December 12, 2018

Interstate Insurance Product Regulation Commission (IIPRC)
Attn: Products Standards Committee
Re: Proposed Revisions to Additional Standards for Overloan Protection Benefits, to include Whole Life

c/o IIPRC Staff via Comments@insurancecompact.org

To the Members of the IIPRC Product Standards Committee:

We appreciate the opportunity to participate in the review of the proposed revisions to the IIPRC’s Additional
Standards for Overloan Protection Benefit (For use with Individual Adjustable Life), to include provisions for
Whole Life (IIPRC Draft).

Upon review of the IIPRC draft, we offer the following comments and/or requested clarifications for your
consideration:

**Page 1, Scope**

Clarification Requested: The rationale of the last sentence in the first paragraph under **Scope**: ‘A benefit that
solely drops the loan interest rate to zero under certain circumstances is subject to the applicable Core
Standards.’ We request clarification of what this is referring to?

**Page 2, §3.A.(1) Benefit**

These Standards use the term ‘paid up’ elsewhere (like the **Scope**), so ACLI agrees with the Product
Standards Committee (PSC) Comment from Utah to leave in the reference to automatically become paid up
life insurance.

**Page 2, §3.A.(1) Benefit**

**Suggested Revision:**

**A. BENEFIT**

1. The benefit form shall state that if the benefit is exercised, the policy will not lapse when:
   
   a. for individual variable or non-variable adjustable life insurance policies, the policy’s cash
      surrender value or, if applicable, the account value less policy loan, is not sufficient to cover the
      monthly deduction charges or minimum required modal premium of the policy due to loan
      indebtedness; or
   
   b. for individual whole life insurance policies, the total loan indebtedness including interest due and
      accrued equals or exceeds the cash value of the policy plus the cash value of any dividend
ACLI Rationale: Typically, a Whole Life policy terminates due to excess loans when the policy loan value exceeds the policy cash value.

Instead, the circulated draft refers to the cash surrender value exceeding the "minimum required modal premium", which industry has not encountered as an excess loan termination trigger for Whole Life.

As a suggested revision, we adapted the Whole Life excess loan language from the IIPRC’s Individual Whole Life Insurance Policy Standards (IIPRC-L-07-I), Section M(2)(h) on page 11, and split Section 3A of the Overloan Protection Benefit Standard into Adjustable Life and Whole Life provisions for greater clarity. We also recommend striking the phrase “and that the policy will not be subject to lapse”, as repetitive, as the lead-in sentence already says it.

Page 3, §3.A.(4)(a)

Clarification Requested: ACLI requests clarification of the UT suggestion/PSC Comment on the bottom of Page 3 of the IIPRC Draft. ACLI would recommend leaving §3.A.(4)(a) regarding automatic exercise the way it is currently worded. If UT would like to amend this provision, and require advance notice for the automatic exercise, it could be an overreach beyond basic amendments to allow for the addition of Whole Life. ACLI recommends the scope of amendments in the IIPRC Draft be limited to those necessary for the addition of Whole Life to these Standards.

Page 5, §3A.(6)

Clarification Requested: (6) Once the benefit is exercised, indebtedness which continues to accrue interest, and which would cause the policy to overloan and lapse without value or remain “in force” without value is not permitted.

ACLI requests clarification of the intent for this proposed change, as it seems contrary to the intended purpose of the overloan benefit, which is to keep a policy that is overloaned and would normally lapse without value (because the net cash surrender value = gross cash surrender value minus loan and accrued loan interest = 0) from lapsing.

In other words, it seems to ACLI that the intended purpose of the benefit is precisely to keep such a policy to remain “in force” without value (i.e., to remain in force with a net cash surrender value that is zero).

Are we somehow misinterpreting the highlighted language that’s been added? Even if there is a reasonable interpretation that aligns with the purpose of the benefit, the language doesn’t seem clear.

Page 5, §3.D.(2)(b)

ACLI does not recommend the references “monthly deductions end and” in the Termination Section should be deleted. ACLI believes the intent of §3.D.(2)(b) means up to the age just before extended maturity, and IIPRC Standards for extended maturity do allow an exception for premium payments during extended maturity (see Rationale below). Therefore, ACLI recommends §3.D.(2)(b) be revised to change ‘and’ to ‘or’, so it reads: §3.D.(2)(b): “The date the insured reaches the age when monthly deductions end or no further premiums can be paid under the policy or the date the younger insured reaches the age when monthly deductions end or no further premiums can be paid under a last to die survivorship policy.”

Rationale: The IIPRC’s Individual Flexible Premium Variable Adjustable Life Insurance Policy Standards, Maturity Date Extension, §3.Q.(1)(a) states:
§3.Q.(1)(a):
(1) A maturity date may be extended beyond the terminal age of the applicable valuation mortality table based on the following conditions:
   (a) There shall be a policy provision indicating that there will be no cost of insurance charges beyond the terminal age of the valuation table. The provision shall also indicate that no further premium payments will be accepted after such age, except amounts required to keep the policy in force under the grace period.

Thank you for your consideration of ACLI’s comments and clarification requests above. We look forward to moving forward with this important project.

Respectfully submitted.

Emily Micale, ACLI