



Wayne Mehlman
Senior Counsel

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Interstate Insurance Product Regulation Commission (IIPRC)
Product Standards Committee
444 North Capitol Street, NW
Hall of the States, Suite 700
Washington, DC 20001-1509
comments@insurancecompact.org.

**RE: *Additional Standards for Qualifying Events for Waiver of Monthly Deductions Benefits*
Additional Standards for Qualifying Events for Waiver of Premium Benefits
*Additional Standards for Waiver of Surrender Charge Benefit for Life Insurance***

To the Management Committee:

The American Council of Life Insurers (“ACLI”)¹ appreciates this opportunity to comment on the above-mentioned proposed product standards.

The following comment relates to the *Additional Standards for Waiver of Surrender Charge Benefit for Life Insurance*:

ACLI submitted a proposed modification to the *Additional Standards for Waiver of Surrender Charge Benefit for Life Insurance* to the Product Standards Committee on December 3, 2019. However, we were subsequently asked by Compact staff to resubmit it to the Management Committee once they expose it, along with an explanation of why it is needed. Our proposed modification and explanation are as follows:

It is common in the bank-owned life insurance (BOLI) marketplace for insurers to waive the entire surrender charge for cash surrenders, but to only waive some or none of the surrender charge for I.R.C. Section 1035 exchanges. However, this requires the ability of insurers to differentiate the percentage waived by type of qualifying event. Accordingly, we recommend that Section 3.A.(2)(a) of the *Additional Standards for Waiver of Surrender Charge Benefit for Life Insurance* be modified to read as follows (with our proposed additional language underlined):

- (2) *A waiver benefit may be provided in the following situations:***
(a) *Upon surrender of amounts totaling up to X% of the policy value or policy premiums, where X can vary by qualifying event;*

¹ The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI’s member companies are dedicated to protecting consumers’ financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI’s 280 member companies represent 94 percent of industry assets in the United States. Learn more at www.acli.com.

American Council of Life Insurers
101 Constitution Avenue, NW, Washington, DC 20001-2133
(202) 624-2135 waynemehlman@acli.com

The following comment relates to all three proposed additional standards:

Section 1.B.(3) within the *Variability of Information* section of all three of the proposed standards contains language that is overly broad and potentially unfavorable to consumers – the disallowance of a zero entry in a range for any benefit or credit.

In each of these standards, there is an extensive list of items in Section 1.B.(2) that may be considered variable and that may be changed without prior notice or approval if the Statement of Variability presents a reasonable and realistic range for the item.

However, following this list of variable items, Section 1.B.(3) in the *Additional Standards for Qualifying Events Waiver of Monthly Deduction Benefits* and *Additional Standards for Qualifying Events Waiver of Premium Benefits* states “**A zero entry in a range for any benefit is unacceptable, and any change to a range requires a refiling for prior approval**”.

Similarly, Section 1.B.(3) in the *Additional Standards for Waiver of Surrender Charge Benefit for Life Insurance* states “**A zero entry in a range for any benefit or credit is unacceptable, and any change to a range requires a refiling for prior approval**” (underline added).

While the desire to avoid a zero entry in ranges for certain items is understandable, it is our position that to apply this across the board for all benefits or credits is short-sighted and may result in negative consequences to consumers. For example, based on the current language, a company could not have an elimination period that ranges from 0-90 days since doing so would be to submit a zero entry in the range for this benefit. Similarly, a company could not have a 0-30-day period for required health care facility confinement before being eligible for home care. While we do not believe the IIPRC intends to prevent a company from offering a 0-day elimination period or confinement period, that seems to be an unintended consequence of Section 1.B.(3) when it is applied to the development and filing of a Statement of Variability.

While we have provided only two scenarios that show how a zero entry in a variable range would be beneficial to consumers, there are other situations like those described above where a zero entry would protect and/or benefit consumers, and therefore should be allowed.

In summary, the words “*any benefit*” or “*any benefit or credit*” contained in Section 1.B.(3) are too broad and do not account for situations where a zero entry is indeed appropriate. While we understand that it would be difficult, if not impossible, to list every situation where a zero entry is inappropriate, we also believe that it would be just as difficult, if not impossible, to list every situation where a zero entry is appropriate. As such, we disagree with the use of overly broad language that a zero entry in a range for any benefit (or credit) is unacceptable, and respectfully ask that this language be revised to take into account those situations where a zero entry is appropriate.

The following set of comments relate to the *Additional Standards for Qualifying Events for Waiver of Monthly Deductions Benefits* and *Additional Standards for Qualifying Events for Waiver of Premium Benefits*:

(1) Pursuant to the new language in Section 3.A.(3) which states “a waiver benefit *may* be triggered...”, it is our understanding that the addition of other “qualifying events” to our riders is permissive and not mandatory.

(2) We suggest that the standards be retitled to “*Additional Standards for Qualifying Events Waiver of Monthly Deductions Benefits Related to Total Disability and Other Qualifying Events*” and “*Additional Standards for Qualifying Events Waiver of Premium Benefits Related to Total Disability and Other Qualifying Events*”. The lead-in language should also be changed as this is not revising the total disability standards but adding qualifying events language. Hence, it should read something like “...*in the event that the insured becomes totally disabled and/or experiences any qualifying event...*”

(3) Regarding the use of the term “disability” throughout the standards, it is difficult to discern whether some of the language/requirements in the standards pertain to total disability, total and permanent disability or one of the other qualifying events. It may be helpful to include the definitions for these terms in the section of the standards titled, “*As used in these standards, the following definitions apply:*”.

As an example of the potential confusion as currently drafted, please see Section 3.D., *Exclusions in the Additional Standards for Qualifying Events For Monthly Deduction Benefits*. This section was edited to remove the reference to total disability and now simply references disability generally. The opening sentence indicates that the form shall specify any exclusion applicable to the waiver benefit. The waiver benefit now has many triggers.

- Which exclusions are applicable to which qualifying events?
- Are there different exclusions that should be included for some of the newly added qualifying events?

(4) Under Section 1.B. of both Standards, we would recommend adding the following to be consistent with this section in all the other standards:

(1) The company may identify items that will be considered variable only in the specifications page. Each item shall be bracketed or otherwise marked to denote variability. The submission shall include a Statement of Variability that will discuss the conditions under which each variable item may change.

(2) Any change or modification shall be limited to only new issues of the policy or rider and shall not apply to in force policies or riders.

(5) Section 3.A.(1) sets parameters for a form that includes a waiver due to total disability in terms of the insured’s ability during and after the first **24** months of total disability to perform “substantial and material duties” of their job or any other job they become suited for respectively. New Section 3.A.(3)(d) then states that a qualifying event that could trigger a waiver is “a total and permanent disability that prevents the insured from performing any work...for a period of time. **The period of time shall not be longer than 12 months.**” New Section 3.A.(3)(e) is similar except it refers to a “disability” rather than a “total and permanent disability” and instead of the insured being prevented from performing “any work” it refers to the “substantial and material duties” of the occupation for which he or she is or becomes qualified for similar to 3.A.(1).

There is inconsistency in terms (for example: job vs. occupation vs. work; limited life expectancy vs. imminent death; and as already stated, disability vs. total disability vs. permanent disability) but further than that it seems that the time periods referenced in Section 3.A.(1) are at odds with the other two sections referenced.

We would recommend that definitions be added to clarify all other qualifying events, outside of total disability, so as to distinguish between the different terms and it should be organized in a way that delineates which requirements, conditions and exclusions apply to each qualifying event.

(6) Under Section 3.A.(2), we are unsure what the active employment requirement is applicable to. There is a reference to disability, but it is unclear which qualifying event it is applicable to.

(7) There is an inconsistency in the use of terms under the standards. The term *limited life expectancy* is listed as a qualifying event in the definitions, but under Section 3.B.(7) this event is alternately referred to as a *waiver benefit for imminent death*.

(8) Under the *Waiver of Premium Benefit Standards*, Section 3.D. Exclusions (page 9) former items 1(a)(f) and (g) are removed from the list of exclusions that may apply to a disability and are added again as section D.(2) and (3). There is no lead-in language, so it is unclear what it means if the insured fits into one of those two categories.

(9) The *Exclusions* section in the *Waiver of Premium* and *Waiver of Monthly Deduction Standards* are worded differently. We suggest same wording should be used in both standards.

(10) The *Incontestability* sections in the *Waiver of Premium Benefits* and the *Monthly Deduction Benefits* forms are inconsistent. In the *Waiver of Premium Benefits* form Section 3.F.(1)- "... the company shall not contest the form after it has been in force...for two years from the date of issue...excluding any period when the insured is receiving waiver benefits..." the italicized replaced "totally disabled". As stated above, we believe the standards should cover total disability and/or qualifying events, and hence, the qualifying event standards should not displace the standards for total disability.

(11) The *Incontestability* section in the *Waiver of Premium Benefits Standard* indicates we cannot contest after two years from the date of issue, "excluding any period when the insured is receiving benefits". We are unclear how the quoted portion is applicable. It is not clear if it means "unless the insured is totally disabled at sometime within 2 years of the date of issue". In many instances, insureds claim total disability after the 2-year contestable period even though the disability began within the contestable period. This should be clarified. If the ability to contest in these situations is not included in waiver riders, all a policyowner needs to do is wait until after the 2-year period then make the claim. Hence, having "unless the insured is totally disabled at sometime within 2 years of the date of issue" in our riders is important.

Further, we do not think that excluding the time of total disability and/or a triggering event is the same as saying the time in which the insured is receiving waiver benefits. There was no change made to that same wording in the *Monthly Deduction Benefits* form.

(12) Generally, the standards do not provide the specific criteria for the Insured to meet to be eligible for the benefit. It would be helpful if each trigger or qualifying event has a section which details what the allowable requirements are to meet eligibility, the supporting documents we may require from the policyowner at time of claim, and the type of exclusions allowed, etc. As an example of the potential confusion as currently drafted, if the Waiver benefit form requires the insured to be disabled for a period of time (waiting period), the waiting period shall not exceed 90 days. However, our current waiting period is 6 months for Total Disability.

(13) Under Section 3.E., *Filing of the Claim*, it appears that the standards included are applicable to long-term care (LTC) or chronic care rider (CCR) like benefits. It is unclear if the listed standards are the claims procedures for all the qualifying events or whether specific standards that should be included for certain qualifying events.

(14) From a claims perspective, it is unclear how the *Conditions for Waiver Benefit Eligibility*, in Section 3.B(1) and (2), which separate identifiable charge for waiver and no identifiable charge for waiver, should apply.

(15) The number of activities of daily living (ADLs) for the qualifying event are different than what is necessary to qualify under CCR type benefits. CCR type benefits are triggered by the loss of 2 ADLs, but the waiver rider form lists that you can require the loss of up to 3 ADLs to trigger the waiver of monthly deductions or premiums. This could be confusing for clients and agents if the definitions are different under each rider.

(16) In *Benefit Provisions*, Section 3.A.(1)(a) (ii), please clarify the meaning of “*any other job for which they become reasonably suited by education training or experience*”.

(17) Please confirm that the definition of “cognitive impairment” is the same for this rider as any CCR type rider for which the IIPRC has standards.

Thanks again for this opportunity to comment. If you have any questions, feel free to contact me at waynemehlman@acli.com or 202-624-2135.

Sincerely,

A handwritten signature in black ink that reads "Wayne A. Mehlman". The signature is written in a cursive style with a large, prominent 'W' and 'M'.

Wayne Mehlman
Senior Counsel, Insurance Regulation