



MEMORANDUM

TO: Insurance Compact Management Committee

FROM: Product Standards Committee

DATE: December 9, 2019

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”) is charged with developing proposed drafts of Uniform Standards. In carrying out its charge, the PSC has finalized the following drafts for new and amended uniform standards. The PSC is recommending that the Management Committee initiate the rulemaking procedure¹ with respect to these proposed uniform 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 first recommendation is to initiate the rulemaking procedure with respect to amendments to two existing life insurance benefit standards: *Additional Standards for Waiver of Premium Benefits* and *Additional Standards for Waiver of Monthly Deduction Benefits*, to add additional qualifying events beyond the current total disability trigger. Pursuant to §103 of the *Rule for Adoption, Amendment and Repeal of Rules for the Interstate Insurance Product Regulation Commission*, on June 19, 2019, the Commission issued notice requesting comments on the proposed draft amendments for these Uniform Standards. The drafts were developed through the PSC using the existing triggers found in the adopted *Additional Standards for Waiver of Surrender Charge Benefit* for individual deferred variable and non-variable annuity contracts. The proposed amendments are identical, with one set of Uniform Standards for waiver of premium and the other for waiver of monthly deduction.

¹ The rulemaking procedure is set forth in the *Rule for Adoption, Amendment and Repeal of Rules for the Interstate Insurance Product Regulation Commission*.

The Committee recommends these uniform standards continue to be available for Mix and Match to be used in combination with State Product Components as described in §111 of the IIPRC *Operating Procedure for the Filing and Approval of Product Filings*. The PSC also recommends that filings submitted under these Uniform Standards continue to be subject to prior review and approval and not self-certification.

The PSC exposed updates to the drafts for public comment and held two public calls to obtain further input. Comments were received from a company filer and a representative of the Consumer Advisory Committee.

As a result of suggestions from the Consumer Advisory Committee representative, the PSC made clarifying revisions to the definition of “qualifying events” as well as disability when a student participates in virtual classes. The Committee reviewed several comments from an industry filer stating that prescriptive requirements within the proposal could limit potential innovation. 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.” They also noted that the basis for the revisions is an existing adopted Uniform Standard. Absent specific information on impact to existing products in the marketplace, the PSC determined no further revisions were warranted.

The second recommendation is to propose new Uniform Standards, the *Additional Standards for Waiver of Surrender Charge Benefit for Life Insurance*. These uniform standards closely mirror the existing annuity *Additional Standards for Waiver of Surrender Charge Benefit*. The proposed Uniform Standards were posted for comment on October 16th and were the subject of a public call. Comments were received from the ACLI and two member states.

The PSC considered several technical and clarifying edits as a result of the submitted comments. A member state noted that the definition of “qualifying event” includes unemployment and questioned if it would impact the current valuation table, based on the 1952 Disability Study of the Society of Actuaries. It was noted that rating and reserving fall under the purview of the states and it is the responsibility of the company to ensure that its waiver benefit meets valuation requirements. The PSC concluded no revision was necessary.

Given the extensive, transparent, and documented drafting process preceding these recommendations, the PSC suggests that any additional comments or concerns about these recommended Uniform Standards be raised, considered, and discussed by all members and interested parties during the Management Committee’s formal rulemaking process.

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