



Wayne Mehlman
Senior Counsel

November 15, 2019

Interstate Insurance Product Regulation Commission (IIPRC)
Product Standards Committee
444 North Capitol Street, NW
Hall of the States, Suite 700
Washington, DC 20001-1509
comments@insurancecompact.org.

RE: Additional Standards for Waiver of Surrender Charge Benefit for Life Insurance

To the Product Standards Committee:

The American Council of Life Insurers (“ACLI”)¹ would like to thank the Compact for drafting the *Additional Standards for Waiver of Surrender Charge Benefit for Life Insurance*, as we believe these new standards will be beneficial to both consumers and insurers who offer this benefit.

We have only one specific comment, and that relates to bank-owned life insurance (BOLI). These products are typically single-premium products, and while bank employees are the ones insured under these policies, the bank is both its owner and beneficiary and pays its premiums. Under the Office of the Comptroller of the Currency (OCC) rules, a bank can only book the cash surrender value of a BOLI policy, not its cash value. To avoid forcing a bank to book a loss upon the purchase of such a policy, it is common practice for insurance companies to waive surrender charges for a cash surrender. Some companies treat an Internal Revenue Code (IRC) Section 1035 exchange differently than a cash surrender and will only waive surrender charges if an amount less than a certain percentage of the policy value is exchanged in a defined time period.

If you have any questions, feel free to contact me at waynemehlman@acli.com or 202-624-2135.

Sincerely,

Wayne Mehlman
Senior Counsel, Insurance Regulation

¹ The American Council of Life Insurers (ACLI) advocates on behalf of 280 member companies dedicated to providing products and services that promote consumers’ financial and retirement security. 90 million American families depend on our members for life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, dental and vision and other supplemental benefits. ACLI represents member companies in state, federal and international forums for public policy that supports the industry marketplace and the families that rely on life insurers’ products for peace of mind. ACLI members represent 95 percent of industry assets in the United States. Learn more at www.acli.com.