

Product Standards Committee (PSC)
Regulator Call Summary
December 3, 2024

Agenda Item 2. Discuss draft Additional Standards for Graded Death Benefit for Group Term Life Insurance Policies and Certificates

Andria Seip, Chair of the Product Standards Committee, asked the Compact Office to provide background on the graded death benefit standards for individual whole life insurance. The Compact Office summarized the amendments made during the five-year review. The Compact actuary, Naomi Kloeppersmith, provided background on how the graded death benefits in individual whole life policies are reviewed. The standard requires a minimum death benefit of premiums paid plus interest at the nonforfeiture interest rate. The Compact sees a couple of structures in filings – a fixed percentage of the ultimate face amount or a return of premium structure times some factor.

The Compact Office asked the ACLI to submit comments on the interest rate provisions for group term life insurance products.

Agenda Item 3. Discuss Preliminary Results of the Value-Added Benefits Survey

The Compact Office provided a high level summary of the 36 responses received. The PSC discussed the responses received to date regarding the types of services and state concerns regarding value-added benefits.

Summary of Responses to Question 10: Types of Services Filed in States

- **Health and Wellness Services:** various health and wellness services such as disease management programs for coronary artery disease, cancer resource services, and diabetes support by tracking glucose levels.
- **Financial and Legacy Planning:** Financial wellness and education, legacy planning, and family benefit enhancements are common services offered to support financial security and end-of-life planning. Life planning, medical emergency travel planning, financial needs analysis, coaching services to develop short and long term financial goals
- **Discount Programs:** Discounts on gym memberships, dental/vision benefits, hearing exams, and specialty health care services are offered to promote overall well-being.
- **Disability Income Services:** Disability programs including worksite modification services to help employees remain at or return to work by analyzing job demands

and functions. Mental health and wellness services provided through a third party. Personal health advocates to help members find the best providers and research treatments.

- **Prescription and Health Monitoring:** Prescription discount cards and health monitoring programs, including biometric screenings and early cancer detection tests, are provided to manage health costs and improve health outcomes.
- **Employee Assistance Programs:** Employee Assistance Programs (EAP) offer confidential consultation and referral services for mental health, substance abuse, and other daily living issues, including crisis intervention. Respite family care services
- **Travel Assistance:** Travel assistance services include pre-trip planning, emergency medical logistics, and repatriation of remains. medical emergency travel planning
- **Identity Theft Protection:** Identity theft protection services offer prevention and mitigation steps, including instructions to freeze credit and notify relevant agencies.

Summary of responses to Question 11: Opinions and concerns regarding value-added benefits (VAB) in insurance policies and the potential development of a uniform standard for these benefits by the Compact.

- **Adoption of Rebating Changes:** Five states have adopted changes to the rebating laws, with a possible sixth if the definition is stretched.
- **Cost Reasonableness:** It's important to ensure that value-added benefits are offered at no or reduced cost and are reasonable compared to the premium charged.
- **State-Specific Requirements:** Some states do not require prior approval if VABs meet certain criteria and are not included in the policy, which the Compact should consider.
- **Misleading Offerings:** One state is concerned that value-added offerings can be misleading, and they ensure pricing does not include the cost of these offerings.
- **Uniform Standard Benefits:** A uniform standard should ensure value-added benefits are not unfairly discriminatory and directly related to the insurance type.
- **Encouraging Risk Mitigation:** Some states encourage value-added products that mitigate risks without requiring endorsements, as long as they are not used as an inducement to purchase insurance.
- **Consumer Protection:** Uniform standards should ensure consumer protection, prevent unfair discrimination, and maintain flexibility for innovation.

- **Protect policyholder Data:** States were cautious about creating a uniform standard for Value added services, emphasizing the need for tangible benefits and protection of policyholder data.

Andria Seip asked what the Compact does when they receive requests to add value-added services. Karen Schutter said the Compact could not review a specific rider as there are no standards. The Compact does allow very generic riders that follow closely the language of the model that provide goods and services at no charge. She said that states may see these on a mix and match basis as the company has to go to the state because the Compact does not have a standard. Iowa said that if the value added benefit is to mitigate risk, it may not have to be filed. North Dakota said a value added benefit does not have to be filed for prior approval as long as it meets the criteria in the standard. North Dakota wants to know what is being offered in the state but does not approve the benefit or require that it be in the policy. Oregon requires them to be filed and approved. Vermont requires prior approval through SERFF. Illinois struggles with the cost to the policyholder such as requiring a policyholder purchase a wearable and the extra cost associated with accessing the benefit. Vermont asks how the benefit is accessible to all policyholders and what modifications were available for those unable to complete the tasks due to physical limitations. Iowa does not track the requests but does look into how the policyholder's information will be used, and the policyholder needs to be aware of that. Maryland says services can be offered outside the contract if they meet certain conditions. Iowa allows companies to do pilot programs which the state monitors. States mentioned concerns about how information is tracked and shared with third parties.

The Compact will reach out to the states that have not responded. The Compact will provide more details about the responses for the PSC to review. The ACLI has a committee on graded death benefits and would like to give a presentation to the PSC to provide more background.

Agenda Item 4. Any Other Matters

The next meeting of the PSC will be a regulator only call on December 17. There were no other matters.