



MEMORANDUM

May 29, 2020

To: Interstate Insurance Product Regulation Commission

From: Oregon Division of Financial Regulation

Subject: Comments on Uniform Standards for Waiver of Premium and other standards currently in process of the five-year review

The Division of Financial Regulation (Division) appreciates the opportunity to comment on the following standards currently under five-year review:

- Group Term Life Insurance Uniform Standards for Accelerated Death Benefits
- Group Term Life Insurance Uniform Standards for Accidental Death and Dismemberment Benefits
- Group Term Life Insurance Uniform Standards For Accidental Death Benefits
- Group Term Life Insurance Uniform Standards for Waiver of Premium While the Employee is Totally Disabled
- Uniform Standards For Riders, Endorsements or Amendments Used to Effect Group Term Life Insurance Certificate Changes

In regard to the waiver of premium riders, the Division is concerned by the amount of confusion the standards seem to have generated as indicated by the volume of comments and concerns submitted. The Division is concerned the Standards have become so complex they can be easily misinterpreted which could lead to consumers purchasing products they don't understand.

As demonstrated by the Life and Health Insurance Handbook (third edition), and is surprising "uniform" in all the life insurance text books, Supplementary Benefits are given the following explanation:

Supplementary Benefits. "The waiver of premium benefit, a form of disability insurance, is offered for a modest additional charge, by virtually all companies in connection with the life insurance contracts they issue. The waiver of premium provision becomes operative whenever the insured becomes totally and permanently disabled as defined in the contract. Then they become entitled to have waived any premium falling due after disability commences. Of particular significance in connection with the savings functions of life insurance is the fact that waiver of premium does not affect any other provision in the policy."

"For an extra premium charge, many insurance companies offer disability insurance rider coverage with their life insurance contract."

For individual life insurance the solution is to have specific riders for each additional benefit - which allows the consumer to choose which to purchase for an additional premium. Medical evidence, and any other underwriting requirements, will be submitted for individual life insurance. The division believes it is unnecessary for IIPRC to make the life insurance waiver of premium supplemental rider act like the disability income rider, and also act like an acceleration of disability rider and act like a long-term care rider (and so on).

The Division notes that we may disapprove, or require substantial change to, any product that meets the description listed above using the following combination of statutes. In summary these statutes require the benefit to be correctly titled and meet all of our statutory requirements for the line of coverage indicated in the rider. In Oregon many of the supplemental benefits have specific requirements that must be met under our statute, thus our extension of our comments to those standards which are currently under five year review.

- ORS 743.156 A life insurance product shall contain a provision separately stating the premium for each benefit provision of the policy for which such separately statement is necessary, as required by the Director of the Department of Consumer and Business Services, to give adequate disclosure of the terms of the policy.”
- ORS 743.018 prior approval of rates and changes to rates.
- ORS 743.153 Statement of Life Insurance Benefits.
- ORS 743.154 has separately listed requirements of the title of acceleration of death benefits, not waiver of premium benefits.
- ORS 743.198 requires that a life insurance policy shall contain a title that briefly and correctly describing the policy. Under the entire contract clause ORS 743.174 that would include any riders attached to the life insurance contract.
- ORS 743.168, 171, and even 743.3115 for group insurance, does not allow an exception for time when a waiver of premium benefit is being paid under all three Incontestability provisions (nor fraud).

We are concerned that permitting additional restrictions, such as a pre-existing clause or waiting or elimination periods of up to 12 months, for an individual life insurance rider may be harmful to consumers because it would allow the insurer an additional underwriting opportunity. If the insurance company does not complete underwriting for individual life insurance, that should not become the consumer problem with additional contract provisions that could limit or end benefits.

In closing, the Division does not support these changes to the individual waiver of premium product currently under consideration. These standards, as proposed, give the appearance that the Compact permits insurers to side-step state regulation. Life insurers do not willingly accept statutes or rules that limit their product’s competitive advantage. Insurers comply because it’s state law and regulators won’t approve forms without the required changes. We ask that the Compact consider our comments, and the compliance pressure this puts on states and insurers, and revise these standards to align more closely with state practice.