



MEMORANDUM

TO: Insurance Compact Management Committee

FROM: Product Standards Committee

DATE: August 12, 2021

SUBJECT: Additional Standards for Qualifying Events for Waiver of Premium Benefits
Additional Standards for Qualifying Events for Waiver of Monthly Deduction Benefits
Additional Standards for Waiver of Surrender Charge Benefit for Life Insurance

The Product Standards Committee (“PSC”) of the Interstate Insurance Product Regulation Commission (“Commission”) was asked to review a request from the ACLI and to report to the Management Committee. The ACLI questioned the definition of qualifying events that included a definition of disability. The purpose of the amendment is to add additional qualifying triggers beyond the existing total disability trigger. The intent of adding qualifying events was not to make the definition of total disability more restrictive. The original draft for qualifying events came from the annuity standards which uses a different definition of disability than the life standards. The section in question is only intended to add qualifying event triggers, not to change the total disability trigger.

The PSC recommends deleting §3A(2)(d) as it conflicts with the original definition of disability in §3A(1)(a).

“(d) The insured is determined to have a disability that prevents him or her from engaging in the substantial and material duties of an occupation for which he or she is or becomes qualified by reason of education or training for a period of time. The period of time shall not be longer than twelve (12) months. The waiver benefit form shall not include a requirement that the insured be eligible for Social Security benefits.”

The second comment from ACLI questioned the Pre-Existing Condition Limitation section. The ACLI comment letter stated that companies were permitted to deny waiver benefits for pre-existing conditions. The PSC noted that contrary to the company’s assertion, under the current waiver of premium standards, a company would not have been permitted to exclude a condition unless it was for: “[t]otal disability caused or contributed to by any condition disclosed in the application and explicitly excluded in a form attached to the policy.” The current Uniform Standards also allow exclusion for “[a]ny condition disclosed in the application and explicitly excluded in a form

attached to the policy.” The PSC noted that the purpose of Uniform Standards is to provide clear, concise standards for form review and eliminate inconsistent application of requirements and “desk drawer rules”. The Pre-Existing Condition section makes it clear that waiver benefits must cover existing conditions.

The PSC recommends that no change is warranted.

The recommended change has been made in all three standards.

- **Additional Standards for Qualifying Events for Waiver of Premium Benefits**
- **Additional Standards for Qualifying Events for Waiver of Monthly Deduction Benefits**
- **Additional Standards for Waiver of Surrender Charge Benefit for Life Insurance**

The PSC is available to respond to any questions or requests for information to assist the Management Committee.