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## **FILING INFORMATION NOTICE 2016-3**

**DATE:** December 7, 2016

**FROM:** Karen Z. Schutter  
IIPRC Executive Director

**RE:** **Guaranteed Living Benefit Increases for Qualifying Events**

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**Statutory References:** Articles IV(2) and X(2) of the *Interstate Insurance Product Regulation Compact* as adopted by Compacting States.

**Operating Procedure References:** Section 103 of the *Operating Procedure for the Filing and Approval of Product Filings*.

**Uniform Standards References:** *Additional Standards for Guaranteed Living Benefits for Individual Deferred Variable Annuities (IIPRC-A-03-I-GLB); Additional Standards for Guaranteed Living Benefits for Individual Deferred Non-Variable Annuities (IIPRC-A-02-I-GLB)* (collectively referred to as the “GLB Standards”)

**Purpose:** *Filing Information Notices explain steps or clarifications in the IIPRC’s process for filing and review of product filings under the applicable Uniform Standards. This Filing Information Notice only applies to the Uniform Standards referenced above.*

### **BACKGROUND:**

The purpose of this Filing Information Notice is to provide clarification of recent revisions in the GLB Standards that permit an increased guaranteed period withdrawal percentage and guaranteed lifetime withdrawal percentage for qualifying events as defined in the GLB Standards.

The GLB Standards were recently subject to Five-Year Review with amendments adopted effective October 17, 2016. A major change to these standards includes revisions to provide for enhanced benefits if a covered person meets the requirements of a qualifying event. The GLB Standards define a qualifying event as follows:

“Qualifying event” means any of the following:

1. The covered person is receiving care from a health care facility. A health care facility may include, but is not limited to, the following facilities: nursing home, skilled nursing, extended care, intermediate care, convalescent care or hospice care. Care may also include personal or home care provided under a program administered by a health care facility. The care may have to be continuous for the elimination period.
2. The covered person is diagnosed with a medical condition that is expected to result in limited life span. The period of time shall not be restricted to a period of less than six months.
3. The covered person is diagnosed with any medical condition that would in the absence of treatment result in death within a limited period of time. The period of time shall not be restricted to a period of less than six months.
4. The covered person is determined to have a total and permanent disability that prevents the covered person from performing any work for pay or profit for a period of time. The period of time shall not be longer than 12 months. There shall not be a requirement that the covered person be eligible for Social Security benefits. The disability may have to be continuous for the elimination period.
5. The covered person is determined to have a disability that prevents him or her from engaging in the substantial and material duties of an occupation for which he or she is or becomes qualified by reason of education or training for a period of time. The period of time shall not be longer than 12 months. There shall not be a requirement that the covered person be eligible for Social Security benefits. The disability may have to be continuous for the elimination period.
6. The covered person is unable to perform a certain number of “activities of daily living” as defined below. Requirements for the qualifying event shall not be more restrictive than the covered person’s inability to perform not more than two of the activities of daily living. The inability to perform the activities of daily living may have to be continuous for the elimination period.
  - (a) “Bathing” means washing oneself by sponge bath; or in either a tub or shower, including the task of getting into or out of the tub or shower.
  - (b) “Continence” means the ability to maintain control of bowel and bladder function; or, when unable to maintain control of bowel or bladder function, the ability to perform associated personal hygiene (including caring for catheter or colostomy bag).
  - (c) “Dressing” means putting on and taking off all items of clothing and any necessary braces, fasteners or artificial limbs.

- (d) “Eating” means feeding oneself by food into the body from a receptacle (such as a plate, cup or table) or by a feeding tube or intravenously.
  - (e) “Toileting” means getting to and from the toilet, getting on and off the toilet, and performing associated personal hygiene.
  - (f) “Transferring” means moving into or out of a bed, chair or wheelchair.
7. The covered person is determined to have a cognitive impairment, meaning a deficiency in a person’s short or long-term memory, orientation as to person, place and time, deductive or abstract reasoning, or judgment as it relates to safety awareness. The cognitive impairment may have to be continuous for the elimination period.
  8. The covered person becomes involuntarily or voluntarily unemployed.

To address concerns that these additional benefits could be considered long-term care insurance, the adopted amendments state that products subject to the GLB Standards shall not be described as long-term care insurance or as providing long-term care benefits and also limit the increased benefit, to ensure it is incidental to the annuity benefit. The limitation on the additional benefit as a result of a qualifying event election is found in Section 1.C.(3) of the GLB Standards as follows:

The guaranteed period withdrawal percentage and the guaranteed lifetime withdrawal percentage used in the calculation of the increases for a qualifying event election may be considered a variable item and marked to denote variability. Any qualifying event benefit increase *shall not exceed twice the benefit amount otherwise payable*, nor shall the benefit period be increased. (Emphasis added)

The increased benefit referenced in Section 1.C.(3) is in addition to the benefit otherwise payable, resulting in a limit for the total benefit paid of three times the original benefit (e.g. \$100 base benefit + \$200 increase = \$300 GLB.)

### **FILING PROCEDURES**

To facilitate the submission and review of a product filing that contains enhanced guaranteed living benefits when a covered person meets the requirements of a qualifying event the following filing procedure should be adhered to:

1. In addition to the description of the GLB feature and formulae or methodology used to determine GLB amounts, the actuarial memorandum shall describe any modified benefit or benefit period if a covered person meets the requirements of a qualifying event.

2. The examples in the actuarial memorandum showing the derivation of the guaranteed period withdrawal amount and/or the guaranteed lifetime withdrawal amount at the time the GMWB feature is exercised shall include any modified benefit or benefit period if a covered person meets the requirements of a qualifying event, and how the amounts might change over time.
3. The guaranteed period withdrawal percentage and the guaranteed lifetime withdrawal percentage used in the calculation increases for a qualifying event election may be considered a variable item; however the increase in the benefit if the covered person meets the requirements of a qualifying event can be no more than twice the original benefit. The increased benefit may be paid in addition to the original benefit, making the maximum total benefit up to three times the original benefit. The benefit period may not be increased from the original benefit period.
4. Only qualifying events listed in the definition of qualifying events may be used to meet the requirements for increased benefits.
5. Life expectancy for qualifying events shall be no less restrictive than 6 months.
6. The period of time to meet the disability requirements for qualifying events shall be no more than 12 months.
7. The number of activities of daily living a covered person is unable to perform for a qualifying event shall not be more than two.
8. The GLB form shall describe any qualifying event election waiting period, elimination period and any requirements regarding how to request or continue to receive increased withdrawal amounts as a result of a qualifying event. Proof that the covered person continues to meet the requirements of a qualifying event cannot be requested more frequently than once each contract year.
9. The form may not restrict the use of any Guaranteed Minimum Withdrawal Benefit as a result of a qualifying event.

**APPLICABLE IIPRC FORMS:**

None

**EFFECTIVE DATE:**

December 7, 2016

**CONTACT INFORMATION:**

Questions regarding this Notice should be directed to:

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