

DATE: May 7, 2008
TO: IIPRC Product Standards Committee (PSC)
FROM: IIPRC Industry Advisory Committee
SUBJECT: Comments on:

- **Current Assumption Whole Life Standards: Scope**
- **Conforming Amendment: Actuarial Certification of Compliance**
- **Amendment Regarding Underwriting Exclusions**
- **Actuarial Subgroup**

Re: Current Assumption Whole Life (CAWL): Scope

A member company was preparing to file a CAWL product with the IIPRC, and upon closer examination determined that the Scope section, in excluding “dump-ins”, would not allow such a filing with the IIPRC. It was suggested that the universal life standards may accommodate the unique product design, but upon further examination they do not (the product has “fixed” premiums).

We have determined that the changes required to accommodate the product are far more extensive than merely tweaking the CAWL Scope section, so we suggest that the PSC proceed to move the CAWL standards along as is. We plan to address the unique product requirements in the near future.

Re: Conforming Amendment: Actuarial Certification of Compliance /ADDITIONAL SUBMISSION REQUIREMENTS Items (6)(e)

The proposal to require a description in general terms of the nature of an analysis performed and the preparation of a separate Actuarial Certification of Compliance for all Individual Life insurance policies is overkill. While the requirement is sensible for universal life products, it is unnecessary for all other products.

The requirement to create an additional form (the Certification) and then prepare a PDF version for SERFF submission is burdensome, especially considering that the certification would not provide any more information than is already requested in the first sentence of item (e).

If the real issue is that filers are not including the required statement in the actuarial memorandum, then we suggest that the first sentence in item (e) be revised to say:

“(e) Include a statement at the end of the actuarial memorandum certifying that the nonforfeiture values available under the policy equal or exceed the minimums required under the NAIC Standard Nonforfeiture Law for Life Insurance, model #808, for all ages, rate classes, and durations at which the policy is available.”

This suggestion will minimize those situations where filers do not include the certification statement and the examiners do not know where to find it.

Re: Amendment Regarding Underwriting Exclusions

War Exclusion, (1)(a)(I (II)

The insertion of language from the Military Sales Practices Model Regulation requires some tweaking to fit it into the context of other language in the EXCLUSIONS provision.

The inserted language refers to “known to be...at the time of sale”. This may be appropriate in a sales process Model, but is inappropriate for the standards that we have developed: we should be tying this to the “representations made by the proposed insured at the time of application”, as used in item (b) for avocation, aviation, occupation, foreign travel and foreign residency.

The inserted language includes “declared or undeclared” and the rest of the section does not. Note that “war” is defined in sub-section V. For consistency of the use of the term in the section, we should leave that definition alone. If someone believes that “undeclared” is needed, we have the option of inserting the term in sub-section V.

The inserted language repeats the exception for accidental death benefits which is included in the lead-in phrase of (1).

Accordingly, we suggest the following substitution language:

- “(I) If at the time of application the proposed insured represents that he is an active duty service member of the United States Armed Forces, risk of death as result of war or any act related to military service shall not be excluded from the death benefit of the policy.
- (II) Other than as described in (I) above, risk of death as result of war or act of war may be excluded from the death benefit of the policy under the following conditions:”

Foreign Travel and Foreign Residency, (1)(b)(I) and (II)

“Underwriting” is a process issue outside the scope of the IIPRC and for this reason both (I) and (II) must be deleted in their entirety. There was an extensive debate about the language included in the last sentence of (b), whether that language was outside the scope of the IIPRC, and we concurred that we include similar language in the FAIRNESS provision, so a “general” reference was acceptable. The proposed language, an almost verbatim excerpt of the Unfair Trade Practices Model, clearly steps outside that boundary. This does not represent language that would be included in any filed form, nor does it represent information that is required to be filed with the IIPRC to get a product approved. Accordingly, the IIPRC does not need this language to conduct its review and approval of products. Since the companies are already required to comply with the Unfair Trade Practices Acts, they also do not need a reminder of the requirements.

It should be noted that the proposed language goes beyond the requirements of the Unfair Trade Practices Model by including “foreign residency”. It is a dangerous proposition for the IIPRC to establish its own guidelines for the underwriting of foreign travel and foreign residency exclusions, a subject clearly outside of its scope. It should also be noted that some states will adopt their own version of the Act, and since the states have jurisdiction over the underwriting process, the proposed language would be in conflict with the state variations. This subject is a very sensitive one at this time and the IIPRC should not add fuel to the fire by developing its own version of the Act.

The Unfair Trade Practices Acts are not pre-empted by any IIPRC product standards and it is therefore not necessary and inappropriate to include a part of the Acts in IIPRC product standards.

It should be noted that the 3rd paragraph of the Scope section of the ***Standards for Forms Used To Exclude Policy Coverage Based on the Underwriting Process*** already subjects the use of all exclusions to “the applicable law in the state where the policy is delivered or issued for delivery.” This reference includes the Unfair Trade Practices Model Acts and any other applicable law.

If the PSC insists on including such language, we will request that the Executive Director seek a legal opinion regarding the IIPRC’s jurisdiction to dictate “process” language when the states were intended to continue to have jurisdiction over “process”.

Re: PSC Actuarial Subgroup

We suggest that the PSC form an actuarial subgroup that would report back to the PSC on all actuarial issues before the PSC makes any final decisions. In view of the fact that the complexity of these issues is growing, any changes proposed by the PSC require appropriate review and discussion. The existence of an actuarial subgroup would assure that a proper vetting of the issues takes place.

Submitted by:

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