in individual life Uniform Standards allowing installment payments for death benefit proceeds | On prioritization list since 2018 | 2018 Prioritization List approved by Management Committee but not yet addressed | Amend Low Priority – Discuss before drafting | 2018 List Pacific Life |