

Additional Standards For Graded Death Benefit For Group Term Life Insurance Policies And Certificates

4_01_2025 draft

ADDITIONAL STANDARDS FOR GRADED DEATH BENEFIT FOR GROUP ~~WHOLE~~-TERM LIFE INSURANCE POLICIES AND CERTIFICATES

Scope: These standards apply to graded death benefits that are built into group ~~whole~~ term life insurance policies and certificates or added to such policies and certificates by rider, endorsement or amendment that are issued to employer groups and non-employer groups, as described herein, provided the groups are authorized under the laws of the jurisdiction where the policy is delivered or issued for delivery. These standards provide early duration reduced death benefits where the period during which benefits for death from natural causes are reduced relative to some ultimate amount is not more than three years.

With respect to non-employer groups, approval of a group policy and certificate by the Commission shall not be deemed as approval to use or issue the product to a non-employer group. A non-employer group must be approved or permitted by the Compacting State as required under the applicable state laws and procedures before a product filing approved by the Commission pursuant to the applicable group Uniform Standards may be issued to a non-employer group.

Mix and Match: These standards are available to be used in combination with State Product Components as described in § 111(b) of the Operating Procedure for the Filing and Approval of Product Filings.

Self-Certification: These standards are not available to be filed on a self-certification basis in accordance with the Rule for the Self-Certification of Products Filed with the Interstate Insurance Product Regulation Commission.

In addition to the *Group Term Life Insurance Policy and Certificate Uniform Standards*, the following standards, as appropriate, apply:

§ 1. ADDITIONAL SUBMISSION REQUIREMENTS

A. GENERAL

- (1) If the certificate is for use with more than one plan, the submission shall include a separate set of uniquely numbered specification pages identified by a unique form number for each plan being submitted for approval. ~~along with a separate actuarial memorandum for each plan.~~ Examples of separate and distinct categories of plans would be those with a graded death benefit that is a percentage of the ultimate face amount, those with a graded death benefit that is equal to premiums paid plus interest, or those that are a combination of the two. Within each of those categories there may be plans with various premium-paying periods, such as 3 Payment Life with Graded Death Benefit or 10 Pay Life with Graded Death Benefit.

~~B. ACTUARIAL MEMORANDUM REQUIREMENTS~~

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- (1) ~~If the early duration reduced death benefit is equal to return of premiums with interest, the actuarial memorandum must describe and provide an example of how average amount of insurance is determined in calculating adjusted premiums for the nonforfeiture demonstration. The adjusted premium calculation may use annual premiums in calculating the death benefit for the average amount of insurance~~

12-17-2024 PSC call: ask Compact office if nonforfeiture demonstration is required.
3-21-2025 Compact Office suggested deletion as nonforfeiture does not apply to group term.
4-1-2025 PSC agreed to delete requirement.

C. VARIABILITY OF INFORMATION

- (1) The company may identify product specifications within a plan that may be changed without prior approval, as long as the Statement of Variability presents reasonable and realistic ranges for the item.

§ 2. GENERAL FORM REQUIREMENTS

A. COVER PAGE

- (1) The certificate shall contain a brief description that shall appear in prominent print on the cover page of certificate or is visible without opening the certificate. With regard to the description required by *Group Term Life Insurance Policy and Certificate Uniform Standards* §2 C(7), the brief description shall contain at least the following:
- (a) A caption of the type of coverage provided; for example, ~~whole~~ **term** life insurance certificate providing a limited benefit for death from natural causes in the first two certificate years with the ultimate face amount payable in the third certificate year and beyond.
- (2) The cover page shall include a statement in prominent print, “This certificate has a limited graded death benefit – Please read your contract carefully.”

B. SPECIFICATIONS PAGE

- (1) The specifications page shall show the annual premium and the dollar amounts of the early duration reduced benefits for death from natural causes and the ultimate face amount for each certificate year up until the year the ultimate face amount is payable. If the early duration reduced death benefit is equal to premiums paid plus interest, or according to some

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other simple calculation provided the result is no less than premiums paid plus interest, the specifications page shall describe the calculation and state any interest rate or other coefficient.

- (2) The specifications page shall include a statement that if death occurs as the result of an accident at any time while the certificate is in force, then the ultimate face amount shall be payable. The specifications page shall not display a death benefit payable due to natural causes and an additional death benefit payable due to accidental death, unless the accidental death benefit is referred to as a temporary accidental death benefit.
- (3) ~~If the policy/certificate generates cash values, the tabular presentation of cash values and paid up nonforfeiture benefits, whether on the Specifications Page or otherwise, shall include a corresponding presentation of the early duration reduced benefits for death from natural causes and the ultimate death benefit for subsequent certificate years.~~

11-12-2024 PSC call edit suggested.

12-17-2024 PSC call (3) should be deleted as it references a tabular presentation of cash values and cash values are not permitted.

§ 3. CONTRACT PROVISIONS

A. DEATH BENEFIT

- (1) The certificate shall state that reduced early duration death benefits shall only be applicable to death from natural causes.
- (2) The certificate shall state that the full ultimate face amount will be paid for death at any time due to accidental causes. The certificate shall describe the conditions that shall be met to be eligible for the additional benefit due to death by accident (the accidental death benefit). The conditions shall comply with the following:
 - (a) If death has to occur within a specified time period after the injury occurs, the certificate shall also disclose the time period, but shall not be more restrictive than requiring the accidental death to occur within 180 days following the date of the accidental injury; and
 - (b) The certificate may require that death be caused by an accident but such requirement shall be without regard to the means of the accident. The terms “accident”, “accidental injury” or “accidental means” shall be defined to employ “result” language and shall not include words which establish an accidental means test. The definition of “injury” may not be more restrictive than “injury means an accidental bodily injury sustained by the *Covered Person* which is a direct result of an accident, independent of disease or bodily or mental illness or infirmity or any other cause, and which occurs while the insurance benefit is in force”.

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- (3) The certificate may include the following additional conditions to be eligible for the accidental death benefit:
 - (a) A presumption of death provision which states that the *Covered Person* shall be presumed to have died as a result of accidental injury if the aircraft or other vehicle in which the *Covered Person* was traveling disappears, sinks or is wrecked, and the body of the *Covered Person* is not found for a specified number of years from the date the aircraft or other vehicle was scheduled to arrive at its destination, or the *Covered Person* is reported missing to the authorities.
 - (b) A provision which states that the company reserves the right, at its expense, to request an autopsy unless prohibited by law.
- (4) The certificate may include the following:
 - (a) An additional indemnity benefit for accidental death occurring while the *Covered Person* was riding as a fare-paying passenger on a public conveyance; and
 - (b) An additional indemnity benefit for accidental death occurring while the *Covered Person* was wearing a seat belt or the *Covered Person* was riding in a seat protected by an air bag.
- (5) The certificate shall specify any exclusion applicable to the accidental death benefit. The exclusions shall be limited to the following:
 - (a) Death caused or contributed to by disease or infirmity of mind or body, or medical or surgical treatment for such disease or infirmity;
 - (b) An infection not occurring as a direct result or consequence of the accidental bodily injury;
 - (c) Death caused or contributed to by any attempt at suicide, or intentionally self-inflicted injury, while sane or insane;
 - (d) Death caused or contributed to by travel in or descent from an aircraft, if the *Covered Person* acted in a capacity other than as a passenger;
 - (e) Death caused or contributed to by travel in an aircraft or device used for testing or experimental purposes, used by or for any military authority, used for travel beyond the earth's atmosphere;
 - (f) Death caused or contributed to by "war" or "act of war," as defined in the standards for the exclusions provision of the group ~~whole~~ **term** life certificate;

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- (g) Death caused or contributed to by active participation in a riot, insurrection or terrorist activity;
- (h) Death occurring while the proposed insured is incarcerated;
- (i) Death caused or contributed to by committing or attempting to commit a felony;
- (j) Death caused or materially contributed to by voluntary intake or use by any means of:
 - (i) Any drug, unless prescribed or administered by a physician and taken in accordance with the physician's instructions, or;
 - (ii) Poison, gas or fumes, unless a direct result of an occupational accident;
- (k) Death caused or contributed to by intoxication as defined by the jurisdiction where the accident occurred;
- (l) Death caused or contributed to by riding or driving an air, land or water vehicle in a race, speed or endurance contest;
- (m) Death occurring before the *Covered Person's* first birthday;
- (n) Death caused or contributed to by bungee jumping;
- (o) Death caused or materially contributed to by participation in an illegal occupation or activity;
- (p) Death caused or contributed to by rock or mountain climbing; and/or
- (q) Death caused or contributed to by aeronautics (hang-gliding, skydiving, parachuting, ultralight, soaring, ballooning and parasailing).

The certificate may include any other exclusions that may be approved by the Interstate Insurance Product Regulation Commission.

- (6) The period of reduced early duration death benefits for death from natural causes shall be not more than the first three certificate years.
- (7) The amount of reduced early duration death benefits for death from natural causes shall not be less than the amount of premiums paid to the time of death **plus ten percent interest.** ~~at the rate used to determine nonforfeiture values under the certificate.~~

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3-21-2025 Compact Office suggested deletion to reference to nonforfeiture values and add “ten percent interest”.

4-1-2025 PSC call agreed to expose suggested edit on public call.

B. RIGHT TO EXAMINE CERTIFICATE

- (1) For *Contributory Insurance*, the Right to Examine Certificate for the graded death benefit provision that appears on the cover page or that is visible without opening the certificate shall include the following:
 - (a) a minimum of thirty (30) days beginning on the date the certificate is received by the owner/certificateholder;
 - (b) A requirement for the return of the certificate to the company or an agent of the company. Certificate is considered void from the beginning and the parties shall be in the same position as if no policy had been issued; and
 - (c) A refund of all premiums paid, including any fees or charges, if the certificate is returned.