



## **IIPRC-04-I-LB-ATL**

### **ADDITIONAL STANDARDS FOR ADDITIONAL TERM LIFE INSURANCE BENEFITS**

1. Date Adopted: August 15, 2014
2. Purpose and Scope: The purpose of this rule is to establish reasonable uniform standards for Additional Term Life Insurance Benefits products filed with the Interstate Insurance Product Regulation Commission (“IIPRC”). These standards apply to additional term life insurance benefits provided for the primary and any additional insureds 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 Rules Repealed, Amended or Suspended by the Rule: In accordance with the 5-year Commission Review of Rules required by § 119 of the Rule for the Adoption, Amendment and Repeal of Rules for the Interstate Insurance Product Regulation Commission, this rule amends the Standards for Additional Term Life Insurance benefits adopted by the IIPRC on December 1, 2007. The amendments apply only to new filings received after the effective date of the amendments. It is not necessary to resubmit previously approved forms to comply with these amendments, or to suspend use of previously approved forms that do not comply with these amendments. See the Transmittal Memo under the Standards History on the Record for a more detailed description of the amendments.
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: December 4, 2014

**ADDITIONAL STANDARDS FOR ADDITIONAL  
TERM LIFE INSURANCE BENEFITS**

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## **ADDITIONAL STANDARDS FOR ADDITIONAL TERM LIFE INSURANCE BENEFITS**

**Scope:** These standards apply to additional term life benefits provided for the primary and any additional insureds in individual life insurance forms.

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

**Mix and Match:** These standards are available to be used in combination with State Product Components as described in § 111(b) of the Operating Procedure for the Filing and Approval of Product Filings.

**Self-Certification:** These standards are not available to be filed on a self-certification basis in accordance with the Rule for the Self-Certification of Products Filed with the Interstate Insurance Product Regulation Commission.

As used in these standards:

“Additional insured” is the person or persons shown as such for this benefit in the application for the benefit. The term shall not preclude the primary insured nor more than one additional insured. The term may include the children and/or spouse of the primary insured. The term “spouse” shall be subject to the requirements of the Dependent and Family Member Coverage provision of the policy. The eligibility of a child shall not be predicated on birth or adoption during marriage, but may require that the primary insured assume financial responsibility for the child.

“Primary insured” is the person or persons named as such in the specifications page of the policy. This person or these persons are considered to be the primary insured or insureds under the policy.

### **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.

## **§ 1 ADDITIONAL SUBMISSION REQUIREMENTS**

### **A. GENERAL**

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 benefit 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) The formulae, if any, used to determine the benefit, including any limitations on the amount of the benefit and sample calculations for representative issue ages, including issue age 35 if within the issue age range.

**B. ACTUARIAL MEMORANDUM REQUIREMENTS**

- (1) Include an actuarial memorandum prepared, dated and signed by the member of the American Academy of Actuaries who provides the following information for all available guarantee periods concerning the determination of the nonforfeiture values or cost of insurance rates:
- (a) A demonstration that nonforfeiture values of the form comply with the standards of the NAIC Standard Nonforfeiture Law for Life Insurance, model #808. The smoker/nonsmoker mortality tables in the NAIC Model Rule (Regulation) Permitting Smoker/Nonsmoker Mortality Tables For Use In Determining Minimum Reserve Liabilities And Nonforfeiture Benefits, or the mortality rates which are a blend of the male and female rates in the NAIC Procedure For Permitting Same Minimum Nonforfeiture Standards For Men and Women Insured Under 1980 CSO And 1980 CET Mortality Tables, or any other mortality tables approved for use by the NAIC in determining minimum nonforfeiture values may be used in determining minimum nonforfeiture values. The company shall use the composite mortality table for issue ages at which there is no distinction between smoker and nonsmoker mortality rates and continue to use the table for all future attained ages;
  - (b) A description of the form provisions which affect any nonforfeiture values;
  - (c) Identification and description of the source of the applicable mortality tables that are the basis of any guaranteed maximum cost of the insurance rates;
  - (d) For benefits with identifiable charges that are subject to change:
    - (i) A certification that the same initial rating classes will apply whenever identifiable charges change;
    - (ii) Guaranteed maximum identifiable charges for all ages, male and female, unisex, if applicable, smoker and nonsmoker, and all underwriting classes; and
    - (iii) The guaranteed periods, if any, for the current identifiable charges;
  - (e) For benefits with identifiable charges in the form of cost of insurance rates, a description of the source of the applicable mortality tables that are the basis of the guaranteed identifiable charges. Any formula consistent with generally accepted actuarial methodologies and applicable Actuarial Standards of Practice may be used to convert the guaranteed maximum identifiable charges to their equivalent modal guaranteed maximum identifiable charges provided such modal rates do not exceed the lesser of:

$$\{1-(1-qx)^{(1/n)}\} / \{(1-qx)^{(1/n)}\} \quad \text{or} \quad 1/n$$

where  $n$  equals the number of cost of insurance deductions from the account value per year and  $qx$  is the annual mortality rate from the applicable table;

- (f) The formulae, assumptions and methodology used for determining any nonforfeiture values;
- (g) Sample calculations for any nonforfeiture values at representative issue ages including issue age 35 if within the issue age range;
- (h) Certification as to compliance with the NAIC Standard Nonforfeiture Law for Life Insurance, model #808, if the form provides nonforfeiture values; and
- (i) The range of issue ages and the minimum benefit amount for which the form will be issued.

## **§ 2 BENEFIT PROVISIONS**

### **A. BENEFIT**

- (1) The form shall describe the conditions that shall be met to be eligible for the insurance benefit.
- (2) If any additional insured is a child, the form shall not require that the child's birth or adoption be predicated on marital status. The form may require the primary insured assume financial responsibility for the child.
- (3) The form shall state that the benefit is payable to the beneficiary.
- (4) The form may require that the death of any additional insured occur while the policy and this benefit are in force.
- (5) The form shall describe the coverage option or options available to any additional insured upon the death of the primary insured. The form shall provide at least one of the following options:
  - (a) The return of the unearned identifiable charge;
  - (b) The continuation of coverage on the additional insured for the remainder of the period purchased by the identifiable charge;
  - (c) The continuation of coverage on the additional insured by waiver of identifiable charge;
  - (d) The continuation of coverage on the additional insured through paid-up term life insurance. In such a case, the form shall include the following:
    - (i) A description of the basis for calculating the cash value of such paid-up insurance;

- (ii) A statement that the paid-up insurance may be surrendered at any time for its cash value; and
- (iii) A statement that if the paid-up insurance is surrendered within 30 days after a benefit anniversary, the value available shall not be less than the anniversary value; or
- (e) The continuation of coverage on the additional insured as paid-up term life insurance evidenced by a separate policy to be issued by the company.

## **B. CONVERSION**

- (1) A form that is convertible shall contain a provision describing the conditions of the conversion provision in the same manner as described in the conversion provision contained in the Individual Term Life Insurance Policy standards. The conversion provision may be contained in the form or the form may refer to the conversion provision in the policy to which it is attached.

## **C. DISCLOSURE OF IDENTIFIABLE CHARGES**

- (1) If the identifiable charge for the benefit is subject to change, the guaranteed maximum identifiable charge shall be disclosed in the form.
- (2) For benefits with identifiable charges that are subject to change, the form or the specifications page of the policy shall contain:
  - (a) A brief description stating that the identifiable charges are subject to change;
  - (b) A complete table of the guaranteed maximum identifiable charges;
  - (c) The amount and period of time for which the current identifiable charges are guaranteed; and
  - (d) A change in identifiable charge provision. The provision shall provide that any identifiable charge after the initial guarantee period may be changed, subject to the table of guaranteed maximum identifiable charges. The provision shall state the frequency of the change and that any change will be based on initial rating class. The provision shall also state that the adjustment in the identifiable charge is based on future anticipated or emerging experience, and should specify the experience factors upon which any identifiable charges are adjusted. "Experience factors" means a factor experienced by the company that is variable in nature and impacts the profitability of the policy. Depending on policy design, experience factors may include, but are not limited to, investment earnings, mortality, persistency, taxes and expenses. Identifiable charges that are not guaranteed shall not be included in the form.

## **D. 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 an additional insured for two years from the date of issue of the additional insured's benefit under 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.

**E. NONFORFEITURE VALUES**

- (1) If the form is issued as an attachment to the policy and does not provide cash values or loans values, the form shall state that it does not have cash values or loan values.
- (2) If the form is issued as an attachment to the policy and provides cash values or loans values, the form shall contain nonforfeiture provisions and loan provisions in the same manner as described in the provisions contained in the Individual Term Life Insurance Policy Standards. The nonforfeiture and loan provisions may be contained in the form or the form may refer to the nonforfeiture and loan provisions in the policy to which it is attached.

**F. REINSTATEMENT**

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

**G. SUICIDE**

- (1) If the form is issued as an attachment to the policy, the form may provide a suicide provision in the same manner as described in the suicide provision contained in the policy. The suicide provision may be contained in the form or the form may refer to the suicide provision in the policy to which it is attached.
- (2) If the insured dies by suicide within the policy suicide exclusion period, the form shall state, unless already provided in the policy, that any identifiable charge paid for the additional insured term life insurance benefit will be included in the amount paid under the policy because of the primary insured's suicide.

**H. 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 additional insured; or
  - (d) Upon nonpayment of the identifiable charge, in accordance with the provisions of the form or the policy.

- (2) The form may also include the following termination conditions:
- (a) The benefit anniversary on which the primary 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) For all additional insureds, the date the primary insured under the policy dies, unless the form is being continued under a continuation of coverage option;
  - (d) The date an additional insured converts their term life insurance benefit;
  - (e) If the policy is an endowment policy, on the date of endowment, regardless if the endowment date is deferred; and/or
  - (f) If the policy is a limited-payment policy, on the date the policy becomes fully paid-up.