

TO: IIPRC Product Standards Committee

FROM: Consumer Advisory Committee (CAC)

DATE: February 3, 2014

SUBJECT: 5-Year Review: Proposed Substantive Changes

We write to object to both the review process and the substance of certain proposed changes that we believe are substantive in nature.

A. Process

We urge the Committee to revise the procedures for consideration of substantive changes to better reflect the standards for the five-year review process. In other words the chair should exclude from the agenda any proposed substantive changes that do not meet the five year review standard. The chair should provide a list of excluded proposals to the Committee.

We note that the procedures require that a substantive change should be considered in the five year review process only if there is a "need for continuation, repeal or amendment of the rule based primarily on whether circumstances or underlying assumptions have changed since the last time the rule was adopted, amended or reviewed." Many of the proposed substantive changes under consideration by the Committee do not meet this standard. Yet they were included on the agenda in a process that invites less rigorous regulator and public attention and review. They are not properly before the committee. They should be excluded and proponents should be directed to the normal rule making process.

Substance

Several of the substantive change items on the agenda do not meet the standards for inclusion on the Committee's agenda based on "whether circumstances or underlying assumptions have changes since the last time the rule was adopted, amended or reviewed". Three in particular illustrate the point:

1) Item #1 Grace Period.

The Consumer Advisory Committee met with proponents of this substantive change in an effort to better understand their concerns. The proponents did not provide any information that suggested a change in circumstances or that supports this proposed change. (In particular, members of CAC requested the industry provide factual information showing the scope and reach of this practice to demonstrate why it was "problematic". No such evidenced has been introduced by supporters.) The change would allow termination of a policyholder who paced premium payment in the mail within the grace period and leave policyholders at risk for the mail delivery time. We opposed this proposal as it is not properly before the Committee and it would inappropriately shift the risk of mail delivery to consumers.

2) Item #6 Accelerated Death Benefits-Exclusions/Restrictions.

The claim that some states allow "mixed" exclusions only highlights that others do not, demonstrating that this proposal should be subject to full consideration in the normal standards process. We question whether consumers should be subject to the confusion

associated with "mixed" exclusions and restrictions for payment of benefits. The proponents also have made no claim that there is a change in circumstances that warrants consideration of this substantive change in the five-year review process. Nor has any relevant factual evidence been provided (i.e. the number of times this issue has arisen).

3) Item #7 Benefit Design Options-Aggregates limit.

The merits of this proposal should be subject to the full scrutiny of the normal standard setting process. We question whether consumers should be deprived of the Accelerated Death Benefit that they paid for.(and that they were underwritten for). While some states may permit cross-company aggregate limits others do not. This certainly suggests that any change should be subject to normal standards setting process with full participation by member states. This is particularly true, because consumers and consumer groups were assured when the Compact was created that the IIPRC would pursue high national standards, and not resort to to lowest common denominator.

Thank you for your consideration of our comments and concerns.

Sincerely,

Ryan Wilson, AARP

Brendan Bridgeland, Center for Insurance Research, NAIC Funded Consumer Representative

Fred Nepple, Consumer Representative

Sonja Larkin-Thorne, Consumer Advocate
NAIC Funded Consumer Representative