

Comments to IIPRC on Innovative Products

1/19/2018

My interest in innovative products began many years ago when I was part of the Tillinghast team that developed UL and VUL that introduced the concept to the states. I was also involved in the development of accelerated benefit riders for Terminal Illness, Critical Illness and Long-Term Care. Today, I am still involved with clients who wish to present new life insurance product concepts to insurance consumers.

The following is a response to the Call Summary from the PSC public call on November 28, 2017 with regard to the 2nd and 3rd bullet point questions.

- **Where is product innovation heading resulting in a need for new or amended regulatory requirements and uniform standards?**

For the purposes of my comments “product innovation” does not mean a product that is already approved in the states but is not able to be filed with the IIPRC because there are no existing standards. Rather, “product innovation” means a new concept that provides an additional benefit for the consumer and conforms to the uniform standards of the insurance industry as reflected in the IIPRC Product Outlines.

For example, simply modifying group annuity policy language is not an “innovative product” whereas introducing an additional benefit pertaining to lifetime income as part of an annuity could easily qualify as an “innovative product.” A new product concept should provide an additional benefit for the consumer while keeping the consumer and insurer protections generally accepted for life insurance products.

While the Interstate Insurance Product Regulatory Commission (IIPRC) is not the body that can or should be developing innovative life insurance products, it is in the unique position of being able to work with product innovators and insurance regulators to bring new benefits to the life insurance market place so that these new ideas can be presented to the public. As part of the approval process for new products, the IIPRC will be faced with determining whether such products are within the scope of or are consistent with current insurance laws and regulations.

- **What new product or benefits are consumers asking for that cannot be filed with the Insurance Compact due to lack of uniform standards?**

The benefits and provisions of the innovative products that will address the future life insurance needs of consumers cannot be predicted. New product or benefit ideas usually come to the industry through the marketing areas of companies since they are the frontline contact with the consumer. Often it is the agent or broker who articulates the needs of his or her clients that are not being met by the company’s current portfolio of products. These client needs develop over time and are based on many factors such as lifestyle, technology, medical advances and discoveries, etc.

Under current conditions, if new innovative benefits and provisions are filed with the IIPRC, the filing would be rejected simply based on the lack of uniform standards. By itself, this reality demonstrates the need for a set of uniform and practical IIPRC

standards that can guide policy submissions for new and innovative life insurance products through the approval process.

Any set of uniform and practical benefit and product standards that will be used to review new concepts must be based on a set of criteria that at the same time ensure compliance with existing life insurance rules and regulations while being sufficiently flexible to encourage and allow for approving new product ideas. Therefore, we request that the IIPRC adopt an additional set of criteria for approving innovative life insurance products rather than enact absolute standards that quite probably will, *a priori*, discourage new life insurance products and make it unlikely or even impossible for a new idea to see the light of the market place.

Perhaps, one way for accommodating product innovation is to amend IIPRC-L-08-LB-I, ADDITIONAL STANDARDS FOR ALL BENEFIT FEATURES, § 2 BENEFIT FEATURE REQUIREMENTS by adding a Section B which incorporates the following suggested elements:

B. INNOVATIVE BENEFIT OR DESIGN FEATURE

- (1) Describe the innovative benefit or design feature. Include an explanation of why it is needed and/or beneficial to the consumer.
- (2) Does the form comply in all respects with the required provisions in any of the Individual Life Insurance Product Standards? If this is not the case, explain (a) why the non-compliance is appropriate, (b) how it is beneficial to the consumer and/or (c) why it is consistent with IIPRC standards.
- (3) Does the form contain any exclusions that are not contained in any of the Individual Life Insurance Product Standards? If so, what are those exclusions and explain why they are appropriate for this new benefit or design feature.
- (4) If there is an identifiable charge for this new benefit or design feature, submit an actuarial analysis that demonstrates that the benefits are reasonable in relation to the premiums charged and the benefit is actuarially sound.

Please let me know if you have any questions regarding these comments or if I can be of assistance to you in this endeavor.

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