



MEMORANDUM

TO: IIPRC Management Committee

FROM: Product Standards Committee

DATE: April 28, 2014

SUBJECT: Recommendation Pursuant to Section 119 of the Rulemaking Rule for Changes and Clarifications to certain Uniform Standards adopted prior to December 31, 2007 (Phase 1) Subject to the Five-Year Review Process

The Product Standards Committee (“PSC”) of the Interstate Insurance Product Regulation Commission (“IIPRC”) is charged with reviewing, drafting and recommending proposed drafts of Uniform Standards for consideration and adoption by the Management Committee. In carrying out its charge, the PSC has conducted a review of all Uniform Standards adopted by or before December 31, 2007 and is recommending amendments to certain provisions within these Uniform Standards mainly for the purpose of clarification and technical, formatting corrections.

The PSC presents this recommendation pursuant to §119 of its Rule for the Adoption, Amendment and Repeal of Rules for the Interstate Insurance Product Regulation Commission (“Rulemaking Rule”) which requires the Commission to substantially review its rules, including Uniform Standards, every five years. The PSC performed the review of these Uniform Standards in accordance with the Procedures for Implementing §119 of the Rulemaking Rule as adopted by the Management Committee on March 2, 2012 (“Procedures”).

The Notice of Five-Year Review of Uniform Standards Adopted on or before December 31, 2007 was issued on July 3, 2012 and covered 30 Uniform Standards for several individual life insurance product lines including term, whole life, endowment, adjustable life and benefit features. Comments were submitted by the Industry Advisory Committee, a member state, and a filing company.

Pursuant to the Procedures, the IIPRC Office presented a report and recommendation to the Product Standards Committee on August 13, 2013. The IIPRC Office Report and Recommendation provided a detailed description of the submitted comments and suggested changes as well as changes or amendments proposed by the IIPRC Office based on these comments and internal questions or problems faced in applying or implementing the Uniform Standards. The PSC requested public written comments on the IIPRC Office Report and Recommendation and during its consideration process held five public conference calls to receive comments on the PSC’s questions and recommendations.

The IIPRC Office Report and Recommendation was divided into three parts: 1) Substantive Changes (proposed amendments that would change or alter the meaning, application or interpretation of the provision); 2) Clarifications Changes (amendments to clarify the original or existing meaning, application, and/or intent of a provision); and 3) Technical Changes (formatting, typographical, and/or drafting corrections). As required by

the Procedures, the PSC's recommendation to the Management Committee includes a summary of recommended changes and an explanation of the change in circumstances or underlying assumptions since the rule was last adopted, amended or reviewed, as well as comments raised but not recommended by the committee with the reasons, if any, for not recommending these items. Since the technical changes are format and typographical corrections, these items are not detailed on the chart. The Summary of Five-Year Review Comments and PSC Recommendations for Uniform Standards in Phase 1 accompanies this Transmittal Memo.

The PSC is utilizing the term "Phase" to distinguish the different five-year review periods and Phase 1 covers the Uniform Standards adopted by or before December 31, 2007. This Summary will be posted to the Rulemaking Docket of the IIPRC website – www.insurancecompact.org – and will have links to the applicable Uniform Standards showing the proposed five-year review changes in redlined format. The PSC notes that it recommended the proposed five-year review changes to the Additional Standards for Accelerated Death Benefits for Individual Life Insurance Policies during the joint meeting of the Management Committee and Commission on March 28, 2014 which have already been published for notice and comment.

The PSC added required customary language about mix-and-match and self-certification. The PSC recommends the proposed Uniform Standards continue to be available for mix and match in accordance with §111 of the IIPRC Operating Procedure for the Filing and Approval of Product Filings. The PSC recommends product filings submitted under the proposed Uniform Standards not be subject to self-certification.

The PSC recommends that the proposed amendments apply only to new filings received after the effective date of the amendments. It is not necessary to resubmit previously approved forms to comply with these amendments, or to suspend use of previously approved forms that do not comply with these amendments.

The PSC is available to respond to any questions to assist the Management Committee during its rulemaking process.

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Summary of Five-Year Review Comments and PSC Recommendations for Uniform Standards in Phase 1

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	Uniform Standards Provision	5-Year Review Comment	PSC Recommendation
RECOMMENDED SUBSTANTIVE CHANGE ITEMS			
1.	<p>ALL INDIVIDUAL FLEXIBLE PREMIUM ADJUSTABLE LIFE INSURANCE POLICY STANDARDS SECTION 3.S(10) Policy Provisions- Nonforfeiture Values <i>(Cross-Reference to IIPRC Office Report – Substantive Change Item #4)</i></p>	<p><i>Industry Advisory Committee (IAC) Comment:</i> The IAC requested the reference in the standard regarding anniversary value be changed for “universal life” standards as item D. of the NAIC Model Standard Nonforfeiture Law was intended for a scheduled premium plan and not specifically applicable for a flexible premium policy. For a universal life policy, regardless of the premium frequency, charges and credits typically occur on “monthiversary” dates. Requiring minimum surrender values based on anniversaries is more consistent with a traditional whole life policy that has annual cash surrender value calculations. In addition, the IAC noted the current language does not provide for reductions to surrender values for partial withdrawals or loans that have occurred since the anniversary.</p>	<p>The Product Standards Committee (PSC) recognizes universal life insurance policy cash values do change within a month depending on activity such as premium payments, partial surrenders, crediting of interest and charging of fees and costs and the current provision is not appropriate for universal life insurance policies. The PSC recommends this provision in all Individual Flexible Premium Adjustable Life Policy Standards should be changed to reflect the proper method of calculation of the cash surrender value to equal the cash surrender value on the policy monthly deduction date preceding the date of surrender adjusted for any partial withdrawals, policy loans or repayments or premium payments made since the preceding monthly deduction date.</p>
RECOMMENDED CLARIFICATION ITEMS			
1.	<p>ALL LIFE POLICY UNIFORM STANDARDS SECTION 3. Policy Provisions -- Conformity With Interstate Insurance Product Regulation Commission. <i>(Cross-Reference to IIPRC Office Report – Clarification Item #1)</i></p>	<p><i>IAC Comment:</i> The IAC indicated there is confusion about the effect of this provision (conformity of the policy with Uniform Standards) in terms of whether it results in automatic amendment and application to approved product filings if the Uniform Standards change after approval. The IIPRC Office confirmed this is the source of questions from several filers.</p>	<p>The PSC concluded that the Conformity provision in the Uniform Standards should be edited to clarify its original meaning and purpose that provides the product filing conforms to the Uniform Standards that are in effect on the date of approval of the product.</p>
2.	<p>ALL LIFE POLICY UNIFORM STANDARDS SECTION 3. Policy Provisions –</p>	<p><i>IAC Comment:</i> The IAC commented that with the evolution of the product development, the term “policy reserves” which is one of the options for the</p>	<p>Following extensive research and discussion regarding the archived NAIC Model War Risk Exclusion Provision, related state-specific</p>

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	<p>Exclusions (Cross-Reference to IIPRC Office Report – Clarification Item #2)</p>	<p>amount payable as a result of death from an excluded act is subject to more than one meaning. The IAC requested the term "policy reserve" be removed or clarified 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.</p>	<p>requirements and state practices regarding application of policy reserve requirements, the PSC agrees that the term "policy reserve" has evolved to have several meanings or calculations that may not be the most proper measure of the amount payable upon death from an excluded act. The PSC recommends substituting "cash value" for "policy reserve" as the alternative measure to gross premiums paid, on the basis that cash value is defined and readily accessible to the policy owner.</p>
3.	<p>ALL LIFE POLICY UNIFORM STANDARDS SECTION 3. Policy Provisions – Settlement Options (Cross-Reference to IIPRC Office Report – Clarification Item #3)</p>	<p><i>IIPRC Office Comments/Observations:</i> The IIPRC Office seeks clarification as to whether or how this provision applies especially for companies that do not offer single consideration immediate annuity contracts or corresponding rates. Does the provision apply to surrenders as well as death benefit proceeds, and if a policy has no cash value, is this provision applicable to the death benefit?</p>	<p>The PSC recommends that all life policy standards where this settlement option provision is found be amended to apply only <i>if</i> the company offers single consideration immediate annuity contracts, since the original intent of the standard was to address instances where the benefits may be less than those offered to new annuitants. In addition, the Committee recommends substituting the word "proceeds" instead of "cash surrender value" since "proceeds" is implied to mean either death benefit proceeds or surrender amounts.</p>
4.	<p>ALL LIFE POLICY UNIFORM STANDARDS SECTION 3. Policy Provisions – Proposed New Provision for Legal Action (Cross-Reference to IIPRC Office Report – Clarification Item #4)</p>	<p><i>IIPRC Office Comments/Observations:</i> The IIPRC Office has 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. At this time, there is no standard for a legal action provision except for the individual long-term care insurance Uniform Standards.</p> <p><i>IAC Comment:</i> The IAC agreed with the recommendation but submitted recommendations to make it clear that policies are not required to contain</p>	<p>The PSC recommends the inclusion of a policy provision in all life policy standards similar to the legal action provision in the individual Long-Term Care Uniform Standards to clarify that if a legal action provision is included, it will indicate that it shall comply with the laws of the state where the policy was delivered or issued for delivery.</p>

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		Legal Action provisions.	
5.	<p>ALL TERM AND VARIABLE LIFE UNIFORM STANDARDS SECTION 3. Policy Provisions – Conversion(Cross-Reference to IIPRC Office Report – Clarification Item #5)</p>	<p><i>IAC Comment:</i> The IAC has requested that this provision be clarified as there is possibility for confusion regarding how to apply the discount. The IAC suggested the rewording of this provision as follows: “The policy may provide that a discount is applied to total premium of the converted policy in the year of conversion.”</p>	<p>The PSC recommends the changes as proposed by the IAC for clarification of the standard.</p>
6.	<p>ALL LIFE POLICY UNIFORM STANDARDS SECTION 3. Policy Provisions – Nonforfeiture Values (Cross-Reference to IIPRC Office Report – Clarification Item #6)</p>	<p><i>IAC Comment:</i> This provision should be modified to “...shall not be less than the cash surrender value available on the preceding policy anniversary.”</p> <p><i>IIPRC Office Comments/Observations:</i> 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.</p>	<p>The Nonforfeiture language was addressed in Substantive Change Item 1 above. The PSC further recommends replacing the term “policy monthly deduction” with “policy anniversary” in the nonforfeiture section across all life policy standards.</p>
7.	<p>ALL LIFE POLICY UNIFORM STANDARDS SECTION 3. Policy Provisions – Loans (Cross-Reference to IIPRC Office Report – Clarification Item #7)</p>	<p><i>IIPRC Office Comments/Observations:</i> The IIPRC Office requested that the definition of “loan value” in all standards that contain a Loan provision be revised so that all permitted adjustments to the loan value or loan proceeds are clearly contained in one subparagraph. Currently, the loan value definition is contained in two separate subparagraphs which causes filers to overlook the specified requirements for allowable adjustments.</p> <p><i>IAC Comment:</i> The IAC recommended that the PSC take this opportunity to add what is needed to</p>	<p>The PSC agrees that it would be clearer if the conditions for adjusting the loan value were detailed in the loan provision of all life policy Uniform Standards. The PSC further recommends taking up the IAC’s request regarding accommodating loans on indexed products when the Additional Standards for Index-Linked Crediting Benefits for Individual Adjustable Life Insurance Policies are subject to Phase 3 of the 5-year review process. The proposed wording change has been customized for the specific product line (i.e., term, whole, adjustable, etc.) to</p>

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		accommodate “indexed” product loan provisions.	account for the differences in the type of adjustments.
8.	ALL TERM, WHOLE AND ENDOWMENT POLICY UNIFORM STANDARDS SECTION 3. Policy Provisions – Nonforfeiture <i>(Cross-Reference to IIPRC Office Report – Clarification Item #8)</i>	<i>IAC Comment:</i> The IAC acknowledge while the provision regarding a paid-up nonforfeiture benefit is based on the NAIC Standards Nonforfeiture Law, it does not clearly recognize that in the event of a premium default when the cash value is zero, the nonforfeiture value is also zero and no value will be provided.	The PSC agrees to clarify the original intent of this provision and recommends adding that the provision applies in the event of default of premium “on a policy when the cash surrender value is greater than zero”.
9.	ALL TERM, WHOLE AND ENDOWMENT POLICY STANDARDS SECTION 1.A. Additional Submission Requirements – General <i>(Cross-Reference to IIPRC Office Report – Clarification Item #9)</i>	<i>IIPRC Office Comments/Observations:</i> The current provision requires the submission to 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. The IIPRC Office recommends clarifying 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. 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.	The PSC agrees to clarify to conform to the more efficient filing process and recommends deleting this provision under the General Section of Additional Submission Requirements and adding a provision to the end of the Variability of Information Section stating 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.
10.	ALL TERM, WHOLE AND ENDOWMENT POLICY STANDARDS SECTION 1.B. Additional Submission Requirements – Actuarial Memorandum Requirement <i>(Cross-Reference to IIPRC Office Report – Clarification Item #10)</i>	<i>IIPRC Office Comments/Observations:</i> 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. 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.	The PSC agrees to clarify what type of nonforfeiture information is required and recommends the changes as proposed by the IIPRC Office for clarification of the standard by adding language stating that the information for all available guarantee periods concerning the determination of the nonforfeiture values includes both cash surrender values and paid-up nonforfeiture values.

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11.	<p>ALL TERM, WHOLE AND ENDOWMENT POLICY STANDARDS SECTION -- SCOPE (Cross-Reference to IIPRC Office Report – Clarification Item #11)</p>	<p><i>IIPRC Office Comments/Observations:</i> The IIPRC Office recommends the scope section of the Term Life, Whole Life and Endowment Life Uniform Standards be clarified to explicitly list paid-up addition benefits. The IIPRC Office accepts filings that include paid-up benefit features, primarily riders for whole life products, and often receives questions from filers about the applicable Uniform Standard.</p>	<p>The PSC agrees to clarify that paid-up benefit features are within the scope of the standards for term, whole and endowment life products.</p>
12.	<p>ALL TERM, WHOLE AND ENDOWMENT POLICY STANDARDS SECTION 2.B – General Form Requirements -- Specifications Page (Cross-Reference to IIPRC Office Report – Clarification Item #12)</p>	<p><i>IAC Comments:</i> The IAC recommends clarifying Section 2B(2) to make it clear that dividends are not guaranteed and if the company will not credit dividends, the specifications page shall state that dividends are not expected to be paid. <i>IIPRC Office Comments/Observations:</i> 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 policy fees to be identified. Specifying that premium information includes policy fees on the specifications page would provide clearer instruction for filers and minimize objections.</p>	<p>The PSC agrees to clarify that policy fees are required on the Schedule page and to explicitly state that if the company will not credit dividends, dividends are not expected to be paid.</p>
13.	<p>TERM, WHOLE, ENDOWMENT, ADJUSTABLE LIFE POLICY STANDARDS (where 1st –to-Die is not yet explicitly provided) New Provision in the Specialized Products/Marketing Section outlining First to Die Benefits Provision Requirements (Cross-Reference to IIPRC Office Report – Clarification Item #13)</p>	<p><i>IIPRC Office Comments/Observations:</i> The IIPRC Office requests the First-to-Die provisions that were added in later-developed life Uniform Standards be included in the Specialized Products/Marketing Section of all applicable life policy standards as such provisions have wide applicability but the detailed requirements were only added to later-developed Universal Life Uniform Standards.</p>	<p>The PSC agrees it is prudent to include detailed requirements across all applicable life Uniform Standards to address first-to-die provisions. The PSC agrees such provisions should be modeled after the first-to-die provisions currently found in the Individual Modified Single Premium Adjustable Life Insurance Policy Standards. The proposed provision has been customized for the specific product line (i.e., term, whole, adjustable, etc.) to account for the differences in nonforfeiture/actuarial requirements.</p>

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14.	<p>INDIVIDUAL CURRENT ASSUMPTION WHOLE LIFE INSURANCE POLICY STANDARDS APPENDIX B (Cross-Reference to IIPRC Office Report – Clarification Item #14)</p>	<p><i>IIPRC Office Comments/Observations:</i> The IIPRC Office pointed out that Appendix B included in this particular 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.</p>	<p>The PSC recommends removing Appendix B 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.</p>
15.	<p>INDIVIDUAL MODIFIED SINGLE PREMIUM LIFE POLICY STANDARDS AND INDIVIDUAL FLEXIBLE PREMIUM LIFE POLICY STANDARDS AND JOINT-LAST-TO-DIE SURVIVORSHIP TERM LIFE POLICY STANDARDS SECTION 3. Policy Provisions – Payment of Premium (Cross-Reference to IIPRC Office Report – Clarification Item #15)</p>	<p><i>IAC Comment:</i> The IAC pointed out that the use of the term “subsequent” in the section under the Payment of Premium provision is misleading as the refusal of premium payment provision applies to the first premium payment. The IAC also requested clarification on the term “arbitrarily” calling the term nebulous and subjective.</p>	<p>The PSC recommends deleting the word “subsequent” to make it consistent with the Individual Flexible Premium Adjustable Life Insurance Policy Standards which do not use the term “subsequent” and instead of using the word “arbitrarily,” stating the policy cannot allow the company to refuse premium payment without identifying the specific reasons or circumstances for refusal which cannot include company discretion to refuse premium payment.</p>
16.	<p>INDIVIDUAL JOINT LAST TO DIE SURVIVORSHIP TERM LIFE INSURANCE POLICY STANDARDS SECTION 3.S Policy Provisions -- Reinstatement (Cross-Reference to IIPRC Office Report – Clarification Item #16)</p>	<p><i>IIPRC Office Comments/Observations:</i> The IIPRC Office recommends amendments 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.</p>	<p>The PSC agrees with the IIPRC Office recommendation for a conforming amendment to Sections (2), (3) and (4) of the Reinstatement provision to reflect the amendments made in 2010 to the Individual Term Life Insurance Policy Standards. Because the revision addresses situations that are unique to term products, the recommendation is to only add it to the Individual Joint Last to Die Survivorship Term Life Insurance Policy Standards</p>

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17.	<p>STANDARDS FOR WAIVER OF PREMIUM BENEFITS; STANDARDS FOR WAIVER OF MONTHLY DEDUCTIONS BENEFIT Benefit Provision re: type of waiver benefit available <i>(Cross-Reference to IIPRC Office Report – Clarification Item #17)</i></p>	<p><i>IIPRC Office Comments/Observations:</i> In 2009, the IIPRC Office sought clarification from the PSC 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 IAC was also consulted at the time and agreement was reached that the intent was for both provisions to apply. Since both provisions apply, it would clarify the standards to substitute “and” for “or.”</p>	<p>The PSC agrees with the IIPRC Office recommendation to delete “or” and replace it with “and” to clarify the intent of and application of the provision. Also note that the IAC requested a substantive change to remove the requirement to allow a company to offer a waiver of premium benefit before age 60 rather than until age 65 (in essence keeping it as an “and” instead of changing it to “or”). See Item #4 under the Items Raised but Not Recommended below.</p>
18.	<p>INDIVIDUAL LIFE INSURANCE APPLICATION STANDARDS SECTION 3.K(1)(b) Application Sections -- Agreements <i>(Cross-Reference to IIPRC Office Report – Clarification Item #23)</i></p>	<p><i>IIPRC Office Comments/Observations:</i> 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.</p>	<p>The PSC recommends clarifying that the application can specify that the prospective insured 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. It also recommends adding language authorizing the company to obtain personal information on the applicant from a third-party information provider, subject to disclosure of the nature of the information and acknowledgement that with respect to time limits in the authorizations, that they comply with the laws of the state where the policy is delivered or issued for delivery.</p>
19.	<p>INDIVIDUAL LIFE INSURANCE APPLICATION STANDARDS SECTION 1.B Additional Submission Requirements -- Variability of Information AND SECTION 3.K. Application Sections - - Agreements <i>(Cross-Reference to IIPRC Office Report – Clarification Item #24)</i></p>	<p><i>IIPRC Office Comment/Observation:</i> The IIPRC Office receives 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. Filers may include state-specific disclosure forms and illustrations as supporting documentation, with the understanding that IIPRC approval does not extend to the content or appropriateness of these forms. Filers would also like to include</p>	<p>The PSC recommends revising the Variability of Information and Agreements provisions to clarify the application may include a variable acknowledgement of disclosures required under state and federal law.</p>

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		acknowledgement of receipt of disclosures and illustrations under state and federal law to the application in order to minimize the number of forms that must be given and administered, but the standards do not permit the acknowledgement of receipt provision in an application form to be filed as variable or bracketed.	
20.	INDIVIDUAL LIFE INSURANCE APPLICATION STANDARDS SECTION 2.B General Form Requirements -- Fairness <i>(Cross-Reference to IIPRC Office Report – Clarification Item #25)</i>	<i>IIPRC Office Comment/Observation:</i> 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.	The PSC recommends adding to item 4 in the Fairness provision, two more common examples of prohibited application questions that the IIPRC Office sees from time to time on an application submission which could cause the applicant to make a diagnosis of a medical condition.
21.	INDIVIDUAL LIFE INSURANCE APPLICATION STANDARDS SECTION 3.M Application Sections Fraud Notice/Warning <i>(Cross-Reference to IIPRC Office Report – Clarification Item #26)</i>	<i>IIPRC Office Comment/Observation:</i> The current provision states the Fraud notice or warning should include language similar to what is contained in the provision; however 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. 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.	The PSC recommends editing the provision to remove “language similar to” and make clear that the specified warning is prescribed.
22.	ALL LIFE POLICY UNIFORM STANDARDS SECTION 3. Policy Provisions – Settlement Options <i>(Cross-Reference to IIPRC Office Report – Clarification Item #28)</i>	<i>IAC Comments:</i> 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) use of “each” may raise an expectation of more than one option. We suggest that a solution may be to substitute “the” for “each.” The second issue is that the 2012 Individual Annuity	Because the requirement to include the tables in the policy is contained in insurance law in several states, and the provision already provides alternatives to providing complete tables of settlement options in the policy, the PSC does not recommend amending the provision to include providing the information at the time of claim. The Committee recommends changing the word “each” to “the” in order to clarify that one

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		<p>Mortality table (IAM), upon which guaranteed settlement option amounts may be based, is in the process of being adopted for reserves, and it is likely to be generally required beginning in 2015. This will have an indirect influence on guaranteed settlement option amounts. The table is a generational table, so including complete tables of guaranteed settlement option amounts in the policy will be a practical impossibility. Because the exact beneficiary data may not be known in advance of receiving a completed claim form, the IAC proposes allowing the complete tables of settlement options to be provided at the time of claim rather than in the policy.</p>	<p>or more settlement option may be included in the policy.</p>
23.	<p>INDIVIDUAL CURRENT ASSUMPTION WHOLE LIFE INSURANCE POLICY STANDARDS SECTION 2.B General Form Requirements -- Specifications Page (Cross-Reference to IIPRC Office Report – Clarification Item #29)</p>	<p><i>IIPRC Office Comment/Observation:</i> The IIPRC Office notice there is an inconsistency between the requirement in subsection 7 of the Specifications Page requirements in Section 2.B and the Maturity Date Extension Provision under Section 3.N of the Policy Provisions Section. 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 shall 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.</p>	<p>The PSC recommends rewording Section 2.B.7 under the Specification Pages requirements to clarify that the requirement that the policy state that the cash surrender value must be paid on the maturity date is only if the policy does not provide for a maturity extension provision.</p>
ITEMS RAISED BUT NOT RECOMMENDED			
1.	<p>ALL LIFE POLICY UNIFORM STANDARDS SECTION 3. Policy Provisions –</p>	<p><i>IAC Comment:</i> The IAC noted that some companies view the wording of this provision to cause them to keep open the grace period indefinitely to</p>	<p>The PSC recommends no change to the existing provision. Although the IAC stated during public calls that there is concern the grace period could be</p>

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	Uniform Standards Provision	5-Year Review Comment	PSC Recommendation
	<p>Grace Period (Cross-Reference to IIPRC Office Report – Substantive Change Item #1)</p>	<p>accommodate the receipt of mail that may have been postmarked but not received for several days, weeks, or even months. The current provision states that the company may not require that the premium be received within the grace period. The owner shall have the entire grace period within which to remit payment. Any payments sent by U.S. mail shall be postmarked within the grace period. In order to comply with the spirit of this, the IAC noted some companies view their obligation to put in an additional process to keep all envelopes received with premium checks, to have a record of the postmarked envelope, a costly undertaking that no company currently has implemented. The IAC request this language be changed to clarify that the company have the right to receive the premium by the end of the grace period, and that this is consistent with the Reinstatement standards.</p>	<p>held open indefinitely when there was no postmark retained by the company and payment was received after expiration of the grace period, testimony indicates no company has changed its processes as a result of the standard as written. The IAC indicated many companies as a long-standing matter of course wait a period of time after the grace period closes to account for the payment being made or postmarked on the last day of the grace period. The PSC confirmed that the intent of the standard is to address the time for payment to be made (rather than received) during the grace period, not to require process changes for premium payments.</p>
2.	<p>ALL LIFE POLICY UNIFORM STANDARDS SECTION 3. Policy Provisions – Interest on Death Benefit Proceeds (Cross-Reference to IIPRC Office Report – Substantive Change Item #2)</p>	<p><i>IAC Comment:</i> The IAC commented that the current provision which requires interest to accrue and be payable from the date of death is a much more stringent requirement than several states which may make some companies hesitant to file with the IIPRC. The IAC commented companies were also concerned if states with similar interest provisions that may have a higher amount would still apply their law even though the product was approved by the IIPRC.</p>	<p>The PSC recommends no change to the existing provision. In subsequent comments, the IAC withdrew this request based upon a determination that the Uniform Standards for the interest formula would result in an equal to or better than situation than what is required by the states, so pre-emption has become a non-issue for the companies using the IIPRC for their filings. Further, the PSC did not receive any examples nor were they aware of any situations where a state was challenging the applicability of the interest on death benefit proceeds in a product approved by the IIPRC.</p>
3.	<p>ALL INDIVIDUAL INSURANCE APPLICATION STANDARDS SECTION 3 – Application Sections --</p>	<p><i>IAC Comment:</i> One company stated that the provision in the Uniform Standards that requires the language “true and complete to the best of their</p>	<p>The PSC recommends no change to the existing provision. The PSC requested public comments on whether this clause should be required or should be</p>

Product Standards Committee Recommendation

Summary of Five-Year Review Comments and PSC Recommendations for Uniform Standards in Phase 1

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	Uniform Standards Provision	5-Year Review Comment	PSC Recommendation
	<p>Agreements (Cross-Reference to IIPRC Office Report – Substantive Change Item #3)</p>	<p>knowledge” interferes with certain states’ laws and case law on rescission that do not require the insurer to show the applicant had knowledge that the representation was false. The company requested filers be able to include the language “true and complete to the best of my knowledge” as variable so that the filer has the option not to use this language in states in which it would be inconsistent with the law of rescission.</p>	<p>permitted as variable and received no comments. In addition it was advised that the commenter had withdrawn its request. The PSC clarifies that the applicable provision of the Uniform Standards requires the following wording “true and complete to the best of my knowledge and belief.”</p>
4.	<p>STANDARDS FOR WAIVER OF PREMIUM BENEFITS; STANDARDS FOR WAIVER OF MONTHLY DEDUCTION BENEFITS Benefit Provision re: type of waiver benefit available (Cross-Reference to IIPRC Office Report – Substantive Change Item #9)</p>	<p><i>IAC Comment:</i> The IAC requested the PSC change the requirement to allow a company to offer a waiver of premium benefit before age 60 rather than until age 65. The IAC indicated all states have approved language allowing the waiver of premium to apply for total disabilities that begin before age 60, but the IIPRC standards require this benefit until age 65. Companies began filing and issuing benefits for total disability beginning before age 60 only to simplify administrative processing and reduce the manual intervention needed to process claims after age 60. Because the IIPRC only allows an “after age 65” exclusion, companies with age 60 approvals may have no incentive to file with the IIPRC.</p>	<p>The PSC recommends no change to the existing provision. The Committee does not believe a consumer benefit should be eliminated from the standards to simplify administrative processing. Several PSC members indicated their state law requires a benefit up until age 65 to coincide with the retirement age.</p>
5.	<p>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 (Cross-Reference to IIPRC Office Report – Clarification Item #18)</p>	<p><i>IAC Comment:</i> The IAC noted that companies have raised questions as to whether there is a contradiction between the benefit provision describing the coverage option(s) available to any additional insured upon the death of the primary insured and reference to cash value of paid-up term life insurance and the Nonforfeiture Values Section of the Standards for Waiver of Premium.</p>	<p>The PSC recommends no change to the existing provision since the standards do not appear to be contradictory. The PSC has asked the IIPRC Office to issue a Filing Information Notice clarifying how these provisions interact based on the particular circumstance of continuation.</p>

Product Standards Committee Recommendation

Summary of Five-Year Review Comments and PSC Recommendations for Uniform Standards in Phase 1

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	Uniform Standards Provision	5-Year Review Comment	PSC Recommendation
6.	<p><u>INDIVIDUAL LIFE INSURANCE APPLICATION STANDARDS</u> SECTION 4.E (1) (a). Additional Standards for Underwriting Questions -- Medical Questions --Height/Weight (Cross-Reference to IIPRC Office Report – Clarification Item #27)</p>	<p><i>IIPRC Office Comment/Observation:</i> 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.</p>	<p>Based on public comments and further consideration, the PSC recommends no changes noting the prohibition for questions seeking self-diagnosis under the Fairness provision would prevent an open-ended question asking the applicant for the cause of weight change and that change to this provision could cause confusion that a new or different requirement is being added.</p>