

Agenda Item 2. Discuss draft of Additional Standard for Incidental and/or Ancillary Benefit Features for Life Insurance Products.

Karen Schutter, IIPRC provided an overview of the Insurance Compact Office proposal to develop uniform standards for additional incidental or ancillary benefits for life insurance products. She noted that the draft was based upon some provisions in existing standards as well as state requirements, such as Texas requirements for non-insurance benefits. She explained that the incidental benefits would be a death benefit while the ancillary benefit is a good or service reasonably related to the type of product being offered and provided some examples. She noted that the draft included some questions for the PSC's consideration.

In response to member questions regarding why Mix and Match is not included, Ms. Schutter noted that this is something members could discuss, but for an initial draft the Compact Office thought states might have a greater comfort if Mix and Match was not allowed. It was noted that having this standard may decrease Mix and Match overall. Some states remarked that if a company files a policy with the Compact and a rider with them, they will wait until the policy is approved before reviewing the rider. The Compact Office agreed to review pre-filing communications and withdrawn filings to provide examples of policy benefits/riders that would come under this standard.

The group next discussed comments from Minnesota suggesting that for incidental benefits, defining the benefit based on a permissible amount of death benefit is feasible, provided that death benefit is appropriately specified. They noted that a criterion based on COIs-paid is problematic since COIs-paid depends, not on the death benefit, but on the net amount at risk, which is not always known. Minnesota suggested that the definition be in terms of death benefit only, with a limitation in the aggregate, and suggested:

“Incidental life insurance benefit” means a death benefit provided, either on the life of the insured under the base policy or a different insured. A policy may have one or more incidental life insurance benefit provisions, provided that the aggregate death benefit of the incidental life insurance benefits does not at any time exceed 10% of the death benefit under the base policy.

The PSC agreed to add this approach to the definition in the draft. It was also suggested that the Scope and the definition of ancillary may need to be modified so both reflect that the benefit is reasonably related to the type of policy, not to the improvement or reduction of morbidity and mortality, since it would be difficult to demonstrate that some of these goods or services, such as financial planning or Cloud storage for policy documents, improve mortality.

After discussing specific language in the draft Scope and definitions, the PSC agreed to review a revised draft that the Compact Office would prepare.

Agenda Item 3. Any other matters.

The Chair noted that the next call of the PSC will be the Public call June 6th to hear comments on the request by the Industry Advisory Committee to add a Death Benefit Proceeds Provision to

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the Core Annuity Uniform Standards. The PSC will meet in a week or two after that call to consider the suggested revisions to the Incidental Benefit draft based on the member discussion. If any member has further suggestions they should submit them to [Anne Marie Narcini](#) and [Karen Schutter](#). The Compact Office will also review the first draft of the Individual Disability Income Insurance Standards (Phase 8) Five-Year Review report on the next member call. The goal is to expose the incidental benefit draft as well as the Five-Year Review report for Phase 8 and have a public call late June or July.