When the GLB standards were first developed and adopted by the IIPRC, the industry was primarily offering traditional GLWB, GMAB and GMIB rider benefits. Ideas for new products and riders that would serve specific consumer needs were still evolving and in the developmental stages. In previous §2.C.(1)(b) of both the variable and non-variable GLB standards, there was a parenthetical reference to “e.g. when the covered life is receiving care from a health care facility or is unable to perform a specified number of ‘activities of daily living”. From the date of adoption of the standards, the IIPRC has had concerns about what triggers are implied with this parenthetical reference, and had concerns with LTC-type triggers used that may constitute an LTC benefits that may be subject to the LTC standards of the IIPRC. A FIN was issued to clarify these issues, but it was requested that when the 5 Year Review comes up that the IIPRC would want a fix.

In recent years, GLWB riders with enhanced features have become widely available in the marketplace. One of these features is an enhancement to a traditional GLB rider that provides increased payments upon confinement to a nursing home, inability to perform activities of daily living or diagnosis of a severe cognitive impairment, or diagnosis of a terminal illness. With a majority of states (both members and non-members of the IIPRC) approving these enhanced GLB rider benefits on annuity products and a growing number of companies offering these riders, we have taken the 5 Year Review opportunity to recommend “the fix” to the IIPRC to update the standards to accommodate the benefit triggers. We note that similar triggers are included in the Accelerated Death Benefit and the Waiver of Surrender Charges standards of the IIPRC.

The “fix” includes the following:

1. Adding more specifications for the benefit triggers permitted: for drastically limited life span, care in a health care facility, ADL deficiency and cognitive impairment.
2. Adding the definitions required.
3. Adding “election waiting period” and “qualifying event waiting period” as additional waiting periods specific to the increased withdrawal benefit.
4. Adding “elimination period” specific to the increased withdrawal benefit.
5. Adding the process for requesting the increased withdrawal benefit and for the continuation of the increase in each contract year during which the annuitant continues to meets the trigger requirements.
6. In §2.C.(1)(a), clarifying the calculation of the guaranteed benefit base for a GLB benefit issued on the effective date of the contract and a GLB benefit issued after the effective date of the contract.
7. Clarifying the variability needed for the benefit triggers for the increased benefit, as well as percentages used in the calculation of the increased benefit.
8. Adding to the Specifications Page the additional waiting and elimination periods, and the period of time during which the increased withdrawal benefit is available.

Let us know if you have any questions.

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