

**SUMMARY OF THE PRODUCT STANDARDS COMMITTEE
RESPONSE TO COMMENTS REGARDING THE PROPOSED
GROUP TERM LIFE INSURANCE UNIFORM STANDARDS FOR ACCELERATED DEATH BENEFITS**
November 12, 2013

	Provision	Comment	PSC Response
1	Scope, D(1) p. 2	Idaho expressed concern that the phrase: “In addition to a terminal illness qualifying event, the insurance company may include one or more of the following qualifying events” in the definition of Qualifying Events may allow a company to require another qualifying event in addition to terminal illness in order to trigger the benefit.	The PSC recommends replacing this phrase by inserting a new subsection to clarify that terminal illness must always be a qualifying event and only one qualifying event is necessary to trigger the benefit: “(2) A Terminal Illness qualifying event must always be included. The insurance company may also provide accelerated benefits upon the occurrence of other qualifying events. If the accelerated death benefit provides multiple qualifying events, meeting the conditions of any one specified qualifying event shall be sufficient to entitle the Covered Person to accelerate the death benefit.”
2	Scope, D(1) p. 2	Idaho expressed concern that the wording of the chronic illness qualifying event could allow an insurance company to require the inability to perform all six activities of daily living before triggering the benefit. The Industry Advisory Committee responded to Idaho’s comment that the inability to perform more than two activities of daily living would be consistent with industry practice and similar requirements in other uniform standards that are based on inability to perform activities of daily living. The Industry Advisory Committee also requested clarification that chronic illness can consist of inability to perform activities of daily living or severe cognitive impairment.	The PSC recommends deleting the “and” before the severe cognitive impairment provision to clarify that the chronic illness qualifying event can trigger based only on severe cognitive impairment. With regard to the chronic illness trigger requirement for inability to perform certain activities of daily living, the PSC suggests adding the following sentence to the provision added under item 1 of this chart: “The insurance company’s definition shall not require the inability to perform more than two activities of daily living.”
3	Scope, D(1)(e)(ii)(II) p. 2	The Industry Advisory Committee indicated that insurance companies must comply with Section 7702B	The PSC recommends using similar language as the Internal Revenue Code for the definition of chronic

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		<p>and 101g of the Internal Revenue Code when providing tax-qualified accelerated death benefits or the Covered Person could be subject to unintended tax consequences. The IAC requested the uniform standards reflect the provisions required by Section 7702B and 101g for the specific qualifying event related to chronic illness as recognized by the Internal Revenue Code.</p>	<p>illness under Section 7702B and 101g and suggests rephrasing this subsection as follows:</p> <p>For periodic payments, requiring that within the preceding 12-month benefit period a licensed health care practitioner has certified that the individual meets the requirements of IRC Section 7702B(c)(2)(A); and</p>
4	<p>Benefit Options, § 2C(3) p. 5-6</p>	<p>Ohio commented that the requirements pertaining to Section 7702B and 101g for continuation of periodic payments did not clearly fit within the existing provision stating “Periodic payments based on the continued survival or institutional confinement of a Covered Person are prohibited.”</p> <p>The Industry Advisory Committee indicated that insurance companies must comply with Section 7702B and 101g of the Internal Revenue Code when providing tax-qualified accelerated death benefits or the Covered Person could be subject to unintended tax consequences. The IAC requested the uniform standards reflect the provisions required by Section 7702B and 101g of the Internal Revenue Code for periodic payments when administering tax-qualified accelerated death benefits.</p>	<p>The PSC recommends the addition of a new subsection under the Benefit Options section to specifically and separately address lump sum and periodic payment provisions for tax-qualified accelerated benefits under Section 7702B and 101g. By putting these provisions in a separate section, it is clear these provisions only relate to the tax-qualified accelerated benefits under Section 7702B and 101g of the Internal Revenue Code and would not apply to accelerated benefits triggered by the other qualifying events:</p> <p>“(3) For purposes of complying with the requirements of IRC Section 7702B and IRC Section 101(g) (“federal requirements”),</p> <p>(a) Periodic payments may be subject to the per diem specifications of the federal requirements to avoid unfavorable tax consequences. If the application of the federal requirement results in a reduced accelerated benefit from that requested, the remaining death benefit that can be accelerated will be available for acceleration in future months.</p> <p>(b) Lump sum payments may be subject to the per diem specifications of the federal requirements to avoid</p>

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			<p>unfavorable tax consequences. In this situation, the per diem payments are annualized to determine the maximum lump sum amount payable every 12 months. If the application of the federal requirement results in a reduced accelerated benefit from that requested, the remaining death benefit that can be accelerated shall be available for acceleration in future months.</p> <p>(c) If, before the payment of the full acceleration benefit, whether periodic or lump sum, a Covered Person dies, the payments shall cease and the remaining accelerated benefit shall be paid as a death benefit pursuant to the certificate.</p> <p>(d) If, before the payment of the full acceleration benefit, the Covered Person is not re-certified as having met the federal requirements for chronic illness, the remaining accelerated benefit will be returned to the death benefit under the certificate.”</p>
5	<p>Effect of Benefit Payment on Other Benefit Provisions, § 2F(1) p. 7</p>	<p>The IIPRC Office suggested the consideration of adding requirements for a disclosure statement similar to the requirements in the NAIC Accelerated Benefits Model Regulation and certain state laws. The IIPRC Office raised this suggestion based on feedback from member states and insurance company filers in regards to the disclosure statement requirements for individual accelerated death benefits.</p> <p>The Industry Advisory Committee commented that the disclosure is required at the time of acceleration and at the time of payment and that an additional disclosure at with the certificate would impose administrative burden</p>	<p>The PSC recommends retaining the two original disclosure requirements and conforming them to the NAIC Accelerated Benefits Model Regulation (#620) as follows:</p> <p>“The form shall state that (a) upon a request to accelerate the death benefit and (b) upon the payment of the accelerated death benefit, the insurance company shall provide a statement to the certificateholder ...”</p>

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		upon the employer and insurance company. The IAC noted that the option to provide this benefit is the decision of the employer and the important disclosures for the employee are around the time the benefit is elected and paid.	
6	Effect of Benefit Payment on Other Benefit Provisions, § 2F(3) p. 8	Kansas commented that the provision should clarify whether a Covered Person should be warned about the possibility of being coerced to apply for accelerated benefits in order to qualify for Medicaid or satisfy the claims of creditors.	The PSC recommends adding an option notice requirement as follows: “The form may state that a Covered Person cannot be required to apply for the accelerated death benefit before qualifying for Medicaid, or be required by creditors to apply for the accelerated death benefit.”
7	Qualifying Events, § 2H(4) p. 8	Ohio commented that it was unclear how the 90-day elimination period limit interacted with the IRC § 7702B and § 101g requirement that a Covered Person be unable to perform no more than two ADLs for at least 90 days. Ohio also commented about how the provision would apply if a person satisfied more than one qualifying event. The Industry Advisory Committee responded to Ohio’s comment that the IRC requirements are a built-in elimination period for tax-qualified benefits based on the IRC definition of chronic illness.	The PSC recommends clarifying that the elimination period provision does not apply to benefits triggered by chronic illness as defined for purposes of complying with the IRC requirements, thus only one elimination period may apply depending on whether the applicable qualifying event is tax-qualified. The PSC also recommends adding clarifying language about multiple qualifying events as follows: “If the Covered Person meets the terms of multiple qualifying events that are subject to elimination periods, the elimination periods for each application qualifying event shall run concurrently.”