

CLARIFICATION ITEMS – Noticed 8/13/2013

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.

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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 in effect as of the provision's effective date for this product type is hereby amended to conform to the applicable Interstate Insurance Product Regulation Commission standards in effect as of the provision's effective date ~~for this product type as of the provision's effective date.~~

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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.

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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, 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.

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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.

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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.

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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.

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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.**

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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

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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

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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).

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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.

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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.~~**

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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.

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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.

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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.

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.***

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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%.

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

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17. WAIVER OF PREMIUM/DEDUCTION BENEFIT PROVISION

APPLIES: Standards for Waiver of Premium Benefits and Standards for Waiver of Monthly Deduction Benefits

CURRENT PROVISION:

BENEFIT PROVISIONS:

(e) The form may base the type of waiver benefit available on the insured's age on the date disability begins, but shall not do so on terms less favorable than the following:

(i) If the insured's total disability begins before the benefit anniversary on which the insured attains age 60, the form shall state that the company shall waive all premiums due for the insured under the policy for the period that the insured continues to be totally disabled. If such period extends to the benefit anniversary on which the insured attains age 65, the form shall state that the company shall waive all further premiums due for the insured under the policy; **or**

(ii) If the insured's total disability begins after the benefit anniversary on which the insured attains the age specified in item (i) for when total disability begins, the form shall state that the company shall waive all premiums due for the insured under the policy for the period that the insured continues to be totally disabled, but only up to the benefit anniversary on which the insured attains age 65;

COMMENTS:

Industry Advisory Committee Comment: No written comments.

IIPRC Office Comments/Observations: In August 2009, the IIPRC Office sought clarification from the Product Standards Committee as to whether the two subsections were required to appear in a form where the type of waiver benefit is based on the insured's age on the date disability begins. The IIPRC also consulted with the Industry Advisory Committee. The PSC confirmed that both provisions should appear as they describe the requirements based on when the insured's total disability begins – either before or after the benefit anniversary on which the insurance reached an attained. The IIPRC Office commonly issues an objection requiring both provisions for forms with premium waiver benefits.

IIPRC Office Recommendation: The IIPRC Office requests that the term “or” between subsections (i) and (ii) – highlighted above -- be changed to “**and**” to clarify that both provisions should appear in a form where the type of waiver benefit is based on the insured's age on the date the disability begins.

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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.

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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.

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:

- (iv) Under the Standards for Waiver of Premium Benefits, there is no cash value or loan value associated with the Waiver of Premium form.
 - (v) 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.
 - (vi) 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.

19. **QUALIFYING EVENTS FOR ACCELERATED DEATH BENEFITS**

APPLIES: Individual Life Standards for Accelerated Death Benefits.

CURRENT PROVISION: (3) The form shall not include a waiting period requirement. A requirement that the individual policy or form be in force past the incontestable period is prohibited.

COMMENTS:

Industry Advisory Committee (IAC) Comment: The IAC notes that the terms “waiting period” and “elimination period” are used interchangeably for individual long-term care insurance but the terms have a significant distinction in other lines. The IAC requests these terms be specifically defined for purposes of accelerated death benefits. There is agreement that it is not permitted to impose a restriction during which the insured is not eligible for the benefit, i.e. a waiting period. In accelerated death benefits, an elimination period is a period of time during which the insured meets the terms of a qualifying event, and if the insured still meets the terms after the period expires, the insured may apply for the benefit. IAC suggests adding definitions and expressly permitting an elimination period.

IIPRC Office Comment/Observation: The IIPRC Office receives numerous inquiries about waiting periods and elimination periods in individual accelerated death benefit products. The IAC suggestions are consistent with guidance currently being provided to filers. The pending Group Term Life Accelerated Death Benefits standard contains provisions based on these suggestions and would be an improvement to the current standard.

IIPRC Office Recommendation: The IIPRC Office recommends the following changes to add the applicable definitions for “waiting period” and “elimination period” based on the pending Group Term Life Insurance Uniform Standards for Accelerated Death Benefits:

(3) The form shall not include a waiting period requirement. “Waiting period” means a period of time following the date of issue of the accelerated death benefit during which the benefit is not in effect. A requirement that the individual policy or form be in force past the incontestable period is prohibited.

(4) The form may include an elimination period for the qualifying events described in items 3 and 5 of the qualifying event definition in these standards. The term “elimination period” means a specified period of time not to exceed 90 days during which the insured meets the terms of the qualifying event. The elimination period begins on the first day the insured meets the terms of the qualifying event and ends at the end of the specified period. During the elimination period, the insured is required to continuously meet the terms of the qualifying event without interruption. If at the end of the elimination period the insured continues to meet the terms of the qualifying event, the owner may apply for the accelerated death benefit.

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20. **DEFINITION OF QUALIFYING EVENT FOR ACCELERATED DEATH BENEFITS**

APPLIES: Individual Life Standards for Accelerated Death Benefits.

CURRENT PROVISION:

“Qualifying event” means the following:

1. A medical condition that is reasonably expected to result in a drastically limited life span for the insured. The company’s definition of a drastically limited life span shall have a minimum of “6 months or less” and a maximum of “24 months or less”, and shall be specified in the form; and, at the option of the company, may include one or more of the following:
2. A medical condition that requires extraordinary medical intervention, such as major organ transplant or continuous artificial life support, without which the insured would die;
3. A condition that usually requires continuous confinement in an institution, as defined in the form, and the insured is expected to remain there for the rest of his or her life;
4. A specified medical condition that, in the absence of extensive or extraordinary medical treatment, would result in a drastically limited life span; or
5. A chronic illness defined as permanent inability to perform, without substantial assistance from another individual, a specified number of activities of daily living (bathing, continence, dressing, eating, toileting and transferring), and/or permanent severe cognitive impairment and similar forms of dementia.

COMMENTS:

Idaho Comment: With respect to the pending Group Term Life Insurance Uniform Standards for Accelerated Death Benefits, Idaho provided the following comments: Regarding the ADLs, there are one to six criteria listed. The insurer selects the number of criteria to impose. Again, this could be an unreasonable hurdle to benefits. The DOI recommends no more than two ADL criteria. If the standard is to be adopted, there should be a limitation on the number of subqualifications required and on the ADL criteria.

Industry Advisory Committee (IAC) Comment: The IAC did not offer a comment on conforming the Scope provision to the pending Group Term Life Insurance Uniform Standards for Accelerated Death Benefits Uniform Standards, but the IAC participated in the drafting and consideration of the pending Uniform Standards and has not offered an objection to the Management Committee on the recommended language. The IAC submitted a comment letter to Idaho’s comments on July 8th and agreed with the suggestion to include no more than two ADL criteria.

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IIPRC Office Comment/Observation: This definition is the subject of frequent inquiries from filers. The IIPRC Office notes that other Uniform Standards that include benefit triggers based on activities of daily living limit to a specific number of ADLs including the Core Standards for Individual Long-Term Care Insurance Policies (no more than 2 ADLs); Standards for individual Disability Income Policies (no more than 2 ADLs) and the Additional Annuity Standards for Waiver of Surrender Charge Benefits (no more than 3 ADLs). The IIPRC Office supports the inclusion of a limit on the number of ADLs under the chronic illness definition.

IIPRC Office Recommendation: The IIPRC Office recommends revising this provision to limit the number of ADLs to no more than two (2) which is consistent with applicable federal requirements and also make the other noted changes to this provision in order to conform to the pending Group Term Life Insurance Uniform Standards for Accelerated Death Benefits as follows:

“Qualifying event” means the following:

1. **Terminal Illness.** A medical condition that is reasonably expected to result in a drastically limited life span for the insured. The company’s definition of a drastically limited life span shall have a minimum of “6 months or less” and a maximum of “24 months or less”, and shall be specified in the form;

~~and, at the option of~~ **In addition to a terminal illness qualifying** event, the company, may include one or more of the following **qualifying events:**

2. A medical condition that requires extraordinary medical intervention, such as major organ transplant or continuous artificial life support, without which the insured would die;

3. A condition that **is reasonably expected to require** ~~usually requires~~ continuous confinement in an institution, as defined in the form, and the insured is expected to remain there for the rest of his or her life. The term “institution” shall be defined in the form;

4. A specified medical condition that, in the absence of extensive or extraordinary medical treatment, would result in a drastically limited life span; or

5. A chronic illness defined as permanent inability to perform, without substantial assistance from another individual, **a maximum of two** activities of daily living (bathing, continence, dressing, eating, toileting and transferring), ~~and/or permanent severe cognitive impairment and similar forms of dementia need for substantial supervision to protect the~~ **insured from threats to health and safety due to severe cognitive impairment.**

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21. **DEFINITION OF CHRONIC ILLNESS QUALIFYING EVENT FOR ACCELERATED DEATH BENEFITS**

APPLIES: Individual Life Standards for Accelerated Death Benefits.

CURRENT PROVISIONS:

SCOPE: A chronic illness defined as permanent inability to perform, without substantial assistance from another individual, a specified number of activities of daily living (bathing, continence, dressing, eating, toileting and transferring), and/or permanent severe cognitive impairment and similar forms of dementia.

PAYMENT OPTIONS, Item (1): The form shall describe the payment options available to the owner. The description shall include the option to receive the accelerated death benefit payment in a lump sum, and may include an option to receive the benefit in periodic payments for a period certain only. (Periodic payments based on the continued survival or institutional confinement of the insured are prohibited.)

COMMENTS:

Industry Advisory Committee (IAC) Comment: The IAC requests that the standards recognize and incorporate current Internal Revenue Code provisions regarding chronic illness definitions and per-diem limits on benefits for purposes of tax qualification.

IIPRC Office Comment/Observation: This provision is the subject of frequent inquiries from filers. Per directions from the PSC, the IIPRC Office permits tax qualification language and Internal Revenue Code references in this area. The IIPRC Office prefers that the Uniform Standards clearly address tax qualification in a manner that comports with current industry standards.

IIPRC Office Recommendation: The IIPRC Office agrees with the IAC suggestion to insert the following provisions.

SCOPE:

- (b) For purposes of complying with the requirements of IRC Section 7702B and IRC Section 101(g) (“federal requirements”), chronic illness may also be defined as prescribed in these federal requirements, such as:**
 - (i) For activities of daily living, requiring the inability to perform such activities to be for a period of at least 90 days;**
 - (ii) For periodic payments, requiring a re-certification at the end of the end of each benefit period; and**

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- (iii) For cognitive impairment, requiring substantial supervision.

PAYMENT OPTIONS, Item (1):

For purposes of complying with the requirements of IRC Section 7702B and IRC Section 101(g) (“federal requirements”), the periodic benefit may be subject to the per diem specifications of the federal requirements to avoid tax consequences. If the application of the federal cap requirement results in a reduced accelerated benefit from that requested, the remaining death benefit that can be accelerated will be available for acceleration in future months.

22. **ACCELERATED DEATH BENEFIT DESIGN OPTIONS, EXPENSE CHARGES**

APPLIES: Individual Life Standards for Accelerated Death Benefits.

CURRENT PROVISIONS:

ADDITIONAL SUBMISSION REQUIREMENTS, Item (3)(b): [The actuarial memorandum shall include] A description of and justification for expense charges associated with the accelerated death benefit and the maximum expense charges.

BENEFIT DESIGN OPTIONS, Item (5): The company may deduct a reasonable expense charge for accelerating the death benefit and shall state the maximum expense charge in the form.

COMMENTS:

Industry Advisory Committee (IAC) Comment: The IAC highlighted two state law requirements limitations on expense charges, one \$250 and one \$500, and requested clarification as to whether the requirements would be pre-empted by the Uniform Standards. The IAC did not suggest any revisions to the Uniform Standards; however, the IAC participated in the drafting and consideration of the pending Group Term Life Insurance Uniform Standards for Accelerated Death Benefits and has not offered an objection to the Management Committee on the recommended language.

IIPRC Office Comment/Observation: The Uniform Standards do not contain a dollar amount limit on expense charges associated with acceleration of the death benefit. The IIPRC Office has not received questions about state law limits on expense charges directly from filers. The pending Group Term Life Insurance Uniform Standards for Accelerated Death Benefits contain more specific provisions that address the IAC's comments.

IIPRC Office Recommendation: The IIPRC Office recommends revising the provisions to conform to the pending Group Term Life Insurance Uniform Standards for Accelerated Death Benefits as follows:

ADDITIONAL SUBMISSION REQUIREMENTS, Item (3)(b): [The actuarial memorandum shall include] A description of and justification for expense charges associated with the accelerated death benefit and the maximum expense charges. **If such charges exceed \$250, include a detailed explanation.**

BENEFIT DESIGN OPTIONS, Item (5): The company may deduct a **one-time** reasonable expense charge for accelerating the death benefit, **as applicable,** and **if an expense charge will be deducted, the company** shall state the maximum expense charge in the form.

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23. AGREEMENTS

APPLIES: Provision found in all individual insurance Application Standards.

CURRENT PROVISION:

AGREEMENTS, Item 1. The application shall include the statements agreed to by each proposed insured, such as:

- (a) That they have read the application and all statements and answers as they pertain to them, and that these statements and answers are true and complete to the best of their knowledge and belief;
- (b) That the statements and answers in the application are the basis for any policy issued by the company, and that no information about them will be considered to have been given to the company unless it is stated in the application;
- (c) That a sales representative does not have the company's authorization to accept risk, pass on insurability, or make, void, waive or change any conditions or provisions of the application, policy or receipt, as applicable;
- (d) That the company will have no liability until:
 - (i) A policy is issued on this application and delivered to and accepted by the owner; and
 - (ii) The first premium due is paid in full while each proposed insured is alive.

COMMENTS:

Industry Comment: No written comments submitted pertaining to this clarification. Please note Substantive Change Item 3 pertains to this provision as well.

IIPRC Office Comments/Observations: The IIPRC Office allows for statements or variations on the statements to be included in the application beyond the ones listed based on the term "such as" and will object if these statements violate the Fairness provision. A common provision that the IIPRC Office has allowed is related to changes in the statements or answers given in the application between the time of application and delivery of the policy. The IIPRC Office would suggest adding specific wording addressing this period.

The IIPRC Office would also suggest adding a provision under Section 1 or a separate section for applicant's authorization to obtain information from the MIB or other information providers.

IIPRC Office Recommendation: The IIPRC Office recommends adding the following wording to subsection (b) of Section 1 of Agreements :

That the statements and answers in the application are the basis for any policy issued by the company, and that no information about them will be considered to have been given to the

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company unless it is stated in the application, **and that they will notify the company of any changes in the statements or answers given in the application between the time of application and delivery of the policy;**

The IIPRC Office recommends adding a separate section or subsection as follows:

That the applicant authorizes the company to obtain personal information on the applicant from a third-party information provider, such as the MIB, Inc., provided the authorization includes a description of the type of information to be obtained and the type of information provider from which the information will be obtained.

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24. ACKNOWLEDGEMENT OF DISCLOSURES

APPLIES: Individual Life Insurance Application Standards.

CURRENT PROVISIONS:

VARIABILITY, Item (1) The company may identify items that will be considered variable in the application, but such variability shall be limited to:

- (a) The company, address and other contact information;
- (b) In the case of applications for use by more than one company, the name of each company may be variable only to permit:
 - (i) Deletion if the company ceases to do new business; and
 - (ii) Addition of a company authorized to do business by the respective Interstate Insurance Product Regulation Commission member states;
- (c) Plan information, including plan marketing name or logo.

The 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.

AGREEMENTS, Item (2) The application may include an acknowledgment by each proposed owner of receipt of the following as required by law:

- (a) The most current prospectus for any variable life insurance, which includes summary descriptions of the underlying investment options; and
- (b) Any required disclosures or illustrations.

COMMENTS:

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

IIPRC Office Comment/Observation: The IIPRC Office receives numerous inquiries about the extent to which various state and federal disclosure and illustration requirements associated with an application continue to be required for Compact-approved products. For example, Virginia requires a disclosure regarding spousal beneficiary designations. For disclosures and illustrations that do not affect the content of a form, the approach is to permit filers to include state-specific disclosure forms and illustrations as supporting documentation, with clear understanding that IIPRC approval does not extend to the content or appropriateness of such forms. A corollary issue is that filers desire to include acknowledgement of receipt of disclosures and illustrations under state and federal law to the application, but the standards do

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not permit the acknowledgement of receipt provision in an application form to be filed as variable or bracketed. Under the current approach, it would be an improvement to the standards to permit variability for acknowledgement of receipt of disclosures and illustrations so that state-specific differences in disclosure and illustration requirements would clearly be acceptable.

IIPRC Office Recommendation: The Variability of Information and Agreements provisions should be edited to clarify the approach for acknowledgement of disclosures required under state and federal law.

VARIABILITY, Item (1) The company may identify items that will be considered variable in the application, but such variability shall be limited to:

- (a) **The company, address and other contact information;**
- (b) **In the case of applications for use by more than one company, the name of each company may be variable only to permit:**
 - (i) **Deletion if the company ceases to do new business; and**
 - (ii) **Addition of a company authorized to do business by the respective Interstate Insurance Product Regulation Commission member states;**
- (c) **Plan information, including plan marketing name or logo.**
- (d) **Acknowledgement of receipt of disclosures or illustrations required by state or federal law.**

The 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.

AGREEMENTS, Item (2) The application may include an acknowledgment by each proposed owner of receipt of the following as required by state or federal law:

- (a) **The most current prospectus for any variable life insurance, which includes summary descriptions of the underlying investment options; and**
- (b) **Any required disclosures or illustrations.**

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25. **FAIRNESS**

APPLIES: Individual Life Insurance Application Standards.

CURRENT PROVISION: (4) The application questions shall not require the applicant to make a diagnosis of a medical condition of the proposed insured. Questions such as “Are you in good health,” “Do you have symptoms of,” “Do you have any known indication of,” or “Do you think you have” are not acceptable.

COMMENTS:

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

IIPRC Office Comment/Observation: The IIPRC Office has encountered variations on application questions that could cause the applicant to make a diagnosis of a medical condition. The current provision uses the modifier “such as,” which can make it difficult to impose an objection to a slight variation on the examples laid out in the standards as clearly prohibited.

IIPRC Office Recommendation: The IIPRC Office recommends adding two more common examples of prohibited application questions that could cause the applicant to make a diagnosis of a medical condition.

The application questions shall not require the applicant to make a diagnosis of a medical condition of the proposed insured. Questions such as “Are you in good health,” “Do you have symptoms of,” “Do you have any known indication of,” “Have you ever had,” “Any history of,” or “Do you think you have” are not acceptable.

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26. **FRAUD NOTICE/WARNING**

APPLIES: Individual Life Insurance Application Standards.

CURRENT PROVISION: (1) The application shall include a fraud notice/warning. The notice/warning shall include language similar to the following: “Any person who knowingly presents a false statement in an application for insurance may be guilty of a criminal offense and subject to penalties under state law.”

COMMENTS:

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

IIPRC Office Comment/Observation: Due to the phrase “language similar to the following,” application filings containing variations on the specific fraud notice in the Uniform Standards are received and approved by the IIPRC Office. The IIPRC Office’s understanding, however, has been that the specific fraud notice in the standard was drafted as a compromise provision with a clear understanding on the part of Compacting States and industry members that the fraud notice is prescribed exactly as written and not subject to variation. The IIPRC Office commonly discusses this understanding when new Compacting States join the IIPRC. It would be an improvement to the standard to ensure that IIPRC-approved applications may contain only the fraud notice set forth in the current provision.

IIPRC Office Recommendation: The IIPRC Office recommends editing the provision to remove “language similar to the following” and make clear that the specified warning is prescribed.

The application shall include a the following fraud notice/warning. ~~The notice/warning shall include language similar to the following:~~ “Any person who knowingly presents a false statement in an application for insurance may be guilty of a criminal offense and subject to penalties under state law.”

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27. **MEDICAL QUESTIONS, Height/Weight**

APPLIES: Individual Life Insurance Application Standards.

CURRENT PROVISION: (1) The application may include the following questions to be answered by each proposed insured:

- (a) *Height/Weight.* The current height and weight, and any weight change within a specified period of time (such as in the past year);

COMMENTS:

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

IIPRC Office Comment/Observation: The IIPRC Office has received filings containing provisions asking height and weight questions that cause the applicant to elaborate on the reason for a weight change. The current provision does not clearly permit or prohibit such follow-up questions. It would be an improvement to the standard to clarify whether follow-up questions on the reason for weight gain are permitted.

IIPRC Office Recommendation: The IIPRC Office recommends clarifying that questions on the reason for weight gain are not permitted, because such questions could be seen as causing the applicant to make a diagnosis of a medical condition, which is prohibited under the Fairness provision of the standard.

(1) The application may include the following questions to be answered by each proposed insured:

- (a) *Height/Weight.* The current height and weight, and any weight change within a specified period of time (such as in the past year); The question may not require the applicant to provide a reason for the weight change.

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28. SETTLEMENT OPTIONS

APPLIES: Individual life Uniform Standards with cash values

CURRENT PROVISION:

§3. U. (1) The policy shall contain a description of each type and form of settlement option provided in the policy. The guaranteed interest rate and mortality table, if applicable, being utilized for a designated settlement option shall be identified in the policy. In lieu of the interest rate and mortality table disclosure, complete tables of guaranteed settlement option amounts may be included in the policy.

COMMENTS:

Industry Advisory Committee Comments:

The first issue is that some companies do not provide a variety of settlement options other than leaving the proceeds with the company. The current item (1) could be read to accommodate this practice, but the use of “each” may set up an expectation of more than one option. We suggest that a solution may be to substitute “the” for “each”.

The second issue is that if settlement options are provided, some companies are including these in the claim forms, and have been doing this for over 10 years. The item states that in lieu of disclosure, the tables may be included in the policy. We suggest that a solution may be to say: “may be included in the policy or claim materials provided to the beneficiary.”

IIPRC Office Comments/Observations: The IIPRC Office is not aware of issues or concerns from filers. The IIPRC Office does not review or approve claim forms associated with a policy so this may be a consideration in adding the option to put this information in the claim form.

IIPRC Office Recommendation: The IIPRC Office is comfortable that substituting the term “the” for “each” as suggested by the IIPRC would not change the requirement that the settlement options be described. The IIPRC Office also does not believe the addition of “or claim material provided to the beneficiary” would change the requirement as it is permissible today for the company to include or not include the guaranteed settlement options in the policy. The IIPRC Office recommends the following changes:

The policy shall contain a description of ~~each~~the type and form of settlement option provided in the policy. The guaranteed interest rate and mortality table, if applicable, being utilized for a designated settlement option shall be identified in the policy. In lieu of the interest rate and mortality table disclosure, complete tables of guaranteed settlement option amounts may be included in the policy or claim materials provided to the beneficiary.

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.** The policy shall state that the cash surrender value will be paid on the maturity date.