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SUBSTANTIVE ITEMS

5-Year Review, Phase 9 (Certain Uniform Standards Effective Between January 1, 2013 and June 30, 2014)

Substantive Change Items

Substantive change items are proposed amendments to the Uniform Standards that would change or alter the meaning, application or interpretation of the provision. Substantive change items would likely impact not only the Uniform Standards, but product filings submitted to the Insurance Compact and would be the equivalent to a change in an individual state's laws or regulations. When looking at the substantive change items, the scope of review should consider whether circumstances or underlying assumptions have changed since the last time the rule was adopted, amended or reviewed.

List of Substantive Change Items

1. Definition of Incidental GMDB – ACLI
2. Definition of child – Texas

1. DEFINITION OF INCIDENTAL GMDB

APPLIES: Scope section of the *Additional Standards for Incidental Guaranteed Minimum Death Benefits for Individual Deferred Non-Variable Annuities*

CURRENT PROVISION:

As used in these standards the following definition of Incidental GMDB applies:

1. A death benefit less than or equal to the greater of:
 - (a) 125% of the cash value, or
 - (b) (i) The accumulation of premiums (adjusted for withdrawals), at a specified annualized interest rate of 10%.
 - (ii) The death benefit provided by 1(b)(i) shall not exceed 250% of premiums (adjusted for withdrawals). For the purposes of demonstrating compliance with the above requirements, a level, compound interest rate shall be used.

COMMENTS:

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Industry Comment: The ACLI stated that they believe the current definition unnecessarily reduces policyholder value and prevents companies from filing through the Compact for products with an enhanced death benefit. As a result, they propose increasing the percentage of the cash value from 125% to 150% to allow more value to be passed on to the policyholder; adding “150% of the account value” since death benefits are generally based on account value and increasing the percentage in 1. (b)(ii) from 250% to 400%. They note that the current limit becomes applicable in approximately the 15th contract year; however, annuities are generally held much longer and thus the proposed limit would allow growth over a longer period of time, enhancing the value to the policyholder.

The ACLI indicates that they believe these changes will retain qualification as an incidental death benefit while adding policyholder value and increasing Compact utilization for these benefits. They note that presently, fixed indexed annuity products have income values that surpass the ‘incidental’ limits currently in the language. Some products allow the income value to be taken as a death benefit in order to allow the beneficiary to access the income value. Because these products are simply allowing other ways to access the income value, the value of the death benefit should still be considered incidental.

ACLI is not aware of an impact to any existing NAIC Models, nor of any specific benefit or concern to regulators. They state the benefit to consumers and insurance companies is that this could add value to policyholders’ cash and/or account values.

ACLI proposed change:

As used in these standards the following definition of Incidental GMDB applies:

1. A death benefit less than or equal to the greater of:
 - (a) ~~125~~150% of the cash value, ~~or~~
 - (b) 150% of the account value, or
 - (c) (i) The accumulation of premiums (adjusted for withdrawals), at a specified annualized interest rate of 10%.

(ii) The death benefit provided by 1(~~bc~~)(i) shall not exceed ~~400~~250% of premiums (adjusted for withdrawals). For the purposes of demonstrating compliance with the above requirements, a level, compound interest rate shall be used.

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Insurance Compact Office Comments/Observations: The Insurance Compact Office have not had any company feedback on the limitations of the incidental death benefit amount nor aware of any filings where it was an issue for a company to comply with the incidental limit. The Insurance Compact Office would note the incidental death benefit requirement for this annuity benefit feature was intended to set a limitation on the death benefit that was small enough or incidental enough to justify not requiring compliance with life insurance nonforfeiture requirements.

Insurance Compact Office Recommendation:

The Compact Office has no specific recommendation and suggests the Product Standards Committee refer this item to the Actuarial Working Group for consideration of whether this request would impact the incidental nature of the death benefit.

Insurance Compact Office Update following the October 26, 2021 member call: The Compact Office provided a summary of the Actuarial Working Group (AWG) review. The AWG asked the ACLI to respond to questions to help the AWG measure the impact of what it means for the death benefit to be incidental. ACLI declined to provide a response to the request. The AWG advised the PSC that it did not have sufficient information to recommend a change to the current definition. The PSC recommends no change to the current definition.

2. DEFINITION OF CHILD

APPLIES: § 3. TERMS AND CONCEPTS (4) of the *Group Term Life Insurance Policy and Certificate Standards for Employer Groups*

CURRENT PROVISION:

§3. TERMS AND CONCEPTS

(4) “Child” at a minimum, means the Employee’s biological/natural children, adopted children, children placed for adoption, and any other children required to be covered under the civil union, domestic partnership, marriage or other family or domestic relations laws of the state where the policy is delivered or issued for delivery. The term may also include other children in whose lives the Employee or the Employee’s Spouse has an insurable interest.

.....

(c) Coverage for a Child shall be made available to age 19, and may be extended

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(d) Beginning at age 19, the following conditions may also be imposed: (i) A condition that the Child not be employed on a Full-Time basis. (ii) A condition that the Child be a full-time student at a school, college or university (an accreditation requirement and/or a requirement that the school, college or university is licensed in the jurisdiction where it is located may also be included); coverage may also be extended to part-time students of such institutions and/or a child in the service of a non-profit organization during the period of such service. (iii) For purposes of subparagraph (ii) above, the terms “full-time” and “part-time” may be defined based on credit or course load requirements.

COMMENTS:

Regulator comments: Texas Department of Insurance (TDI) submitted a comment that the Texas Insurance Code §1131.802 has a higher age limit regarding coverage of children in group policies to age 25. Under the Compact, if the group policy covers children, it requires coverage through age 19 and permits coverage beyond age 19 and allows restrictions on the circumstances of the child that are not in the Texas statute. Under Texas law, a group policy may cover children through age 26 with few exceptions. TDI does not make a specific request for language change.

Insurance Compact Office Comments/Observations: The current standard requires coverage to age 19 and coverage may be extended beyond age 19 without an age limit. The Texas statute does not appear to impose a coverage requirement for a certain age and permits coverage to be extended to 25 years of age or older. The Texas Insurance Code §1131.802 does not include the optional conditions for coverage which a company may apply if the child is over age 19.

The Insurance Compact Office observes in several filings, companies bracket the child’s age with variability ranging from 19 to as high as 31.

Insurance Compact Office Recommendation

The Compact Office has no specific recommendation and suggests that the Product Standards Committee discuss whether certain aspects of the Texas statute should be considered. The PSC may wish to understand age requirements and conditions in the Compacting States for group term life insurance and solicit comments from filing companies on the impact of changing the definition of Child.

Insurance Compact Office Update following the October 26, 2021, member call: The Product Standards Committee asked members to review their state statutes regarding the

SUBSTANTIVE ITEMS

5-Year Review, Phase 9 (Certain Uniform Standards Effective Between January 1, 2013 and June 30, 2014)

definition of child for group term life insurance policies. There was consensus that child coverage was voluntary at the discretion of the employer. Most state statutes did not have any age requirements or other limitations for employer group term policies. The PSC reviewed several policies filed with the Compact. The child definitions included many variations that could be added at the discretion of the employer. The PSC is not recommending a change to the current definition.

SUBSTANTIVE ITEMS

5-Year Review, Phase 9 (Certain Uniform Standards Effective Between
January 1, 2013 and June 30, 2014)

CLARIFICATION ITEMS

5-Year Review, Phase 9 (Certain Uniform Standards Effective Between January 1, 2013 and June 30, 2014)

Clarification Items

Clarification items are proposed edits to clarify the meaning, application, and/or intent of a provision in the Uniform Standard. Clarification items would not change the meaning or effect of the provision or the current application and interpretation of the provision or Uniform Standard but would provide further or detailed explanation, description, or specification to the language in the Uniform Standard. The clarification items are compiled not only from suggestions or issues in the Comments but also from questions, issues, and circumstances that have arisen in the application and interpretation of the Uniform Standards by the IIPRC product and actuarial reviewers.

List of Clarification Items

1. Definition of Incidental GMDB – Insurance Compact Office
2. Definition of Dismemberment – Insurance Compact Office

CLARIFICATION ITEMS

5-Year Review, Phase 9 (Certain Uniform Standards Effective Between January 1, 2013 and June 30, 2014)

1. DEFINITION OF INCIDENTAL GMDB

APPLIES: Scope section of the *Additional Standards for Incidental Guaranteed Minimum Death Benefits for Individual Deferred Non-Variable Annuities*

CURRENT PROVISION:

As used in these standards the following definition of Incidental GMDB applies:

2. A death benefit less than or equal to the greater of:
 - (a) 125% of the cash value, or
 - (b) (i) The accumulation of premiums (adjusted for withdrawals), at a specified annualized interest rate of 10%.
 - (ii) The death benefit provided by 1(b)(i) shall not exceed 250% of premiums (adjusted for withdrawals). For the purposes of demonstrating compliance with the above requirements, a level, compound interest rate shall be used.

COMMENTS:

Insurance Compact Office Comments/Observations: The Insurance Compact Office notes that the use of the phrase “adjusted for withdrawals” has caused questions and confusion with filers and suggests substituting “premiums minus withdrawals” for clarity.

IIPRC Office Recommendation: The Insurance Compact Office suggests that the PSC consider the language offered to add clarity to this provision. The Office also notes that whether the PSC makes the changes suggested by ACLI under Substantive Comment 1, adding this language to their proposed change would still provide clarity.

Revised section:

As used in these standards the following definition of Incidental GMDB applies:

3. A death benefit less than or equal to the greater of:
 - (a) 125% of the cash value, or
 - (b) (i) The accumulation of premiums ~~less~~(adjusted for withdrawals), at a specified annualized interest rate of 10%.

CLARIFICATION ITEMS

5-Year Review, Phase 9 (Certain Uniform Standards Effective Between January 1, 2013 and June 30, 2014)

- (ii) The death benefit provided by 1(b)(i) shall not exceed 250% of premiums ~~less (adjusted for~~ withdrawals). For the purposes of demonstrating compliance with the above requirements, a level, compound interest rate shall be used.

Insurance Compact Office Update following the October 26, 2021, member call: The Substantive change is not being made, but the Compact Office would still like the phrase “premiums adjusted for withdrawals” changed to “premiums less withdrawals”.

CLARIFICATION ITEMS

5-Year Review, Phase 9 (Certain Uniform Standards Effective Between January 1, 2013 and June 30, 2014)

2. DEFINITION OF DISMEMBERMENT

APPLIES: Scope section and Benefits Section of the *Group Term Life Insurance Uniform Standards for Accidental Death and Dismemberment*

CURRENT PROVISION:

“Dismemberment” includes any loss described in Items 3, 4 and 7 of Section 2.A of these standards

§2A (7) The provisions may include benefits for other losses that are approved by the Interstate Insurance Product Regulation Commission.

COMMENTS:

Insurance Compact Office Comments/Observations: The Insurance Compact Office has requested catch-all provisions in Uniform Standards be removed as they do not provide sufficient standards to make a determination whether benefits not otherwise specifically listed are within scope.

Insurance Compact Office Recommendation: The Insurance Compact Office requests this provision be deleted.

“Dismemberment” includes any loss described in Items 3, **and** 4 ~~and~~ 7 of Section 2.A of these standards.

~~§2A (7) — The provisions may include benefits for other losses that are approved by the Interstate Insurance Product Regulation Commission.~~

Insurance Compact Office Update following the October 26, 2021, member call: The PSC agreed that this provision be deleted.

CLARIFICATION ITEMS

5-Year Review, Phase 9 (Certain Uniform Standards Effective Between
January 1, 2013 and June 30, 2014)

CONFORMING AMENDMENTS

5-Year Review, Phase 9 (Certain Uniform Standards Effective Between January 1, 2013 and June 30, 2014)

Conforming Amendments

Pursuant to Article III of the Bylaws of the Interstate Insurance Product Regulation Commission, the Commission established procedures for Conforming Amendments to Uniform Standards. A conforming amendment is an amendment to an existing Uniform Standard where the substantive provisions of the amendment are included in another adopted Uniform Standard and the amendment will have the same substantive effect on the application of the existing Uniform Standard as it does on in the other adopted Uniform Standard. As part of the Five -Year Review process, the applicable changes adopted by the Commission in prior phases of the Five-Year review will be presented as conforming amendments to standards subject to this phase of the process. These items will be presented to the Management Committee for Conforming Amendments.

List of Conforming Amendments

1. Conformity with Interstate Insurance Product Regulation Commission
2. Fraud Notice/Warning

CONFORMING AMENDMENTS

5-Year Review, Phase 9 (Certain Uniform Standards Effective Between January 1, 2013 and June 30, 2014)

1. CONFORMITY WITH INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION

APPLIES: §4 E. Conformity with the Interstate Insurance Product Regulation Commission Standards of the *Group Term Life Insurance Policy and Certificate Standards for Employer Groups*

CONFORMING AMENDMENT

§ 4 POLICY AND CERTIFICATE PROVISIONS

E. CONFORMITY WITH INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION STANDARDS

The policy and certificate shall state that it was approved under the authority of the Interstate Insurance Product Regulation Commission and issued under the Commission standards. The policy and certificate shall also state that any provision of the policy and certificate that on the provision's effective date is in conflict with the applicable Interstate Insurance Product Regulation Commission standards for this product type in effect as of the provision's effective date of Commission policy and certificate approval is hereby amended to conform to the applicable Interstate Insurance Product Regulation Commission standards in effect as of the provision's effective date of Commission policy and certificate approval ~~for this product type as of the provision's effective date.~~

CONFORMING AMENDMENTS

5-Year Review, Phase 9 (Certain Uniform Standards Effective Between January 1, 2013 and June 30, 2014)

2. FRAUD NOTICE/WARNING

APPLIES: §5 F. (1) Fraud Notice/Warning of the *Group Term Life Insurance Enrolment Forms and Statement of Insurability Forms*

CONFORMING AMENDMENT

- (1) The statement of insurability shall include the following fraud notice/warning. ~~The notice/warning shall include language similar to the following:~~ “Any person who knowingly presents a false statement in an application for insurance may be guilty of a criminal offense and subject to penalties under state law.”

CONFORMING AMENDMENTS

5-Year Review, Phase 9 (Certain Uniform Standards Effective Between
January 1, 2013 and June 30, 2014)

TECHNICAL ITEMS

5-Year Review, Phase 9 (Certain Uniform Standards Effective Between January 1, 2013 and June 30, 2014)

Technical Items

Technical items are proposed changes and corrections to the Uniform Standards to make formatting, typographical, and/or drafting corrections that would not change the meaning or effect of the provision, or the current application and interpretation of the provision or applicable Uniform Standards. Technical items would also encompass changes that would make the Uniform Standards consistent with one another where appropriate, in terms of formatting and wording. The IIPRC Office will insert and clearly distinguish technical items in the Uniform Standards. As has been the practice when making technical changes to the Uniform Standards during the rulemaking process, these technical items will not be specifically discussed unless there is a concern or question raised by members, regulators, or interested parties.

List of Technical Change Items

1. Inclusion of Table of Contents
2. Inclusion of Standard Title in Header
3. Mix and Match - Correction of Reference
4. Terms and Concepts – Correct formatting
5. Terms and Concepts – Enrollment Form

TECHNICAL ITEMS

5-Year Review, Phase 9 (Certain Uniform Standards Effective Between January 1, 2013 and June 30, 2014)

1. INCLUSION OF TABLE OF CONENTS

APPLIES: All Uniform Standards subject to Phase 9 of the Five-Year review.

CURRENT PROVISION: These Uniform Standards do not contain a Table of Contents.

COMMENTS:

Insurance Compact Office Observation: The Insurance Compact Office received a suggestion through the website to include a Table of Contents in all Uniform.

Insurance Compact Office Recommendation: The Insurance Compact Office agrees with this suggestion and has been incorporating Table of Contents to all Uniform Standards as they become subject to Five Year review.

TECHNICAL ITEMS

5-Year Review, Phase 9 (Certain Uniform Standards Effective Between January 1, 2013 and June 30, 2014)

2. INCLUSION OF STANDARD TITLE IN HEADER

APPLIES: All Uniform Standards subject to Phase 9 of the Five-Year review.

CURRENT PROVISION: These Uniform Standards do not contain the name of the Uniform Standard in the header.

COMMENTS:

Insurance Compact Office Observation: The Insurance Compact Office notes that the header currently provides the effective date of the standard but does not identify the standard. It is sometimes difficult to identify the Standard when multiple Standards are viewed at the same time.

Insurance Compact Office Recommendation: The Insurance Compact Office recommends adding the title of the standard to the header of all Uniform Standards subject to Phase 9 of the five year review.

3. MIX AND MATCH – CORRECTION OF REFERENCE

APPLIES: All Uniform Standards subject to Phase 9 of the Five-Year review.

CURRENT PROVISION:

Mix and Match: These standards are available to be used in combination with State Product Components as described in Section 110(b) of the Operating Procedure for the Filing and Approval of Product Filings.

COMMENTS:

Insurance Compact Office Comment/Observation: The reference to the applicable section in the Operating Procedure for the Filing and Approval of Product Filings requires updating to reflect adopted amendments.

TECHNICAL ITEMS

5-Year Review, Phase 9 (Certain Uniform Standards Effective Between January 1, 2013 and June 30, 2014)

Insurance Compact Office Recommendation: The Insurance Compact Office recommends that the reference be amended to refer to Section 111(b) of the Operating Procedure for the Filing and Approval of Product Filings.

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.

TECHNICAL ITEMS

5-Year Review, Phase 9 (Certain Uniform Standards Effective Between January 1, 2013 and June 30, 2014)

4. TERMS AND CONCEPTS – CORRECT FORMATTING

APPLIES: §3 TERMS AND CONCEPTS in the *Group Term Life Insurance Policy and Certificate Standards for Employer Groups*

CURRENT PROVISION:

§ 3. TERMS AND CONCEPTS The policy and the certificate shall define certain terms or describe concepts that, as used, will have specific meanings. If the policy or certificate includes the terms and concepts set forth below, the policy and certificate shall define the terms or describe the concepts in a manner consistent with the policyholder’s plan and the insurance company’s underwriting guidelines. The terms and concepts included below reflect the parameters that are common in the group life market today but may vary from insurance company to insurance company and policyholder to policyholder. Consequently, the terms included below are examples of language used in group life filings today, but, except as otherwise noted in the terms and concepts for “Child,” are not intended to prescribe how each insurance company and each policyholder should define their terms or describe their concepts. The insurance company may identify defined terms or concepts by initial capitalization, italicizing, bolding or other form of highlighting. The plural use of terms defined in the singular shall share the same meaning.

(1) “*Actively at Work or Active Work*” ... (2) “*Beneficiary*” ...

COMMENTS:

Insurance Compact Office Observation: Some terms are italicized throughout the Uniform Standard and some are not. In addition, for a term that is two words, sometimes the second word is capitalized while other times it is not.

Insurance Compact Office Recommendation: The Insurance Compact Office recommends reviewing the Uniform Standard to be sure that all terms listed in the Terms and Concepts section are referenced consistently in the standards using italics and consistent capitalization for two-word terms.

TECHNICAL ITEMS

5-Year Review, Phase 9 (Certain Uniform Standards Effective Between January 1, 2013 and June 30, 2014)

5. TERMS AND CONCEPTS – ENROLLMENT FORM

APPLIES: §3 TERMS AND CONCEPTS (10) in *the Group Term Life Insurance Policy and Certificate Standards for Employer Groups*

CURRENT PROVISION:

(10) “Enrollment form” as used in these standards means any form used to enroll for insurance benefits under a group policy.

COMMENTS:

Insurance Compact Office Observation: The phrase "as used in these standards" is inconsistent with the phrasing in rest of the definitions in this section as well as the preamble to the section.

Insurance Compact Office Recommendation: The Insurance Compact Office recommends deleting the phrase “as used in these standards” for clarity and consistency with other defined terms.

(10) "Enrollment form" ~~as used in these standards~~ means any form used to enroll for insurance benefits under a group policy.

TECHNICAL ITEMS

5-Year Review, Phase 9 (Certain Uniform Standards Effective Between January 1, 2013 and June 30, 2014)

Phase 9 Standards

IIPRC-AB-02-I-GMDB

Additional Standards for Incidental Guaranteed Minimum Death Benefits for Individual Deferred Non-Variable Annuities

IIPRC-L-04-G-EG

The Group Term Life Insurance Policy and Certificate Standards for Employer Groups

IIPRC-L-04-G-EG-ADDB

The Group Term Life Insurance Uniform Standards for Accidental Death and Dismemberment Benefits

IIPRC-L-04-G-EG-ADB

The Group Term Life Insurance Uniform Standards for Accidental Death Benefits

IIPRC-L-04-G-EG-AccelDB

Group Term Life Insurance Uniform Standards for Accelerated Death Benefits

IIPRC-L-04-G-EG-WOP

The Group Term Life Insurance Uniform Standards for Waiver of Premium While the Employee is Totally Disabled

IIPRC-L-04-G-EG-EFSIF

The Uniform Standards for Group Term Life Insurance Enrollment Forms and Statement of Insurability Forms

IIPRC-L-04-G-EG-SIGF

The Uniform Standards for Group Term Life Insurance Statement of Insurability Change Form

IIPRC-L-04-G-EG-CERT CHANGE

The Uniform Standards for Riders, Endorsements or Amendments Used to Effect Group Term Life Insurance Certificate Changes

IIPRC-L-04-G-EG-POL CHANGE

TECHNICAL ITEMS

5-Year Review, Phase 9 (Certain Uniform Standards Effective Between January 1, 2013 and June 30, 2014)

The Uniform Standards for Riders, Endorsements or Amendments Used to Effect Group Term Life Insurance Policy Changes