

DATE: April 4, 2016
TO: IIPRC Product Standards Committee (PSC)
FROM: Industry Advisory Committee
SUBJECT: IIPRC 5 Year Review: Phase 5:

*Additional Standards for Guaranteed Living Benefits (GLB)
Changes Proposed by Pennsylvania*

*Scope Section, Page 1, Second Paragraph
Qualifying Event Benefit Trigger #1, Confinement, Page 2
§1.C. VARIABILITY OF INFORMATION, Item (3), Last Sentence, Page 6*

Thank you for allowing us the opportunity to provide comments on the suggested changes proposed by Pennsylvania to the Additional Standards for Guaranteed Living Benefits for both Individual Deferred Variable and Non-Variable Annuities.

Our member companies believe that deleting the first Qualifying Event trigger would be detrimental to the effective use of these standards to develop products through the Compact. This particular Qualifying Event is the most commonly used trigger throughout the industry for this type of benefit. Without this Qualifying Event, companies will be less likely to file through the Compact. Ultimately, this could negatively impact consumers who have a need for this valuable benefit.

Instead of deleting this trigger, we believe that two simple changes to the *Scope* section and *definition of “Qualifying Event”* will eliminate the perceived inconsistency between the *Scope* section and the first Qualifying Event trigger.

First, we propose removing the second sentence of the second paragraph of the scope section, as follows:

Products subject to these standards shall not be described as long-term care insurance or as providing long-term care benefits. ~~If the benefit is contingent on the covered person’s receipt of long-term care services or supports, these standards shall not apply and such benefit will be subject to the Interstate Insurance Product Regulation Commission standards for individual long-term care insurance.~~

Second, we propose adding the following language beneath item 8 in the definition of Qualifying Event:

~~“The Qualifying Events defined in items 1, 6 and 7 above shall not be advertised, marketed, or sold as long-term care insurance and the contract shall prominently disclose~~

that benefits under the contract will not be triggered by, or calculated with respect to, occurrence or amount of any long-term care services.”

This second change is consistent with the approach we employed in the Group DI standards which contain triggers for confinement to skilled nursing home or rehabilitation facility and receiving home health care or hospice care [see pages 11 and 12 of the Policy/Certificate standards, items (vi) and (vii)].

With respect to the proposed limitation on the benefits provided by the GLB standard, such that they will be considered incidental to the annuity benefits provided, we are in agreement with Pennsylvania’s proposal. Our understanding of the cap is that it limits the enhanced benefit to two times the standard benefit amount, but that the enhanced amount is payable in addition to the standard benefit amount. We have included an example for illustrative purposes.

For example, if the client is eligible to receive \$2,000 per month under the standard GLB benefit, then they would be limited to \$6,000 under the enhanced benefit (\$2,000 standard benefit, plus \$4,000 enhanced benefit).

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