DATE: April 2, 2012

TO: IIPRC Product Standards Committee (PSC)

FROM: Industry Advisory Committee

SUBJECT: Group Term Life Policy/Certificate Standards Dated March 27, 2012

The latest draft was sent out after the close of business on Tuesday, March 27 which gave us 4 working days to review the changes. We respectfully request that going forward, the drafts be color coded to show new changes and new requests for input, and that consideration be given to allotting more time for the IAC and the companies to provide comments.

We are providing the comments below so that there can be some meaningful discussion for the April 3 call, but we reserve the right to submit additional comments after April 3rd. but do so as soon as reasonably possible.

General Comments

We are very alarmed by the latest set of comments which will only serve to restrict the ways that group term life is sold, filed and administered, and we suspect that there is a basic misunderstanding of how group insurance needs to be able to work. As we will point out in the specific comments below, some of the proposed changes may make it impossible for any group carrier to file its forms with the IIPRC.

Because of the seriousness of the issues, we are including the “showstoppers” in the order that they appear in the draft.

EVIDENCE OF INSURABILITY “SATISFACTORY TO THE INSURANCE COMPANY” (§4, I. ELIGIBILITY, Item (1)(c), Page 17

We strongly disagree with the proposed deletion of “satisfactory to the insurance company.” Note that this is a “shall” and that the subject here is “Contributory” insurance. The companies today use this language to reserve the right to underwrite, as well as send a clear message that just completing a statement of health is not sufficient, and that the insurance company can decline the coverage requested. The reason that these 5 words are used here is because this is the initial enrollment where evidence may be needed, based on the rules specified in an Evidence of Insurability section of a certificate.
PORTABILITY STANDARDS  (Pages 32-33)

_The PSC has stated that “the specific requirements of the portability option are not essential to the employer group term policy and certificate.”_

_We strongly disagree with this statement._ Quite to the contrary, if an employer requests that the portability option be included in his plan, the _certificates will include_ the information regarding the terms and conditions for electing the portability option, other eligibility requirements, the fact that portability coverage may be provided under a new certificate (the “portability trust” approach will always require this; the “under the same group policy” approach may or may not), amounts that are eligible, the and duration of portability coverage, as well as what may happen if the insured dies within the portability election period.

We note that even the requirement to include the details [last sentence of item (1)] in the certificate was also deleted, and we are baffled as to why regulators would not _require_ that the details to be included. In the past year, we have heard from regulators over and over again “How would the Employee and Dependents know what options and rights they have?” It was this concern that drove the requirements to have certificates provide as much information as possible. _So why would regulators suggest that the portability details are not needed in certificates? What has happened to “consumers need to know”?_

As a reminder, portability is a very important consumer benefit which provides an affordable alternative to the conversion right. _More people elect portability than conversion._ Companies have reported that, increasingly, employer plan includes portability. Taking into consideration the number of persons who have become unemployed in the past few years, employers and insurance companies have tried to do the right thing - provide the unemployed and their families much needed security.

We have spent at least 6 months discussing what these standards should be. _Most of what is included was requested by regulators so that the companies, IIPRC examiners and the Compacting States would have some basic guidance of how portability works, and there was a clear expectation that certificates would include “the details”, and that this is essential information so that an employee has all the information he or she needs to make a coverage decision._ The regulators involved in the standards development process asked a lot of good questions and as we provided responses, it was decided to include the information in the standards and not leave potential questions unanswered. This is why the standards are “detailed”.

We suspect that there is some sensitivity to having certificates approved by the IIPRC that describe coverage that would be available under a portability trust vehicle that is not within the IIPRC’s jurisdiction. We wish to point out that the Conversion provisions discuss the conversion policy which may also be outside the IIPRC’s jurisdiction (since it may be a state approved form). We believe that it is quite clear where the IIPRC has jurisdiction and where the Compacting States have jurisdiction.
**Having said all this, we have one basic question:**

**How does the PSC expect the IIPRC examiners to review portability provisions included in group term life certificates? Based on the standards discussions to date, regulators had some strong opinions of the dos and don’ts, and these are documented in the details. But now that the details have been deleted, companies can file what they want?**

It should be noted that some “don’ts” were added, such as when evidence of insurability may be required, when someone can elect additional amounts of insurance that were not in effect under the employer’s plan, and a prohibition on using the portability trusts for marketing campaigns to sell more insurance (this appears to have been omitted before the redlining to delete). If the draft remains as proposed, companies can ignore the “don’ts” and file requirements such as having to provide evidence for all ported amounts, and the IIPRC would not have the authority to disapprove. When a complaint is made about this to a Compacting State, the companies will probably be told they are not allowed to do so. **This is exactly the type of concerns that would keep companies from using the IIPRC for their filings.**

Just as we believe that the purpose of the IIPRC is to develop national standards and minimize state variations, we also believe that, for filings made with the IIPRC, the companies should be required to abide by specific standards as guidelines for what would be acceptable.

**The PSC is suggesting a separate set of standards for portability, or “for use with other standards”. We seek clarification as to what such “other standards” would be.**

**We also strongly disagree with this statement.** Why would anyone think that fragmenting the information of what options/rights one has at the time insurance ends is a good idea?

If insurance ends, there are three options to continue some coverage:

**First Option:**

The first option is *continuation*, because if one is eligible for continuation, insurance would not end and neither portability nor conversion would be available. If one is not eligible for continuation or continuation ends, one moves to the next option(s).

**Second Option(s)**

Most employees will have the *portability* option and all employees will have a *conversion* right as the next options.
If one elects conversion, they become insured under an individual policy.

If one elects portability, they continue to be insured under a trust arrangement, or under the same group policy as a separate class arrangement.

**Third Option**

If portability is elected, when portability coverage ends, a person has the option to convert.

*In other words, continuation, portability and conversion are joined at the hip – each option may affect the other.* To remove a discussion of the portability or separate it makes no sense whatsoever – what “problem” does this solve? To the contrary, doing so is highly problematic for companies that draft certificates to explain what options and rights one may have at the time that coverage ends.

*The PSC is also suggesting a “referral to the NAIC as guidance on portability”.*

**We believe that such a referral would not be productive.** Anyone who participates in the LATF and A Committee meetings knows that this issue will never rise to the top of any regulator’s priority list. And if by slim chance this issue ever did come up for discussion, if the 41 Compacting State regulators could not achieve consensus on including the portability standards in the IIPRC, what expectation does anyone have that this effort would succeed in an NAIC environment, and that this will happen within our lifetime? What would be the sense of urgency for the NAIC to do this? If past NAIC Model and Guidance experience is prologue, what is the reality of states giving such guidance any credence? What will occur is what occurs today – each state may develop its own interpretations and requirements. *And this is exactly what we are trying to leave behind us by building the IIPRC, or so we thought.*

*We urge the PSC to reconsider its position for the benefit of consumers, the companies and the IIPRC examiners and reinstate the portability standards in their entirety*

**CONVERSION STANDARDS (PSC Comment on Draft Page 36)**

**We strongly oppose the proposal to include “additional benefits” in the conversion right.** There is a very good reason why today state laws do not require this, just as they do not require conversion to term plans: most conversions are considered anti-selection against the company. Mandating that additional benefits be included in the conversion right only serves to tip the scale on such anti-selection. While some may believe that this is “the right thing to do”, there is no state statutory basis today to justify doing so.
We disagree with the proposed elimination of this premium arrangement. Such arrangements are quite popular with large employers and this arrangement is in common use throughout the industry and the language used has been filed and approved in all states. We would be happy to provide additional information, however, we need actuarial input which would not be available by April 3rd.

“SUCH AS” VS. “INCLUDING”

As we understand it, there is a general concern that “such as” is not helpful in reviewing filings to determine if the requirements included would be acceptable.

In group insurance, there are some requirements that are common for most employers and insurance companies, but there are also situations where some employers may need to include unanticipated unique requirement, possibly related to the size of the group or the type of business conducted by the employer. If the insurance company does not have the flexibility to accommodate the requirement, the employer will move the case to an insurance company that can be more accommodating.

By listing requirements preceded by “including” and connecting these with an “and”, the IIPRC standards are prescriptive and eliminate the flexibility to accommodate employer plan needs. Usually, companies are required to mark items that are variable and explain how the range of variability that will be used. Historically, for group insurance, the insurance company will file to illustrate the most common requirements and bracket what it considers variable, and use the explanation of variable material to detail the range of variability needed. In addition to the range, insurance companies will also add “the item may also vary to accommodate the employer’s plan specifications.” This is done to allow the flexibility needed to anticipate unknown employer plan specifications. If the IIPRC standards are less flexible than what is allowed in the group marketplace today, there will be a great disincentive to file with the IIPRC.

---

Page 1, Title of Standards

We suggest “GROUP TERM LIFE INSURANCE POLICY AND CERTIFICATE STANDARDS FOR EMPLOYER GROUPS”. The suggested title implies that only employers are covered.

Page 2, Definition of “Policy”

We suspect that there is a confusion between the intent of this definition and the Entire Contract provision. The use of “policy” in the standards is not intended to include the employer’s application since it does not include provisions related to
benefits, rights and obligations, whereas riders, amendments and endorsements, as well as any other attachments (such as Exhibits detailing the certificates issued under the policy) do. The words “group application” should be deleted.

§1. ADDITIONAL SUBMISSION REQUIREMENTS

Page 3, Item 10 / Page 4, Item (3)

In group insurance, if the insurance company and the employer agree to e-delivery of the policy and certificates, the insurance company will either email the documents to the employer or provide a link to the documents which may reside on the company’s website. The employer will be instructed to provide “copies” to his employees. The employer may do so via email, or he or she may provide a link to the employer’s website or the insurance company’s website where the certificates may reside.

In the case of a portability trust arrangement, if the insurance company and the policyholder agree to e-delivery of the certificates, the insurance company will either email the documents to the policyholder or provide a link to the documents which may reside on the company’s website. The policyholder will be instructed to provide “copies” to those who port. The policyholder may do so via email, or the policyholder may provide a link to his website or the insurance company’s website where the certificates may reside.

While “verification” was appropriate in the individual insurance process, neither “verification” nor ‘acknowledgement” are appropriate for the group insurance process.

We suggest a rewrite of the item to say:

“If the policy or certificate is filed for issuance in an electronic format, the insurance company shall describe the procedure that will be used.”

§2. GENERAL FORM REQUIREMENTS

A. POLICY AND CERTIFICATE STRUCTURE

Page 4, Item (1)

By deleting most of the text that had been included, we have lost the requirement that “the certificate should always include the provisions applicable to Covered Persons.” What has also been lost is the verification that companies have the flexibility to use “wrapper contracts” (policies that include the certificates) and other potential variations. For the purpose of the standards, assumptions were made about how the policy and certificate are used, but the structure assumed for standards purposes may not necessarily be the structure that is filed each time with the IIPRC.

We encourage the PSC to reinstate the language so that it is clear to the companies and their clients that they have flexibility regarding how they structure their policies and certificates.
Page 4, Item (3)

As stated earlier regarding e-delivery, we suggest a rewrite of this item to say:

“The standards allow certificates to be delivered in a paper or electronic format. If an electronic format is used, the insurance company shall describe the procedure that will be used.”

Typically, the insurance company will e-deliver the certificate to the policyholder and the policyholder then determines if the certificate will be provided to the Employees in a paper or electronic format. If the certificate is to be provided in an electronic format, the policyholder may either email it to each Employee, or provide a link to a website where the certificate will reside.

B. CERTIFICATES

Page 4, Item (1)

We suggest the deletion of “insured”. In a no-name certificate situation, certificates are provided to all employees, whether or not they enrolled for coverage. The no-name format includes all the eligibility and enrollment procedures, so each employee knows whether or not they enrolled and if they did not how to do it later when they want to.

Page 5, Items (2) – (7)

We have no objection to the change, as long as it is clear that each employer can decide what terms he or she wants to use.

Page 5, Item (4)

We question the need for saying “subject to the right to convert.” The purpose of the item is to make it clear that certificateholders are not a party to the contract. The fact that there is a conversion right does not change the fact that certificateholders are not a party to the contract. We suggest that the words be deleted.

Page 5, Item (6)

We have noted a technical error in the item and suggest a rewrite to say:

“If the certificate is issued to replace a certificate previously issued by the insurance company, the certificate shall state that it replaces such certificate.”

Page 5, Item (8)

We advise that the summary plan description requirements of ERISA handle the specifics for this, and that if the item is to be included, it should say “shall state that the Certificateholder...”. The “how” would vary by employer, and the procedure may change after the certificates are issued.
C. COVER PAGE OR FIRST PAGE

Page 5, Item (4)

We believe the intent was to say “on either the cover page or first specifications page of the certificate.” There are extra words included that should be deleted.

[The separation of this item into a new item requires the renumbering of previous items (5) through (8) on the next page.]

Pages 5-6, Item (4), PSC Notes

We seek clarification regarding the PSC notes – what is the perceived problem?

Why do the current standards and process for individual insurance require a separate treatment for group insurance?

Any suggestion to require an additional page to a certificate or any form is not a practical one. Any suggestion to add state variation information to national standards would be self-defeating for the IIPRC.

Page 6, New Item (5), PSC Notes Re: “Right To Examine”

In group insurance, noncontributory insurance cannot be declined, so a right to examine for this type of coverage is not appropriate. Additionally, since some coverage may be noncontributory and some may be contributory, a right to examine would get dicey. Since contributory insurance can be elected and issued after the effective date of a certificate, would the right to examine exist every time additional coverage is added? In some cases, payroll deduction can begin after certificates have been issued, so the right to examine would start on the date of receipt of the certificate?

Since the individual insurance process is less complicated, the right to examine works there but does not work for group insurance and companies have not been including the language in policies or certificates for that reason.

§3. DEFINITIONS AND CONCEPTS

Page 7, First Paragraph

The change made requires that it say “definitions and concepts” for consistency with the rest of the paragraph.

To answer the note related to this item, “Yes, what is included are examples.” As is stated in the paragraph, the intent was never to “prescribe” how this is done, but to provide some guidelines for what would be appropriate. The DI and LTC standards say the same thing. It is also important that some of the LTC definitions are prescribed by HIPAA and specific LTC Models, and some of the DI definitions are prescribed by specific A&S and UPPL Models. The group life insurance Model #565 does not include definitions, which is probably intentional since the group market requires a lot of flexibility in this regard.
As stated earlier, the employer has the option of using whatever terms he determines are appropriate and defining some of the terms as he deems appropriate, to the degree that this is consistent with the group term life standards.

Examples of How Definitions May Change:

The term “Beneficiary” may be replaced with a definition of “Primary Beneficiary” and “Contingent Beneficiary”.

“Actively At Work” may be changed to say “At Work”.

“Child and Spouse” may appear as sub-divisions of “Dependent” or “Family Members”.

**We strongly suggest that the language in the paragraph be retained as is.**

**Page 8, Item (4)**

We understand why the change was made, but we believe a better approach would be to say “adopted children, children placed for adoption, and any other children...”.

**Page 8, Item (4)(b)**

We note that our February 3, 2012 suggestion to reinstate “above” was not done. There will not be any conditions in the policy – the conditions will be included in the certificate. It is misleading to imply that there may be other conditions in the policy. So once again we suggest that you reinstate “above”.

There are grammatical issues with the changes made to break this item up into (i) and (ii) – the current language says “may be insured for a waiting period of no more than 14 days” and the same issue is in (ii). We suggest that you consider just reinstating the previous language.

**Page 10, Item (10) "Enrollment Form”**

The enrollment form may be completed by an employee for himself and his dependents, or a spouse may complete one on their own. So we suggest that the definition be changed to say:

“Enrollment form” as used in these standards means any form used to enroll for insurance benefits under a group policy.”

[The definitions/concepts that follow this one need to be renumbered accordingly.]

**Page 10, New Item (17) “Proof of Loss”**

We are curious as what is the status of this issue.
§4. POLICY AND CERTIFICATE PROVISIONS

A. ARBITRATION

Pages 12-13,

The inclusion of this type of provision in group forms is not a standard practice and the need for it is dubious at best. Most employers would be subject to ERISA which specifies a claims appeal process. In the context of group, the ERISA summary plan descriptions would include this information.

Having said this, we note that the item is intended as a “may”, although it is not that clear, so we suggest the following rewrite of Item (1):

"An arbitration provision may be included in the policy or certificate. If included, the provision shall only permit voluntary post-dispute binding arbitration. With respect to such provision...”.

B. ASSIGNMENT

Page 13, Item (1)(a)

We believe that it is only the certificate that will have this provision, so the “policy” references in the second sentence need to be changed to say “certificate”.

Page 13, Item (1)(b)

We suggest that the words deleted need to be reinstated. It is possible that an assignment form may be signed on the 15th of a month but the intent is to have it take effect on another date, such as the first of the month next following the date of signature.

Page 13, Item (1)(b) which has been deleted

In its previous position, this was a “may”, and by deleting it, it has become a “shall” under (1)(a). Collateral assignments are made to secure a loan made to a borrower by a lender, and typically only exist for the duration of the loan. Only cash value life insurance makes sense for collateral assignments since when a borrower defaults and there is no cash value, the lender has no “security” since the insured is still living. Since group term life insurance does not generate cash values, mandating such assignments would be inappropriate.

C. BENEFICIARY

Page 14, Item (2)

We suggest that the words deleted need to be reinstated. It is possible that a beneficiary designation form may be signed on the 15th of a month but the intent is to have it take effect on another date, such as the first of the month next following the date of signature.
Page 14, Item (5)

We suggest that the item be rewritten to say:

“If Dependent coverage is included under a certificate, and the Employee and Dependent die….”.

If there is no dependent coverage, a simultaneous discussion is not necessary and would not typically be included in a certificate. In this situation, if the employee dies, the proceeds would be payable to the named beneficiary.

If there is dependent coverage, a simultaneous provision would typically only apply to the benefits that would be payable upon the death of the dependent. Proceeds payable on the death of the employee would be paid to the named beneficiary. Proceeds on the death of an insured dependent are generally payable to the employee (who owns the coverage). Typically, group dependent life coverage does not provide for separate beneficiary designations for proceeds payable on the lives of insured dependents (this may be different in the world of individual insurance and may be the reason for the discrepancy with the individual standards). As a result, in the world of group insurance, if an employee dies "simultaneously" with an insured dependent, the question of to whom benefits should be paid would arise.

Allowing for a provision that specifies how dependent proceeds are to be paid in the event of a "simultaneous" death provides the insured employee with a greater level of certainty and confidence as to how such life proceeds are to paid should such a circumstance occur. The fact that there may be state "simultaneous" death laws should not be allowed to impact the ability of insurers and policyholders from including provisions in their forms that define "simultaneous" death and specify how insurance proceeds are to be payable. Should an insurer wish to default to the applicable state "simultaneous" death law, they would be able to do so. However, life insurance proceeds are paid as contractually specified in the insurance coverage and the companies want to preserve the ability to describe how proceeds are to be paid under all circumstances including those circumstances that are anticipated by the provision being questioned here by the PSC.

E. CONTRIBUTIONS

Page 15, Item (1)

We seek clarification of why the change was necessary?

In the previous version, the focus was on a policyholder’s need to comply. The focus now is on the employee’s need to comply.
G. DATE INSURANCE ENDS UNDER THE POLICY /TERMINATION

Page 15, Title

Why was it deemed necessary to make the change?

We specifically avoided “termination” because after the readability requirements went into effect, many companies changed to say “date insurance ends”. The proposed “TERMINATION” does not address “of what?” Interestingly, the “insurance ends” language is used throughout the standard.

Page 15, (1)(b)

The proposed change “prescribes” and allows no flexibility. We recommend consideration of “for reasons including but not limited to:”.

Page 15, (1)(b)(iv)

We recommend deleting the item, which would require an “and” at the end of (iii) and changing current (v) to (iv).

H. EFFECTIVE DATE OF THE POLICY

Page 18, Item (2)

We question why the language was changed.

I. EIGIBILITY PROVISIONS

Page 17, Item (1)

The proposed change “prescribes” and allows no flexibility. We recommend consideration of “including but not limited to:”.

L. EVIDENCE OF INSURABILITY

Page 18, Item (1)

This sentence is incorrect. Being in an eligible class would not exempt one from evidence requirements if one enrolls late, or if one requests excess amounts of insurance which are subject to evidence. If you are looking to say when evidence will never be required, then we suggest:

“(1) The certificate shall state that evidence of insurability shall not be required for Noncontributory insurance."

(2) If evidence of insurability satisfactory to the company is required for Contributory insurance to be provided under the certificate, the certificate shall include a provision describing such evidence of insurance requirements, including but not limited to the following requirements:
(a) As specified in the respective eligibility provisions for Contributory insurance;
(b) as is
(c) as is
(d) If a person was hospitalized.....

Page 21, Item (2)

M. FILING A CLAIM

Page 21, Item (2)
We are repeating our previous request to substitute “including but not limited to:”.

N. GRACE PERIOD

Page 22, Item (1)(b)
We suggest that the previous language be reinstated.

If one was insured for accidental death and dismemberment, the dismemberment benefits would be in effect during the grace period. The words “death benefit” would exclude the dismemberment benefits.

There is no need to say “group policy” since “policy” is defined to mean this.

O. INCONTESTABILITY

Page 23, Item (1)(b)(ii)
We suggest deleting “form” after the first reference to statement of insurability – the “statement” is a form.

Page 23, Item (1)(b)(iii)
In group insurance, policies are not reinstated since there is no “saving age” as there would be in individual insurance - the employer can re-apply for a new policy and the attained ages of the proposed insureds will be used. This is why we have suggested that the reinstatement provision be omitted from the standards – it is included as a “may” and is causing a problem here because the references here to “reinstatement” are misleading and need to be deleted - certificates cannot be reinstated unless the policy is reinstated and we are arguing that companies do not reinstate policies.

S. PAYMENT OF PREMIUM

Page 25, Item (1)
We had previously agreed to “including”, but we had asked that the connector at end of item (g) say “or”. By inserting the “and”, the “including” is now prescribing requirements.
U. REINSTATEMENT

Page 28

As stated earlier, a “may”, but still problematic because references to this in Incontestability. We strongly recommend that this be deleted.

W. PROHIBITED EXCLUSIONS

Page 29, Item (1)(b) PSC Note

As we understand it, only a sovereign body, such as a country, can declare war or commit acts of war. So Syria may declare war on Israel, but if a Syrian, without the knowledge or consent of Syria, blows up an Israeli oil pipeline, himself and others, this is an act of terrorism. Terrorism does not require the participation of a sovereign body.

§5. POLICY AND CERTIFICATE BENEFITS

A. CONTINUATION OF INSURANCE

Page 30, Item (2)

We previously requested changing “Child” to “Children” but this was not done, so we are now recommending a change to say “If the policy includes coverage for one or more Children, ...”.

C. CONVERSION

In the beginning of these comments we argued against the proposal to include “additional benefits”. In our February 3, 2012 comments, we suggested clarification in this section and we once again suggest that these clarifications be included.

Page 34, Item (1)(b)(i)(d)

The deleted item needs to be reinstated - another good example of why the portability standards need to be included – they are intertwined with the other continuation options and conversion rights.

Page 35, Item (1)(c)(viii)

We found a technical error and we respectfully request that the item be changed to add the following at the end of the item:

“The amount that ends or is reduced under the certificate, less the amount of life insurance for which the Employee becomes eligible under any group policy within 31 days after the date the Employee’s insurance ended or was reduced.”
Page 36, Item (1)(c)(x)

As we stated on February 3, 2012, the correct word is “convert” and not “port”.

D. LIFE INSURANCE BENEFITS

Page 40, PSC comment at the end

Why is this statement needed, taking into consideration what is already stated at the end of D.(1)(a) on the preceding page?

[We presume that the intent was to change the references of “policy” to “certificate”.]

Submitted by:

IIPRC Industry Advisory Committee:

Karen Alavarado, IRI
Bill Anderson, NAIFA
Tom English, New York Life
Mary Keim, State Farm Insurance Company
Miriam Krol, ACLI
Amanda Matthiesen, AHIP
Jill Morgan, Symetra
Marie Roche, John Hancock