

GROUP ~~TERM~~ **WHOLE LIFE INSURANCE UNIFORM STANDARDS
FOR ACCELERATED DEATH BENEFITS**

Scope: These standards apply to accelerated death benefits that are built into group ~~term~~ **whole** life insurance certificates, or added to such certificates by rider, endorsement or amendment. These standards accommodate accelerated death benefits for *Employees* and *Dependents*, referred to in these standards as *Covered Persons*.

Products subject to these standards shall not be described as long-term care insurance or as providing long-term care benefits. If the payment of accelerated death benefit is contingent upon receipt of long-term care services or supports, these standards shall not apply and such benefit will be subject to the Interstate Insurance Product Regulation Commission standards for group long-term care insurance.

Mix and Match: These standards are available to be used in combination with State Product Components as described in Section 111 (b) of the Operating Procedure for the Filing and Approval of Product Filings. These standards are available to be used in combination with IIPRC-approved or state-approved group life insurance and annuity forms.

Self-Certification: These standards are not available to be filed using the Rule for the Self-Certification of Product Components Filed with the Interstate Insurance Product Regulation Commission.

As used in these standards the following definitions apply:

- A. “Accelerated death benefit” means the advance payment of some or all of the death proceeds payable under a certificate:
 - (1) During the lifetime of the *Covered Person*;
 - (2) That reduces the death benefit otherwise payable under the certificate; and
 - (3) That is payable upon the occurrence of a single qualifying event with respect to a *Covered Person* resulting in the payment of a benefit amount fixed at the time of acceleration.
- B. “Certificate holder,” as used in these standards, means an *Employee* who is eligible for benefits provided by the policyholder's policy and who has received a certificate of insurance. If, due to a qualifying event, the *Employee* is incapacitated, the term shall include the legal representative of the *Employee*.
- C. “Form” means a certificate, or a rider, endorsement or amendment attached to a certificate, that provides the accelerated death benefit.
- D. (1) “Qualifying event” means the following:
 - (a) Terminal Illness. A medical condition that is reasonably expected to result in a drastically limited life span for a *Covered Person*. The insurance company’s

definition of a drastically limited life span shall have a minimum of “6 months or less” and a maximum of “24 months or less”, and shall be specified in the form;

- (b) A medical condition that requires extraordinary medical intervention, such as major organ transplant or continuous artificial life support, without which a *Covered Person* would die;
- (c) A condition that is reasonably expected to require continuous confinement in an institution and the *Covered Person* is expected to remain there for the rest of the *Covered Person's* life. The term “institution” shall be defined in the form;
- (d) A specified medical condition that, in the absence of extensive or extraordinary medical treatment, would result in a drastically limited life span; or
- (e)
 - (i) A chronic illness defined as permanent inability to perform, without substantial assistance from another individual, a specified number of activities of daily living (bathing, continence, dressing, eating, toileting and transferring), or permanent severe cognitive impairment and similar forms of dementia. The insurance company’s definition of chronic illness shall not require the inability to perform more than two activities of daily living.
 - (ii) For purposes of complying with the requirements of IRC Section 7702B and IRC Section 101(g) (“federal requirements”), chronic illness may also be defined as prescribed in these federal requirements, such as:
 - (I) For activities of daily living, requiring the inability to perform such activities to be for a period of at least 90 days;
 - (II) 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
 - (III) For cognitive impairment, requiring substantial supervision.
- (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.

E. Terms not defined in these standards that are capitalized and italicized have the meanings specified in the Group ~~Term~~ **Whole** Life Insurance Policy and Certificate Standards for Employer Groups.

§ 1 ADDITIONAL SUBMISSION REQUIREMENTS

A. GENERAL

The following additional filing submission requirements shall apply:

- (1) Include a statement of any underwriting restrictions involving benefit amounts or age, and whether the benefit is intended for use with new issues and/or in force business.
- (2) Include a specimen issue of the statement required by Item 1 of the Section 2.F(1) that is provided to a *Covered Person* upon the request to accelerate the death benefit, and an explanation of how and when the statement will be provided.

B. ACTUARIAL SUBMISSION REQUIREMENTS

- (1) Include an actuarial memorandum prepared, dated and signed by a member of the American Academy of Actuaries who provides the following information:
 - (a) A description of the accelerated death benefit, including the effects of payment of the accelerated death benefit on all certificate benefits and premium payments;
 - (b) A description of and justification for expense charges associated with the accelerated death benefit and the maximum expense charges. If such charges exceed \$250, include a detailed explanation;
 - (c) A description of the interest rate or interest rate methodology used in any present value calculation or in accruing interest on the amount of the accelerated death benefit. The maximum interest rate shall not exceed the greater of:
 - (i) The current yield on the 90-day Treasury bills available on the date of application or accelerated payment; and
 - (ii) The current maximum adjustable policy loan interest rate based on the Moody's Corporate Bond Yield Averages-Monthly Average Corporates published by Moody's Investors Service, Inc., or successor thereto, for the calendar month ending two months before the date of application for an accelerated payment. The policy loan interest rate is that which is permitted under the NAIC Model Policy Loan Interest Rate Bill, Model # 590;
 - (d) A description of the mortality basis and methodology, including the period of time applicable to any mortality discount, used in any present value calculation of the accelerated death benefit;
 - (e) A description of the mortality and morbidity basis and methodology used in the determination of any separate premium for the accelerated death benefit;

- (f) The formula used to determine the accelerated death benefit, including any limitations on the amount of the benefit, and the formula used to determine the post-acceleration premium;
- (g) A sample calculation of the accelerated death benefit. **If the policy contains a loan provision, the example shall assume that there is an outstanding loan at date of acceleration.** All certificate benefits and premium payments, **and values, including the outstanding loan**, if applicable, immediately before and immediately after acceleration must be shown in the example;
- (h) If an accelerated death benefit may be made in periodic payments, the basis used in the calculation of the minimum periodic payment for the payment period and a sample calculation of a minimum periodic payment. Identify the basis used and provide a sample calculation of the lump sum payable if the *Covered Person* dies before all periodic payments for the payment period are made; and
- (i) For any accelerated death benefit of the type described in items (b), (c), (d) and (e) of the “qualifying event” definition contained in these standards, a certification that the value and premium of the accelerated death benefit is incidental to the group ~~term~~**whole** life insurance coverage, as per the Incidental Value and Premium/Cost of Insurance Rate Relationship Certification shown in Appendix A.

C. COVER PAGE OR FIRST PAGE

- (1) The cover page of the certificate, if the benefit is built into the certificate, or the first page of the rider, endorsement or amendment shall include the following in prominent print:
 - (a) The term “accelerated death benefit” shall be included in the brief description or descriptive title of the form.
 - (b) A clear statement that the death benefit and, if applicable, premium payments will be reduced if an accelerated death benefit is paid.
 - (c) A clear statement that a *Covered Person* should seek additional information from a *Covered Person’s* personal tax advisor about the tax status of the accelerated death benefit payment.

“Prominent print” means, for example, all capital letters, contrasting color, underlined or otherwise differentiated from the other type on the form.

D. FAIRNESS

- (1) The form shall not contain provisions that unfairly discriminate among *Covered Persons* with differing qualifying events covered under the form, or among *Covered Persons* with similar qualifying events covered under the form.

§ 2 ACCELERATED DEATH BENEFIT PROVISIONS

A. BENEFIT AMOUNT

- (1) The form may limit the percentage or dollar amount of the certificate death benefit that may be accelerated. Any minimum and/or maximum limit shall be specified in the form.
- (2) The form shall not state that, upon acceleration of part of the certificate death benefit, a *Covered Person* forfeits the remainder of the certificate death benefit.
- (3) The form shall not include an aggregate limit provision that caps the accelerated death benefits payable for all certificates issued by the insurance company and its subsidiaries and affiliates.
- (4) The form shall not state that the accelerated death benefit will be provided only if the certificate would remain in force for a specific period of time following acceleration. However, the form may exclude from acceleration any group ~~term~~-whole life insurance coverage scheduled to reduce or terminate prior to the end of the period used to define a qualifying event of the type described in item 1 of the “qualifying event” definition contained in these standards.
- (5) The form shall not contain any restrictions on the use of the accelerated death benefit proceeds.

B. BENEFIT CONDITIONS

- (1) The form may specify either or both of the following conditions that would have to be met by the certificate holder to request payment of an accelerated death benefit:
 - (a) An irrevocable beneficiary has not been designated; and/or
 - (b) An assignment has not been made.

C. BENEFIT OPTIONS

- (1) The form shall describe the accelerated death benefit option or options that are available to a *Covered Person*, such as the payment of all or part of the death benefit of the certificate.
- (2) The form shall describe the payment options available to a *Covered Person*. The description shall include the option to receive the accelerated death benefit payment in a lump sum, and may include an option to receive the benefit in periodic payments.
 - (a) Periodic payments based on the continued survival or institutional confinement of a *Covered Person* are prohibited.
 - (b) An option to receive the benefit in periodic payments shall include a description of how such periodic payment will reduce the death benefit.
- (3) For purposes of complying with the requirements of IRC Section 7702B and IRC Section 101(g) (“federal requirements”),

- (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.
 - (b) Lump sum payments may be subject to the per diem specifications of the federal requirements to avoid 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.
 - (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.
 - (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.
- (4) After an accelerated death benefit is paid, the premium may either be reduced to the premium that would apply for the remaining death benefit under the certificate or the premium may remain the same, depending on how the accelerated death benefit amount is calculated. The form shall state how premiums will be affected.
 - (5) The insurance company may include a waiver of premium benefit for the accelerated death benefit. The form shall explain any continuing premium requirements to keep the certificate in force.
 - (6) If the form allows for the present value calculation, the form shall state that the insurance company may pay the owner a present value of the certificate death benefit that is being accelerated. The interest rate or interest rate methodology used in the calculation shall be disclosed in the form.

D. EXPENSE CHARGES FOR THE BENEFIT

- (1) The insurance company may deduct one expense charge for each acceleration of the death benefit, as applicable, and if an expense charge will be deducted, the insurance company shall state the maximum expense charge in the form.
- (2) The form shall provide that if any index used in determining interest or expense charges for the accelerated death benefit is discontinued, the insurance company will use an appropriate substitute index subject to the approval of the Interstate Insurance Product Regulation Commission.

E. PAYMENT PROCEDURES

- (1) The form shall specify the procedures required to accelerate the death benefit of the certificate.
- (2) The form may state that the insurance company has the right to require a second or third medical opinion to confirm benefit eligibility. The form shall state that the second or third medical opinions

are at the insurance company's expense. The second medical opinion may include a physical examination by a physician designated by the insurance company. In the case of conflicting opinions, eligibility for the accelerated death benefits shall be determined by a third medical opinion that is provided by a physician that is mutually acceptable to the certificate holder and the insurance company;

- (3) The form shall state to whom the accelerated death benefit payments will be made.
- (4) If the form allows the certificate holder who has assigned the certificate or designated an irrevocable beneficiary to request accelerated death benefit payment, the form shall state that prior to the payment of the accelerated death benefit, the insurance company shall obtain from the certificate holder a signed acknowledgement of concurrence for payout from any assignee of record or irrevocable beneficiary of record.

Drafting Note: The language of this item is intended to reflect Section 4 of the NAIC Accelerated Benefits Model Regulation, Model # 620, and the Legislative History, which documents potential legal concerns when an assignment or irrevocable beneficiary designation is in place.

- (5) The form shall state that payment of the accelerated death benefit is due immediately upon receipt of the due written proof of benefit eligibility. Insurance companies are subject to the requirements of Section 4.M(2) of the Group ~~Term~~ Whole Life Insurance Policy and Certificate Standards for Employer Groups with respect to any delay in processing requests to accelerate the payment of death benefits.
- (6) The form shall state that if a *Covered Person* dies before all periodic payments of the accelerated death benefit are made, the periodic payments shall cease and the remaining death benefit shall be paid pursuant to the certificate.
- (7) The form shall state that if a *Covered Person* dies after the certificate holder elects to receive accelerated death benefits but before any such benefits are received, the election shall be cancelled and the death benefit paid pursuant to the certificate.

F. EFFECT OF BENEFIT PAYMENT ON OTHER BENEFIT PROVISIONS

- (1) 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 certificate holder and any assignee of record or irrevocable beneficiary of record demonstrating the effect of the acceleration on the death benefit and premium of the certificate involved. The statement shall disclose any premium necessary to continue any remaining coverage following the acceleration and shall disclose all expense and interest charges associated with accelerating the death benefit. In addition, a disclosure shall be made to the certificate holder that receipt of an accelerated death benefit may affect eligibility for Title XIX of the Social Security Act (Medicaid) or other government benefits or entitlements and may have income tax consequences.
- (2) 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.

- (3) The acceleration of part of an Employee's death benefit shall not impact other Dependent coverage under the group certificate, whether or not the Dependent coverage is based on a percentage of the Employee's death benefit. The acceleration of all of an Employee's death benefit will terminate the life insurance benefit under the group certificate. The form shall describe the effect of such termination on all *Covered Persons*. The form shall state that such termination shall not prejudice the continuation and conversion rights available under the certificate to other *Covered Persons*.
- (4) When a part of the death benefit remains after payment of the accelerated death benefit, the accidental death benefit or accidental death and dismemberment benefit provision, if any, in the Certificate shall not be affected by the payment of the accelerated death benefit.

G. EXCLUSIONS

- (1) The form shall not contain exclusions for an accelerated death benefit that are not also exclusions for the group ~~term~~ whole life insurance in the certificate.

H. QUALIFYING EVENTS

- (1) The form shall specify the terms and conditions applicable to each qualifying event.
- (2) The form shall not require that the cause of a qualifying event first manifest itself or be diagnosed after issuance of the form.
- (3) The form shall not include a waiting period requirement. "Waiting period" means a period of time following the date of issue of the accelerated death benefit during which the benefit is not in effect. A requirement that the form be in force past the contestable period is prohibited.
- (4) The form may include an elimination period for the qualifying events described in items (c) and (e) of the qualifying event definition in these standards, other than chronic illness as defined for purposes of complying with the requirements of Internal Revenue Code sections 7702B and 101g. The term "elimination period" means a specified period of time not to exceed 90 days during which the *Covered Person* meets the terms of the qualifying event. The elimination period begins on the first day that the *Covered Person* meets the terms of the qualifying event and ends at the end of the specified period. If the *Covered Person* meets the terms of multiple qualifying events that are subject to elimination periods on the same day, the elimination periods for each applicable qualifying event shall run concurrently. During the elimination period, the *Covered Person* is required to continuously meet the terms of the qualifying event without interruption. If at the end of the elimination period the *Covered Person* continues to meet the terms of the qualifying event, the *Covered Person* may apply for the accelerated death benefit.

I. WHEN THE ACCELERATED DEATH BENEFIT ENDS

- (1) The form shall state that the accelerated death benefit shall end at the earliest of:
 - (a) Upon written request from a certificate holder;
 - (b) The date a *Covered Person's* group ~~term~~ whole life insurance coverage ends under the certificate;

- (c) The end of the period for which the last premium has been paid for a *Covered Person*, in accordance with the provisions of the certificate;
- (d) The date any required fee for the accelerated death benefit is not paid, in accordance with the provisions of the form.
- (e) The date the group ~~term~~ whole life insurance policy ends; or
- (f) The date the person ceases to be in an eligible class under the certificate.

For item (f) above, the provision may allow the insurance company to end coverage at a specified point in time following the date the person ceases to be in an eligible class.

- (2) The form shall state that if the accelerated death benefit ends, this shall not prejudice the payment of benefits for any qualifying event that occurred while the form was in force.

APPENDIX A

**PROPOSED ACCELERATED DEATH BENEFIT (ACCDB) INCIDENTAL
VALUE AND PREMIUM/COST OF INSURANCE RATE RELATIONSHIP CERTIFICATION**

I, (Name) [of (Insurance Company)] [(Name) a consulting actuary for (Insurance Company)], am a Member of the American Academy of Actuaries and am qualified to provide this Certification with respect to the ACCDB benefit described in the Actuarial Memorandum to which this Certification is attached.

I certify that:

- (1) The value of the benefits provided, on an aggregated basis, in respect of the filed ACCDB, determined according to the formula below applied over a range of underwriting classes and plans at which the benefit is being made available, is not in any case greater than 10%.

$$(NSP2 - NSP1) / NSP1$$

Where:

- (a) NSP1 and NSP2 are determined using an effective annual interest rate of 6%.
 - (b) NSP1 is the net single premium for the base ~~term~~ whole life insurance benefits assuming there is no accelerated death benefit.
 - (c) NSP2 is the net single premium for the base ~~term~~ whole life insurance benefits assuming that the full death benefit is paid at time of death or the occurrence of the non-death ACCDB trigger.
- (2) In developing the assumptions, other than the interest assumption, used in calculating NSP1 and NSP2, I have complied with all applicable laws, regulations, and Actuarial Standards of Practice (ASOPs). The assumptions used represent anticipated experience factors, as defined in actuarial literature and by generally accepted actuarial practice.
- (3) The assumptions, other than the interest assumption, used in calculating NSP1 and NSP2 will be reviewed at least annually by the Insurance Company to ensure that the value of the ACCDB provided continues to be incidental. If, after such review and while this ACCDB is being actively issued, the value of the benefits provided by this benefit are no longer incidental based on then current anticipated experience factors, the Insurance Company will discontinue offering the ACCDB which is no longer incidental.
- (4) If a separate premium is being charged for the ACCDB provided, the ratio of the present value of the ACCDB premiums over the life of the ~~term~~ whole life insurance benefit to the present value of the certificate premiums exclusive of any riders, does not exceed 10%. The present values are determined using an effective annual interest rate of 6%.

Signature of Actuary

Date