DATE: June 1, 2012

TO: IIPRC Product Standards Committee (PSC)

FROM: Industry Advisory Committee

SUBJECT: Group Term Life Policy/Certificate Standards Dated May 29, 2012

We are submitting the following comments:

*Page 1, Scope*

The PSC requested information about how group plans are sold and filed. The companies have advised that they do not sell group term life insurance which would generate cash values. Since they do not file rates, no actuarial statement is included with regard to cash values or any other actuarial consideration.

§2. GENERAL FORM REQUIREMENTS

C. COVER PAGE OR FIRST PAGE

Page 6

Previous items 5 - 8 need to be re-numbered.

§3. TERMS AND CONCEPTS

On Page 10, previous items 11 – 19 need to be re-numbered.

*Page 10, Previous Item (16)/New Item (17), “Proof of Loss”*

We seek clarification of Illinois’ comments regarding a concern that a company may require “additional burden of proof” – such as what and when?

The insurance company establishes its underwriting rules based on the type of group that coverage will be provided to (miners may have more stringent requirements than teachers), and the amounts of insurance that will be provided to different classes. None of the rules are ever established or administered on an individual basis. All individuals who are members of the same class will be subject to the rules established by the Employer and the insurance company for that class.
The Statement of Health, which the PSC has not yet reviewed, is based on the individual life application type of questions. The standards allow for different levels of underwriting. Each Covered Person who needs to submit evidence of insurability will be instructed regarding which sections of the Statement have to be completed. If the person does not complete the required sections, or does not answer all the questions, or has provided information that is contradicted during the underwriting process, the person will be required to provide additional information, as appropriate. We consider this process to be one of a person having to submit “evidence of insurability satisfactory to the insurance company”, and not “an additional burden of proof”.

Accordingly, we oppose deleting the words “evidence of insurability satisfactory to the insurance company”.

L. EVIDENCE OF INSURABILITY

Page 18, Item (1)

We note that you included some of our suggested language but not all, and by doing so you may be implying that if there are evidence requirements, that these “may be identified”, when the intent was to say that these “shall be identified.”

Here is what we suggested on May 4th, and we believe that our second sentence, using a “shall”, is more appropriate:

“The certificate shall include a provision describing the evidence of insurance requirements, if any. If evidence of insurability will be required, the provision shall identify the applicable evidence requirements, such as those:’

M. FILING A CLAIM

Page 22, Item (2)(ii)(A)

You had requested allowing email or on-line capability, and on May 4th we suggested changes to this item which you included in the May 29th draft. However, we also suggested the following which was not included, and we are wondering if this was an oversight:

Existing items (B), (C) and (D) would follow. Then we suggest adding a new sub-item (iii):

“(iii) Alternatively, the Covered Person may complete an on-line claim form if such capability is made available by the insurance company.”

Previous sub-item (iii) becomes new sub-item (iv).
§5. POLICY AND CERTIFICATE BENEFITS

A. CONTINUATION OF INSURANCE
Page 31, Item (1)(d)

In the first sentence, we suggest changing the “will” to a “shall”.

B. PORTABILITY OF GROUP TERM LIFE INSURANCE, Page 33
C. CONVERSION, Page 35

On page 35 the PSC questions how a company would handle certificate language when additional benefits are included in a portability option or a conversion right.

If additional benefits are to be included, the company would comply with the (1)(a) standards, respectively, and specify which additional benefits that may be included. In addition, in the Portability and Conversion standards, in the various items where we have specified “exclusive of additional benefits”, the company would substitute “inclusive of additional benefits”.

For clarification of this, the PSC may consider the following for the Portability and Conversion sections:

Take the last sentence in the respective items (1)(a) and make it a new paragraph under sub-item (a) [as we suggested on May 4th], and add the following as a new additional paragraph:

“If an insurance company will include additional benefits, the type of benefits to be included shall be specified, and where the standards say “exclusive of additional benefits”, the insurance company shall substitute “inclusive of additional benefits”.

C. CONVERSION

Pages 35-41

With the introduction of new item (a), need to re-alphabetize previous items.
Page 37, Previous Item (c)(x)/New Item (d)(x)

On May 4th, we suggested the following changes in the third sentence:

“In no event shall the insurance company be liable to pay a death benefit for both the coverage that the Employee was entitled to convert and the amount that the Employee ported, whether such ported coverage was to be provided under the same or a different group policy.

The changes were made, but “converted” is shown instead of “ported”. The correct word needs to be “ported”.

Also, on May 8th we had withdrawn the following comment submitted on May 4th, so this should be deleted.

[This needs further discussion:]

However, if the Employee elected to port part of the Employee life insurance amount that was in force under the certificate and convert all or part of the remaining life insurance amount, the insurance company will not refund the premiums paid for the portability coverage and shall pay a death benefit for both the coverage that the Employee was entitled to convert and the amount that the Employee ported.

Page 36, Previous Item (c)(xi)(C)/New Item (d)(xi)(C)

On May 4th we suggested the following changes which were not made – we believe that this may have been an oversight:

In the first sentence:

“, the insurance company shall pay the amount of life insurance, exclusive of additional benefits, for which the Employee is approved under the terms of the portability provisions of the certificate, whether such coverage is to be provided under the same or different group policy.”

In the second sentence:

“In no event shall the insurance company be liable to pay a death benefit for both the coverage that the Employee was entitled to convert and the coverage that the Employee was entitled to port, if any, whether such ported coverage was to be provided under the same or a different group policy.”
Pages 36-37, Previous Item (c)(xi)(D)/New Item (d)(xi)(D)

We had suggested changes which were made, but there is an extra “the” in the second sentence.

Page 41, Previous Item (e)(xi)(C)/New Item (f)(xi)(C)

On May 4th we suggested the following changes in the first sentence, but the red highlighted text was not included and we believe that this may be an oversight:

“, the insurance company shall pay the amount of *life* insurance, exclusive of additional benefits, for which the *Dependent* is approved under the terms of the *portability provisions of the certificate*, whether such coverage is to be provided under the same or different group policy.”

D. LIFE INSURANCE BENEFITS

Page 41, Item (1)(a)

The word “are” needs to be changed to say “is”.

Submitted by:

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