



## **BRIEFING SHEET ON RULEMAKING COMMITTEE NON-EMPLOYER GROUP**

### **RECOMMENDATION**

*Prepared by the Compact Office*

*Updated 11-15-22*

- The Rulemaking Committee recommended to the Management Committee and Commission for their consideration a draft framework and operating procedure to accommodate the use of Compact-approved products for groups beyond employer groups (also called non-employer groups).
- The scope of the current group Uniform Standards (for term life, disability income and annuities) limits an insurer to issue a Compact-approved product to employers, or the trustees of a fund established by an employer.
- The current Strategic Plan included an action item assigned to the Rulemaking Committee to explore whether to expand the use of Compact-approved group products to groups other than employer groups: insurers expressed a desire for efficiency in filing group products through the Compact that can be issued to multiple group types, while many states expressed regulatory concern with the legitimacy of certain non-employer groups, especially associations, certain trusts, and discretionary groups.
- The recommended framework is a process requiring insurers to obtain the applicable prior authorization from the Compacting State for a non-employer group before the insurer can issue a Compact-approved product to a non-employer group.
- In response to the Management Committee's request to review comments submitted during the notice and comment period, the Rulemaking Committee has suggested changes to its initial recommended *Operating Procedure for the Use of Compact-Approved Products for Other Than Employer Groups* ("Group Operating Procedure") and Framework for Implementation of Non-Employer Group Use of Compact -Approved Products.
- The proposed Group Operating Procedure maintains the authority of state law over the definitions of and requirements for group types, including employer groups.
- The Rulemaking Committee is suggesting removing portability trust, labor union or professional employer organization from the employer category of groups that can use group products upon Compact approval.
- This recommended change will keep the status quo that the Compact-approved products can be issued to Employer Groups and that all other groups would need to follow the applicable Compacting State procedure for authorization of the eligibility and legitimacy of the non-employer group before it could use a Compact-approved product for that non-employer group.
- The Rulemaking Committee has amended the Framework for Implementation of Non-Employer Group Use of Compact-Approved Products to add a workflow showing how this process would work in terms of the Compact filing and state filing process, respectively.
- The Management Committee and Commission will consider final action on the Group Operating Procedure and Framework, including the Rulemaking Committee's recommendation for changes found in their November 15<sup>th</sup> Transmittal Memo.