DATE: **February 4, 2013**

TO: **IIPRC Product Standards Committee**

FROM: **Industry Advisory Committee**

SUBJECT: **Group Term Life Standards:**

- ***Accidental Death Benefits (dated 12/4/12)***
- ***Accidental Death and Dismemberment Benefits (dated 12/11/12)***
- ***Waiver of Premium Benefits (dated 12/18/12)***
- ***Accelerated Death Benefits (dated 1/29/13)***

Re: Accidental Death Benefits

Page 1, Section 1.A.(2)

Based on the changes that PSC made for the other riders (some say "limitations" and one says "exclusions"), we suggest that the PSC consider changing all the riders to say "including any limitations or exclusions".

Page 2, Section 2.A.(3)(a) [Air bag use benefit]

We note that "motor vehicle" is defined in various state laws to mean a broad spectrum of vehicles, such as taxis, buses, motorcycles, etc. The intent here was to restrict the benefit to "passenger car". If a company uses the term "motor vehicle", it will need to define the type of vehicles intended for the benefit. Because a company's preference will always be to specify the type of "motor vehicle" intended, we suggest reinstating the previous "passenger car".

Page 2, Section 2.A.(3)(b) [Carjacking benefit]

As stated immediate above for item (a), the intent here was to restrict the benefit to "automobiles", and we suggest that the PSC reinstate "automobile".

Page 4, Section 2.A.(3)(l) [Monthly home mortgage payment benefit]

In the Accidental Death and Dismemberment draft, the PSC is asking if this is a benefit for a ***primary*** home mortgage only, or primary and secondary?

We suggest adding the following sentence at the end of the item:

"The benefit shall specify which type of mortgages will be eligible for this benefit, such as primary home only, or primary and secondary home."

Page 4, Section 2.A.(3)(m) [Non-occupational vehicle accident benefit]

As stated above for the airbag benefit, the intent here was to restrict the benefit to "automobiles". If a company uses the term "motor vehicle", it will need to define the type of vehicles intended for the benefit. Because a company's preference will always be to specify the type of "motor vehicle" intended, we suggest reinstating the previous "automobile".

Page 4, Section 2.A.(3)(n) [Relative care benefit]

We note that the proposed "Non-Child Dependent" would eliminate the possibility of a 28 year old child with Downe Syndrome from being able to have this benefit, when such child would indeed have been dependent upon the deceased Employee or Spouse for support. We also note that the examples given for "relative" should not have been deleted since these identify the type of relatives intended – a company may include aunt or uncle, or a disabled child over the dependent age limit. Accordingly, the previous language should be reinstated. We suggest that the PSC consider "***Relative care benefit***" as the title for this benefit and allow the term "relative" to be as inclusive as possible.

Page 5, Section 2.A.(3)(p) [Seat belt use benefit]

Please note comments for ***Air bag use benefit.***

Page 5, Section 2.A.(3)(q) [Spouse education benefit]

We note that in the first sentence there is a reference to "a covered loss" and the one at the end of the second paragraph of this item was changed to say "Loss of life". These references should be consistent and we recommend that the PSC change the first reference to "Loss of life."

Page 6, Section 2.A.(3)(t) [workplace felonious assault benefit]

Fix spelling of "traveling".

Page 8, Section 2.E.(1)(a)

Change "the Employee" to "***an*** Employee".

Re: Accidental Death and Dismemberment Benefits

For expediency, if we have provided comments for the Accidental Death Benefit draft items whose contents are identical to items in the Accidental Death and Dismemberment draft, we will say "see ADB comments for same item".

Page 1, Definition of Dismemberment" (at end of Scope section)

The correct reference should be to "Section 2.A".

Page 2, Section 1.A.(2)

Same ADB comments for same item.

Pages 2-3, Section 2.A.(4)(a)

We note that the term "loss of use" is vague, and that when companies include a paralysis benefit they will want a more robust definition, and it is better for the standards to include a robust definition than to include the vague "loss of use". The company is the one on the risk and it should be allowed to include the best definition that clearly identifies what is meant by "paralysis". Accordingly, we suggest that the PSC reinstate the definition.

Page 3, Section 2.A.(5)(a) [Air bag use benefit]
Page 3, Section 2.A.(5)(b) [Carjacking benefit]

Same ADB comments for same item. [The typo "***an*** motor vehicle" will be eliminated.]

Page 3, Section 2.A.(5)(f) [Common carrier benefit]

We seek clarification why it was necessary to eliminate "public conveyance". While the term "common carrier" is well understood within the professional insurance community, it may not be to Employers and Covered Persons. If a company were to use the term "common carrier", it

would prefer to define that term by including the words "while a fare paying passenger in a public conveyance" which have been in use for many years and, we believe, help with a Covered Person's understanding of the benefit. Accordingly, we suggest that the PSC reinstate "public conveyance".

Page 5, Section 2.A.(5)(l) [Hospital confinement benefit]

We note the change from "may or may not require" to "shall require". If someone is injured in a car accident but does not die, is not in a coma or is not paralyzed, but still requires hospitalization, the "may not require" language would have provided benefits, whereas the "shall require" would deny benefits. This is why "may or may not require" is needed for flexibility to exclude or include benefits for such person. Accordingly, we suggest that the PSC reinstate the previous language.

In response to the NOTE at the end of this item, we suggest that the following be added as a separate paragraph:

"To avoid being subject to state accident and health law requirements, the daily benefit shall not exceed the maximum prescribed for hospital confinement by the laws of the state where the group policy is delivered or issued for delivery."

In response to the PSC question at the end of this item, this benefit is generally included in the "AD&D package" presented to Eemployers.

Page 6, Section 2.A.(5)(p) [Medical expense benefit]

In response to the NOTE at the end of this item, we suggest that the following be added as a separate paragraph:

"To avoid being subject to state accident and health law requirements, the daily benefit shall not exceed the maximum prescribed for medical expenses by the laws of the state where the group policy is delivered or issued for delivery."

In response to the PSC question at the end of this item, this benefit is not as prevalent as the hospitalization benefit but is sometimes requested by Employers.

Page 6, Section 2.A.(5)(q) [Monthly home mortgage payment benefit]

In response to the PSC question, we suggest adding the following sentence at the end of the item:

"The benefit shall specify which type of mortgages will be eligible for this benefit, such as primary home only, or primary and secondary home."

Page 6, Section 2.A.(5)(r) [Non-occupational vehicle accident benefit]

Same ADB comments for same item.

Page 7, Section 2.A.(5)(s) [Relative care benefit]

Same ADB comments for same item.

Page 7, Section 2.A.(5)(t) [Rehabilitative physical therapy benefit]
Page 8, Section 2.A.(5)(z) [Therapeutic counseling benefit]
Page 9, Section 2.A.(5)(cc) [Travel benefit]

Change "benefits" to "benefit".

Page 7, Section 2.A.(5)(t) [Rehabilitative physical therapy benefit]

In response to the PSC question, with the advances in medical technology and therapies, this is becoming more popular request, but is not as prevalent as the hospitalization and medical expenses benefits.

Page 7, Section 2.A.(5)(v) [Residence or vehicle modification benefit]

Based on the comments we gave for the ADB rider draft and item (q) of this draft above, we are suggesting that the references to "primary" currently included in the item be deleted and the following added at the end of the item:

"The benefit shall specify which type of mortgages or vehicles will be eligible for this benefit, such as primary, or primary and secondary."

Page 7, Section 2.A.(5)(w) [Seat belt use benefit]

Same ADB comments for same item.

Page 8, Section 2.A.(5)(z) [Therapeutic counseling]

In response to the PSC question, as there is less stigma in our society today to counseling, this is becoming more popular. This was not the case several years ago, but this is changing.

Page 9, Section 2.B.(1)

We note that "for the duration of a claim" is not the same as "while a claim is pending". For the type of benefits described in (aa) and (bb) of this draft, it is sometimes necessary during the duration of the claim to ascertain that a disability is continuous. Accordingly, we suggest that the previous language be reinstated.

Page 10, Section 2.C.(1)(h)

We suggest that the previous "a" was correct and should be reinstated.

Page 11, Section 2.E.(1)(a)

We suggest that "a Covered Person" be replaced with "an Employee", as is the case with the ADB rider draft.

Re: Waiver of Premium Benefit

Page 1, Scope

In response to the PSC question about Spouse coverage, a member company had requested this flexibility. Our understanding is that if the Spouse were to be a primary insured for the waiver benefit:

- the Employee references would change to Spouse as the primary insured;
- the Spouse as a primary insured would not be eligible as a Dependent;
- the Spouse as a primary insured would not be eligible to have premiums waived for Dependent Life insurance since the Employee is either paying for this or the premiums are waived because the Employee is on a waiver benefit; and
- that the definition to total disability may need to be changed to accommodate a full-time working Spouse or a "housewife";

The waiver benefit for a Spouse is not that common, but we thought that it would be better to have "permissive" language for the occasion when it is needed.

Page 1, Section 1.A.(2)

Based on comments we have provided for the Accidental Death Benefit and the Accidental Death and Dismemberment Benefits drafts, we suggest changing to say "including any limitations or exclusions."

Page 3, Section 2.A.(8)

Change to say "(7)". Also change to say "***insurance*** company" and "***certificate*** proceeds."

Page 4, Section 2.C.

For consistency with the other rider drafts, we suggest "an *Employee*" vs. "the *Employee*".

For item (1)(e), we seek clarification why the reference to a term period was eliminated. While we agree that the age cutoff is more common, we also note that some Employers have asked for a term period approach. When there is a term period approach, it is a fair approach because no one knows at what age someone will become totally disabled – a person can become totally disabled at 59 and have waiver until age 69, which is better than an age 65 cutoff. Cost is always a big factor for Employers, and some benefit is better than none, so why would we want to skimp on flexibility?

Accordingly, we suggest that the PSC reinstate the language for the term period approach.

Page 5, Section 2.D.(1)

We note that during a waiver period, there can occur a reduction in benefit due to attainment of a specified age, and when such reduction occurs, the Employee would be entitled to convert the reduced amount; therefore, at the end of the waiver period, the Employee is only entitled to convert the remaining amount - amount of life insurance for which he is insured on the date that the waiver benefit ends. Accordingly, the change made here is not appropriate, and we suggest making the following change:

"The provision shall allow the Employee to convert ***the life insurance in effect on the date that the waiver benefit ends***, unless…. or unless the Employee has already converted the life insurance ***or portion thereof***."

Page 5, Section 2.D.(2)

We note that if premium for Dependents' life insurance was not waived during the Employee's waiver benefit period, and premium was not paid, the Dependents' life insurance may have already terminated (and possibly had been converted) by the time that the Employee's waiver benefit period ends.

We also note that if premium for Dependents' life insurance had been paid while the Employee was insured under the waiver benefit period, or if such premiums were waived, then the Employee would have the right to convert such Dependents' life insurance when the waiver benefit period ends, provided that the Employee does not return to active work in an eligible class and becomes insured for Employee and Dependents' life insurance under the group policy.

Accordingly, we suggest the following change:

"The provisions shall allow conversion of the *Dependents*' life insurance if ***such insurance was in effect on the date that*** the waiver benefit ends, unless at such time the *Employee* has returned to *Active Work* in an eligible class and becomes insured for *Employee* and Dependents'life insurance under the policy, or unless such *Employee* has already converted the *Dependents*' life insurance."

Re: Accelerated Death Benefits

Page 1, Note above Scope

We are disappointed that a decision cannot be made regarding the pre-emption issue. Companies that have been filing the individual accelerated death benefit product for some time and have asked for clarification of this since it is not clear what position some compacting states will take. Some companies are not filing because of the unanswered pre-emption issues. And now we are adding the group issue to the list. Unless a decision is made, companies will resist filing with the IIPRC. The facts are the same for individual and group, so we fail to comprehend why the issue needs to wait for a decision on the individual standards.

Page 2, PSC Question below Definition of "Qualifying event", item 5

Since the chronic illness benefit subject to IRC 101(g) is a consumer benefit, whether issued on an individual or group basis, we believe that the answer is YES.

Page 3, B. ACTUARIAL MEMORANDUM REQUIREMENTS

Change "(3)" to "(1)".

We are curious why the title was changed – all other standards say "***ACTUARIAL SUBMISSION REQUIREMENTS"***. Note that item (1)(h) is not really part of the memorandum.

Pages 4-5, Section 2.A. (3) PSC Question

Someone could be covered under more than one group policy issued by the same insurer (or its subsidiaries or affiliates), as an employee, member, retiree, former employee (ported), spouse, etc. The person may also be covered under an individual policy issued by the same insurer.

In group situations, the companies would prefer the option to include an aggregate limit that would include both the group and individual accelerated death benefits.

Page 5, Section 2.B. (1)(a) PSC Question

We suggest changing "and/or" to "or".

Page 5, Section 2.C. (2)(b)

Since at the time of certificate issue it will be unknown how many periodic payments there will be and in what amounts they will be, the focus on "each payment" is unreasonable. Accordingly, we suggest changing "a description of how each periodic payment" to "a description of ***such*** periodic payment".

Page 6, Section 2.D. PSC Question

In group insurance, the negotiations to include the benefit and at what cost is handled at the Employer level. The cost of the accelerated benefit is bundled with the life insurance cost, so the Certificateholder would not have the option to "unbundle" and decline the accelerated death benefit.

Page 6, Section 2.D. (1)

While we appreciate that a "reasonable expense charge" would not have provided enough guidance for IIPRC review staff, it is unreasonable to establish an arbitrary flat charge.

On page 3, in the ***Actuarial Submission Requirements***, item (b), a company is required to justify the expense charge and provide a maximum. Is it necessary to establish parameters for the justification? As administrative expenses will trend upward (as all other expenses are doing outside the insurance world), a prescribed maximum would not not keep up with increasing expenses.

We suggest that all that is needed to be said in this item (1) is that "The insurance company may deduct an expense charge for ……" and allow the Actuarial Submission Requirements handle the justification and maximums.

Page 7, Section 2.E.(6) PSC Question

As stated earlier above, the benefit cannot describe the periodic payment process at issue, sinceat that time it is unknown if a person will accelerate, how much the person will accelerate, how many periodic payments there will be (this may be based on the person's tax bracket because spreading out the payments may reduce tax liability), etc.

On page 4, ***Actuarial Submission Requirements*** item (1)(h) requires the filing of the basis to be used in the calculation of the minimum periodic payment for the payment period. This is where a company will explain in the filing what options are available, and this may vary by the amount a person selects for acceleration. If $60,000 is to be accelerated, a person can select $6,000 paid in 10 monthly installments, or $12,000 in 5 monthly installments. The more installments, the greater expense involved for the company, and the greater the expense charge may be.

Item (5) is a generic explanation of what would happen when periodic payments are selected in lieu of a lump sum distribution. The disclosure required in Section 2.F. (1) and (2) would be when and where more detail would be provided. [Please note that we will be suggesting that item (2) be reinstated.]

Page 7, Section 2.F.(2)

We respectfully suggest that it was an error to delete item (2).

Item (1) addresses the required disclosure at the time of application, whereas item (2) addresses the disclosure required at the time of payment of the accelerated death benefit, when the amount elected, and the payment type (lump sum or periodic), have been determined. This allows for a more meaningful disclosure, because now enough information is available to fully disclose the impact of the acceleration.

Although Michigan was the most vocal on the need for item (2), other states quickly agreed, along with industry, that it was the responsible thing to provide enhanced disclosure at the time that the payment is being made.

Accordingly, we urge you to reinstate item (2).

Page 8, Section 2.G.(1) PSC Question

We do not believe that the availability of the option to use exclusions or limitations not included in the certificate is a group issue.

Page 8, Section 2.H.(3) PSC Question

The need for a distinction to be made between waiting period and elimination period is the same for individual plans and group plans. The issue is the need to establish an elimination period to weed out temporary or short term confinements or conditions. By requiring that a confinement (or condition) continue for 90 consecutive days, an Employer and an insurance company would prevent someone from applying for acceleration after a 5 day hospitalization. The purpose of the qualifying event triggers is to allow acceleration for the type of circumstances that represent serious medical issues that may require additional funds to help manage a medical crisis.

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