



IIPRC-L-08-LB-GIB
**STANDARDS FOR ADDITIONAL LIFE INSURANCE BENEFITS PROVIDED ON A
GUARANTEED INSURABILITY BASIS**

1. Date Adopted: December 1, 2007
2. Purpose and Scope: The purpose of this rule is to establish reasonable uniform standards for additional life insurance benefits provided on a guaranteed insurability basis products filed with the Interstate Insurance Product Regulation Commission (“IIPRC”). The benefit allows for the purchase of additional life insurance coverage on the life of a designated insured at specified dates and in specified amounts or under a specified formula, without requiring evidence of insurability for the designated insured. These standards apply to additional life insurance benefits provided in individual life insurance forms that are built-in to individual life insurance policy forms or added to such policy forms by rider, amendment or endorsement.
3. Rules Repealed, Amended or Suspended by the Rule: None
4. Statutory Authority: Among the IIPRC’s primary purposes and powers is to establish reasonable uniform standards for the insurance products covered in the Interstate Insurance Product Regulation Compact (“Compact”), specifically pursuant to Article I §2, Article IV §2 and Article VII §1 of the Compact, as enacted into law by each IIPRC member state.
5. Required Findings: None
6. Effective Date: March 11, 2008

INTERSTATE INSURANCE
PRODUCT REGULATION COMMISSION



States, Strength & Speed Aligned

STANDARDS FOR ADDITIONAL LIFE INSURANCE BENEFITS PROVIDED ON A GUARANTEED INSURABILITY BASIS

Scope: These standards apply to guaranteed insurability benefits in individual life insurance forms. The benefit allows for the purchase of additional life insurance coverage on the life of a designated insured at specified dates and in specified amounts or under a specified formula, without requiring evidence of insurability for the designated insured.

These standards apply to benefits that are built-in to individual life insurance policy forms or are added to such policy forms by rider, amendment or endorsement.

As used in these standards:

“Designated insured” is the person or persons shown as insured for this benefit in the application for the benefit. The term shall not preclude more than one designated insured.

Drafting Notes:

Other terms may be used in the policy provided that they are used consistently.

The references to “policy” do not preclude Fraternal Benefit Societies from substituting “certificate” in their forms.

ADDITIONAL SUBMISSION REQUIREMENTS

The following additional filing submission requirements shall apply:

- (1) A statement of the types of policy forms with which this benefit will be offered, any underwriting restrictions involving face amount or age, and whether the benefit is intended for use with new issues and/or in force business.
- (2) A description of the benefit for all types of forms with which the benefit will be used.
- (3) An identification of the forms that will be used to provide coverage to a designated insured upon execution of benefits under this form.
- (4) The formulae, if any, and methodology, including any limitations on the periodic or aggregate amount of the benefit, used to determine the benefit and sample calculations for representative issue ages, including issue age 35 if within the issue age range. If the formula or methodology varies by issue age, issue ages should be shown that reflect the variation by issue age.
- (5) A description of any index used as the basis for the benefit, including a description of any factors used in determining the benefit from the index.

BENEFIT PROVISIONS

BENEFIT

- (1) The form shall describe the conditions that shall be met for exercising the guaranteed insurability benefit option without evidence of insurability required for a designated insured.
- (2) The form or the specifications page of the policy and the application shall identify all designated insureds.
- (3) The form shall state the amount of insurance that may be purchased, either numerically or by formula, the type of plan that may be purchased, the purchase option dates and/or events, the effective date of the insurance, and any limitations that may apply.
- (4) For an option date based on the birth or adoption of a child, the form shall not require that the birth or adoption be predicated on marital status. The form may require that the designated insured assume financial responsibility for the child in order to elect the benefit option.
- (5) If the company requires the consent of the designated insured to exercise the purchase option, the form shall so state.
- (6) The form shall state that if the designated insured dies before a purchase option date, any additional life insurance benefits which have been applied for will not take effect and any identifiable charge paid for such insurance will be refunded. The form may also state that, at the option of the owner, the identifiable charge paid for such insurance may be applied to pay other identifiable charges due under the policy.
- (7) The form may state that certain benefit features available under the policy may also be available under any new policy issued to provide the additional life insurance benefits, and shall describe the terms and conditions for adding such benefits, which shall not include a requirement for evidence of insurability.
- (8) The form shall state the basis for the identifiable charge for the additional insurance purchased and that the risk classification of the designated insured for the additional insurance shall not be less favorable than that applicable to the designated insured at the time the form was issued. The identifiable charge for the additional insurance shall not be greater than the company's customary rate applicable to the additional insurance. The company may base the identifiable charge on either the designated insured's attained age on the effective date of the additional insurance or the designated insured's age on the effective date of the form.

DISCONTINUATION OF OR SUBSTANTIAL CHANGE TO AN INDEX

- (1) If an index is used to determine any additional life insurance benefits, the form shall contain a provision indicating what occurs when any index is discontinued or the calculation of an index is substantially changed, with the provision being labeled as such. The provision shall state that if any index is discontinued or if the calculation of any index is changed substantially, the company may substitute a comparable index subject to approval by the Interstate Insurance Product Regulation Commission. The approval shall be contingent on the company providing the Interstate Insurance Product Regulation Commission with either confirmation that the index has been discontinued or documentation of the substantial change to the index and the reasons supporting the need for the index to be discontinued. The form shall also state that, before a substitute index is used, the company shall notify the owner and any assignee of the substitution.

INCONTESTABILITY

- (1) If the form is issued as an attachment to the policy, the form may state that the company shall not contest the form after it has been in force during the lifetime of the designated insured for two years from the date of issue of the form except for fraud in the procurement of the form, when permitted by applicable law in the state where the policy is delivered or issued for delivery.

NONFORFEITURE VALUES

- (1) If the form is issued as an attachment to the policy, the form shall state that it does not have nonforfeiture values or loan values.

REINSTATEMENT

- (1) The form shall include a reinstatement provision on the same, or more favorable, terms as contained in the policy.

Drafting Note: This particular issue may lend itself to a conforming amendment.

SUICIDE

- (1) The form may state that any additional life insurance benefits may be subject to a suicide exclusion similar to the standards provided in the policy suicide provision, except that the suicide exclusion period shall not exceed two years from the date of issue of the form.

TERMINATION

- (1) The form shall include the following termination conditions:
 - (a) Upon written request from the owner;

- (b) Upon termination of the policy;
 - (c) Upon the death of the last surviving designated insured;
 - (d) Upon nonpayment of the identifiable charge for the form, in accordance with the provisions of the form;
 - (e) Upon the expiration of the last benefit increase date or last purchase option date; or
 - (f) If there is any aggregate limit, on the date the aggregate limit for the benefit under this form has been reached.
- (2) The form may also include the following termination conditions:
- (a) The benefit anniversary on which the designated insured attains a specified age;
 - (b) The date the policy lapses or is continued as extended term or paid-up insurance under the nonforfeiture provisions;
 - (c) If the policy is an endowment policy, on the date of endowment, regardless if the endowment date is deferred;
 - (d) If the policy is a limited-payment policy, on the date the policy becomes fully paid-up; and/or
 - (e) If benefit increases provided in the form are elective, the date the owner declines a benefit increase.