

CLARIFICATION ITEMS – Noticed 8/13/2013 **with PSC Updates**

Clarification items

Clarification items are proposed edits to clarify the meaning, application, and/or intent of a provision in the Uniform Standard. Clarification items would not change the meaning or effect of the provision or the current application and interpretation of the provision or Uniform Standard but would provide further or detailed explanation, description, or specification to the language in the Uniform Standard. The clarification items are compiled not only from suggestions or issues in the Comments but also from questions, issues, and circumstances that have arisen in the application and interpretation of the Uniform Standards by the IIPRC product and actuarial reviewers. Based upon the feedback of the PSC, the IIPRC Office will insert and clearly distinguish clarification items in the Uniform Standards.

List of Clarification Items

1. Conformity with Interstate Insurance Product Regulation Commission
2. Exclusions
3. Settlement Options – Annuity benefits
4. Legal Action
5. Conversion
6. Nonforfeiture Values, Section 2
7. Loan
8. Paid-Up Nonforfeiture Values
9. Additional Submission Requirements – General
10. Actuarial Demonstrations
11. Paid-Up Addition Benefits
12. Specifications Page
13. First to Die Benefits
14. Removal of Appendix B
15. Payment of Premium
16. Reinstatement Provision
17. Waiver of Premium/Deduction Benefit Provision
18. Term Life Benefit Provisions/Benefit & Nonforfeiture
19. Qualifying Events for Accelerated Death Benefits
20. Definition of Qualifying Event for Accelerated Death Benefits
21. Definition of Chronic Illness Qualifying Event for Accelerated Death Benefits
22. Accelerated Death Benefit Design Options, Expense Charges
23. Agreements
24. Acknowledgement of Disclosures under State and Federal Law
25. Fairness
26. Fraud Notice
27. Medical Questions/Height and Weight
28. Settlement Options
29. Maturity date for Current Assumption Whole Life

1. **CONFORMITY WITH INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION**

APPLIES: General form requirement in all Uniform Standards.

CURRENT PROVISION: The policy shall state that it was approved under the authority of the Interstate Insurance Product Regulation Commission and issued under the Commission standards. The policy shall also state that any provision of the policy that on the provision's effective date is in conflict with Interstate Insurance Product Regulation Commission standards for this product type is hereby amended to conform to the Interstate Insurance Product Regulation Commission standards for this product type as of the provision's effective date.

COMMENTS:

Industry Advisory Committee (IAC) Comment: There is confusion about the effect of this provision in terms of whether it results in amendments to approved product filings if the Uniform Standards change after approval. IAC suggests tying the provision to standards as of the effective date of approval.

IIPRC Office Comment/Observation: This provision is the subject of many inquiries as filers are concerned this provision means there could be an automatic, retroactive application of changes or amendments to Uniform Standards to previously-approved product filings. The intent of the provision is to serve as a backstop to IIPRC review and approval by correcting any provisions that inadvertently made it through the approval process without reflecting compliance with the applicable Uniform Standards. It was not intended to avoid the administrative procedures requirement that many states follow when amending a regulation that could affect previous regulatory action. If the IIPRC amends or changes a Uniform Standard, it will also need to specify how that change applies – prospectively or if retroactively, are certain products grandfathered or are companies required to refile by a certain date.

IIPRC Office Recommendation: This provision should be edited to clarify its original meaning and purpose that provides the product filing conforms to the Uniform Standards in effect on the date of approval. The IIPRC Office recommends the following changes:

The policy shall state that it was approved under the authority of the Interstate Insurance Product Regulation Commission and issued under the Commission standards. The policy shall also state that any provision of the policy that on the provision's effective date is in conflict with the applicable Interstate Insurance Product Regulation Commission standards for this product type in effect as of the provision's effective date of Commission policy approval is hereby amended to conform to the applicable Interstate Insurance Product Regulation Commission standards in effect as of the provision's effective date of Commission policy approval~~for this product type as of the provision's effective date.~~

CLARIFICATION ITEMS – Noticed 8/13/2013 **with PSC Updates**

PSC RECOMMENDATION: ON FEB. 11, THE PSC AGREED TO THE RECOMMENDED REVISIONS.

CLARIFICATION ITEMS – Noticed 8/13/2013 **with PSC Updates**

2. **EXCLUSIONS**

APPLIES: General form requirement in all life Uniform Standards, specifically Section 2 of this provision.

CURRENT PROVISION:

- (2) Any amount payable as a result of death from an excluded act shall be at least equal to the greater of the gross premiums paid for the policy or the policy reserve, each adjusted for dividend values, loans, partial withdrawals and surrenders.

COMMENTS:

Industry Advisory Committee Comment: The IAC has requested that this provision be clarified or the term "policy reserve" be removed as it could result in a windfall to policyholders especially as the meaning and requirements for policy reserves has evolved in light of secondary guarantees and AG38 requirements.

It should be noted that in the case of Universal Life and Whole life policies with cash surrender values, a policy value is readily available to the policyholder as it is provided in the annual report. Term policies do not typically have cash values. The policyholder is generally not aware of the amount of the policy reserve as disclosure of the policy reserve is not required.

IIPRC Office Comments/Observations: The IIPRC Office raised this issue with the Product Standards Committee in February 2012. The PSC acknowledged this language stemmed from language in a Model that has not been updated in several years. The PSC suggested clarifying this provision during the 5-year review discussion.

IIPRC Office Recommendation: The IIPRC suggests this provision be revised to either remove the term "policy reserve" noting that this term is not required in the actuarial memorandum or to further define what is meant by policy reserve in terms of the amount payable when a death falls under an exclusion in a Compact-approved policy.

Industry Advisory Committee Comment dated Sept. 13, 2013: For reference, here is an example of a limitation of liability statute in Arizona § 20-1226, which might help:

“A policy that contains any exclusion or restriction pursuant to this section shall also provide that in the event of death under the circumstances to which the exclusion or restriction is applicable, the insurer will pay an amount not less than a reserve determined according to the commissioners reserve valuation method upon the basis of the mortality table and interest rate specified in the policy for the calculation of nonforfeiture benefits, or if the policy provides for no such benefits, computed according to a mortality table and interest rate determined by the insurer and specified in the policy, with adjustment for indebtedness or dividend credit.”

CLARIFICATION ITEMS – Noticed 8/13/2013 **with PSC Updates**

PSC consideration began Feb. 11. Please refer to the Feb. 18 Call Summary for status.

CLARIFICATION ITEMS – Noticed 8/13/2013 **with PSC Updates**

3. **SETTLEMENT OPTIONS – Annuity benefits**

APPLIES: General form requirement in all life Uniform Standards, specifically Section (2) of this provision.

CURRENT PROVISION:

- (2) The policy shall contain a provision stating that the annuity benefits at the time of their commencement will not be less than those that would be provided by the application of the cash surrender value to purchase a single consideration immediate annuity contract at purchase rates offered by the company at the time to the same class of annuitants whether the annuity benefits are payable in fixed or variable amounts or both.

COMMENTS:

Industry Advisory Committee Comments: No written comments submitted

IIPRC Office Comments/Observations: The IIPRC Office seeks clarification as to whether or how this provision applies especially for companies that do not offer SPIA products or corresponding rates. Is this provision only intended to apply to surrenders? If not, it should also refer to death benefit proceeds. Also, what if a policy has no cash value, is this provision applicable to the death benefit?

IIPRC Office Recommendation: The IIPRC Office requests this provision be removed or clarified with another minimum measure when the specific annuity product described above is not offered by the filer.

PSC consideration began Feb. 11. Please refer to the Feb. 18 Call Summary for status and IIPRC Office recommendation.

4. **LEGAL ACTION**

APPLIES: General form requirement in all life Uniform Standards.

CURRENT PROVISION: There is no current provision in the Uniform Standards for Legal Action clauses.

COMMENTS:

Industry Advisory Committee Comments: No written comments submitted

IIPRC Office Comments/Observations: The IIPRC Office has from time to time received forms that contain a legal action provision. In those cases, the clause must state that it will follow applicable state law in the state where the policy is issued for delivery. The individual long-term care insurance Uniform Standards have a legal action provision.

IIPRC Office Recommendation: The IIPRC Office recommends a conforming amendment to all life Uniform Standards should include a provision under the general form requirements section similar to conform to the individual Long-Term Care Uniform Standards with respect to Legal Action as follows:

LEGAL ACTION

Any policy that contains a provision relating to a legal cause of action shall comply with the laws of the state in which the policy was delivered or issued for delivery.

Industry Advisory Committee Comment dated Sept. 13, 2013:

This is a “may” standard and to clarify this, we suggest replacing the proposed language with the following:

“A policy may include a legal action provision. If included, the provision shall state that a legal cause of action related to the policy shall comply with the laws of the state where the policy was delivered or issued for delivery.”

PSC RECOMMENDATION: ON FEB. 11, THE PSC AGREED TO THE RECOMMENDED REVISIONS IN THE IAC’S SEPT. 2013 COMMENTS.

CLARIFICATION ITEMS – Noticed 8/13/2013 **with PSC Updates**

5. **CONVERSION**

APPLIES: General form requirement in all life Uniform Standards, specifically Section (3) of this provision.

CURRENT PROVISION:

- (3) The policy may provide that a discount is applied to the conversion policy total premium in the year of conversion. The discount or the method by which the discount is calculated shall be described in the policy.

COMMENTS:

Industry Advisory Committee Comment letter dated November 2012: The IAC has requested that this provision be clarified and be modified as “The policy may provide that a discount is applied to ***total premium of the converted policy*** in the year of conversion.”.

IIPRC Office Comments/Observations: The IIPRC Office is not aware of any concerns or issues raised by filers.

IIPRC Office Recommendation: The IIPRC Office has no objection to this change and agrees it would be a clarification and not a substantive change as follows:

The policy may provide that a discount is applied to ~~the conversion policy~~ total premium of the converted policy in the year of conversion. The discount or the method by which the discount is calculated shall be described in the policy.

PSC RECOMMENDATION: ON FEB. 18, THE PSC AGREED TO THE RECOMMENDED REVISIONS IN THE IAC’S NOV. 2012 COMMENTS.

CLARIFICATION ITEMS – Noticed 8/13/2013 **with PSC Updates**

6. **NONFORFEITURE VALUES**

APPLIES: General form requirement in all individual life Uniform Standards, specifically Section (2) of this provision.

CURRENT PROVISION:

(2) A provision that the owner may surrender the policy for the cash surrender value at any time, and if surrendered within 30 days following a policy anniversary that the value available shall not be less than the anniversary value.

COMMENTS:

Industry Advisory Committee Comment letter dated November 2012: The IAC has requested that this provision be modified to “...shall not be less than the **cash surrender value available on the preceding policy anniversary**”.

IIPRC Office Comments/Observations: The IIPRC Office receives numerous questions regarding what is meant by the anniversary value and what happens when the cash surrender value is adjusted for policy loan or premium payments. The IIPRC Office agrees this provision should be clarified and should address policy loans and premium payments that could affect the cash surrender value.

IIPRC Office Recommendation: This provision should be edited to clarify the term “anniversary value” and address items that could affect the cash surrender value.

For Term, Whole, and Endowment:

A provision that the owner may surrender the policy for the cash surrender value at any time, and if surrendered within 30 days following a policy anniversary that the cash surrender value available shall not be less than the cash surrender anniversary value available on the preceding policy anniversary adjusted for any policy loans or repayments or premium payments made since the preceding policy anniversary.

For Universal:

A provision that the owner may surrender the policy for the cash surrender value at any time, and if surrendered within 30 days following a policy anniversary that the cash surrender value available shall not be less than the cash surrender anniversary value available on the preceding policy anniversary adjusted for any partial withdrawals, policy loans or repayments or premium payments made since the preceding policy anniversary.

IIPRC Office Recommendation Update: The PSC’s agreed recommendation on Substantive Change Item 4, in response to IAC comment about monthly rather than annual administration

CLARIFICATION ITEMS – Noticed 8/13/2013 **with PSC Updates**

reads as follows for the Individual Flexible Premium Adjustable Life Insurance Policy Standards:

A provision that the owner may surrender the policy for the cash surrender value at any time. The cash surrender value on the date of surrender shall equal the cash surrender value on the policy monthly deduction date preceding the date of surrender adjusted for any additions to or subtractions from the cash surrender value since the preceding monthly deduction date.

No further comments were received from the IAC regarding this recommendation. Based on the PSC's previous consideration, IIPRC Office recommends making conforming changes for Term, Whole and Endowment standards.

PSC RECOMMENDATION: ON FEB. 18, THE PSC AGREED TO THE RECOMMENDED REVISIONS USING THE TERM "POLICY ANNIVERSARY" RATHER THAN "POLICY MONTHLY DEDUCTION" IN THE TERM, WHOLE AND ENDOWMENT LIFE INSURANCE STANDARDS OTHER THAN CURRENT ASSUMPTION WHOLE LIFE INSURANCE.

7. **LOAN**

APPLIES: General form requirement in all individual life Uniform Standards.

CURRENT PROVISION:

N. (2) (b) The loan value shall be equal to the cash value, plus the cash value of any dividend additions. Alternatively, the company may adjust the policy loan value at the end of the policy year by either (1) reducing it by no more than three months current expense and current cost of insurance charges or (2) projecting it at the guaranteed crediting rate from the date of the loan to the following policy anniversary assuming no premiums and no withdrawals and then discounting back at the loan interest rate. The owner has the option to take less than the loan value, subject to a reasonable company minimum loan requirement.

(e)The policy may provide that existing indebtedness, including any due and accrued interest, may be deducted from the loan value or the proceeds of the loan. The policy may also provide that interest will be collected in advance to the end of the current policy year.

COMMENTS:

Industry Advisory Committee Comments: No written comment.

IIPRC Office Comments/Observations: The definition of “loan value” in all standards that contain a Loan provision should be revised so that all permitted adjustments to the loan value or loan proceeds are contained in one subparagraph. Currently, the loan value definition is contained in two separate subparagraphs which causes some filers to overlook the specified requirements for allowable adjustments.

IIPRC Office Recommendation: The IIPRC Office would recommend incorporating subparagraph (e) into (b) and clarifying the allowable adjustments to the loan value:

- (b) The loan value shall be equal to the cash value, plus the cash value of any dividend additions. The loan value or loan proceeds may be adjusted by:**
- (i) either (1) reducing the loan value at the end of the policy year by no more than three months current expense and current cost of insurance charges; or (2) projecting the loan value at the guaranteed crediting rate from the date of the loan to the following policy anniversary assuming no premiums and no withdrawals and then discounting back at the loan interest rate;**
 - (ii) deducting the amount of any existing indebtedness including any due and accrued interest;**
 - (iii) deducting interest in advance to the end of the current policy year.**

CLARIFICATION ITEMS – Noticed 8/13/2013 **with PSC Updates**

Industry Advisory Committee Comment dated Sept. 13, 2013:

The proposed language omits a sentence which was included in the previous standards: “The owner has the option to take less than the loan value, subject to a reasonable company minimum loan requirement.” We believe this was inadvertent and should be corrected.

Companies have been filing Loan provisions for indexed products and the language reflected in the standards does not fully accommodate what is needed. The IIPRC has been approving such Loan provisions because the intent was never not to accommodate “indexed” product loans.

We recommend that the PSC take this opportunity to add what is needed to accommodate “indexed” product loan provisions.

PSC RECOMMENDATION: ON FEB. 18, THE PSC AGREED TO THE REVISIONS RECOMMENDED BY THE IIPRC OFFICE AND TO INCORPORATE AS A NEW ITEM (c) THE LAST SENTENCE OF THE FORMER ITEM (b) AS NOTED IN THE IAC’S SEPT. 2013 COMMENTS. THE PSCU FURTHER AGREED TO TAKE UP THE IAC’S REQUEST REGARDING ACCOMMODATING LOANS ON INDEXED PRODUCTS WHEN THE ADDITIONAL STANDARDS FOR INDEX-LINKED CREDITING BENEFITS FOR IND. ADJUSTABLE LIFE INSURANCE POLICIES ARE SUBJECT TO PHASE 3 OF THE 5-YEAR REVIEW PROCESS.

8. **PAID-UP NONFORFEITURE VALUES**

APPLIES: General form requirement in Term, Whole and Endowment Life Uniform Standards.

CURRENT PROVISION:

A provision that in the event of default of premium, the company will provide upon request no later than 60 days after the due premium date, a paid-up nonforfeiture benefit on a plan stipulated in the policy, effective as of the due date. In lieu of the stipulated paid-up nonforfeiture benefit, the company may substitute, upon proper request not later than 60 days after the due date of the premium in default, an actuarially equivalent alternative paid-up nonforfeiture benefit that provides a greater amount or longer period of death benefits, or if applicable, a greater amount or earlier payment of endowment benefits.

COMMENTS:

Industry Advisory Committee Comment letter dated November 2012: The IAC has noted that the standard is reflecting language in the NAIC Standard Nonforfeiture Law, but if a premium default occurs when the cash value is zero, the nonforfeiture value is also zero and no value will be provided. The IAC is concerned this required provision could require the company to pay a nonforfeiture benefit even when the case surrender value is zero. The IAC recommends the following change: “A provision that in the event of default **when the cash value is other than zero**, the company will provide...”.

IIPRC Office Comments/Observations: The IIPRC Office is not aware of any concerns or issues raised by filers.

IIPRC Office Recommendation: The IIPRC Office has no objection to this change and agrees it would be a clarification and not a substantive change:

A provision that in the event of default of premium on a policy when the cash surrender value is greater than zero, the company will provide upon request no later than 60 days after the due premium date, a paid-up nonforfeiture benefit on a plan stipulated in the policy, effective as of the due date. In lieu of the stipulated paid-up nonforfeiture benefit, the company may substitute, upon proper request not later than 60 days after the due date of the premium in default, an actuarially equivalent alternative paid-up nonforfeiture benefit that provides a greater amount or longer period of death benefits, or if applicable, a greater amount or earlier payment of endowment benefits.

This change would affect the following Uniform Standards:

- Individual Term Life Insurance Policy Standards
- Individual Joint Last to Die Survivorship Term Life Insurance Policy Standards
- Individual Whole Life Insurance Policy Standards
- Individual Joint Last to Die Survivorship Whole Life Insurance Policy Standards
- Individual Current Assumption Whole Life Insurance Policy Standards
- Individual Endowment Insurance Policy Standards
- Individual Joint Last to Die Survivorship Endowment Insurance Policy Standards

CLARIFICATION ITEMS – Noticed 8/13/2013 **with PSC Updates**

PSC RECOMMENDATION: ON FEB. 18, THE PSC AGREED TO THE RECOMMENDED REVISIONS IN THE IAC'S NOV. 2012 COMMENTS.

9. **ADDITIONAL SUBMISSION REQUIREMENTS – GENERAL**

APPLIES: Provision found in certain Term, Whole and Endowment Life Uniform Standards

CURRENT PROVISION:

If the policy is for use with more than one term plan, the submission shall include a separate set of uniquely numbered specification pages for each term plan being submitted for approval, along with a separate actuarial memorandum for each plan.

COMMENTS:

Industry Advisory Committee Comment: No written comment.

IIPRC Office Comments/Observations: The IIPRC Office has allowed companies to show different level premium periods or term periods as a variable with explanation provided on the Statement of Variability and treated within a single actuarial memorandum. This approach is more efficient and less burdensome for the filers and reviewers and is consistent with the provision in the Indeterminate Premium Policy section, under §5 Specialized Products/Marketing, which provides level premium periods may be shown as a variable item.

IIPRC Office Recommendation: The IIPRC Office recommends deleting this provision under the General Section of Additional Submission Requirements and adding the following provision to the end of the Variability of Information Section:

If the policy is for use with more than one plan, the various level premium period or term periods shall be identified as a variable item on the specifications page.

*We would also suggest keeping and moving the language in certain Whole and Endowment Uniform Standards provisions that provide examples of acceptable plans.

This change would affect the following Uniform Standards:

- Individual Term Life Insurance Policy Standards
- Individual Single Premium Term Life Insurance Policy Standards
- Individual Joint Last to Die Survivorship Term Life Insurance Policy Standards
- Individual Single Premium Joint Last-to-Die Survivorship Term Life Standards
- Individual Whole Life Insurance Policy Standards*
- Individual Joint Last to Die Survivorship Whole Life Insurance Policy Standards*
- Individual Current Assumption Whole Life Insurance Policy Standards*
- Individual Endowment Insurance Policy Standards*
- Individual Single Premium Endowment Insurance Policy Standards
- Individual Joint Last to Die Survivorship Endowment Insurance Policy Standards*
- Individual Single Premium Joint Last to Die Survivorship Endowment Life Standards

CLARIFICATION ITEMS – Noticed 8/13/2013 **with PSC Updates**

PSC RECOMMENDATION: ON FEB. 18, THE PSC AGREED TO THE IPRC OFFICE'S RECOMMENDED REVISIONS.

CLARIFICATION ITEMS – Noticed 8/13/2013 **with PSC Updates**

10. ACTUARIAL DEMONSTRATIONS

APPLIES: Provision found in Term, Whole and Endowment Life Uniform Standards

CURRENT PROVISION:

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:

COMMENTS:

Industry Advisory Committee Comment: No written comment.

IIPRC Office Comments/Observations: The IIPRC Office commonly issues objections requesting additional information on the calculation or method of computation of both cash surrender values and paid-up nonforfeiture values. In addition to providing demonstrations of compliance with nonforfeiture requirements, the actuarial memorandum addresses the "calculation of values" provision of a form, where "a statement that such method of computation has been filed with the Interstate Insurance Product Regulation Commission." The IIPRC applies these requirements to both cash surrender values and to paid-up nonforfeiture values (and their subsequent cash values).

IIPRC Office Recommendation: The IIPRC Office recommends clarifying and specifying that the actuarial memorandum should include nonforfeiture information for both the cash surrender values and the paid-up nonforfeiture values and recommends the following change:

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 (including both cash surrender values and paid-up nonforfeiture values).

PSC RECOMMENDATION: ON FEB. 18, THE PSC AGREED TO THE IIPRC OFFICE'S RECOMMENDED REVISIONS.

CLARIFICATION ITEMS – Noticed 8/13/2013 **with PSC Updates**

11. **PAID-UP ADDITION BENEFITS**

APPLIES: Term, Whole and Endowment Life Uniform Standards

CURRENT PROVISION:

Applies to the Scope provision of the applicable Whole and Term Life Uniform Standards

COMMENTS:

Industry Advisory Committee Comment: No written comment.

IIPRC Office Comments/Observations: The IIPRC Office receives filings that include paid-up benefit features – mostly riders for whole life products. Even though not specifically identified in the applicable scope section, the whole life and term life policy standards are inclusive of the requirements for these features along with the Standards for All Benefit Features.

IIPRC Office Recommendation: The IIPRC Office recommends the scope section of the Term Life, Whole Life and Endowment Life Uniform Standards be clarified to include paid-up addition benefits.

PSC consideration began Feb. 18. Please refer to the Feb. 18 Call Summary for status and IIPRC Office recommendation.

12. **SPECIFICATIONS PAGE**

APPLIES: Provision in Individual Term, Endowment, and Whole Life Policy Standards

CURRENT PROVISION:

- (1) The specifications page shall include the benefits, amounts, durations, premium information, and any other benefit data applicable to the insured.
- (2) If the policy is a participating policy, the specifications page shall indicate that the dividends are not guaranteed. In addition, if the company does not intend to credit dividends, then the specifications page shall state that dividends are not expected or anticipated to be paid.

COMMENTS:

Industry Advisory Committee Comments: No written comments regarding §2 B. (1). However, the IAC did note that the second sentence of §2 B.(2) is not clear as to the intent not to credit dividends – is it “in any policy year”? is it “in certain policy years”? The sentence could be fixed by adding “in any policy year” after “does not intend to credit dividends”. The IAC suggests that the second sentence be deleted since it does not add anything to what is already stated in the first sentence.

IIPRC Office Comments/Observations: The IIPRC Office commonly issues objections when the applicable policy fees are not identified on the Specifications page. The Payment of Premium provision explicitly requires that “[a]ny policy fees shall be identified.” Specifying that premium information includes policy fees in the general form requirements for the specifications page would provide clearer instruction for filers and minimize objections.

IIPRC Office Recommendation: The IIPRC Office recommends clarifying in the Specifications Page section of the General Form Requirements provision that premium information includes any policy fees as follows:

- (1) **The specifications page shall include the benefits, amounts, duration, premium information (including any policy fees), and any other benefit data applicable to the insured.**
- (2) **If the policy is a participating policy, the specifications page shall indicate that the dividends are not guaranteed. ~~In addition, if the company does not intend to credit dividends, then the specifications page shall state that dividends are not expected or anticipated to be paid.~~**

IAC Comments dated Sept. 13, 2013:

CLARIFICATION ITEMS – Noticed 8/13/2013 **with PSC Updates**

We had previously submitted comments and wish to replace those with these. We suggest leaving the first sentence as is and replacing the second sentence with the following:

“However, if the company will not credit dividends, the specifications page shall state that dividends are not expected to be paid.”

This clarifies that if dividends will be paid, the specifications page will include the “not guaranteed” statement. If dividends will not be paid, the “not expected” statement will be made.

PSC consideration began Feb. 18. Please refer to the Feb. 18 Call Summary for status and IIPRC Office recommendation.

13. **FIRST TO DIE BENEFITS**

APPLIES: Applies to all individual Single Life Uniform Standards other than the Individual Modified Single Premium Adjustable Life Insurance Policy Standards and Individual Modified Single Premium Joint First to Die Variable Life Insurance Policy Standards.

CURRENT PROVISION:

There is no applicable provision for joint first-to-die features in the individual life Uniform Standards other than in the Individual Modified Single Premium Adjustable Life Insurance Policy Standards and the Individual Modified Single Premium Joint First-to-Die Variable Life Insurance Policy Standards.

COMMENTS:

Industry Advisory Committee Comment: No written comment.

IIPRC Office Comments/Observations: The IIPRC Office applies the applicable requirements found in the Specialized Products/Marketing Section of the Individual Modified Single Premium Adjustable Life Insurance Policy Standards to first-to-die provisions in filing submissions across the individual life product lines as such provisions have wide applicability but the detailed requirements were only added to later-developed Uniform Standards (i.e, Uniform Standards for individual universal life products).

IIPRC Office Recommendation: The IIPRC Office recommends a conforming amendment to add the provision for first-to-die requirements currently found in the Individual Modified Single Premium Adjustable Life Insurance Policy Standards to the Uniform Standards listed below:

- Individual Term Life Insurance Policy Standards
- Individual Single Premium Term Life Insurance Policy Standards
- Individual Whole Life Insurance Policy Standards
- Individual Single Premium Whole Life Insurance Policy Standards
- Individual Current Assumption Whole Life Insurance Policy Standards
- Individual Endowment Insurance Policy Standards
- Individual Single Premium Endowment Insurance Policy Standards
- Individual Flexible Premium Adjustable Life Insurance Policy Standards
- Individual Flexible Premium Variable Adjustable Life Insurance Policy Standards

The references to the applicable NAIC Models would likely need to be modified as appropriate for each Standard/product line.

14. **REMOVAL OF APPENDIX B**

APPLIES: Individual Current Assumption Whole Life Insurance Policy Standards

CURRENT PROVISION: Appendix B

COMMENTS:

Industry Advisory Comments: No written comments.

IIPRC Office Comments/Observations: The Appendix B included in this Standard is applicable to flexible premium adjustable life products that follow Section 6.A of the NAIC Universal Life Insurance Regulation Model #585. The Individual Current Assumption Whole Life Insurance Policy Standards require compliance with Section 6.B. of Model #585 and such requirements do not lend to a demonstration as required in Appendix B (B-1 and B-2). Further, Appendix B is not cited in the Individual Current Assumption Whole Life Insurance Policy Standards. Inclusion of this sample has lead companies to provide the wrong type of demonstration.

IIPRC Office Recommendation: The IIPRC Office would recommend that Appendix B of the Individual Current Assumption Whole Life Insurance Policy Standards be deleted to avoid confusion in interpreting the requirements in the Uniform Standards, as they are currently either confusing or contradictory. With this change, Appendix C, which pertains to Fraternal Benefit Societies should be renamed Appendix B.

15. **PAYMENT OF PREMIUM**

APPLIES: Individual Modified Single Premium Adjustable Life Insurance Policy and Individual Modified Single Premium Variable Adjustable Life Insurance Policy

CURRENT PROVISION:

3. The requirements for any subsequent premium payments shall be at least as favorable as follows:

- (a) Policies shall not include any provision that permits the company to arbitrarily refuse premium payments.
- (b) Policies shall include any upper and/or lower dollar limits on premium payments, which the company may waive in a uniform and non-discriminatory manner upon written notice of any new limits to the owner. The form shall describe the initial limits and the required written notice of any new limits.
- (c) The maximum premium payment shall not be less than the greater of (i) the amount that will continue to qualify the policy as life insurance or (ii) the amount necessary to keep the policy in force.

COMMENTS:

Industry Advisory Committee Comment letter dated November 2012: The Industry Advisory Committee notes that this provision applies to subsequent premium payments and believe the first clause regarding refusal of premium payments is not only applicable to subsequent premium payments but to payment of premium in general. The IAC suggests making this provision a separate numerical item in the Payment of Premium provision. The IAC also requests clarification on the term “arbitrarily” calling the term nebulous and subjective.

IIPRC Office Comments/Observations: The IIPRC Office is not aware of any concerns or issues raised by filers.

IIPRC Office Recommendation: The IIPRC Office has no objection to clarifying this provision. The IIPRC Office would note that the Individual Flexible Premium Adjustable Life Insurance Policy Standards have a similar provision but do not use the term “subsequent.” The IIPRC Office would suggest removing the term “subsequent” and to replace the term “arbitrarily” as follows:

3. The requirements for any ~~subsequent~~ premium payments shall be at least as favorable as follows:

- (a) Policies shall not include any provision that permits the company to **arbitrarily** refuse premium payments unless such provision provides the specific reasons or circumstances for refusal which cannot include company discretion to refuse premium payment.

CLARIFICATION ITEMS – Noticed 8/13/2013 **with PSC Updates**

IAC Comments dated Sept. 13, 2013:

We suggest that this change also be made to the Flexible Premium Adjustable Life Insurance Policy Standards.

16. REINSTATEMENT PROVISION

APPLIES: Individual Joint Last to Die Survivorship Term Life Insurance Policy Standards and consider change for certain Whole and Endowment Life Uniform Standards

CURRENT PROVISION:

- (2) The period of reinstatement may not be less than three years from the date of lapse.
- (3) Evidence of insurability may be required.
- (4) Payment of overdue premiums may be required unless the company requires evidence of insurability and the premium for the reinstated policy is comparable to that of a policy issued at the insured's attained age. Under those circumstances only payment of one month's premium to cover the grace period may be required. Interest may be charged on overdue premiums at a rate not exceeding 6%.

COMMENTS:

Industry Advisory Committee Comment: No written comments.

IIPRC Office Comments/Observations: In 2010, the Commission adopted amendments to Section (2), (3), and (4) of the reinstatement provision for the Individual Term Life Insurance Policy Standards. These amendments should have also been made to the reinstatement provision in other applicable Term, Whole and Endowment Uniform Standards to provide consistency among the traditional life Uniform Standards with respect to this general provision.

IIPRC Office Recommendation: The IIPRC Office recommends a conforming amendment to Sections (2), (3) and (4) of the Reinstatement provision to reflect the amendments to this general provision made in 2010 to the Individual Term Life Insurance Policy Standards as follows:

(2) The condition for reinstatement shall include the maximum period *during which reinstatement is allowed, which shall not be less than three years from the date of lapse.*

(3) Evidence of insurability may be required.

(4) Payment of all overdue premiums may be required *unless:*

(a) The company requires evidence of insurability; (b) The premium for the reinstated policy is comparable to that of a policy issued at the insured's attained age; and (c) There has been no nonforfeiture benefit insurance coverage in place during the reinstatement period.

If (a), (b) and (c) are all true, payment of no more than one month's premium to cover the grace period may be required. Interest may be charged on overdue premiums at a rate not exceeding 6%.

CLARIFICATION ITEMS – Noticed 8/13/2013 **with PSC Updates**

This change would affect the Individual Joint Last to Die Survivorship Term Life Insurance Policy Standards. The PSC should discuss and accept comments on whether these 2010 amendments should apply to the following Uniform Standards:

- Individual Whole Life Insurance Policy Standards
- Individual Joint Last to Die Survivorship Whole Life Insurance Policy Standards
- Individual Current Assumption Whole Life Insurance Policy Standards
- Individual Endowment Insurance Policy Standards
- Individual Joint Last to Die Survivorship Endowment Insurance Policy Standards

18. TERM LIFE BENEFIT PROVISIONS/BENEFIT & NONFORFEITURE

APPLIES: Standards for Additional Term Life Benefits / Standards for Waiver of Premium Benefits / Standards for Waiver of Premium Benefits for Child Insurance in the Event of Payor's Total Disability or Death

CURRENT PROVISION:

Section 5 of the Benefit Provisions Section of the Standards for Additional Term Life Benefits:

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; A statement that the paid-up insurance may be surrendered at any time for its cash value; and
 - (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.

Nonforfeiture Values Section of the Standards for Waiver of Premium:

If the form is issued as an attachment to the policy, the form shall state that it does not have cash values or loan values.

COMMENTS:

Industry Advisory Committee Comment letter dated November 2012: The IAC has stated that companies believe there is a contradiction between these two standards regarding the requirement for cash value of the paid-up term life insurance. The IAC notes Section 9 of the Standard Nonforfeiture Law for Life Insurance appears to provide an exception for such requirement.

IIPRC Office Comments/Observations: The IIPRC Office is not aware of any concerns or issues raised by filers and does not believe there is a contradiction among these standards.

CLARIFICATION ITEMS – Noticed 8/13/2013 **with PSC Updates**

IIPRC Office Recommendation: The IIPRC does not view these standards as contradictory. The IIPRC Office suggests issuing a Filing Information Notice clarifying the application to these standards based on the particular circumstance of continuation.

The following is an explanation of the application of this provision and the applicable requirements of the Standard Nonforfeiture Law for Life Insurance:

- (i) Under the Standards for Waiver of Premium Benefits, there is no cash value or loan value associated with the Waiver of Premium form.
 - (ii) Under Section 5(c) of the Standards for Additional Term Life Benefits, the option is for the continuation of the coverage on the additional insured by waiver of premium. If the company provides this option in the additional term life rider, no additional cash values are generated. The Additional Term Life Rider continues to be considered term insurance and no additional cash values are generated because the primary insured died. The Standards for Additional Term Life Benefits does not trigger nonforfeiture benefits or require additional cash values in this situation which is why this subsection is silent about cash values.
 - (iii) Under Section 5(d) of the Standards for Additional Term Life Benefits, the option is for continuation of the benefits (upon death) in the form of paid-up insurance (instead of waiver of premium). Under the Uniform Standard, the form is not required to include this option. If this option included in the form, the cash value requirements of subsection (d) must be listed.
- 4) Under the Standards for Waiver of Premium Benefits for Child Insurance in the Event of Payor's Total Disability or Death, if the paid-up term is being provided on a child to age 25, the company must demonstrate that the applicable cash value formulae in the Standard Nonforfeiture Law for Life Insurance do not produce cash values which exceed 2.5% of the face amount in order to satisfy the requirement no cash value on a paid-up children's term benefit.

IAC Comments dated Sept. 13, 2013:

The explanation provided by the IIPRC is a bit confusing – not clear what precedes (iv) nor what (4) follows.

A member company has noted they allow conversion to an individual life policy, which is not accommodated in the current standards. Is it possible to take this opportunity to add this option?

CLARIFICATION ITEMS – Noticed 8/13/2013 **with PSC Updates**

29. **MATURITY DATE FOR CURRENT ASSUMPTION WHOLE LIFE SPECIFICATION PAGE**

APPLIES: Individual Current Assumption Whole Life Insurance Policy Standards

CURRENT PROVISION:

SPECIFICATIONS PAGE (SECTION 2 GENERAL FORM REQUIREMENTS)

7. The maturity date shall be defined or listed. The policy shall state that the cash surrender value will be paid on the maturity date.

N. MATURITY DATE EXTENSION (SECTION 2 POLICY PROVISIONS)

- (1) The maturity date for a current assumption whole life policy may be extended beyond the terminal age of the applicable valuation mortality table based on the following conditions . . .

COMMENTS:

Industry Advisory Committee (IAC) Comment: No written comments submitted.

IIPRC Office Comment/Observation: The IIPRC Office recently recognized an inconsistency between the requirement in subsection 7 of the Specifications Page requirements (Section 2.B) for this Uniform Standard and the Maturity Date Extension Provision under Section 3.N of the Policy Provisions Section for this Uniform Standard. It appears the Specifications Page is required to state that the cash surrender value must be paid on the maturity date while the policy provision is allowed to provide for an extension of the maturity date. The IIPRC Office interprets this provision to mean that the maturity value (value available to the policyholder at the maturity date) be equal to the cash surrender value at the maturity date, not that it be a requirement that it be paid out at that date (since the optional maturity extension provision is allowed).

IIPRC Office Recommendation: This provision should be edited to clarify any inconsistency between these two provisions. The IIPRC Office suggests the following rewording of Section 2.B.7 under the Specification Pages requirements:

7. The maturity date shall be defined or listed. **If the policy does not provide for maturity extension provision as outlined in §3 N,** ~~t~~The policy shall state that the cash surrender value will be paid on the maturity date.