March 1, 2016

VIA E-MAIL & REGULAR MAIL

Commissioner Jacqueline K Cunningham, IIPRC Chair  
Virginia State Corporation Commission  
Bureau of Insurance  
Commonwealth of Virginia  
PO Box 1157  
Richmond, Virginia 23218

RE: Consideration of Clarifying Amendment to War Exclusion Provision in IIPRC  
Uniform Standards for Individual and Group Life Insurance Products

Dear Commissioner Cunningham –

I write to you as Chair of the Interstate Insurance Product Regulation Commission to request that the Commission consider amending its war exclusion provision across its Uniform Standards to clarify that the risk of death as a result of war or act of war is prohibited with respect to any proposed insured that serves in the military on behalf of our country.

The Compact legislation is currently under consideration by the Connecticut General Assembly and protection of those who serve our country, especially in the time of war, is of paramount concern. I, along with Connecticut legislators, have a serious concern that the current wording, specifically Section (1)(a)(i) and (1)(a)(ii), could conflict in a way that insureds known to be members of the armed forces could be precluded from receiving the death benefit of a policy due to the Compact’s war exclusion provision Section (1)(a)(ii).

Upon further research of the Compact’s standard war exclusion provision, we have learned that the prohibition in Section (1)(a)(i) of the war exclusion provision across the Uniform Standards was added to model language from an archived NAIC model adopted in 1951 known as the War Risk Exclusion Provision: Statement of Principles (see attached) which allowed a war exclusion for “combatants”. Section (1)(a)(i) was added by the drafters of the Uniform Standards to prohibit the war exclusion such that if “the proposed insured represents that her or she is a member of the military, military reserves, or the National Guard, whether active or inactive, the risk of death as a result of war or any act related to military service shall not be excluded from the death benefit of the policy.” Connecticut is concerned that the qualifying phrase in (1)(a)(ii)
of “Other than as described in (i) above,” is not enough to avoid intentional or unintentional consequences that a person serving in the armed forces could be precluded from receiving death benefits under a life insurance policy. In other words, Section (1)(a)(ii) is unnecessary if Section (1)(a)(i) is intended to prevail for those insureds known at the time the policy is delivered or issued for delivery are members of the military, military reserves, or the National Guard.

For these reasons, I respectfully ask the Commission for its swift consideration of Connecticut’s request to remove Section (1)(a)(ii) of the war exclusion provision across several Uniform Standards for Individual and Group Life Insurance Policies. Doing so will remove any confusion or concern that the war exclusion could be used against a policyholder that dies as a result of war or any act related to military service, and thereby protect all those who bravely serve and protect our country.

Thank you for your consideration.

Sincerely,

Katharine L. Wade
Commissioner

Cc: Karen Schutter
WAR RISK EXCLUSION PROVISION: STATEMENT OF PRINCIPLES

Section 1. Military Exclusion

Risk of death may be excluded:

(a) As a result of war or act of war, if the cause of death occurs while the insured is serving in the military, naval or air forces of any country, combination of countries or international organization, provided such death occurs while in such forces or within six (6) months after termination of service in such forces; or

(b) As a result of the special hazards incident to service in the military, naval or air forces of any country, combination of countries or international organization, if the cause of death occurs while the insured is serving in such forces and is outside the home area, provided such death occurs outside the home area or within six (6) months after the insured's return to the home area in such forces or within six (6) months after the termination of service in such forces, whichever is earlier.

Section 2. Non-Combatant Civilian Exclusion

Risk of death may be excluded:

(a) As a result of war or an act of war while the insured is serving in any civilian non-combatant unit serving with such forces, provided such death occurs while in such units or within (6) months after termination of service in such units; or

(b) As a result of the special hazards incident to service in any civilian non-combatant unit serving with such forces, if the cause of death occurs while the insured is serving in such units and is outside the home area, provided such death occurs outside the home area or within six (6) months after the insured's return to the home area in such units or within six (6) months after the termination of service in such units, whichever is earlier.

*[Editor's Note: As Sections 1 and 2 were originally drafted, the exclusions for risk of death as a result of war or act of war were limited to deaths occurring outside the home area. See 1951 NAIC Proceedings 114-115.]*

Section 3. Civilian Exclusion

Risk of death may be excluded:

As a result of war or an act of war, within two (2) years from the date of issue of the policy, while the insured is not in such forces or units, if the cause of death occurs while the insured is outside the home area, provided such death occurs outside the home area or within six (6) months after the insured's return to the home area.

Section 4. Definitions

"Home Area" is defined as the fifty (50) states of the United States, District of Columbia and Canada.

"War" includes, but is not limited to, declared war, and armed aggression by one or more countries resisted on orders of any other country, combination of countries or international organization.

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"Act of war" means any act peculiar to military, naval or air operations in time of war.

**Section 5. Illustrative War Risk Exclusion Provision**

Limitation of Amount Payable Under This Policy In The Event of Death As Specified Herein.

It is agreed that notwithstanding any contrary provisions, the following are risks not assumed under this policy:

1. **Death as a result of war or an act of war**, if the cause of death occurs while the insured is serving in the military, naval or air forces of any country, international organization or combination of countries or in any civilian non-combatant unit serving with such forces, provided such death occurs while in such forces or units or within six (6) months after termination of service in such forces or units;

2. **Death as a result of the special hazards incident to service in the military, naval or air forces of any country, international organization or combination of countries or in any civilian non-combatant unit serving with such forces**, if the cause of death occurs while the insured is serving in such forces or units and is outside the home area, provided such death occurs outside the home area or within six (6) months after the insured's return to the home area while in such forces or units or within six (6) months after the termination of service in such forces or units, whichever is earlier;

3. **Death, within two (2) years from the date of issue of the policy**, as the result of war or an act of war, if the cause of death occurs while the insured is outside the home area and not in the military, naval or air forces of any country, combination of countries or international organization or any civilian non-combatant unit serving with such forces, provided such death occurs outside the home area or within six (6) months after the insured's return to the home area.

The amount payable in the event of death under any one or more of the above-mentioned circumstances shall be not less than the greater of (a) the gross premiums paid on this policy, less dividends received, or (b) the reserve computed according to the mortality table and interest rate specified in the policy in either case adjusted for indebtedness and dividends left on deposit.

"Home area" means the 48 states of the United States, District of Columbia and Canada.

"War" includes, but is not limited to, declared war, and armed aggression by one or more countries resisted on orders of any other country, combination of countries or international organization.

"Act of War" means any act peculiar to military, naval or air operations in time of war.

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*Legislative History (all references are to the Proceedings of the NAIC).*