SOCIETY OF ACTUARIES

Report on Life and Annuity Living Benefit Riders

Considerations for Insurers and Reinsurers

Appendix II: Report on Life and Annuity Living Benefits Survey

April 2015-Revised

SOCIETY OF ACTUARIES

Report on Life and Annuity Living Benefit Riders

Considerations for Insurers and Reinsurers

Appendix II: Report on Life and Annuity Living Benefit Survey

SPONSORS

Product Development Section
Reinsurance Section
Committee on Life Insurance Research

AUTHORS

Carl Friedrich, FSA, MAAA
Jody Mistal, FSA, MAAA
Sue Saip, FSA, MAAA

TABLE OF CONTENTS

Acknowledgement

The authors would like to thank the Society of Actuaries (SOA) and the following members of the Project Oversight Group and SOA staff for their time and direction in developing the research and this report.

Greg Brandner, FSA, MAAA, chair
Jeff Beckley, FSA, MAAA
Kenneth Birk, FSA, MAAA, CERA
Ing Chian Ching, FSA
Matthew Fingerhut, FSA, MAAA
Jean-Marc Fix, FSA, MAAA
Michael Palace, ASA, MAAA
Steve Schoonveld, FSA, MAAA
Jan Schuh, SOA senior research administrator
Parag Shah, FSA, MAAA
Ronora Stryker, ASA, MAAA, SOA research actuary

A special thank you is extended to the contributing companies for making this research (both direct writers and reinsurers) such a success. The high level of participation is indicative of the interest in this topic and their involvement makes such research projects possible.

Disclaimer of Liability

Milliman, Inc. ("Milliman") has relied upon the information and data supplied by the survey participants. We performed no reviews or independent verification of the information furnished to us, although we have reviewed the data for general reasonableness and consistency. To the extent that there are material errors in the information provided, the results of our analysis will be affected as well. Any distribution of this report must be in its entirety. Nothing contained in this report is to be used in any filings with any public body, including, but not limited to state regulators, the Internal Revenue Service, and the U.S. Securities and Exchange Commission.

Milliman, its directors, officers and employees disclaim liability for any loss or damage arising or resulting from any error or omission in Milliman's analysis and summary of the survey results or any other information contained herein. The report is to be reviewed and understood as a complete document.

This report is published by the Society of Actuaries and contains information based on input from companies engaged in the insurance industry. The information published in this report was developed from actual information. Neither the SOA, Milliman nor the participating companies recommend, encourage or endorse any particular use of the information provided in this report. The SOA and Milliman make no warrant, guarantee or representation whatsoever and assume no liability or responsibility in connection with the use or misuse of this report. Any observations made may not necessarily be indicative or construed as representative of the entire living benefits market.

Project Overview

The Society of Actuaries (SOA) Product Development Section and Reinsurance Section, along with the Committee on Life Insurance Research have sponsored this research paper to investigate life and annuity living benefit riders and their implications from both a direct writer and a reinsurer perspective. The SOA engaged a team at Milliman led by Carl Friedrich to conduct this research.

The scope of the research includes the following products:

Accelerated Death Benefits (ADB) for Chronic Illness
ADB for Terminal Illness
ADB for Critical Illness
Life/Long Term Care Insurance (LTCI) Accelerated Benefits
Life/LTCI Linked-Benefit Plans
Annuity/LTCI Linked-Benefit Plans
Annuity Enhanced Payout Benefits triggered by a qualifying health condition

Please note that Guaranteed Lifetime Withdrawal Benefits (GLWBs), Guaranteed Minimum Income Benefits (GMIBs) and other living benefits not triggered by a covered health event are not included, nor are annuities that merely waive surrender charges when a health event occurs.

The SOA and Milliman conducted a survey of 34 direct writers relative to living benefit riders on U.S. individual life insurance and annuity products. This detailed report covers the findings of the survey. Please note that in some cases the number of respondents to the survey questions was low, so this may not be indicative of the total market. The scope of the research included:

- Sales
- Benefit Features
- Compensation
- Underwriting
- Benefit Charge Structure
- Claims
- Administrative Handling
- Reinsurance
- Pricing Implications
- Reserves
- Target Surplus
- Agent Licensing/Training
- State Filing

The survey was conducted of individual life and annuity companies offering living benefits. Questions were jointly developed by Milliman and the Project Oversight Group. The survey was administered in two parts: Part I: Sales, and Part II: All Other Topics.

This survey included questions relative to the following living benefit categories:

- Life Insurance benefits
    - Accelerated Death Benefits (ADB) for Chronic Illness
    - ADB for Terminal Illness
    - ADB for Critical Illness
    - Long Term Care Insurance (LTCI) Accelerated Benefits
    - LTCI Linked-Benefit Plans

- Annuity benefits
    - LTCI Linked-Benefit Plans
    - Enhanced Payout Benefits triggered by a qualifying health condition

Guaranteed Lifetime Withdrawal Benefits, Guaranteed Minimum Income Benefits, and other living benefits not triggered by a qualifying health condition were not included in the survey. The scope of the survey also excluded annuities that merely waive surrender charges when a qualifying health condition occurs.

Responses to Part I and Part II of the survey were submitted to the SOA. The SOA then forwarded Part II responses to the researchers, and summary level information for Part I for some sections of the survey. Milliman analyzed the responses to Part II and summarized the results for both Part I and Part II. Individual company responses were identified as Response #1, #2, #3, etc., to retain anonymity. The names of the companies that participated in the survey, however, were disclosed and are included in Appendix A.

The respondents to Part I and Part II of the survey are not the same. While the majority of respondents participated in both Part I and Part II of the survey, there were some respondents that decided to participate in only Part I or Part II.

Please note that although the report is written in present tense in a number of sections, the information provided is purely based on data as of the time of the survey responses (mid 2014) or shortly thereafter.

Introduction

The focus of the survey was on living benefits offered on individual life insurance and annuity products. There is a high level of interest in these benefits throughout the life insurance industry, as they have been gaining popularity in recent years.

This report summarizes the responses received from the survey participants. An executive summary of the survey is included in a separate report entitled "Report on Life an Annuity Living Benefit Riders: Considerations for Insurers and Reinsurers". That report provides background information on these products, and covers the highlights of the survey responses, as well as commentary and analysis relative to those responses.

Survey participants were asked to provide responses relative to living benefits issued from 2011 through 2013. The survey allowed for the submission of responses for more than one plan by company within a particular living benefit category. Responses were received from 34 companies relative to 83 different living benefit plans. Seven of the 34 participants submitted responses for multiple plans within one or more living benefit categories. None of the participants submitted responses to the questions in the Enhanced Payout Benefits section.

Note that in some cases, respondents left a question blank, so the total of such responses may not equal the total number of participants or the total number of riders, as applicable, within a particular living benefit category.

A list of the 34 participants can be found in Appendix A.
A glossary of terms may be found in Appendix B.

ADB for Chronic Illness

Accelerated death benefits under chronic illness riders are paid if the insured has a chronic illness condition. Benefit triggers typically include those that utilize a combination of activities of daily living (ADLs) and cognitive impairment, or permanent nursing home confinement. These riders are typically filed under Accelerated Benefits Model Regulation 620 and related state variations, including the Interstate Insurance Product Regulation Commission (IIPRC) Standards for Accelerated Benefits.

Nineteen of the 34 survey participants responded to questions relative to ADB for chronic illness benefits. Three of the 19 provided responses for more than one ADB for chronic illness plan. A total of 23 plans were reported for ADB for chronic illness. ADB for terminal illness was the only other living benefit type that received more responses.

PART I

1. Sales

a. Total First Year Premium

Total first year premium was reported by 17 survey participants relative to ADB for chronic illness benefits. The 17 participants reported sales for 21 plans. Total first year premium refers to the total actual dollars of premium received in the period for the entire policy for all policies in which the chronic illness accelerated death benefit is included. Total premiums reported equaled about $682 million in calendar year 2011, $1.3 billion in 2012, and $1.2 billion in calendar year 2013. The table in Figure 1 shows total sales by calendar year reported by survey participants, as well as the average and median sales per plan.

Figure 1: First Year Premium – ADB for Chronic Illness Riders

Calendar Year	Number of Plans	ADB for Chronic Illness Sales ($ millions)		
		Total	Average	Median
2011	11	$681.7	$62.0	$24.9
2012	17	$1,334.6	$78.5	$16.9
2013	21	$1,196.9	$57.0	$14.9

b. Total 2013 First Year Premium Broken Down by Issue Age Range

Total chronic illness ADB sales by issue age ranges were reported for calendar year 2013 by 16 survey participants for 20 plans. The average issue age in 2013 was 59. The range with the greatest sales is issue ages 60 to 64 (11.3%). The range with the least sales is issue ages 30 to 34 (3.7%). The table in Figure 2 shows the distribution of chronic illness accelerated benefit rider (ABR) sales for calendar year 2013 by issue age range.

Figure 2: First Year Premium Distribution by Issue Age Range – ADB for Chronic Illness Riders

Issue Age Range	Distribution of Sales
< 30	4.4%
30 – 34	3.7%
35 – 39	5.3%
40 – 44	6.6%
45 – 49	8.3%
50 – 54	10.3%
55 – 59	10.6%
60 – 64	11.3%
65 – 69	10.4%
70 – 74	10.6%
75 – 79	10.5%
80+	8.0%

The total, average, and median sales by issue age range for the 20 chronic illness accelerated death benefit plans are shown in Figure 3. The highest average sales were reported for the 80+ issue age range, and the lowest average sales were reported for the 30 to 34 range.

Figure 3: First Year Premium by Issue Age Range – ADB for Chronic Illness Riders

Issue Age Range	Number of Plans	ADB for Chronic Illness Sales ($ millions)		
		Total	Average	Median
< 30	17	$52.8	$3.1	$0.8
30 – 34	16	$44.1	$2.8	$0.6
35 - 39	17	$63.6	$3.7	$0.9
40 – 44	17	$79.2	$4.7	$1.1
45 - 49	16	$98.7	$6.2	$1.5
50 - 54	19	$122.7	$6.5	$2.3
55 - 59	20	$126.5	$6.3	$1.8
60 - 64	20	$135.7	$6.8	$2.1
65 - 69	20	$124.9	$6.2	$1.9
70 – 74	20	$126.9	$6.3	$0.8
75 - 79	18	$125.3	$7.0	$0.5
80+	11	$96.0	$8.7	$0.7

c. Total 2013 First Year Premium Broken down by Distribution Channel

Total chronic illness ADB sales by distribution channel were reported for calendar year 2013 by 16 survey participants for 20 plans. (This is a different group of 16 participants than reported sales by issue age range.) Sales of chronic illness ADBs were reported in seven different channels by survey participants. Of the two participants that reported sales in an "Other" channel, one provided a description of the channel. It described the channel as "home office". The channel with the greatest sales is the agency building channel (23.8%). The channel with the least sales is the "Other" channel. The table in

Figure 4 shows the distribution of chronic illness ABR sales for calendar year 2013 by distribution channel. No sales were reported in the home service, worksite, or direct response channels.

Figure 4: First Year Premium Distribution by Channel – ADB for Chronic Illness Riders

Distribution Channel	Distribution of Sales
Agency Building	23.8%
Multiple-Line Exclusive Agents	12.0%
Personal-Producing General-Agent	16.7%
Broker	23.5%
Wirehouse	1.2%
Banks & Financial Institutions	22.8%
Other	< 0.1%

The total, average, and median sales by distribution channel for the 20 chronic illness accelerated death benefit plans are shown in Figure 5. The highest average sales were reported for the bank and financial institutions channel, and the lowest average sales were reported for the "Other" channel.

Figure 5: First Year Premium by Distribution Channel – ADB for Chronic Illness Riders

Distribution Channel	Number of Plans	ADB for Chronic Illness Sales ($ millions)		
		Total	Average	Median
Agency Building	9	$282.6	$31.4	$12.7
Multiple-Line Exclusive Agents	5	$142.7	$28.5	$7.7
Personal-Producing General-Agent	6	$198.7	$33.1	$4.1
Broker	12	$279.1	$23.3	$5.0
Wirehouse	2	$14.6	$7.3	$7.3
Banks & Financial Institutions	3	$271.4	$90.5	$27.4
Other	2	$0.2	$0.1	$0.1

PART II

2. Benefit Features

a. Target Markets

Only six of the 19 participants reported specific target markets for the sale of accelerated death benefits for chronic illness. Two of the five target the wealth transfer

market, with the first targeting insureds ages 50 and older and the second ages 55 and older. Two additional participants reported that the middle market is targeted. The first of the two targets middle income individuals in the individual and worksite markets, and the second targets middle market universal life (UL) sales. The fifth participant reported targeting the affluent from ages 50 to 75. The final participant indicated that it targets purchasers of whole life products.

An additional seven comments were received regarding target markets for ADB for chronic illness benefits. These responses were more generic, such as:

- Any insured/product where the rider is available
- Rider automatically included at issue for applicable products and eligible insureds. Varies by base product.
- Everyone
- No specific market
- General life insurance market
- Currently sold products
- Markets where the customer wants illness protection and access to the death benefit in addition to life insurance

b. Governing Tax Law

Of the 23 chronic illness ADB plans reported, the governing tax law is Section 101(g) of the Internal Revenue Code (IRC) for 12 plans. Two plans were reported as governed under Section 7702B of the IRC. Of the remaining nine plans, four are reportedly governed under both Section 101(g) and Section 7702B of the IRC. (Note that 101(g) of the IRC refers to Section 7702B, which may explain this response.) Neither section of the IRC was identified as applying to the final five plans.

c. Optionality of Rider

The majority (13) of ADB for chronic illness benefits offered by survey participants are automatically included with the base policy. Two additional participants offer the benefit by rider, but it is automatically included with all policies. Of these 15 plans, seven use the discounted death benefit approach, five use the lien approach, and the remaining three use the dollar-for-dollar benefit reduction approach.

The final eight plans are optional benefits offered by rider. Of the eight, two use the discounted death benefit approach, three the lien approach, and another three the dollar-for-dollar benefit reduction approach.

d. Base Product Chassis

Accelerated death benefits under chronic illness riders are offered on a variety of base life insurance product chassis. The majority of chronic illness benefits are offered on multiple base product chassis. Thirteen of the 23 plans are offered on more than one chassis. Six of the 23 are offered on universal life products only, and four additional plans are offered on whole life products only. Figure 6 includes a summary of the number of different base product chassis used with chronic illness plans reported by survey participants.

Figure 6: Number of Different Base Product Chassis for ADB under Chronic Illness Riders

Number of Different Base Products	Base Products	Number of Chronic Illness Plans
4	UL, Whole Life, Variable Life, Indexed UL	1
	UL, Whole Life, Term, Other	1
3	UL, Variable Life, Indexed UL	5
	UL, Whole Life, Indexed UL	1
2	UL, Whole Life	2
	UL, Term	1
	UL, Indexed UL	1
	Single Premium Whole Life, Single Premium Indexed Whole Life	1
1	UL	6
	Whole Life	4

The most popular chassis reported by survey participants is a universal life chassis, followed by whole life, indexed UL (IUL), variable life (VL), and term insurance. Two participants reported that chronic illness ADBs are included with other base products. The first of the two reported these benefits are included with single premium whole life and indexed single premium whole life plans. The second of the two did not provide a description of the other base product chassis. Figure 7 below includes a summary of the number of chronic illness plans available by base product type.

Figure 7: Base Product Chassis for Chronic Illness Benefits

Base Product	Number of Chronic Illness Plans
Universal Life	17
Whole Life	10
Indexed UL	8
Variable Life	6
Term Insurance	2
Other	2

e. Single Life vs. Second-to-Die

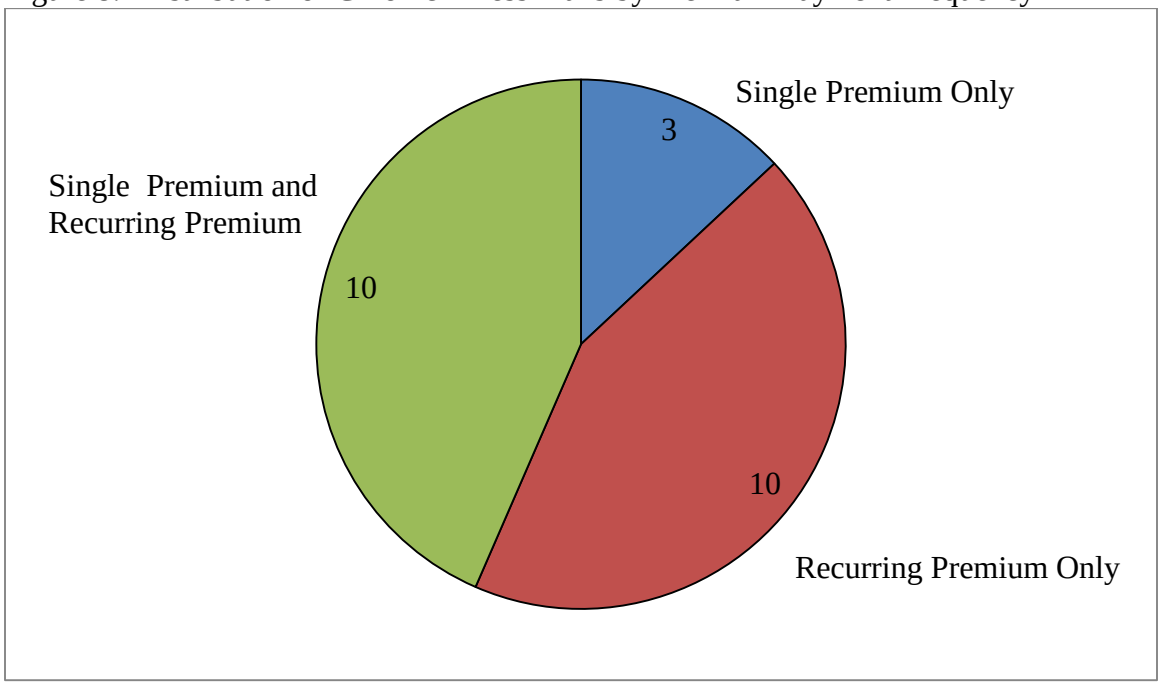
Of the 23 chronic illness plans, 18 are offered on a single life base product. Four of the remaining five plans are offered on both a single life and a second-to-die base product. The final plan is offered on a first-to-die base product.

f. Single Premium vs. Recurring Premium

Survey participants reported that chronic illness accelerated death benefits are equally attached to recurring premium products only, and to both single premium and recurring premium products. Figure 8 shows the number of chronic illness plans attached to

single premium products only, recurring premium products only, or to both single and recurring premium products.

Figure 8: Distribution of Chronic Illness Plans by Premium Payment Frequency



Responses were received regarding the premium limits on recurring premium plans for 13 survey plans. No response was received regarding the remaining seven recurring premium chronic illness ADB plans. Eight of the 13 plans reported no premium limit; however, one of the eight has a requirement that the policy must meet a minimum face amount limit of $100,000. One participant reported a $7.5 million first year premium limit. A second reported that for whole life products the payment period is limited to that chosen (e.g., 10 years, 15 years, to age 65, or to age 100). Three additional comments were received from survey participants regarding premium limits on recurring premium products. The first reported that the chronic illness ADB is available on limited payment products, as well as full payment and UL. The second of the three reported that it is available with single-pay, 3-pay, 5-pay, and 10-pay plans. The third participant simply stated that its chronic illness ADB is available on flexible premium UL products.

g. Death Benefit Options

The death benefit options allowed at issue on the underlying life coverage for UL, variable UL, or Indexed UL base products, were reported by 17 survey participants. Two chronic illness ADB plans allow death benefit option A only at issue. Six plans allow death benefit options A and B at issue, and nine allow death benefit options A, B, and C at issue.

The death benefit options allowed during claim (i.e., once the policyholder starts accelerating the death benefit) on UL, variable UL, or Indexed UL base products were

reported for all but one of the 17 plans where the death benefit options allowed at issue were reported. The same options are allowed during claim for all except three of the plans. For those three, death benefit option A is the only option allowed during claim. Two of the three plans allowed options A, B, and C at issue and the third allowed options A and B at issue. Figure 9 shows a comparison of the death benefit options allowed at issue versus during claim.

Figure 9: Death Benefit Options Allowed During Claim

Death Benefit Option	Number of Chronic Illness Plans (on UL, VUL, and IUL Base Products Only)	
	At Issue	During Claim
A Only	2	5
A and B	6[1]	4
A, B, and C	9	7

h. Benefit Payment Approach

The benefit payment approach used by survey participants in chronic illness ADB plans is varied. Nine of the 23 plans use the discounted death benefit approach. Under this approach, the insurer pays a discounted portion of the face amount being accelerated. Eight plans use a lien approach. Under the lien approach, payment of accelerated benefits is considered a lien against the death benefit of the policy or rider and access to the cash value is restricted to any excess of the cash value over the sum of any other outstanding loans and the lien. Interest charges are typically assessed on the lien. The final six plans use a dollar-for-dollar benefit reduction approach. When the accelerated death benefit is payable under this approach, there is a dollar-for-dollar reduction in the death benefit and a pro rata reduction in the cash value based on the percentage of death benefits accelerated.

i. Lien Approach

For three of the eight chronic illness ADB plans that use the lien approach, the lien interest rate on the cash value is equal to the maximum of:

- the current yield on 90-day Treasury bills, and
- the current maximum statutory adjustable policy loan interest rate.

Three of the remaining five plans use a lien interest rate on the cash value equal to the policy loan interest rate. The fourth uses the lesser of the policy loan interest rate and Moody's corporate bond yield average. The fifth plan uses the maximum of:

- the guaranteed interest rate plus 1%, and
- Moody's corporate bond yield average for the calendar month ending two months before the anniversary date.

Two of the eight chronic illness plans use the same basis for the lien interest rate on amounts in excess of the cash value and on the lien interest rate on the cash value. The first uses an interest rate equal to the policy loan interest rate. The second uses a rate equal to the maximum of:

- the guaranteed interest rate plus 1%, and

[1] One did not report death benefit options allowed during claim.

- Moody's corporate bond yield average for the calendar month ending two months before the anniversary date.

The lien interest rate on amounts in excess of the cash value differs from that on the cash value for the remaining six chronic illness ADB plans using the lien approach. Four of the six use the current maximum statutory adjustable policy loan interest rate for amounts in excess of the cash value, one uses Moody's corporate bond yield average, and another uses the maximum of the 90-day Treasury bill, Moody's corporate bond yield average, and the guaranteed interest rate plus 1%. The table in Figure 10 shows a summary of the basis of the lien interest rate used on the cash value and on amounts in excess of the cash value.

Figure 10: Lien Interest Rate on Cash Value versus on Amounts in Excess of Cash Value

Basis of Lien Interest Rate	Number of Plans	
	On Cash Value	On Amounts in Excess of Cash Value
Maximum (Current Yield on 90-day Treasury Bills, Current Maximum Statutory Adjustable Policy Loan Interest Rate)	3	
Policy Loan Interest Rate	3	1
Minimum (Policy Loan Interest Rate, Moody's Corporate Bond Yield Average)	1	
Maximum (Guaranteed Interest Rate Plus 1%, Moody's Corporate Bond Yield Average for the Calendar Month Ending Two Months Before the Anniversary Date)	1	1
Current Maximum Statutory Adjustable Policy Loan Interest Rate		4
Moody's Corporate Bond Yield Average		1
Maximum (90-day Treasury bill, Moody's Corporate Bond Yield Average, Guaranteed Interest Rate Plus 1%)		1

j. Discounted Death Benefit Approach

Of the nine chronic illness ADB plans that use the discounted death benefit approach, the discount rate is a predetermined amount based on attained age at the time of claim for three plans. The discount rate for two additional plans is predetermined based on attained age and duration since the first claim. Another two plans use a discount rate that is determined based on underwriting at the time of claim. The responses on the final two plans only appeared to address the interest component of their discounts. One uses a discount rate equal to the greater of the yield on the 90-day Treasury bill and the maximum adjustable policy loan interest rate allowed by law at the time of the election. The final plan uses a discount rate that is equal to the maximum of the after-tax earned rate and the current settlement option rate, but not to exceed the maximum of the current yield on the 90-day Treasury bill and the variable policy loan interest rate.

k. Benefit Payment Triggers

Various actions that trigger the payment of accelerated benefits under chronic illness riders were reported by survey participants. By far, the most common triggers are a licensed health care practitioner (LHCP) certification, and two of six activities of daily living (ADL) or cognitive impairment. These triggers were reported for 18 plans each. Twelve of the 18 plans always require a LHCP certification, and one sometimes requires it. No response was received regarding the frequency of use of this trigger for the remaining five plans. Eleven of the 18 plans always require two of six ADLs or cognitive impairment, and one sometimes requires this trigger. Again, no response was received regarding the frequency of use of this trigger for the remaining five plans. Figure 11 includes a summary of the benefit payment triggers and the frequency of their use, as well as all other triggers reported.

Figure 11: Benefit Payment Triggers

Trigger	Number of Plans		
	Use	Use Always	Use Sometimes
LHCP	18	12	1
2 of 6 ADLs or Cognitive Impairment	18	11	2
Permanent Nursing Home Confinement	7	4	1
2nd Opinion of Other LHCP	6	0	6
Plan of Care	3	1	1
Written Notice of Claim	2	2	
2 of 6 ADLs or Severe Cognitive Impairment	1	1	
Severe Cognitive Impairment	1		1
Requires Substantial Supervision to Protect such Individuals from Threats to Health and Safety Due to Severe Cognitive Impairment	1		1

Fourteen of the 23 chronic illness ADB plans require that the condition be expected to be permanent. The remaining nine plans do not have this requirement.

The majority (14) of accelerated death benefits under chronic illness riders do not have meaningful state variations of the benefit payment triggers. It was reported that seven of the remaining nine plans do have meaningful state variations in this respect. A description of the state variations was provided for five of the seven plans. It is interesting to note that there is some inconsistency in some of the variations reported. A generic description of the state variations was provided for two plans. Permanent confinement to a nursing home, and lump sum payments irrespective of HIPAA limits were reported variations for one of the two plans. The state variations reported for the second plan included the following items:

- Most states require that a LHCP certifies that they either cannot perform two of six ADL's for a period of 90 days or that they require substantial supervision.
- Several states require permanent nursing home confinement as the only requirement.
- All states allow the company to get a second opinion.

Figure 12 shows a summary of the variations by state reported by the final three chronic illness ADB plans.

Figure 12: State Variations of Benefit Payment Triggers

State	Variation	Number of Plans
Connecticut	Permanent nursing home confinement is not required; the requirement that disability be permanent is not allowed.	2
	The insured must be confined to a care institution for at least 6 months and must be expected to remain there for the rest of their life (in addition to regular ADL and Cognitive Impairment requirements)	1
	Only a lump-sum payment is available.	1
Florida	Permanent Nursing Home Confinement Not Required	1
	Only a lump-sum payment is available.	1
Montana	Irreversible dementia has been added as a specific reason to receive chronic illness accelerated benefits.	1

No response was received regarding meaningful state variations for the final two of 23 chronic illness ADB plans.

Survey participants were asked if benefits are paid for unbilled services or for services provided by family members. Fifteen of the 23 chronic illness ADB plans do allow for payment of benefits for these services, and five indicated they do not allow for payment of such benefits.

l. Waiting Period

It is not common to require a waiting period over which the rider must be in force before coverage of the chronic illness ADB begins. Nineteen plans do not require such a waiting period as a result of an accident or as a result of sickness. Four plans do require that the chronic illness ADB rider be in force a minimum amount of time before coverage begins. The requirement is the same for benefits paid as the result of an accident or sickness. The first of the four plans has a 90 day waiting period, the second has a 365 day waiting period, and the final two plans have a 2 year waiting period.

m. Elimination Period

An elimination period was reported for 16 of the 23 chronic illness ADB plans. Seven of these plans do not have an elimination period. A 90-day elimination period was reported for 12 of the 16 plans with an elimination period. One additional chronic illness ADB plan has a 90 day elimination period if activities of daily living are used to qualify for benefits, and a six month elimination period if nursing home confinement is used. The remaining three plans each have a different elimination period: 3 months, 6 months, and 365 days.

n. Maximum Acceleration Amount

With ADB under chronic illness riders, it is common to have a lifetime limit on the maximum amount of death benefit that may be accelerated. Twenty of the 23 plans reported having such a limit, and three reported there was no limit. The limits were reported for 18 of the 20 plans and varied considerably. Limits are summarized in Figure 13.

Figure 13: Lifetime Limit on the Maximum Amount of Death Benefit that May be Accelerated

Lifetime Limit	Number of Plans
50% of Death Benefit up to $250,000	2
$250,000	4
$500,000 for issue ages 21-50 and $375,000 for issue ages 51-65	1
Up to 50% of the death benefit, with a maximum of $400,000	1
Lesser of 75% of face amount or $1 million	1
$1 million	2
The total face amount of the policy less $10,000	1
The remaining face amount must be at least $15,000	1
The accelerated benefit payment cannot cause the remaining death benefit to be less than $50,000, and maximum amount that will be accelerated during the life of the insured is $5,000,000.	1
65% of the death benefit	1
90% of the death benefit; only one election per policy	1
The cash value plus a percent of the net amount at risk, determined at the time of first claim. The percentage varies by attained age.	1
Formulaic	1

o. Maximum Annual Acceleration Percentage

The maximum annual percentage of death benefits that may be accelerated on chronic illness ADB riders was reported for 20 of the 23 plans included in the survey. Two of the 20 plans have no maximum annual acceleration limit. For four of the remaining 18 chronic illness ADB plans, the maximum percentage was described in general terms. The first of the four reported the percentage varies by age and duration. The HIPAA limit is the annual cap for the second plan. The maximum annual percentage of death

benefits that may be accelerated under the third plan was described as formulaic. For the fourth plan, the maximum annual percentage is equal to:

80% x (gross death benefit – gross cash value) + gross cash value

The maximum annual percentage for the remaining 14 plans ranged from 20% to 100% of the gross death benefit. The average percentage is 49% and the median percentage is 25%.

p. HIPAA Limit

Twelve ADB under chronic illness riders allow the chronic illness benefits to exceed the HIPAA limits. Nine riders do not allow the benefits to exceed the HIPAA limits, and no response was received for the remaining two plans.

q. Benefit Payment Frequencies

A wide variety of benefit payment frequencies are allowed on ADB under chronic illness riders offered by survey participants. The majority of plans allow a lump sum payment and/or a periodic payment. Overall, 20 plans include a periodic payout option, and 16 include a lump sum option. Fourteen plans allow monthly payments, eight allow annual payments, two allow semi-annual payments, and one allows quarterly payments. One additional chronic illness ADB plan allows lump sum payments which are payable upon request (up to 4 times per year) up to a limit. This plan does not allow periodic payments. Figure 14 shows a summary of the various combinations of benefit payment frequencies allowed on chronic illness ADB plans.

Figure 14: Benefit Payment Frequencies Allowed on Chronic Illness ADB Plans

Benefit Payment Frequencies	Number of Plans
Lump Sum, Monthly Periodic Payment	10
Annual Periodic Payment	4
Lump Sum	2
Lump Sum, Annual, Semi-Annual, Quarterly, and Monthly Periodic Payment	1
Lump Sum, Annual, and Semi-Annual Periodic Payment	1
Lump Sum, Annual Periodic Payment	1
Lump Sum, Monthly Periodic Payment	1
Annual, and Monthly Periodic Payment	1
Monthly Periodic Payment	1
Lump sum payments which are payable upon request (up to 4 times per year) up to a limit. No periodic payments.	1

r. Annual Recertification

Annual recertification of the chronic illness benefits is required for 13 of the 23 plans included in the survey. An additional eight plans do not require annual recertification. For the final two plans, annual recertification is not applicable since a single lump sum only is provided.

s. Other Pertinent Benefit Features

Additional comments were received from survey participants regarding other pertinent benefit features on chronic illness ADB plans. Comments on five different plans were received and three of the comments relate to additional limits relative to the acceleration of death benefits. The first of the three plans requires a minimum acceleration of $10,000, a maximum of $250,000, and there must be at least $10,000 of death benefit remaining. The second and third plans require a minimum of $10,000, or 50% of the death benefit to be accelerated. A comment relative to a fourth plan indicated that the amount of reduction for policy loans is equal to:

- (Loan Amount X Rider Benefit Amount) / Policy Benefit Amount

A comment on the fifth plan revealed that if a monthly benefit was chosen and if confinement stopped, the monthly advances would be stopped.

3. Compensation

a. First Year Commission Basis

Commissions on chronic illness ADB riders are not common. Fifteen of the 23 ADB chronic illness plans do not offer additional compensation for chronic illness riders, which is not surprising given that no additional premium is required for most of these 15 plans. The basis of first year commissions on chronic illness riders is incremental commissionable target premiums for five of the plans included in the survey. For two additional plans, the basis is a percentage of target rider charges/premiums. No chronic illness ADB plans included in the survey base commissions on incremental rider charges/premiums to endow based on either current of guaranteed charges/premiums. The final ADB chronic illness plan uses another basis for commissions, but no description was reported. Figure 15 provides a summary regarding the payment of first year commissions for ADB chronic illness riders by benefit payment approach.

Figure 15: Payment of First Year Commissions for Chronic Illness ADB

Payment of First Year Commissions	Number of Plans			
	All Approaches	Discounted Death Benefit Approach	Lien Approach	Dollar-for-Dollar Benefit Reduction Approach
Commissions are Paid	8		5	3
Commissions are not Paid	15	9	3	3

b. Commission Chargebacks

For chronic illness ADB plans where commissions were reported, commission chargebacks for five of the eight were also reported. 100% of commissions are charged back in months one through six, and 50% in months seven through 12 for three plans with first year commissions based on incremental commissionable target premiums. The remaining two plans pay commissions based on a a percentage of target rider charges/premiums. The first of the two charges back 100% of commissions in year

one, 75% in year two, and 50% in year three. The second charges back 100% of commissions in year one, grading down by month to 0% at the end of year two.

4. Underwriting

a. Additional Underwriting

Additional underwriting for chronic illness ADB riders is not common among survey participants. Nineteen of the 23 plans do no additional underwriting for chronic illness riders. Three of the remaining four plans use an application that is supplemental to an existing life application. One of the three also uses a prescription drug screen, and a second also uses a cognitive screen. The final plan uses an application that is incorporated into a life application.

b. Underwriters

Of the four chronic illness ADB plans that do additional underwriting, three use in-house underwriters to underwrite the benefit, and one uses third party underwriters. Seven additional responses were received indicating that underwriting (presumably for the base life product) is done by in-house underwriters.

5. Charge Structure

a. Cost

Nineteen chronic illness ADB plans have no explicit charge for the benefit. It was reported that one additional plan has no explicit charge, but uses an actuarial discount to determine the benefit. Two of the remaining three plans include a yearly renewable term (YRT) charge based on per $1,000 of net amount at risk (NAR). The final plan includes a level charge per unit.

b. Guarantees

Guarantees are not typically included with ADB under chronic illness plans. Eighteen of the 23 chronic illness ADB plans do not include a guarantee. Three additional plans have fully guaranteed charges/premiums for the chronic illness rider. Another two plans have current charges/premium scales accompanied by maximum guaranteed charges/premium schedules. Three additional comments were provided regarding guarantees on chronic illness benefits, all relative to discounting of the death benefit. For the first plan the discounted death benefit is guaranteed to be at least equal to cash value at time of acceleration (we believe this is a standard provision or inherent in the discounting mechanics for discounted death benefit plans). The second plan includes a discount scale that becomes guaranteed at the time of first acceleration. The third plan has a maximum interest rate at the time of acceleration (it should be noted that regulations prescribe a maximum interest rate on liens). Note that three participants provided multiple responses to this question, implying that they may offer different chronic illness plans.

Responses were similar relative to guarantees on the base plan chassis for the chronic illness rider. Again, eighteen of the 23 chronic illness plans do not have a guarantee on the base plan. Also, three additional plans have fully guaranteed charges/premiums, and five have current charges/premium scales accompanied by maximum guaranteed

charges/premium schedules. Note that three participants again provided multiple responses to this question, implying that different base plan chassis are used. One offers its chronic illness benefit on a UL and whole life chassis and the remaining two offer their chronic illness benefits on UL, variable life, and indexed UL.

c. Administrative Expense Charge

Responses were mixed regarding the assessment of an administrative expense charge when death benefits are accelerated for chronic illness, which is not surprising considering the mixed use of plans. Thirteen of the chronic illness ADB plans do assess an administrative charge and 10 do not. The majority of plans with the discounted death benefit approach do assess an administrative charge. Under the lien approach, responses were split 50-50 between those plans that do and those that do not assess an administrative charge. The majority of plans with the dollar-for-dollar benefit reduction approach do not assess an administrative charge. Only one participant that uses this approach reported assessing an administrative charge. A summary of the plans that do and do not have charges by benefit payment approach is shown in the table in Figure 16.

Figure 16: Administrative Expense Charges by Benefit Payment Approach

Administrative Expense Charge	Number of Plans			
	All Approaches	Discounted Death Benefit Approach	Lien Approach	Dollar-for-Dollar Benefit Reduction Approach
Charge is Assessed	13	8	4	1
Charge is Not Assessed	10	1	4	5

The amount of the charge was reported for 11 of the 13 plans that include an administrative expense charge. The charge ranges from $100 to $250, with an average of $186 and median of $200. One of the plans assesses a one-time charge at the first acceleration. A second currently charges $200, not to exceed $250. The $200 charge for this plan is reflected in the average and median reported.

d. Waiver of Charges/Premiums

It is not common to waive charges/premiums while on claim for the chronic illness benefit, but note that for many of these plans there are no charges or premiums to be waived. Nineteen of the 23 plans do not include a waiver of premium/charges while on claim. Figure 17 includes a table with the waiver of charges/premiums by benefit payment approach.

Figure 17: Waiver of Charges/Premiums by Benefit Payment Approach

Waiver of Charges/ Premiums	Number of Plans			
	All Approaches	Discounted Death Benefit Approach	Lien Approach	Dollar-for-Dollar Benefit Reduction Approach
Charges/Premiums are Waived	4	1		3
Charges/Premiums are Not Waived	19	8	8	3

Of the four chronic illness ADB plans that do waive charges/premiums, three use the dollar-for-dollar benefit reduction approach. The first of the three plans waives the rider charges/premiums, and the second plan waives all charges/premiums. The third plan waives the chronic illness rider charges/premiums and the base policy charges are waived if they would cause the policy to lapse. Another plan waives all charges up to a $1 million death benefit. If the death benefit exceeds $1 million then charges are continued on the portion of the death benefit over $1 million. Note that this plan uses a discounted death benefit approach and has no chronic illness ADB upfront charge.

6. Claims

a. Level of Claims

The majority of chronic illness claims from 2010 through 2013 relative to that assumed in pricing were close to or better than expected. Nine plans reported that claims were close to expected and 10 were better than expected. For one of the nine plans, it was reported that the chronic illness rider is new and no claims have been incurred to date. For three of the final four plans, the level of claims relative to pricing was not reported. There has been no incidence of claims under the first of the three, and there is not enough experience under the second and third plans. No response was received relative to the final plan.

Termination of claims was close to expected for four of the chronic illness ADB plans; although one of the four reported it had experienced very few claims. Three participants reported that claim termination information is not available and no other responses were received from the remaining participants.

b. Reasons Claims Differ from Expected

Five comments were received from survey participants explaining why chronic illness ADB claims were not as expected. All indicated that the claims were less than expected because the frequency of claims was lower. One of the five reported they have not had any claims since inception of the chronic illness rider nine months ago. A second participant reported that it has had its chronic illness rider for five or six years and it has had fewer claims than expected. This participant is unsure if this result is just a timing issue, and wonders if it will see more claims in the future.

c. Claims Administration

In-house claims administration is used for 20 of the 23 survey chronic illness ADB plans. One plan uses both in-house administration and a third party administrator. No response was received for the final two plans.

The in-house systems used to administer ADB for chronic illness are diverse. Systems used for 20 chronic illness ADB plans were reported. Three plans use what was described as a manual process. Chronic illness ADB administration is manual for one of the three, but the life chassis is administered on Cyberlife. Three additional plans are administered on LifePro (all from the same company). The administration for two plans each is handled by Vantage, internal systems, and via a spreadsheet. Another participant uses a proprietary system. Each of the following administration systems are used by one survey participant:

- CAPSIL
- Cyberlife
- LifeCare
- LIDP
- LifeComm/Next Genn
- SEG
- wmA

7. Administrative Handling

a. Challenges with HIPAA Compliance

No challenges with HIPAA compliance were reported for 20 of the 23 chronic illness ADB plans. Comments were received relative to the remaining three plans. One participant reported that a few states require a lump sum option and ignore the HIPAA limits. The second and third noted they have no experience yet, and no claims yet, respectively.

8. Reinsurance

a. Reinsurance of Benefit

It is fairly evenly split between chronic illness ADB plans that are reinsured and those that are not. Thirteen of the plans are reinsured and 10 are not. The reason why reinsurance isn't used was reported for nine of the 10 plans that are not reinsured. Three of the nine reasons reported relate to the company not seeking reinsurance since it is not interested. For two chronic illness ADB plans, only those policies that are normally reinsured would be covered. The accelerated benefit is not reimbursed due to unnecessary administrative complexity. For these plans, claims are reconciled upon death. The remaining four reasons were reported for one plan each as follows:

- No reinsurance support is available
- Reinsurance does not participate in acceleration of benefits
- Claims are below our retention limit
- Manual claims processing does not accommodate this

b. Form of Reinsurance

The most common form of reinsurance used for chronic illness ADB riders is yearly renewable term (YRT). YRT reinsurance is used for nine of the chronic illness ADB plans reported by survey participants. One of the nine noted that YRT reinsurance is used for chronic illness riders on whole life insurance and coinsurance is used for chronic illness riders on term insurance. One additional plan coinsures its chronic illness ADB rider. One participant reported that reinsurance on its ADB for chronic illness benefits follow the agreement of the base policy. One final participant indicated that it reinsures the chronic illness ADB plan, but noted that there is no reserve ceded and there is no cost, so there is no specific type of reinsurance used.

c. Reinsurance Limits

The reinsurance limits for chronic illness benefits are typically consistent with those of the life insurance retention limit. Eleven chronic illness ADB plans have reinsurance up to the life insurance retention limit. None have more strict limits than that. Two plans are reinsured up to the accelerated limit of $250,000. A final comment was received regarding reinsurance limits indicating that the reinsurer participates in their portion of the benefit for ceded policies that have the chronic illness ADB benefit.

d. Timing of Reinsurance Payments

Reinsurance payments are made at the time of rider claim for seven chronic illness ADB plans. (Three of the seven chronic illness plans that pay at the time of rider claim are issued by one survey participant. It reported that reinsurance payments are made at the time of claim for new chronic illness ADB issues, and at the time of death for old issues.) For two additional plans, if 100% of the death benefit is accelerated, then reinsurance payments are made at the time of claim. Otherwise, reinsurance payments are made at the time of death.

e. Implications of Reinsuring the Base Life Plan, but Not the Chronic Illness Benefit

Comments were received regarding six chronic illness ABR plans and the implications of reinsuring the base life plan, but not the chronic illness benefit. For two plans, no material impact was reported. Another implication reported was if the benefits accelerated exceed the cash value and the policy lapses before the insured dies, the company would not receive reimbursement of the difference from the reinsurer.

If the base life plan is reinsured, but the chronic illness benefit is not reinsured, one participant indicated that it does not receive any reinsurance payment unless a death claim is ultimately incurred. Another participant similarly reported that there is a delay in payment of the reinsurer's portion of the claim. A third participant reported that it limits policy characteristics to fit into its base life plan reinsurance limitations. If a policy has an ABR chronic illness rider, it will not be reinsured.

9. Pricing Implications

a. Pricing Model

A summary of the pricing models used by survey participants to price ADB for chronic illness is shown in Figure 18.

Figure 18: Pricing Models used to Price Chronic Illness ADB Plans

Pricing Model	Number of Plans
Excel	11
MG-ALFA	4
Excel and MG-ALFA	1
Prophet	1
APL	1
None/Not Applicable/No Response	5

b. Impact of Chronic Illness Benefit

The impact of including the chronic illness benefit on factors such as policyholder optionality/anti-selection, mortality, policy persistency, and premium persistency was reported for 19 chronic illness ADB plans. The impact was not reported for four plans. No impact or no material impact was reported for the majority of chronic illness plans for all four factors. For one plan, the impact was reported as none (too soon to tell). The tables in Figure 19 include a summary of the various impacts on policyholder optionality/anti-selection, mortality, policy persistency, and premium persistency.

Figure 19: Impact of Including the Chronic Illness Benefit

Impact of Including the Chronic Illness Benefit on Policyholder Optionality/Anti-Selection	Number of Plans
No Impact	8
Minimal Impact	7
Slight Increase	1
Not Evaluated	1
No Results Available	1
No Assumption	1

Impact of Including the Chronic Illness Benefit on Mortality	Number of Plans
No Impact	7
Minimal	7
Increase	1
Not Evaluated	1
No Results Available	1
Negative	1
Assume Conservation of Mortality	1

Impact of Including the Chronic Illness Benefit on Policy Persistency	Number of Plans
No Impact	7
Minimal Impact	7
Lower Lapses/Higher Persistency	2

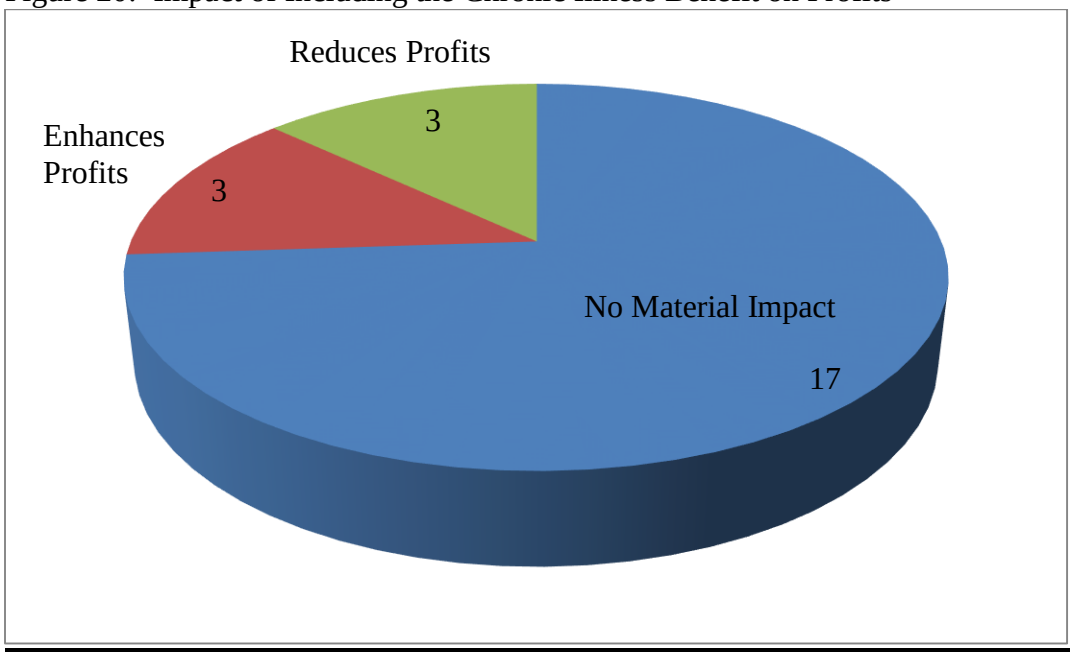
Impact of Including the Chronic Illness Benefit on Policy Persistency	Number of Plans
Not Evaluated	1
No Results Available	1
Unknown	1

Impact of Including the Chronic Illness Benefit on Premium Persistency	Number of Plans
No Impact	7
Minimal Impact	6
Improves Premium Persistency	1
Lowers Premium Persistency	1
Not Evaluated	1
No Results Available	1
Unknown	1
N/A	1

c. *Impact on Profits*

The impact of including the chronic illness benefit on profits was reported for all 23 plans. For the majority of plans there is no material impact on profits of including the chronic illness benefit. The summary of responses is shown in Figure 20.

Figure 20: Impact of Including the Chronic Illness Benefit on Profits



d. *Impact of Terminal Illness on Pricing of the Chronic Illness Benefit*

In many jurisdictions, a terminal illness benefit must be included along with the chronic illness benefit. Survey participants were asked if the pricing of the chronic illness

benefit in those cases reflects reduced utilization of the chronic illness benefit. The pricing of only one of the 23 chronic illness plans reflects reduced chronic illness benefit utilization when a terminal illness benefit is also included. For this plan, the chronic and terminal illness components were priced together; and both are always included. The remaining 22 plans do not reflect reduced chronic illness benefit utilization.

e. Challenges related to the IIPRC Actuarial Certification

When asked if challenges had been encountered related to the actuarial certification for the Interstate Product Regulation Commission (IIPRC), no challenges were reported for 19 of the 23 chronic illness ADB plans. Challenges were encountered for three of the plans, and no response was received for the final plan. The first of the three challenges reported was that no elimination period was allowed by the IIPRC at the time of submission of the chronic illness rider, so the rider was not filed with the IIPRC. The second challenge reported was the difficulty to properly determine the net single premium. The third challenge related to the incidental premiums/benefits testing.

10. Reserves

a. Additional Reserves

Additional active life reserves for the chronic illness benefit (when the insured is not receiving chronic illness benefits) are rarely held. No additional active life reserve is held for 20 of the 23 chronic illness ADB plans. However, for one of the 20 plans, the respondent noted that a non-admitted asset is held if the lien is greater than the reserve (note that this is a general requirement imposed by regulations). An additional active life reserve based on standard life insurance reserve methods is held for the final three plans. Two of the three plans use a dollar-for-dollar approach, and the third uses a discounted death benefit approach.

b. Claim Reserves

Disabled life/claim reserves are also not common for chronic illness benefit when the insured is receiving chronic illness benefits. No claim reserve is held for 17 of the 23 chronic illness plans. For two chronic illness plans, a claim reserve equal to the present value of the remaining installment accelerated payments equal to the full face amount is held. For one chronic illness plans, a claim reserve equal to the present value of the remaining installment accelerated payments equal to the net amount at risk is held. For another plan, the claim reserve is equal to the present value of the unpaid liability. No response was received for the final two chronic illness ADB plans.

11. Target Surplus

a. Additional Target Surplus

Similar to the frequency of holding additional reserves, it is rare for additional target surplus to be held for chronic illness ADB riders. For one chronic illness plan the additional target surplus was reported as an incremental increase due to higher premiums and reserves, "hit by factors". No additional target surplus was reported for 14 chronic illness plans, with an indication for one of the 14 that there was no material impact. No response was received for seven of the remaining eight plans. For the final plan, it was reported that additional target surplus for the chronic illness ADB rider is not applicable.

12. Agent Licensing/Training

a. Required Agent Licenses

It was unanimous for all 23 ADB for chronic illness plans that the only agent license required to sell this benefit is a life insurance license.

b. Training Requirements

Long term care insurance training requirements do not apply to any of the 23 chronic illness ADB plans reported by survey participants.

13. State Filing

a. Filed with IIPRC

Of the 23 chronic illness benefits/riders reported by survey participants, 14 were filed with the IIPRC. The remaining nine chronic illness benefits/riders were not filed with the IIPRC.

b. Reasons for Not Filing with IIPRC

Various reasons were reported for not filing the nine chronic illness benefit/rider plans with the IIPRC. For three of the plans offered by one participant, the benefits/riders were filed and approved prior to even considering the IIPRC as a source of filing. Another reason reported for one plan was the chronic illness benefit filing pre-dated the participant's usage of the IIPRC. A second ADB for chronic illness filing was done prior to the IIPRC. For two plans, the chronic illness benefit/rider did not meet the requirements of the IIPRC. It was noted for one of these plans that no elimination period was allowed by the IIPRC at the time of submission of the chronic illness rider, so the rider was not filed with the IIPRC. For another chronic illness benefit/rider, it was just a company decision to not file with the IIPRC. For the ninth plan, it was a matter of the incidental premiums/benefits testing for not filing with the IIPRC.

c. State Filings Other than IIPRC Filing

For the 14 ADB for chronic illness plans that were filed with the IIPRC, the number of state filings outside of the IIPRC were also reported. For two of the 14 chronic illness plans, it was reported that filings were done in all non-IIPRC states. For the remaining 12 plans, the number of other state filings ranged from five filings to 47 filings, with an average of 17 and a median of 12. If two outliers are eliminated (44 and 47 other

state filings), then the number of other state filings ranged from five to 19, with an average and median of 11.

d. Non-IIPRC State Filings

For the nine ADB for chronic illness plans that were not filed with the IIPRC, the number of state filings ranged from 14 to 54, with an average of 44 and a median of 46.

e. Significant Filing Variations

Significant filing variations were reported for 13 chronic illness ADB plans. The variations were reported for key states where the filing of the ADB for chronic illness benefit/rider was filed outside the IIPRC. The table in Figure 21 shows a summary of the number of different state filing variations that were required for chronic illness plans, and the corresponding number of plans requiring that number of variations. The number of state variations ranged from one to 16, with an average of six and a median of three.

Figure 21: State Variations for Chronic Illness Benefits/Riders

Number of State Variations	Number of Plans
16	1
12	1
10	1
7	2
4	1
3	3
2	1
1	3

Figure 22 includes a table with a list of the states where survey participants filed a state variation of the chronic illness ADB benefit/rider. State variations were reported in 32 different states. The state where the most variations were filed for chronic illness ADB plans is Connecticut, with eight plans requiring a state variation. Thirteen different states required a filing variation for one chronic illness ADB plan each. The average is three and the median is two for the number of plans per state where a filing variation was required.

Figure 22: Number of Chronic Illness Benefits/Riders with State Variations

States Where Variations were Required	Number of Plans
Connecticut	8
Florida	5
Minnesota, South Dakota	4
Hawaii, Illinois, Kansas, Montana, Oregon, Virginia	3 plans in each of these states
Arizona, District of Columbia, Massachusetts, New Jersey, Ohio, Oklahoma, Pennsylvania, Texas, Utah	2 plans in each of these states

States Where Variations were Required	Number of Plans
California, Delaware, Kentucky, Louisiana, Maryland, New Hampshire, New York, North Carolina, North Dakota, South Carolina, Tennessee, Vermont, Washington	1 plan in each of these states

The types of filing variations by state, as well as the year when the ADB for chronic illness benefit/rider was approved are summarized in Figure 23.

Figure 23: Types of Variations by State (Listed in alphabetical order)

States Where Variations were Required	Variation (Number of Plans Indicated if Not Equal to One)	Year When Approved
Arizona	Removed LTC facility, and home care option. Revised Advance Limits: (removed government agency, and removed home care or confinement in a long-term care facility outside the United States.) Revised Definitions: (removed home care and LTC facility).	1999
	Non-IIPRC State	No Response
California	Revised LTC facility option, to skilled nursing facility option: (removed - or receiving home care; medically necessary and; The home care must be in lieu of confinement in a long-term care facility; or home care.) Revised Definitions: (removed home care and LTC facility and added skilled nursing facility.)	1999
Connecticut	Removed LTC facility and home care option. Revised Advance Limits: (removed government agency, and removed home care or confinement in an LTC facility outside the United States.) Revised Definitions: (removed home care and LTC facility).	1999
	Permanent nursing home confinement used to qualify for benefit.	2008
	The benefit is not available for insureds under age 20.	2011
	To be eligible to use the benefit the insured must be certified as having been confined to an institution for at least 6 months and must be expected to remain there until death.	2011

States Where Variations were Required	Variation (Number of Plans Indicated if Not Equal to One)	Year When Approved
	Added language: (Chronic illness which has caused the Insured to be confined for at least six months in the Insured's place of residence or in an institution that provides necessary care or treatment of an injury, illness or loss of functional capacity, and for which it has been medically determined that the Insured is expected to remain confined in such place of residence or institution until death).	2012
	Liberalization of benefit eligibility.	2012
	Home health care covered.	2013
	Does not allow for a second opinion.	2014
Delaware	Non-IIPRC State	No Response
District of Columbia	Removed LTC facility, and home care option. Revised Advance Limits: (removed government agency, and removed home care or confinement in a long-term care facility outside the United States.) Revised Definitions: (removed home care and LTC facility).	1999
	Non-IIPRC State	No Response
Florida	Removed LTC facility and home care option. Revised Advance Limits: (removed government agency, and removed home care or confinement in an LTC facility outside the United States.) Revised Definitions: (removed home care and LTC facility).	1999
	Cannot use the term "chronically ill", must use the term "chronic illness".	2011
	The benefit may only be exercised once as either a single lump sum or as a series of payments over a 12 month period.	2011
	Claims limited to a single lump sum payment (2)	2011 2012
	Home health care covered	2013
Hawaii	Added - No benefit is paid during the first 90 days from the issue date. The death benefit and any accumulation values and cash values will be reduced if an accelerated death benefit is paid.	2008
	If continue to receive confined care at the end of 11 months, a lump sum may be requested. Lump sum amount cannot be > $250,000.	2008

States Where Variations were Required	Variation (Number of Plans Indicated if Not Equal to One)	Year When Approved
	Lump sum payment	2014
Illinois	Added a list of covered conditions	2008
	Definition of Eligible Proceeds revised: (removed $250,000 limit) and Definition of Nursing Home Option revised: (relative to nursing home confinement).	2009
	Only terminal Illness is allowed on combined chronic/terminal illness rider.	2010
Kansas	Removed LTC facility, and home care option. Revised Advance Limits: (removed government agency, and removed home care or confinement in a long-term care facility outside the United States.) Revised Definitions: (removed home care and LTC facility).	1999
	Added a lump sum benefit option – with the discounted death benefit method of calculating the benefit.	2008
	Lump sum payment.	2014
Kentucky	Added a lump sum benefit option – with the discounted death benefit method of calculating the benefit.	2008
Louisiana	Added a lump sum benefit option – with the discounted death benefit method of calculating the benefit.	2008
Maryland	Removed LTC facility, and home care option. Revised Advance Limits: (removed government agency, and removed home care or confinement in a LTC facility outside the United States.) Revised Definitions: (removed home care and LTC facility.)	1999
Massachusetts	Removed LTC facility, and home care option. Revised Advance Limits: (removed government agency, and removed home care or confinement in a long-term care facility outside the United States.) Revised Definitions: (removed home care and LTC facility).	1999
	On policies with an outstanding loan, the owner has the option to determine how much of the outstanding loan is reduced when the accelerated benefit is exercised, however, the accelerated benefit may not be exercised if the payment will cause the policy to terminate due to outstanding loans.	2011

States Where Variations were Required	Variation (Number of Plans Indicated if Not Equal to One)	Year When Approved
	Benefits are limited to instances for which the insured has incurred qualified LTC services.	2011
Minnesota	Removed LTC facility, and home care option. Revised Advance Limits (removed a government agency in order to get or keep governmental benefits or entitlements; removed home care or confinement in a long-term care facility outside the United States.) Revised Interest on Advances (added - to the date of death. Interest is only charged for a maximum period of 12 months beginning on the date of the advance (or first payment if the advance is made in a series of payments)). Revised Definitions: (removed home care and LTC facility).	2001
	Added a lump sum benefit option – with the discounted death benefit method of calculating the benefit.	2008
	To be eligible to use the benefit must be certified as confined to an institution for at least 6 months and must be expected to remain there until death. The benefit may only be exercised once as either a single lump sum or as a series of payments that will continue as scheduled until the amount of the total death benefit is reduced to $50,000 or the rider is terminated.	2011
	Lump sum payment	2014
Montana	No administrative fee. (2)	2011 2013
	Does not allow gender distinct ratings.	2012
New Hampshire	Revised Claim Procedures: (added - the disagreement cannot be resolved promptly and amicably, a third opinion will be obtained from a disinterested physician chosen by agreement between us and the owner.) Definitions: (Revised LTC facility, added - a facility that is operated pursuant to law).	2004
New Jersey	Definition of Eligible Proceeds revised: (removed $250,000 limit and added language regarding funds not being used to secure policy loans).	2008
	Non-IIPRC State	No Response

States Where Variations were Required	Variation (Number of Plans Indicated if Not Equal to One)	Year When Approved
New York	To be eligible to use the benefit a licensed health care practitioner must certify that continuous care in an eligible facility or at home is expected for the remainder of the insured's life.	2012
North Carolina	Added a lump sum benefit option - with the discounted death benefit method of calculating the benefit.	2008
North Dakota	Non-IIPRC State	No Response
Ohio	Rider Benefit language revised: General Conditions (added - during the 30-day period immediately following the effective date if electing because of illness). Nursing Home (added - has been in the nursing home for 30 consecutive days if due to an illness before electing to receive the benefit).	2008
	Added a lump sum benefit option - with the discounted death benefit method of calculating the benefit.	2008
Oklahoma	Rider Benefit language revised: General Conditions (added - during the 30-day period immediately following the effective date if electing because of illness).	2008
	Added a lump sum benefit option - with the discounted death benefit method of calculating the benefit.	2008
Oregon	Revised LTC facility, and home care option: (removed - If the confinement or home care stops, we will stop the monthly advances. If confinement or home care starts again within 12 months, monthly payments can resume at the owner's request.) Revised Claim Procedures: (removed - If there are conflicting medical opinions between the insured's physician and our physician, our physician's opinion will determine whether an advance is proper.)	2000
	Permanent nursing home confinement is used to qualify for the benefit.	2008
	Rider Benefit language revised: General Conditions (added - if nursing home confinement is due to illness that occurs within 30 days of the issue date.)	2008

States Where Variations were Required	Variation (Number of Plans Indicated if Not Equal to One)	Year When Approved
Pennsylvania	Removed LTC facility, and home care option. Removed annual report. Added benefit payment notice: (At the time of the lump sum benefit payment or the first payment if paid in installments, the owner will be sent a written notice showing the amount of the lump sum or periodic payment benefit, and the remaining policy death benefit.) Definitions: (removed home care and LTC facility).	2003
	The benefit is not available for insureds under age 20.	2011
South Carolina	Removed LTC facility, and home care option. Revised Claim Procedures: (removed - Our physician's opinion will determine whether an advance is proper; added -and the disagreement cannot be resolved promptly and amicably, a third opinion will be obtained from a disinterested physician chosen by agreement between us and the owner.) Revised Advance Limits: (removed a government agency; and removed home care or confinement in a LTC facility outside the United States.) Revised Definitions: (removed home care and LTC facility).	2000
South Dakota	Removed LTC facility, and home care option. Revised Advance Limits: (removed government agency, and removed home care or confinement in an LTC facility outside the United States.) Revised Definitions: (removed home care and LTC facility).	1999
	Added a lump sum benefit option - with the discounted death benefit method of calculating the benefit.	2008
	The Licensed Health Care Practitioner (LHCP) can be a family member if no others are in the area.	2011
	Non-IIPRC State	No Response
Tennessee	Rider Benefit language revised: General Conditions: (Added during the 30-day period immediately following the effective date if electing because of illness).	2008

States Where Variations were Required	Variation (Number of Plans Indicated if Not Equal to One)	Year When Approved
Texas	Benefits are limited to instances for which the insured has incurred qualified LTC services.	2011
	The benefit name is Long-Term Care Illness Accelerated Benefit.	2011
	Policy language was added: (The acceleration-of-life insurance benefits offered under this rider may or may not qualify for favorable tax treatment under the Internal Revenue Code of 1986. Whether such benefits qualify depends on factors such as the Insured's life expectancy at the time benefits are accelerated or whether the benefits are used to pay for necessary long-term care expenses, such as nursing home care. If the acceleration-of-life insurance benefits qualify for favorable tax treatment, the benefits will be excludable for Your income and not subject to federal taxation. Tax laws relative to acceleration-of-insurance benefits are complex. You are advised to consult with a qualified tax advisor about circumstances under which You could receive acceleration-of-life insurance benefits excludable for income under federal law. Receipt of acceleration-of-life benefits may affect Your, Your spouse or Your family's eligibility for public assistance programs such as medical assistance (Medicaid), Aid to Families with Dependent Children (AFDC), supplementary social security income (SSI), and drug assistance programs. You are advised to consult with a qualified tax advisor and with social service agencies concerning how receipt of such a payment will affect You, Your spouse and Your family's eligibility for public assistance.) Removed LTC facility, and home care option. Revised Advance Limits: (removed - for home care or confinement in a LTC facility outside the United States.) Revised Interest on Advances: (added - ...policy loans are subject to a maximum of 10% compounded annually.) Revised Annual Report: (added - At the time a lump sum advance is paid, and on each anniversary date, a report showing the advance(s), interest on	2001

States Where Variations were Required	Variation (Number of Plans Indicated if Not Equal to One)	Year When Approved
	the advance(s) and the effect on the death benefit will be sent to the owner. If periodic payments are being made, the report will show the amount of benefits remaining.) Definitions: (Removed home care and LTC facility.)	
Utah	Rider Benefit language revised: General Conditions (added - on the Issue date for accidents; or - 30 days following the issue date for illnesses.)	2008
	Added a lump sum benefit option - with the discounted death benefit method of calculating the benefit.	2008
Vermont	Policy language was added: (This rider accelerates and reduces the death benefit. This rider is not intended to be used as long term care insurance. Benefit payments may have tax consequences -seek the advice of your personal tax advisor. Benefit payments may affect qualifications for government entitlement programs.) Changes were made to the following Definitions: (added - Activities of Daily Living, Physician, Physician's Statement for Nursing Home Option, Physician's Statement for Terminally Ill Option) Revised Nursing Home Option: (added - This option lets you receive the benefit if the insured is confined to a nursing home.)	2008
Virginia	Rider Benefit language revised: Nursing Home Option (added - monthly payments can be paid through a period certain annuity, and added – if monthly payments are taken, interest of not less than 3% per year will be paid.) Effect on Policy (added - If monthly payments are taken, a payment contract will be provided that explains how the monthly payments are made. The payment contract cannot be assigned.)	2008
	Changed waiting period to 30 days.	2008
	Lump sum payment.	2014

States Where Variations were Required	Variation (Number of Plans Indicated if Not Equal to One)	Year When Approved
Washington	Policy language was added: (If You receive payment of accelerated benefits from a life insurance policy, You may lose Your right to receive certain public funds, such as Medicare, Medicaid, Social Security, Supplemental Security, Supplemental Security Income (SSI), and possibly others. Also, receiving accelerated benefits from a life insurance policy may have tax consequences for You. We cannot give You advice about this. You may wish to obtain advice from a tax professional or an attorney before You decide to receive accelerated benefits from a life insurance policy. The accelerated benefit provided by this rider is intended to qualify under section 101(g) of the Internal Revenue Code of 1986 as amended by Public Law 104-191 (26 U.S.C. 101(g)).) Removed LTC facility, and home care option. Revised Claim Procedures: (added - between the Insured's physician and our physician, and the disagreement cannot be resolved promptly and amicably, the owner has the right to mediation or binding arbitration conducted by a disinterested third party. Any such arbitration shall be conducted in accordance with Washington State law.) Definitions: (removed home care and LTC facility.)	2001

f. States Where Not Approved

The states where the chronic illness ADB is not approved were reported for 15 plans. The table in Figure 24 shows a summary of the number of different states where a particular chronic illness plan is not approved, along with the number of plans the number applies to. The intent of this question was to determine where approvals were not secured when the chronic illness ADB was filed with the states, but it is clear from the responses that some participants reported states where the chronic illness ADB had not yet been filed.

Figure 24: States where Chronic Illness Benefits/Riders are Not Approved

Number of States Where Not Approved	Number of Plans
9	1
8	1
6	1

Number of States Where Not Approved	Number of Plans
5	2
4	1
3	3
2	5
1	1

Figure 25 includes a table that shows the states where ADB for chronic illness plans are not approved, and the corresponding number of plans that are not approved in that state.

Figure 25: Number of Chronic Illness Benefits/Riders Not Approved by State

States Where Not Approved	Number of Plans
New York	11
California	10
Florida	6
Connecticut, New Jersey, Washington	4 plans in each of these states
Massachusetts	3
Indiana, Maryland, Vermont	2 plans in each of these states
Alabama, District of Columbia, Illinois, Mississippi, Ohio, Oregon, Pennsylvania, South Dakota, Texas	1 plan in each of these states

Figure 26 shows a summary of the reasons that the ADB for chronic illness plans are not approved in the states reported in Figure 25. No reasons were reported for one of the chronic illness ADB plans. The reasons shown in Figure 26 apply to one chronic illness plan unless noted otherwise. The majority of reasons why ADB for chronic illness plans are not approved relate to state regulations, lack of authorization to sell life insurance in the state (New York), or responding to sizeable state objections were not worth the resources needed. Note that it was reported that California adopted new regulations in late 2013, and it now recognizes a chronic illness benefit as life insurance and not LTCI.

Figure 26: Reasons Why Chronic Illness Benefits/Riders Not Approved (Listed in alphabetical order)

States Where Not Approved	Reasons Why Not Approved
Alabama	• Responding to a sizable objection was not worth the resources.

States Where Not Approved	Reasons Why Not Approved
California	• Filing is pending. (3 responses) • At time of filing, qualified Long-Term Care/health standards were applied to ADB for chronic illness. (2 responses) • State did not approve chronic illness accelerated benefit when the benefit was being priced. • Newly passed regulation has extra training requirements. • Have not refiled since the recent legislative change. • Have not filed; modifications are needed to the rider. • Regulations
Connecticut	• Unknown. The chronic illness benefit was filed 4-5 times and different reasons were given for rejection each time and the filing was closed immediately. • Responding to a sizable objection was not worth the resources. • Not yet filed here.
District of Columbia	• Have not filed; 7702B variety is required.
Florida	• Per the state, they are not approving chronic illness riders. • Chronic illness provisions are not allowed in an accelerated death benefit rider. • Florida does not have specific regulations for accelerated benefits for a life policy; their position is that it needs to be filed as both life and health insurance and are requiring the rider to comply with Long-Term Care criteria. • There is no lump sum benefit option. • Have not filed; 7702B variety is required.
Indiana	• Pro-rata access to the cash value. • Surrender benefit if there is a lien outstanding; not equitable to the company.
Maryland	• The state did not approve chronic illness accelerated benefits when the benefit was being priced. • Responding to a sizable objection was not worth the resources.
Massachusetts	• Illustration of lien values is required.

States Where Not Approved	Reasons Why Not Approved
Mississippi	• Responding to a sizable objection was not worth the resources.
New Jersey	• Responding to a sizable objection was not worth the resources. (2 responses)
New York	• Currently not authorized to sell products in New York. (3 responses) • Filing is pending. • At time of filing, New York had not adopted Model Regulation 620 Section 11. • Home health care coverage and additional disclosures are required. • No desire to meet state's Long-Term Care requirements. • Have not filed; modifications are needed to the rider. • Not filed • Regulations
Ohio	• No lump sum benefit option.
Oregon	• Responding to a sizable objection was not worth the resources.
Pennsylvania	• Responding to a sizable objection was not worth the resources.
Vermont	• Not Filed
Washington	• State did not approve chronic illness accelerated benefits when the benefit was being priced. • Responding to a sizable objection was not worth the resources. (2 responses) • New regulation for this type of rider.

g. Expected Change in Design

The IIPRC modified its standards for accelerated benefit riders in late 2014 and survey participants were asked if these modifications (proposed at the time of the survey) will result in a change to the design of the chronic illness benefit/rider. The majority of responses indicated that the modification will not result in a change in the chronic illness benefit design. For 18 of the 23 plans included the survey, no change in design is expected due to the IIPRC modification. For three additional chronic illness ADB plans, the modification to the IIPRC standard is expected to result in a change in design. No response was received for the remaining two plans.

ADB for Terminal Illness

Accelerated death benefits under terminal illness riders are paid if the insured is terminally ill.

Twenty five of the 34 survey participants responded to questions relative to ADB for terminal illness. Four of the 25 provided responses for more than one ADB for terminal illness plan. A total of 35 plans were reported for ADB for terminal illness. The highest number of responses to the living benefits survey were relative to ADB for terminal illness riders.

PART I

1. Sales

The survey did not request sales data for ADB for terminal illness plans. Many of the riders are automatically included with the base chassis, and there is no incremental premium for the rider itself. Also, credible sales data is not always readily available.

PART II

2. Benefit Features

a. Target Markets

Responses were received for 23 of the 35 terminal illness ADB plans regarding which markets are targeted. For eight plans, the target market was described as the middle market. Three of the eight target the middle income individual market and two of the three also target the middle income worksite market. One of the eight targets the middle America worksite market and three target seniors in the middle market. Two additional participants target the wealth transfer market with one targeting insureds ages 50 and older, and the other ages 55 and older. Another participant targets the affluent market at ages 50 to 75. Other participants described their target markets in terms of the products where the terminal illness ADB is offered. One reported the benefit is sold with the whole life product line, a second reported that the terminal illness ADB rider is automatically provided at issue on term products and the average term sale is $500,000. For a third and fourth plan, the rider is automatically provided at issue on permanent products that were typically higher funded plans geared toward providing income. One plan targets customers who want illness protection and access to death benefits in addition to life insurance. No specific target market was reported for another plan. The remaining six responses were general in nature, such as:

- Any insured buying a policy to which the rider can be attached/all contracts where approved/all currently sold life products
- Everyone/all policies
- General life insurance market

b. Revenue Code 101 (g) Qualification

Twenty-six of the 35 plans are intended to qualify under IRC Section 101(g), and, interestingly, the remaining nine are not intended to qualify.

c. Optionality of Rider

Twenty-seven ADB for terminal illness plans are automatically included with the base policy. An additional six plans are optional benefits offered by rider. Another plan is offered by rider, but is automatically included with the base policy. A second plan is automatically included with the company's LTC accelerated benefit rider.

d. Base Product Chassis

Accelerated death benefits under terminal illness riders are offered on a variety of base life insurance product chassis. The majority of terminal illness benefits are offered on multiple base product chassis. Twenty-two of the 35 plans are offered on more than one chassis. Figure 27 includes a summary of the number of different base product chassis used with terminal illness plans reported by survey participants.

Figure 27: Number of Different Base Product Chassis for ADB under Terminal Illness Riders

Number of Different Base Products	Base Products	Number of Terminal Illness Plans
5	UL, Whole Life, Variable Life, Indexed UL, Term	6
4	UL, Whole Life, Variable Life, Term UL, Whole Life, Indexed UL, Term UL, Variable Life, Indexed UL, Term	1 1 3 5
3	UL, Whole Life, Term UL, Variable Life, Term UL, Variable Life, Indexed UL UL, Indexed UL, Term	3 1 2 1 7
2	UL, Indexed UL UL, Term Whole Life, Term SP Whole Life, SP Indexed Whole Life	1 1 1 1 4
1	UL Whole Life Term	5 6 2 13

The most popular chassis reported by survey participants is a universal life chassis, followed by term insurance, whole life, indexed UL, and variable life. One participant reported that terminal illness ADBs are included with other base products; single premium whole life and single premium indexed whole life. The total number of terminal illness plans that are offered on each base product type is shown in Figure 28.

Figure 28: Base Product Chassis for Terminal Illness Benefits

Base Product	Number of Terminal Illness Plans
Universal Life	25
Whole Life	18
Variable Life	13
Indexed Universal Life	14
Term	20
Single Premium Whole Life	1
Single Premium Indexed Whole Life	1

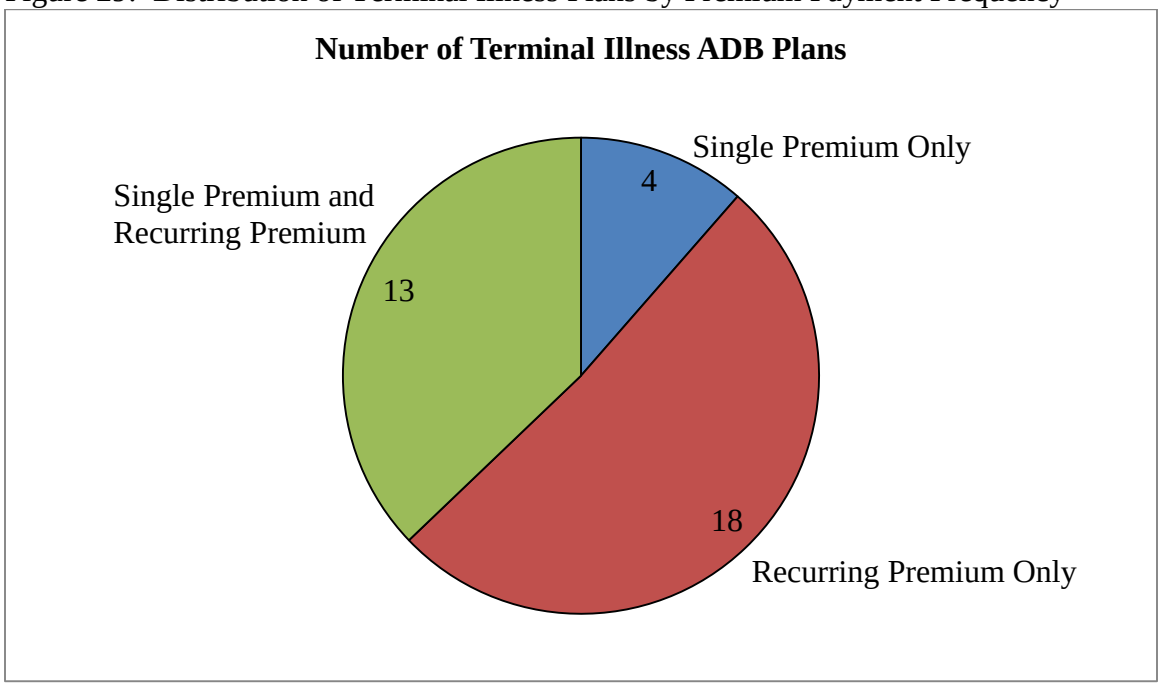
e. Single Life vs. Second-to-Die

Of the 35 terminal illness plans, 26 are offered on a single life base product only. Eight of the remaining nine are offered on both a single life and a second-to-die base product. The final plan is offered on a single life and a first-to-die base product.

f. Single Premium vs. Recurring Premium

Survey participants reported that terminal illness accelerated death benefits are more commonly attached to recurring premium products than single premium products. Figure 29 shows the number of terminal illness plans attached to single premium products only, recurring premium products only, or to both single and recurring premium products.

Figure 29: Distribution of Terminal Illness Plans by Premium Payment Frequency



For the 31 plans attached to recurring premium products, responses were received regarding the total policy premium limits on 14 plans (i.e., the premium above which a terminal illness rider may not be included). The question wasn't answered for the remaining 17 terminal illness ADB plans. No premium limit was reported for eight of

the 14 plans. Of the remaining six, one plan has a $7.5 million first year premium limit. For the second plan, the payment period for whole life products is limited to that chosen (e.g., 10 years, 15 years, to age 65, or to age 100). The third reported that the terminal illness ADB is available on limited payment (10-pay, 20-pay, pay to age 65) products, as well as full payment. The fourth of the six plans is available with single-pay, 3-pay, 5-pay, and 10-pay plans. One of the final two plans requires that the policy must meet minimum face amount limits to be eligible for the terminal illness ADB rider. The current minimum is $50,000. The final participant simply stated that its terminal illness ADB is available on flexible premium UL products.

g. Death Benefit Options

The death benefit options allowed at issue on the underlying life coverage for UL, variable UL, or Indexed UL base products, were reported by survey participants. Three terminal illness ADB plans allow death benefit option A only at issue. Eleven plans allow death benefit options A and B at issue, and 12 allow death benefit options A, B, and C at issue.

The death benefit options allowed during claim (i.e., once the policyholder starts accelerating the death benefit) on UL, variable UL, or Indexed UL base products are the same options that were reported as allowed during claim for all plans.

h. Benefit Payment Approach

The benefit payment approach used by survey participants in terminal illness ADB plans is varied. Twenty of the 35 plans use the discounted death benefit approach. Under this approach, the insurer pays a discounted portion of the face amount being accelerated. An additional 14 plans use a lien approach. Under the lien approach, payment of accelerated benefits is considered a lien against the death benefit of the policy or rider and access to the cash value is restricted to any excess of the cash value over the sum of any other outstanding loans and the lien. Interest charges are typically assessed on the lien. No response was received for the final plan.

<u>Lien Approach</u>

For six of the 14 terminal illness ADB plans that use the lien approach, the lien interest rate on the cash value is equal to the maximum of:

- the current yield on 90-day Treasury bills, and
- the current maximum statutory adjustable policy loan interest rate.

Four of the remaining eight plans use a lien interest rate on the cash value equal to the policy loan interest rate. Variations using Moody's corporate bond yield average, the 90-day Treasury rate, and/or the policy loan interest rate are used as the basis of the lien interest rate on the cash value for the remaining four plans. Details are shown in Figure 30.

Six of the 14 terminal illness plans use the same basis for the lien interest rate on amounts in excess of the cash value and on the lien interest rate on the cash value. The lien interest rate on amounts in excess of the cash value differs from that on the cash

value for the remaining eight terminal illness ADB plans using the lien approach. Five of the 14 plans use the current maximum statutory adjustable policy loan interest rate for amounts in excess of the cash value, two use Moody's corporate bond yield average, two use the policy loan interest rate, and one uses no interest. The remaining four use the maximum of various rates, including the 90-day Treasury bill, Moody's corporate bond yield average, and/or the current maximum statutory policy loan interest rate. The table in Figure 30 shows a summary of the basis of the lien interest rate used on the cash value and on amounts in excess of the cash value.

Figure 30: Lien Interest Rate on Cash Value versus on Amounts in Excess of Cash Value

Basis of Lien Interest Rate	Number of Plans	
	On Cash Value	On Amounts in Excess of Cash Value
Maximum (Current Yield on 90-day Treasury Bills, Current Maximum Statutory Adjustable Policy Loan Interest Rate)	6	1
Policy Loan Interest Rate	4	2
Current Maximum Statutory Adjustable Policy Loan Interest Rate		5
Moody's Corporate Bond Yield Average	1	2
Maximum (Current Yield on 90-day Treasury Bills, Current Maximum Statutory Adjustable Policy Loan Interest Rate, 6%)	1	1
Maximum (Guaranteed Interest Rate Plus 1%, Moody's Corporate Bond Yield Average for the Calendar Month Ending Two Months Before the Anniversary Date)	1	1
Minimum (Policy Loan Interest Rate, Moody's Corporate Bond Yield Average)	1	
Maximum (Current Yield on 90-day Treasury Bills, Contractual Policy Loan Interest Rate, Current Maximum Statutory Adjustable Policy Loan Interest Rate)		1
No Interest		1

i. Discount Rate

The discount rate used to determine the terminal illness accelerated death benefit was reported for 17 of the plans using a discounted death benefit approach. A summary of the responses is shown in the table in Figure 31.

Figure 31: Discount Rate used to Determine the Terminal Illness Accelerated Death Benefit Under a Discounted Death Benefit Approach

Discount Rate	Number of Plans
Minimum (Contract Loan Interest Rate then in Effect for the Contract Form, Annual Effective rate of 8%)	1
Minimum (Policy Loan Rate, Current Variable Loan Interest Rate). The Current Variable Loan Interest Rate is Determined in Accordance with the NAIC Model Policy Loan Interest Rate Bill.	1
Maximum (Current Yield on 90-day Treasury Bill, Current Statutory Adjustable Policy Loan Interest Rate)	5
Maximum (Current Yield on 90-day Treasury Bills, Current Maximum Statutory Adjustable Policy Loan Interest Rate, Policy's Guaranteed Cash Value Interest Rate Plus 1%)	1
Maximum (After-tax Earned Rate, Current Settlement Option Rate), never to exceed Maximum (Current Yield on 90-day Treasury Bills, Maximum Variable Loan Rate)	1
Maximum (90-day Treasury Yield, 6%)	1
Maximum (90-day Treasury Yield, 5.5%)	1
Current 90-day Treasury Yield	1
The discount rate is determined at the time of acceleration according to current regulations.	1
Standard Nonforfeiture Interest Rate	1
8%	1
6%	1
Not Applicable	1

j. Acceleration Amount

For all 35 terminal illness ADB plans, the owner is allowed to accelerate less than the maximum amount available for acceleration.

k. Benefit Mode

Of the 35 ADB for terminal illness plans, it was reported that 26 only offer a lump sum benefit mode. Six additional plans offer a lump sum benefit mode, plus an additional option. The additional options were described as follows:

- A series of periodic payments.
- Equal monthly installments for 12 months.
- 12 equal monthly payments with not less than 3% interest per year.
- A 12-month certain annuity payable to a living beneficiary such that the present value of payments is equivalent to the accelerated benefit.
- The company may agree to payment in some other manner, if requested.
- Any way that the company agrees to.

Other benefit modes (without a lump sum option) were reported for three additional plans. One of the three didn't provide a description of the other benefit mode. The remaining two provide a 12-month certain annuity payable to a living beneficiary such

that the present value of payments is equivalent to the accelerated benefit. The final participant did not report the benefit mode for terminal illness accelerated benefits.

l. Benefit Payment Triggers

Various actions that trigger the payment of accelerated death benefits for terminal illness were reported by survey participants. The most common triggers are:

- the existence of a medical condition that is reasonably expected to result in death in a certain number of months;
- written notice of claim.

Seventeen of 23 plans always require the existence of a medical condition that is reasonably expected to result in death in a certain number of months, and one sometimes requires it. No response was received regarding the frequency of use of this trigger for the remaining five plans. Nineteen of 23 plans always require written notice of claim. The frequency of requiring this trigger was not reported for the remaining four plans. It is also fairly common to require licensed health care practitioner (LHCP) certification for the payment of terminal illness accelerated death benefits. An LHCP certification was reported for 19 plans, with 14 of the 19 always requiring this trigger, and one sometimes requiring this trigger. No response was received regarding the frequency of use of the trigger for the final four plans. Other triggers were reported for seven plans. Figure 32 includes a summary of the benefit payment triggers and the frequency of their use reported by survey participants.

Figure 32: Benefit Payment Triggers

Trigger	Number of Plans		
	Use	Use Always	Use Sometimes
Existence of a medical condition that is reasonably expected to result in death in a certain number of months	23	17	1
Written notice of claim	23	19	
LHCP certification	19	14	1
Any irrevocable beneficiary or assignee must approve payment in writing, physician's certification	4	4	
Insured requires nursing home care and is expected to stay until death; insured requires extraordinary medical intervention or a major organ transplant, without which the insured has a life expectancy of 12 months or less	1		1
Other qualifying conditions (critical illness, confinement)	1	1	
Must submit a request; physician certification that life expectancy is under X months	1	No Response	

m. Life Expectancy Requirement

To be eligible for ADB for terminal illness, 28 of the 35 survey plans require a life expectancy of no more than 12 months. One plan requires a life expectancy of no more than six months and three no more than 24 months. It was reported for one of the three remaining plans that the life expectancy requirement varies by life policy and is either 6 months or 12 months. Similarly, another participant reported that there are a few versions of the ADB terminal illness benefit with different requirements for life expectancy and it reported a life expectancy requirement of six months and twelve months. The final participant did not respond to the question.

n. Maximum Benefit

The maximum terminal illness accelerated death benefit allowed in the majority of survey plans was reported in terms of a specified dollar amount and/or a percentage of the death benefit. The maximum of the specified dollar amount and the percentage that applies to the death benefit was reported as the maximum terminal illness ADB for 13 plans. One of the 13 plans requires that the remaining death benefit be at least $10,000. For six plans, the maximum benefit amount is the lesser of the specified dollar amount, and the percentage of the death benefit. For an additional seven plans, the maximum benefit is based on the specified dollar amount only and all seven reported a maximum of $250,000. One of the seven plans requires that the remaining death benefit be at least $10,000. For four other plans, the maximum benefit is based on a percentage of the death benefit only. One plan limits the maximum terminal illness benefit to the cash value, plus 80% of the net amount at risk. For two plans the maximum benefit was reported as the maximum of a specified dollar amount and percentage of the death benefit amount, but neither the dollar amount nor the percentage was reported. An "other" basis is used to limit the terminal illness ADB for another two plans, but no further details were provided. The final participant did not respond to this question. Figure 34 shows a summary of the maximum benefits reported based on specified dollar amount and/or percentage of death benefit.

Figure 33: Maximum Terminal Illness ADB

Number of Plans	Average	Median	Minimum	Maximum
Greater of a Specified Dollar Amount and a % of Death Benefit				
13	$296,154	$250,000	$100,000	$750,000
	67%	75%	50%	90%
Lesser of a Specified Dollar Amount and a % of Death Benefit				
6	$250,000	$625,000	$250,000	$1,000,000
	58%	63%	25%	75%
Specified Dollar Amount Only Reported				
7	$250,000			
Percentage of Death Benefit Only Reported				
4	75%	75%	50%	100%

For two plans only, it was reported that there are some illnesses where less than the maximum benefit is payable under accelerated death benefits for terminal illness. The first plan includes a maximum of $50,000 for major organ transplants or nursing home care. (The maximum is $250,000 for other terminal illness benefits under this plan.)

The second plan limits terminal illness benefits to $25,000 for heart attack, stroke, organ transplant, life-threatening cancer, end stage renal failure, paralysis, and Alzheimer's disease. (The maximum is the lesser of $250,000 and 50% of the death benefit for other terminal illness benefits under this plan.) There are no illnesses where less than the maximum benefit is payable under 33 plans.

o. Other Pertinent Benefit Features

Other pertinent benefit features were reported for 10 ADB for terminal illness plans. Eight of the 10 require a minimum death benefit amount that must be accelerated. Four of the eight have a minimum of $10,000 and one has a minimum of $5,000. One of the four with a minimum of $10,000 also requires that the remaining death benefit must be at least $10,000. Two additional plans require that the minimum amount that must be accelerated is the lesser of $10,000 or 50% of the death benefit. The eighth plan requires that the minimum amount that must be accelerated is the lesser of $25,000 or 50% of the death benefit.

For one of the final two plans, it was reported how accelerated death benefits for terminal illness impact existing loans. The reduction is equal to the existing loan amount times the terminal illness ADB rider benefit amount divided by the policy benefit. For the final of the 10 plans, there is a one claim maximum for terminal illness.

3. Charge Structure

a. Administrative Expense Charge

An administrative expense charge is assessed for 22 of the 35 ADB for terminal illness plans. The amount of the administrative expense charge was reported for 19 of the 22 plans. The charge reported for eight of the 19 plans was expressed in terms of a maximum. The maximum was reported as $150 for one plan and as $300 for another, and for both plans, the charge varies by state. For a third plan the current charge was reported as $200, with a maximum of $250. A fourth plan assesses an administrative expense charge equal to the maximum of 0.25% of the amount accelerated and $250. The overall average administrative expense charge for terminal illness ADB plans is $108 over 13 plans that have no administrative expense charge and the 19 that reported positive charges. The table in Figure 34 shows a summary of the amounts assessed as administrative expense charges on the 19 plans that assess a charge, reflecting the maximum reported.

Figure 34: Administrative Expense Charges Among Those with a Charge

Number of Plans	Average	Median	Minimum	Maximum
19	$182	$150	$100	$300

It was reported that the remaining 13 plans have no administrative expense charge.

4. Claims

a. Level of Claims

The overall level of terminal illness claims from 2010 through 2013 relative to that assumed in pricing was reported for 25 of the 35 plans.

For 17 of the 25 plans, claims were close to expected. For eight plans, claims were better than expected. Claims were not worse than expected for any of the survey plans. For one plan the participant reported that there was not enough experience to determine claims experience. Another participant reported that terminal illness claim experience is not credible currently. Claim experience is not credible at this time. For a third plan, the participant reported that it currently does not track claims experience for its terminal illness ADB. For a fourth plan, since the benefit is a discounted death benefit the level of claims doesn't factor into pricing. For this plan, the number of terminal illness claims has been low. For another three plans, the ADB for terminal illness benefit is not reflected in pricing, so a comparison to claims assumed in pricing is not valid. No response was received for the remaining three plans.

b. *Claims Differ from Expected*

Three comments were received from survey participants explaining why terminal illness ADB claims were not as expected. All indicated that claims were less than expected because the frequency of claims was lower.

c. *Claims Administration*

In-house claims administration is used for 34 of the 35 terminal illness ADB plans. No response was received for the final plan. The in-house systems used to administer ADB for terminal illness are diverse. Systems used for 29 of the 34 terminal illness ADB plans were reported. No system was reported for the remaining five plans. The systems used are summarized in the table in Figure 35.

Figure 35: Claims Administration System

Claims Administration System	Number of Plans
Excel/Spreadsheet	5
Manual	4
Internal	4
Mostly manual, with some Vantage	3
LifePro	3
Vantage	2
Cyberlife/manual	1
LifeComm/Next Gen	1
CTS claims tracking system	1
SEG	1
LIPD	1
CAPSIL	1
LifeCare	1
wmA	1

5. Reinsurance

a. Reinsurance of Benefit

It is more common for terminal illness ADB plans to not be reinsured than to be reinsured. For 24 plans, the ADB is not reinsured, and for 11 plans it is reinsured. The reason why reinsurance isn't used was reported for 20 of the 24 plans. Reasons are summarized in the table in Figure 36.

Figure 36: Reasons Why Reinsurance is not Used

Reason	Number of Plans
If the base policy is reinsured, reinsurance is paid at death, not at the time of the ABR claim. (Milliman's interpretation is that reinsurance would be paid at death among all plans where the base policy is reinsured, but the terminal illness ABR is not reinsured.)	5
Due to the low frequency of claims activity, reinsurance for this benefit is unfeasible	4
The company is not interested in reinsuring the ADB for terminal illness benefit	2
It is a small portion of the business, and there is a timing issue since the full death benefit is collected at the time of death	1
Small volume of claims	1
No reinsurance support is available	1
Reinsurance does not participate in acceleration of benefits	1
Claims are below the retention limit	1
Did not seek reinsurance	1
Reinsurance on the base policy is deemed to be adequate	1
Didn't feel the benefit required reinsurance support	1
Reinsurance administrative system does not support these benefits	1

b. Form of Reinsurance

The most common form of reinsurance used for terminal illness ADB riders is yearly renewable term (YRT). YRT reinsurance is used for five of the terminal illness ADB plans reported by survey participants. One of the five reported that YRT reinsurance is used when this plan is attached to a whole life policy. When attached to a term policy, this plan is reinsured on a coinsurance basis. One additional plan is reinsured on a coinsurance basis. The remaining five plans reported other forms of reinsurance. For the first of the five plans, it was reported that there is no reserve ceded and there is no cost, so this participant indicated that there is no specific type of reinsurance used. For the four remaining plans, it was reported that reinsurance follows the agreement of the base policy.

c. Reinsurance Limits

The reinsurance limits for terminal illness benefits are typically consistent with those of the life insurance retention limit. Seven terminal illness ADB plans have reinsurance up to the life insurance retention limit. None have more strict limits than that. The remaining four plans are reinsured up to the accelerated limit of $250,000.

d. Timing of Reinsurance Payments

When terminal illness ADB plans are reinsured, reinsurance payments are typically made at the time of rider claim. Reinsurance payments are made at the time of rider claim for seven terminal illness ADB plans. (Three of the seven terminal illness ADB plans that pay at the time of rider claim are issued by one survey participant. It reported that reinsurance payments are made at the time of claim for new terminal illness ADB issues, and at the time of death for old issues.) For four additional plans, if 100% of the death benefit is accelerated, then reinsurance payments are made at the time of claim. Otherwise, reinsurance payments are made at the time of death.

e. Reinsurance Implications

When the base life plan is reinsured, but the ADB for terminal illness is not reinsured, there may be implications that should be considered. For four plans, it was reported that there is simply a timing difference (relative to the payment of the claim) when this occurs. For another plan, no reinsurance payment is received unless a death claim is ultimately incurred. Another comment received indicated that if the benefits that were accelerated exceed the cash value and the policy lapses before the insured dies, the direct writer would not receive reimbursement of the difference from the reinsurer. The final comment was that there is no material impact in this situation.

6. Pricing Implications

a. Pricing Model

The pricing model that is used to price ADB for terminal illness was reported for 32 of the 35 plans. No response was received for the final three plans. A summary of the pricing models used by survey participants is shown in Figure 37. For one of the plans where an Excel pricing model is used, the participant noted that the terminal illness ADB is a no cost benefit so it worked to ensure actuarial equivalence through form design.

Figure 37: Pricing Models used to Price Terminal Illness ADB Plans

Pricing Model	Number of Plans
Excel	13
None/Not Applicable/Not Priced	9
MG-ALFA	4
TAS	2
Internal Pricing Model	2
Prophet	1
APL	1

b. Impact of Terminal Illness Benefit

The impact of including the terminal illness benefit on factors such as policyholder optionality/anti-selection, mortality, policy persistency, and premium persistency was reported for 27 terminal illness ADB plans. The impact was not reported for eight plans. No impact or no material impact was reported for the majority of terminal illness plans for all four factors. The tables in Figure 38 include a summary of the various

impacts on policyholder optionality/anti-selection, mortality, policy persistency, and premium persistency. One of the 27 plans is a single premium plan, so the impact of including the terminal illness benefit on premium persistency does not apply.

Figure 38: Impact of Including the Terminal Illness Benefit

Impact of Including the Terminal Illness Benefit on Policyholder Optionality/Anti-Selection	Number of Plans
No Impact	15
Minimal Impact	11
Unknown/Not Evaluated	1

Impact of Including the Terminal Illness Benefit on Mortality	Number of Plans
No Impact	14
Minimal Impact	11
Unknown/Not Evaluated	1
Negative	1

Impact of Including the Terminal Illness Benefit on Policy Persistency	Number of Plans
No Impact	13
No Impact Assumed in Pricing, but Believe it Improves Persistency because of Viatical Settlements	1
Minimal Impact	11
Unknown/Not Evaluated	2

Impact of Including the Terminal Illness Benefit on Premium Persistency	Number of Plans
No Impact	14
Minimal Impact	10
Unknown/Not Evaluated	2

c. Impact on Profits

The impact of including the terminal illness benefit on profits was reported for 34 of the 35 plans. No material impact on profits was reported for all 34 plans.

7. Reserves

a. Additional Reserves

Additional reserves for the terminal illness benefit are rarely held. No additional reserve is held for 33 of the 35 terminal illness ADB plans. For one of the 33 plans, a non-admitted asset is held if the lien is greater than the reserve. For one of the remaining two plans, a separate additional reserve is calculated. No response was received for the final plan.

8. Target Surplus

a. Additional Target Surplus

Similar to the frequency of holding additional reserves, it is rare for additional target surplus to be held for the terminal illness benefit when adding it to a base life insurance product. No additional target surplus was reported for 33 of the 35 terminal illness ADB plans. No response was received for the final two plans.

9. State Filing

a. Filed with IIPRC

The 35 terminal illness plans reported by survey participants were evenly split between those that were filed with the IIPRC and those that were not filed with the IIPRC. Seventeen plans each were filed under the IIPRC and not filed under the IIPRC. For one of the 17 plans, it was reported that the terminal illness rider attached to term products was filed through IIPRC, but the rider on other products was not filed with the IIPRC. For the final plan, filing was reported both with the IIPRC and outside the IIPRC.

b. Reasons for Not Filing with IIPRC

Various reasons were reported by 17 of the 18 terminal illness plans for not filing with the IIPRC. The most common reason provided was that the terminal illness ADB was filed prior to the existence of the IIPRC. The table in Figure 39 shows a summary of the reasons reported.

Figure 39: Reasons why Terminal Illness ADB not Filed with the IIPRC

Reason why Not Filed with the IIPRC	Number of Plans
Filed Prior to the Existence of the IIPRC	10
Filed and Approved Prior to Considering the IIPRC as a Means of Filing	3
Filed Before the Use of the IIPRC was Common	1
Have Never Filed Any Product with the IIPRC	1
Didn't Meet IIPRC Standards	1
Had Issues with Specific IIPRC Requirements	1
No Reason Reported	1

c. State Filings Other than IIPRC Filing

For 16 of the 18 ADB for terminal illness plans that were filed with the IIPRC, the number of state filings outside the IIPRC were also reported. The number of state filings outside the IIPRC was not reported for the final two plans. For four of the 16 terminal illness plans, it was reported that filings were done in all non-IIPRC states. For the remaining 12 plans, the number of other state filings ranged from five filings, to 47 filings, with an average of 17, and a median of 13. If two outliers are eliminated (44 and 47 other state filings), then the number of other state filings ranged from five to 19, with an average and median of 12.

d. Non-IIPRC State Filings

For 16 of the 18 ADB for terminal illness plans that were not filed with the IIPRC, the number of state filings ranged from 14 to 55, with an average of 45 and a median of 48. The number of state filings for the final two plans was not reported.

e. Significant Filing Variations

Significant filing variations were reported for 17 terminal illness ADB plans. The variations were reported for key states where the filing of the ADB for terminal illness plan was filed outside the IIPRC. The table in Figure 40 shows the number of different state variations that were required for terminal illness plans, and the corresponding number of plans requiring that number of variations. The number of state variations ranged from one to 23, with an average of five, and a median of four.

Figure 40: State Variations for Terminal Illness Plans

Number of State Variations	Number of Plans
23	1
12	1
10	1
7	3
6	1
5	1
4	1
3	1
2	2
1	5

Figure 41 incudes a table with a list of the states where survey participants filed a state variation of the terminal illness ADB plan. The state where the most variations were filed for terminal illness ADB plans is Connecticut, with seven plans requiring a state variation.

Figure 41: Number of Terminal Illness Plans with State Variations

States Where Variations were Required	Number of Plans
Connecticut	7
Texas	6
Florida, Massachusetts, Washington	5 plans in each of these states
New Jersey, New York, Pennsylvania	4 plans in each of these states
California, Illinois, Maryland, Montana, Oregon, South Dakota	3 plans in each of these states
Alabama, Indiana, Michigan, Mississippi, Ohio, Oklahoma, Utah, Vermont	2 plans in each of these states

States Where Variations were Required	Number of Plans
Arizona, Delaware, District of Columbia, Hawaii, Kentucky, Louisiana, Minnesota, Missouri, Nebraska, New Hampshire, North Dakota, Tennessee, Virginia	1 plan in each of these states

The types of variations by state, as well as the year when the ADB for terminal illness benefit/rider was approved are summarized in Figure 42.

Figure 42: Types of Variations by State (Listed in alphabetical order)

States Where Variations were Required	Variation (Number of Plans Indicated if Not Equal to One)	Year When Approved
Alabama	30-day waiting period.	2005
	Maximum administrative expense charge.	2008
Arizona	Non-IIPRC state	2014
California	Life Expectancy less than 12 months.	No Response
	Revised Eligible Proceeds: means up to a total of $250,000 but not less than 25%. Revised Benefit Amount, interest rate: The maximum interest rate used will be no more than the greater of a) the current yield on 90 day treasury bills or b) the current maximum statutory adjustable policy loan interest rate. Revised Terminal Illness Options: If the insured dies before all payments are made, the beneficiary will be paid the present value of future payments based on the interest rate amount used to calculate the original payment.	2010
	Liberalization of benefit eligibility and claims paying procedures.	2012
Connecticut	Revised Terminal Illness Option: added - the owner can ask us to advance up to 25% of the net amount of insurance.	2001
	Discount interest rate no greater than policy loan interest rate. (2)	2003 2010
	More limited qualifying conditions.	2008
	Lien interest maximum of policy loan interest rate.	2008
	Second opinion not allowed.	2008
	Interest rate charged on accelerated benefit will not exceed 6%.	2008
	Reduced maximum administrative expense charge.	2010
	Removed the wording "nursing home confinement" and "major organ transplant".	2011

States Where Variations were Required	Variation (Number of Plans Indicated if Not Equal to One)	Year When Approved
	Liberalization of benefit eligibility.	2012
Delaware	Non-IIPRC state	2014
District of Columbia	Non-IIPRC state	2014
Florida	Maximum administrative expense charge.	2008
	$100 maximum fee (instead of $150).	2008
	Two physicians must certify terminal illness instead of one.	2008
	Revised Eligible Proceeds: removed - of all in-force life insurance coverage on the life of the insured from all policies and riders issued by the company. Revised Benefit Amount, removed - reduced life expectancy; insured's age and gender; revised "This charge will not exceed $100".	2008
	Change to the "Proof of Terminal Illness" language.	2014
Hawaii	Added language: No benefit is paid during the first 90 days from the issue date. The death benefit and any accumulation values and cash values will be reduced if an accelerated death benefit is paid.	2008
Illinois	Lien interest maximum of policy loan interest rate.	2008
	Maximum administrative expense charge	2008
	Life expectancy less than 24 months. (2)	2008 2011
	Removed from Eligible Proceeds: up to a total of $250,000. Added: Covered Condition means heart attack, stroke, coronary artery surgery, life threatening cancer, renal failure, Alzheimer's disease, paraplegia, major organ transplantation and total and permanent disability.	2009
Indiana	30 day waiting period.	2005
	Payment will only deduct a pro-rata portion of outstanding loan rather than full loan amount.	2008
Kentucky	Removed $250,000 maximum dollar amount accelerated.	2008
Louisiana	30 day waiting period.	2005
Maryland	30 day waiting period.	2005
	Policyholder has the option to apply payment towards paying off the loan.	2008

States Where Variations were Required	Variation (Number of Plans Indicated if Not Equal to One)	Year When Approved
	Added disclosure to top of page 1 stating receipts from this rider could be a taxable event and to please consult a tax advisor.	2008
	Terminal illness only. Other qualifying conditions not allowed.	2011
Massachusetts	Maximum benefit equal to the greater of 75% or $500,000.	2002
	Life expectancy less than 24 months. (3)	2002 (2) 2008
	Policyholder has the option to apply payment towards paying off all or a portion of the loan.	2002
	30 day waiting period.	2005
	Added: Accelerated benefit payments from this rider may qualify for special tax status, if, according to federal definitions, the Insured qualifies as terminally ill. We recommend that you contact a tax advisor when making tax-related decisions about electing to receive and use benefits from an accelerated benefit product.	2007
	Added: Accelerated benefit payments from the policy may qualify for special tax status, if, according to federal definitions, the insured qualifies as terminally ill, or qualifies as chronically ill and uses the accelerated benefit to pay for costs incurred by the insured for qualified long-term care services provided for the insured during the chronic illness. However, if the accelerated benefit is based on "medical conditions" and not terminal or chronic illness as defined in the federal tax code, the benefits may be taxable. We recommend that you contact a tax advisor when making tax-related decisions about electing to receive and use benefits from an accelerated benefit product.	2008
Michigan	Maximum administrative expense charge.	2008
	Interest rate on advance could not be capped at 6%, and disclosure added about rider not providing LTC services.	2008
Minnesota	Revised Interest on Advances: added - We will only charge interest for a maximum period of 12 months beginning on the date of the advance (or first payment if the advance is made in a series of payments).	1999

States Where Variations were Required	Variation (Number of Plans Indicated if Not Equal to One)	Year When Approved
Mississippi	Periodic payments offered in addition to lump sum.	2001
	Mentions the allowance of a monthly benefit payout (You can be paid in 12 equal monthly payments at interest of not less than 3% per year); 30-day waiting period.	2005
Missouri	Interest accrues daily on the advance at an interest rate not greater than 8%.	2008
Montana	No administrative fee. (2)	2011 2013
	Does not allow gender distinct ratings.	2012
	State disclosure form needed with application.	2013
Nebraska	Cannot be added to term products	2004
New Hampshire	Second opinion not allowed.	2008
New Jersey	Interest accrues daily on the advance at an interest rate equal to 4%.	2008
	Revised Eligible Proceeds: removed - up to a total of $250,000; added - that is not being used to secure policy loans. Revised Benefit Amount: (If the yield on 90-day treasury bills is unavailable or discontinued, we will substitute an appropriate index with the approval of the New Jersey Department of Banking and Insurance.) Revised Election Conditions: added - If the insured dies after the owner elects to receive the rider benefit but before such benefits are received, the election shall be cancelled and the death benefit provided by the policy will be paid to the beneficiary.	2008
	Periodic payments offered in addition to lump sum.	2010
	Non-IPPRC state.	2014
New York	12 month terminal illness (instead of 24 months).	2008
	May accelerate up to 100% of death benefit; must accelerate at least $50,000 or 25% of the death benefit whichever is smaller; benefit is a dollar-for-dollar reduction; the discount rate is the maximum (current yield on 90-day Treasury Bills, current maximum statutory adjustable policy loan interest rate).	No Response
	Terminal illness only. Other qualifying conditions not allowed.	2010

States Where Variations were Required	Variation (Number of Plans Indicated if Not Equal to One)	Year When Approved
	Minimum benefit equal to the lesser of 25% of the eligible death benefit or $50,000.	2010
	No requirement for automatic premium loan. Terminal illness ADB rider will be active on contracts electing Extended Term Insurance non-forfeiture option. State specific notices.	2013
North Dakota	Non-IIPRC state	2014
Ohio	30 day waiting period.	2005
	Revised General Conditions: added - during the 30-day period immediately following this rider's effective date if you are electing because of illness.	2008
Oklahoma	30 day waiting period.	2005
	Revised General Conditions: added - during the 30-day period immediately following this rider's effective date if you are electing because of illness.	2008
Oregon	Maximum administrative expense charge.	2008
	No partial acceleration allowed.	2008
	Revised General Conditions: added - if Terminal Illness is due to illness that occurs within 30 days of the policy's date of issue.	2008
Pennsylvania	Revised Terminal Illness: changed to Terminal Condition.	2003
	Waiting period removed.	2005
	Maximum administrative expense charge.	2008
	Lien interest maximum of policy loan interest rate.	2008
	12 month terminal illness (instead of 24 months).	2008
South Dakota	Second opinion not allowed.	2008
	The Licensed Health Care Practitioner (LHCP) can be a family member if there are no others in the area.	2011
	Non-IIPRC state	2014
Tennessee	Revised General Conditions: added - during the 30-day period immediately following this rider's effective date if you are electing because of illness.	2008
Texas	The acceleration-of-life insurance benefits offered under this rider may or may not qualify for favorable tax treatment under the Internal Revenue Code of 1986. Whether such benefits qualify depends on factors such as the insured's	2001

States Where Variations were Required	Variation (Number of Plans Indicated if Not Equal to One)	Year When Approved
	life expectancy at the time benefits are accelerated or whether the benefits are used to pay for necessary long-term care expenses, such as nursing home care. If the acceleration-of-life insurance benefits qualify for favorable tax treatment, the benefits will be excludable for your income and not subject to federal taxation. Tax laws in relation to acceleration-of-insurance benefits are complex. You are advised to consult with a qualified tax advisor about circumstances under which you could receive acceleration-of-life insurance benefits excludable for income under federal law. Receipt of acceleration-of-life benefits may affect eligibility for public assistance programs such as medical assistance (Medicaid), Aid to Families with Dependent Children (AFDC), supplementary social security income (SSI), and drug assistance programs. You are advised to consult with a qualified tax advisor and with social service agencies concerning how receipt of such a payment will affect your eligibility for public assistance. Revised Interest on Advances: added - ...policy loans, subject to a maximum of 10% compounded annually. Revised Annual Report: added - At the time a lump sum advance is paid, and on each anniversary date, we will send the owner a report showing the advance(s), interest on the advance(s) and the effect on the death benefit. If periodic payments are being made, the report will show the amount of benefits remaining.	
	Payment will only deduct a pro-rata portion of outstanding loan rather than full loan amount.	2003
	Processing charge will not exceed $250; Waiting period removed.	2005
	Lien interest maximum of policy loan interest rate.	2008
	12 month terminal illness (instead of 24 months).	2008

States Where Variations were Required	Variation (Number of Plans Indicated if Not Equal to One)	Year When Approved
	Accelerated benefit amounts paid from the policy may qualify for special tax status, if, according to federal definitions, the Insured qualifies as terminally ill, or qualifies as chronically ill and uses the accelerated benefit to pay for costs incurred by the Insured for qualified long-term care services provided for the Insured during the chronic illness. However, if the accelerated benefit is based on "medical conditions" and not terminal or chronic illness as defined in the federal tax code, the benefits may be taxable. Accelerated benefits paid from the policy are not intended to qualify under Section 26 U.S.C.101(g) or Section 26 U.S.C.7702B of the Internal Revenue Code of 1986 (as amended by Public Law 104-191). We recommend that you contact a tax advisor when making tax-related decisions about electing to receive and use benefits from an accelerated benefit product. BENEFITS PAID UNDER THIS RIDER MAY AFFECT ELIGIBILITY FOR PUBLIC ASSISTANCE. Receipt of acceleration of life insurance benefits may affect eligibility for public assistance programs such as medical assistance (Medicaid), aid to Families with Dependent Children (AFDC), supplementary social security income (SSI), and drug assistance programs. You are advised to consult with a qualified tax advisor and with social service agencies concerning how receipt of such a payment will affect your eligibility for public assistance. Definitions: added "Physician" Revised Effect on Policy: added - Any portion of the original death benefit remaining after reduction of the death benefit due to payment of any accelerated death benefit and related charges, interest, or lien, if applicable, shall be paid upon the death of the insured.	2008
Utah	30 day waiting period.	2005

States Where Variations were Required	Variation (Number of Plans Indicated if Not Equal to One)	Year When Approved
	Revised General Conditions: added - on the issue date of the policy for accidents; or - 30 days following the issue date of the policy for illnesses.	2008
Vermont	Second opinion not allowed.	2008
	Revised Terminal Illness Options: added - You can be paid in 12 equal monthly payments through a period certain annuity. Revised Effect on Policy: added - If you decide to take monthly payments, we will provide you with a payment contract that explains how we make the monthly payments. The payment contract cannot be assigned.	2008
Virginia	Revised Terminal Illness Options: added - You can be paid in 12 equal monthly payments through a period certain annuity. Revised Effect on Policy: added - If you decide to take monthly payments, we will provide you with a payment contract that explains how we make the monthly payments. The payment contract cannot be assigned.	2008
Washington	If You receive payment of accelerated benefits from a life insurance policy, you may lose your right to receive certain public funds, such as Medicare, Medicaid, Social Security, Supplemental Security, Supplemental Security Income (SSI), and possibly others. Also, receiving accelerated benefits from a life insurance policy may have tax consequences for you. We cannot give you advice about this. You may wish to obtain advice from a tax professional or an attorney before you decide to receive accelerated benefits from a life insurance policy. The accelerated benefit provided by this rider is intended to qualify under section 101(g) of the Internal Revenue Code of 1986 as amended by Public Law 104-191 (26 U.S.C. 101(g)).	2001
	Life expectancy less than 24 months. (4)	2001 2005 2006 2008
	30-day waiting period.	2005
	Second opinion not allowed.	2008

f. States Where Not Approved

The states where the terminal illness ADB is not approved were reported for 16 plans. The table in Figure 43 shows a summary of the number of different states where a particular terminal illness plan is not approved, along with the number of plans the number applies to. The intent of this question was to determine where approvals were not secured when the terminal illness ADB was filed with the states, but it is clear from the responses that some participants reported states where the terminal illness ADB had not yet been filed.

Figure 43: States where Terminal Illness Benefits/Riders are Not Approved

Number of States Where Not Approved	Number of Plans
27	1
6	1
3	2
2	3
1	9

Figure 44 includes a table that shows the states where ADB for terminal illness plans are not approved, and the corresponding number of plans that are not approved in that state.

Figure 44: Number of Terminal Illness Benefits/Riders Not Approved by State

States Where Not Approved	Number of Plans
New York	7
California	6
Washington, New Jersen	4 plans in each of these states
Vermont, Oregon, Montana, Illinois	2 plans in each of these states
Pennsylvania, Connecticut, Indiana, Massachusetts, Alaska, Arkansas, Colorado, Delaware, Georgia, Hawaii, Idaho, Maine, Michigan, Nevada, New Hampshire, New Mexico, North Carolina, North Dakota, Rhode Island, South Carolina, South Dakota, Tennessee, Wisconsin, West Virginia, Wyoming	1 plan in each of these states

Figure 45 shows a summary of the reasons that the ADB for terminal illness plans are not approved in the states reported in Figure 44. No reasons were reported for six of the terminal illness ADB plans. The reasons shown in Figure 45 apply to one terminal illness plan unless noted otherwise. The majority of reasons why ADB for terminal illness plans are not approved relate to state regulations, lack of authorization to sell life insurance in the state (New York), or responding to sizeable state objections or filing in the state were not worth the resources needed.

Figure 45: Reasons Why Terminal Illness Benefits/Riders Not Approved (Listed in alphabetical order)

States Where Not Approved	Reasons Why Not Approved
Alaska Arkansas	• Determined that filing in these states was not worth our time and resources.
California	• In process of filing. • Not yet filed. • No reason reported. (4 responses)

States Where Not Approved	Reasons Why Not Approved
Colorado	• Determined that filing in thise state was not worth our time and resources.
Connecticut	• Unknown. Filed 4-5 times and given different reasons for rejection each time and the filing was closed immediately.
Delaware Georgia Hawaii Idaho	• Determined that filing in these states was not worth our time and resources.
Illinois	• Require 24 month life expectancy. • Determined that filing in this state was not worth our time and resources.
Indiana	• Pro-rata access to cash value.
Maine	• Determined that filing in these states was not worth our time and resources.
Massachusetts	• Illustration of lien values is required.
Michigan	• Determined that filing in this states was not worth our time and resources.
Montana	• Determined that filing in this state was not worth our time and resources. • No reason reported.
Nevada New Hampshire	• Determined that filing in these states was not worth our time and resources.
New Jersey	• Responding to a sizable objection was not worth the resources. • Determined that filing in this state was not worth our time and resources. • Benefit could be based on cash value. • No reason reported.
New Mexico	• Determined that filing in this state was not worth our time and resources.
New York	• Long-term care rider includes provision for accelerated death benefit for terminal illness. • In process of filing. • Not currently authorized to sell products in New York. (3 responses) • Not yet filed. (2 responses)
North Carolina North Dakota	• Determined that filing in these states was not worth our time and resources.

States Where Not Approved	Reasons Why Not Approved
Oregon	• Regulations require a waiver of premium after acceleration of death benefit is exercised. • Determined that filing in this state was not worth our time and resources.
Pennsylvania	• Responding to a sizable objection was not worth the resources.
Rhode Island South Carolina South Dakota Tennessee	• Determined that filing in these states was not worth our time and resources.
Vermont	• Not yet filed. • Determined that filing in this state was not worth our time and resources.
Washington	• Responding to a sizable objection was not worth the resources. • Require 24 month life expectancy. (2 responses) • No reason reported.
Wisconsin West Virginia Wyoming	• Determined that filing in these states was not worth our time and resources.

g. Expected Change in Design

The IIPRC modified its standards for acceleration benefit riders in late 2014 and survey participants were asked if these modifications (proposed at the time of the survey) will result in a change to the design of the terminal illness benefit/rider. The majority of responses indicated that the modification will not result in a change in the terminal illness benefit design. For 26 of the 35 plans included in the survey, no change in design is expected due to the IIPRC modification. For one additional plan it was noted that the participant was unaware of the modification. The IIPRC modifications are expected to results in a change in the terminal illness design for three plans. No response was received for the remaining four plans.

ADB for Critical Illness

Accelerated death benefits for critical illness plans are paid if the insured is diagnosed with a critical illness after the effective date of coverage. Part or all of the life insurance death benefit may be accelerated upon the occurrence of a medical condition that, in the absence of extensive or extraordinary medical treatment, typically results in a drastically limited life span, such as cancer or stroke. These riders are typically filed under Accelerated Benefit Model Regulation 620. Other relevant standards that insurance companies consider regarding ADB for critical illness plans include filing requirements of the IIPRC Standards for Accelerated Benefits, which notably requires an incidental value test.

Three of the 34 survey participants responded to questions related to accelerated death benefits for critical illness plans. All three participants submitted responses for a single ADB for critical illness plan resulting in a total of three ADB for critical illness plans included in the responses.

PART I

1. Sales

A limited number of survey participants responded to the questions related to sales of ADB for critical illness plans. As a result, a summary of sales data will not be reported to help preserve anonymity.

PART II

2. Benefit Features

a. Target Markets

None of the three participants provided specific information regarding their target market for the sale of ADB for critical illness plans, but each provided some comment. One participant responded that the plan is automatically provided at issue on permanent products, where most sales constitute highly funded products designed to provide income benefits. Another participant targets individuals who want to protect against both death and critical illnesses under a single insurance plan. The final participant reported that it targets purchasers of life products.

b. Governing Tax Law

Of the three ADB for critical illness plans reported, only one plan was reported as governed under Section 101(g) of the IRC. Neither Section 7702B nor Section 101(g) of the IRC was identified as applying to the remaining two plans.

c. Optionality of Rider

All three survey participants reported that the ADB for critical illness plan is automatically included with the base policy.

d. Base Product Chassis

ADB for critical illness plans are offered on a variety of base life insurance product chassis. All three participants responded that their plan was offered on multiple base product chassis. All three reported that their plan was offered on both UL and EIUL

base product chassis, while one of the participants reported that their plan was also offered on a variable life base product chassis and one of the participants reported that their plan was also offered on a whole life base product chassis. Figure 46 below includes a summary of the number of critical illness plans available by base product type.

Figure 46: Base Product Chassis for ADB for Critical Illness Plans

Base Product	Number of ADB for Critical Illness Plans
Universal Life	3
Indexed UL	3
Whole Life	1
Variable Life	1

e. Single Life vs. Second-to-Die

Two of the three ADB for critical illness plans are only offered on a single life base product. The remaining reported plan is offered on both single life and on second-to-die base products.

f. Single Premium vs. Recurring Premium

Survey participants reported that the ADB for critical illness plans are attached to recurring premium products only. Of the three plans reported on, only two included responses regarding premium limits on the associated recurring premium products. One participant reported that no premium limits existed on the recurring premium plans used for their ADB for critical illness plan. The remaining responding participant reported that premium limits for the associated recurring premium plans were not applicable. Most likely a "not applicable" response is intended as another way to indicate that no premium limits were imposed. The final remaining participant did not provide a response in reference to any premium limits applying to the recurring premium products associated with their ADB for critical illness plan.

g. Death Benefit Options

The death benefit options allowed at issue on the underlying life coverage for UL, variable UL, or Indexed UL base products, were reported by all three survey participants. All three participants reported that they allow death benefit options A, B and C at issue. For one of the three plans, the participant reported that the death benefit amount available for acceleration is limited to the option A benefit amount.

The death benefit options allowed during claim (i.e., once the policyholder accelerates the death benefit) on UL, variable UL, or Indexed UL base products were reported by all three survey participants. All three participants reported that they allow death benefit options A, B and C during claim, which are the same options allowed at issue. It was again noted that the death benefit amount available for acceleration is limited to the option A benefit amount (for the same plan that reported this restriction at issue).

h. Terminal Illness Accelerated Benefit Option

All three survey participants reported that the ADB for critical illness plan always included a terminal illness accelerated benefit option. For two of the three plans, the terminal illness accelerated benefit was included as a benefit trigger in the ADB for critical illness plan. The remaining respondent reported their ADB for critical illness plan offered a terminal illness accelerated benefit option as a separate accelerated benefit rider.

i. Benefit Payment Approach

Two benefit payment approaches used for ADB for critical illness plans were reported in the survey results. Two survey participants reported that their plan uses the lien approach. Under this approach, payment of the accelerated benefit is considered a lien against the death benefit of the policy or rider. Additionally, access to the cash value is restricted to the cash value amount in excess of any other outstanding loans and the lien amounts. Interest charges are typically assessed on the lien. The remaining survey participant reported that they use the discounted death benefit approach for their ADB critical illness plan. When the accelerated death benefit is payable under this approach, the insurer pays a discounted death benefit based on the portion of the face amount being accelerated.

Lien Approach

Of the two ADB for critical illness plans that use the lien approach, the survey results identified two methods for determining the lien interest rate charged. For one plan, the lien interest rate equals the policy loan interest rate. The other respondent reported charging the policy loan interest rate for lien amounts up to the cash surrender value. Lien amounts in excess of the cash surrender value are charged the maximum lien interest rate.

Discounted Death Benefit Approach

Only one participant reported that they used a discounted death benefit approach to calculate benefit payments. Although their reported response did not include any information specific to the interest component for discounting purposes, they did report that the benefit is guaranteed to be 40% of the death benefit amount that is accelerated.

j. Benefit Payment Triggers

Several critical illnesses were reported to trigger the payment of an accelerated death benefit for the ADB for critical illness plans reported on by survey participants. Two of the survey participants reported the same critical illness triggers for their respective plan. Figure 47 below includes a list of these critical illness triggers.

Figure 47: Critical Illnesses that Trigger an Accelerated Death Benefit

Critical Illness	Number of Critical Illness Plans Reported
Cancer (excluding skin cancer)	2
Heart Attack	2
Stroke	2
Organ Transplant	2
Renal Failure	2

The remaining survey participant did not report specific critical illnesses as triggers but instead reported that an accelerated death benefit is triggered by a medical condition requiring extraordinary medical intervention, continuous confinement in an eligible institution, or will result in a drastically limited lifespan.

k. Benefit Amounts by Critical Illness Trigger

All three survey participants reported that the benefit amount for the ADB for critical illness plan does not vary based on the critical illness trigger.

l. Benefits Payable for Skin Cancer

Of the two survey participants who reported cancer as a critical illness trigger, both reported that skin cancer is excluded from the definition of a cancer.

m. Waiting Period

For the purposes of this survey, a waiting period was defined as a period of time following the issue date of the living benefit rider during which the benefit is not in effect. All three survey participants reported that the ADB for critical illness plan is not subject to a waiting period. It also should be noted that waiting periods are not allowed when filing with the IIPRC.

n. Maximum Acceleration Amount

It is common to have a lifetime limit on the maximum amount of death benefit that may be accelerated under an ADB for critical illness plan. The lifetime limit can be defined in various ways. Often times the lifetime maximum acceleration amount is expressed as an amount up to x% of the death benefit, a fixed dollar amount, or a combination of both. The limits reported in the survey are summarized in Figure 48.

Figure 48: Lifetime Limit on the Maximum Amount of Death Benefit that May be Accelerated Summarized by Plan

Lifetime Limit	Number of Plans
50% of Death Benefit up to $1,000,000	1
Up to 10% of the death benefit, with a maximum of $25,000	1
$1 million maximum lifetime benefit, any single benefit trigger is limited to $50,000	1

o. Benefit Payment Frequencies

All three survey participants reported that the benefit payment for the ADB for critical illness plan is payable as a single lump sum payment. One survey participant did report that they may agree to payment in some other manner if requested. No other benefit payment frequencies were reported.

p. Multiple Benefits for Multiple Benefit Triggers

It is possible for an ADB for critical illness plan to pay a benefit for multiple critical illness triggers, resulting in multiple benefit payments. Two of the three survey participants reported that they do not pay multiple benefits due to multiple benefit triggers, while the remaining survey participant reported that their plan does pay multiple benefits for multiple benefit triggers.

q. Re-occurrence Benefits

All three survey participants reported that the plan does not include a re-occurrence benefit under the ADB for critical illness plan. A re-occurrence benefit is a benefit that will pay an accelerated death benefit for a re-occurrence of the same critical illness that has already triggered a benefit payment at least once under the plan.

r. Other Pertinent Benefit Features

Additional comments were received from two survey participants regarding other pertinent benefit features on the ADB for critical illness plan. Both survey participants provided a comment related to how often the plan paid an acceleration benefit. One reported that they only pay a maximum of one claim for critical illness. Another survey participant reported that the rider will only provide for one payment upon trigger of either a terminal illness, critical illness or a permanent confinement.

3. Compensation

a. *First Year Commission Basis*

Commissions on ADB for critical illness plans are not common. No ADB for critical illness plans included in the survey offer additional compensation for the ADB for critical illness plan. Only one survey participant responded with comments that clarified that no commission was paid for the rider; the commissions paid are a percent of the target premium for the base life insurance policy. This is not surprising given that no additional premium is required for these plans.

b. Commission Chargebacks

Given that all of the survey participants reported that they do not pay additional compensation for the ADB for critical illness plan, there were no chargeback provisions reported in the survey results.

4. Underwriting

a. *Additional Underwriting*

Additional underwriting for ADB for critical illness plans is not used among any of the survey participants. However, one survey participant reported that the ADB for critical illness plan is only included if the insured is rated above a certain risk class.

b. Underwriters

Although none of the survey participants reported that additional underwriting was used for ADB for critical illness plans, one participant reported that they use in-house underwriters for underwriting this plan. Most likely they reported use of an in-house underwriter because of their requirement that the ADB for critical illness plan is only included if the insured is rated above a certain risk class.

5. Charge Structure

a. Cost

All three survey participants reported that the ADB for critical illness plan has no explicit charge for the benefit.

b. Guarantees

All three survey participants responded that the ADB for critical illness plan does not include a guarantee.

Responses related to guarantees on the base plan chassis for the ADB for critical illness plans were provided by all three survey participants. Two survey participants responded that the plans do not have a guarantee on the base plan. The remaining survey participant has current charges/premium scales accompanied by maximum guaranteed charges/premium schedules.

c. Administrative Expense Charge

All three survey participants provided responses regarding the assessment of an administrative expense charge when death benefits are accelerated for critical illness. Two of the ADB for critical illness plans assess an administrative charge and one does not. Of the two plans that assess an administrative charge, one responded that there is a $150 administrative fee charged when the accelerated benefit is processed. The other plan responded that the maximum charge is $300, but that the charge varies by state.

d. Waiver of Charges/Premiums

None of the survey participants reported waiving charges/premiums while on claim.

6. Claims

a. Level of Claims Relative to Claims Expected in Pricing

All three survey participants provided responses regarding the overall level of claims from 2010 through 2013 relative to that assumed in pricing. Two of the three reported that claims were close to expected. However one of those same survey participants also reported that there was not enough experience to identify areas where claims differed from expected. The remaining survey participant responded that the question was not applicable and also reported that the rider was not reflected in the pricing of the products when asked to identify areas where the claims differed from expected.

b. Incidence of ADB for Critical Illness Plans versus Stand-Alone CI

Two of the three survey participants provided a response when asked about the relativities of claim incidence between the ADB for critical illness plan and any stand-alone critical illness plan they may offer. Of these participants, both responded that they did not offer a stand-alone critical illness product.

c. Claims Administration

All three survey participants responded that claims administration was handled in-house.

The in-house systems used to administer ADB for critical illness provided in the survey results varied. One participant reported that they used LIDP for in-house administration. One participant reported that most of the administration was handled manually with some parts of the administration reflected on the Vantage system. The remaining participant reported that the ADB for critical illness was administered manually, while the underlying life policies were administered on Cyberlife.

7. Administrative Handling

a. Challenges with HIPAA Compliance

No challenges with HIPAA compliance were reported for the ADB critical illness plans by any of the three survey participants.

8. Reinsurance

a. Reinsurance of Benefit

Of the three survey participants, only one reported that they used reinsurance for the ADB for critical illness plan. The reason why reinsurance is not used was reported for both non-reinsured plans. One survey participant reported that the company chooses not to include the accelerated benefit in any reinsurance. The remaining participant reported that when the base policy is reinsured, the reinsurance is paid at the time of death and not at the time of accelerated death benefit claim as the reason for not using reinsurance on the ADB for critical illness plan.

b. Form of Reinsurance and Reinsurance Limits

For the single plan reported as using reinsurance, the survey participant reported that they use YRT reinsurance where reinsurance is limited to the life insurance retention limit.

c. Timing of Reinsurance Payments

For the single plan reported as using reinsurance, the survey participant reported that the reinsurance payments are made at the time of the death.

d. Implications of Reinsuring the Base Life Plan, but Not the ADB for Critical Illness Plan

When asked about the implications of reinsuring the base life plan, but not the ADB for critical illness plan, two of the three survey participants provided responses. One survey participant commented that they do not receive any reinsurance payment unless a death claim is ultimately incurred. Interestingly enough, this was the only survey

participant that reported reinsuring the ADB for critical illness plan. Another participant reported that when you reinsure the base life plan but not the ADB for critical illness plan, there is simply a timing difference.

9. Pricing Implications

a. Pricing Model

All three survey participants provided responses when asked what pricing model was used to price the ADB for critical illness plan. One survey participant reported using a Prophet pricing model. One survey participant reported using an Excel based pricing model for their ADB for critical illness plan. The remaining survey participant response was reported as "not applicable".

b. Impact of the ADB for Critical Illness Plan

All three survey participants reported on the impact of including the ADB for critical illness plan on the following factors:

- Policyholder optionality/anti-selection
- Mortality
- Policy persistency
- Premium persistency

For two of the plans, the impact on all four factors was reported as immaterial or negligible, if any impact. For the remaining plan, the survey participant reported no impact on all four factors.

c. Impact on Profits

When asked about the ADB for critical illness plan's impact on profits, all three survey participants reported no material impact on profits.

d. Variation of Expected Incidence Rates Based on the Underlying Life Plan

When asked if given otherwise identical rider designs, are incidence rates expected to vary based on the underlying life plan to which the ADB for critical illness plan is attached, two of the three survey participants responded. Both survey participants expected no variation in expected incidence rates based on the underlying life plan.

e. Challenges related to the IIPRC Actuarial Certification

When asked if challenges had been encountered related to the actuarial certification for the Interstate Insurance Product Regulation Commission (IIPRC), all three survey participants provided responses. Only one participant reported encountering any challenges and commented that they found it difficult to properly determine the net single premium. One participant reported that they did not file with IIPRC. Although the final participant reported no when asked this question, based on the participant's answers to other questions in the survey, we assume their response is because they did not file with the IIPRC.

10. Reserves

a. Additional Reserves

All three survey participants responded that no additional active life reserve is held for the ADB for critical illness plan. However, for one of the three plans, the respondent noted that a non-admitted asset is held if the lien is greater than the reserve (note that this is a general requirement imposed by regulations).

b. Claim Reserves

No claim reserve is established for the ADB for critical illness plan (disabled life reserves) for any of the three reported plans.

11. Target Surplus

a. Additional Target Surplus

No additional target surplus is held for the ADB for critical illness plan for any of the three reported plans.

12. State Filing

a. Filed with IIPRC

Of the three ADB for critical illness plans reported, only one was filed with the IIPRC. The remaining two plans were not filed with the IIPRC.

b. Reasons for Not Filing with IIPRC

Two of the survey participants reported that they did not file the ADB for critical illness plan with the IIPRC. One survey participant simply reported that the ADB for critical illness plan did not meet the IIPRC requirements, while the survey participant who responded for the other plan reported that they had issues with specific IIPRC requirements. However, neither participant reported details regarding which IIPRC requirements either were not met or the issues they encountered.

c. State Filings Other than IIPRC Filing

For the one ADB for critical illness plan that was filed with the IIPRC, the survey participant reported filing 14 state filings outside of the IIPRC.

d. Non-IIPRC State Filings

For the two ADB for critical illness plans reported that were not filed with the IIPRC, one survey participant reported filing the ADB for critical illness plan in 51 states, while the other survey participant reported filing their ADB for critical illness plan in 50 states, as well as filing in DC, Guam, Puerto Rico, and the U.S. Virgin Islands.

e. Significant Filing Variations

All three of the survey participants reported filing the ADB for critical illness outside of the IIPRC. Only one of the survey participants reported significant filing variations for their ADB for critical illness plan when filing outside of the IIPRC.

Figure 49 includes a table with a list of the states that required variations for the survey participant who reported significant variations of the ADB for critical illness plan.

Figure 49: States that Required Variations of the ADB for Critical Illness Plans When Filing Outside the IIPRC (as reported by a single respondent)

States Where Variations were Required
Alabama
Connecticut
Florida
Illinois
Indiana
Maryland
Massachusetts
Michigan
New Hampshire
New York
Oregon
Pennsylvania
South Dakota
Texas
Vermont
Washington

The lists of states by types of filing variations, as well as the year when the ADB for critical illness plan was approved are summarized below in Figure 50.

Figure 50: Types of Variations by State

Variation	States Where Variation was Required	Year When Approved
Maximum administrative expense charge	Alabama Florida Illinois Michigan Oregon Pennsylvania	2008
Second opinion not allowed.	Connecticut New Hampshire South Dakota Vermont Washington	2008
Lien interest can be no greater than the policy loan interest rate.	Connecticut Illinois Pennsylvania Texas	2008
Terminal illness only. Other qualifying conditions not allowed.	Massachusetts New York	MA 2011, NY 2010

Variation	States Where Variation was Required	Year When Approved
Life expectancy must be less than 24 months.	Illinois Washington	2008
More limited qualifying conditions	Connecticut	2008
Payment will only deduct a pro-rata portion of outstanding loan rather than full loan amount.	Indiana	2008
Policyholder has the option to apply payment towards paying off the loan.	Maryland	2008
Minimum benefit lesser of 25% of eligible death benefit or $50K.	New York	2010

f. States Where Not Approved

States where the ADB for critical illness plan is not approved were reported by all three survey participants. Figure 51 includes a table that shows the states where ADB for critical illness plans are not approved, and the corresponding number of plans that are not approved in that state.

Figure 51: Number of ADB for Critical Illness Plans Not Approved by State

States Where Not Approved	Number of Plans
California, Connecticut, New York	2 plans in each of these states
Florida, Indiana, Massachusetts, New Jersey	1 plan in each of these states

Figure 52 shows a summary of the reasons why the ADB for critical illness plans are not approved in the states reported in Figure 51. Each reason shown in Figure 7 applies to a single ADB for critical illness plan.

Figure 52: Reasons Why the ADB for Critical Illness Plans Are Not Approved (Listed in alphabetical order)

States Where Not Approved	Reasons Why Not Approved
California	• Filing is pending. • Did not file.
Connecticut	• Did not file. • Unknown. The ADB for critical illness plan was filed 4-5 times and different reasons were given for rejection each time and the filing was closed immediately.
Florida	• Did not file.
Indiana	• Pro-rata access to the cash value.
Massachusetts	• Illustration of lien values is required.
New Jersey	• Benefit could be based on cash values.
New York	• Filing is pending. • A rider was approved but it is terminal illness only.

g. Expected Change in Design

The IIPRC modified its standards for accelerated benefit riders in late 2014 and survey participants were asked if these modifications (proposed at the time of the survey) will result in a change to the design of the ADB for critical illness plan. Two of the three survey participants responded that the modification will not result in a change in the ADB for critical illness plan design. The remaining survey participant responded that they currently do expect these modifications to result in a change to the design of the ADB for critical illness plan.

Life/LTCI Accelerated Benefits

Long term care insurance accelerated death benefit riders may be attached to various life insurance policies. Benefits under life/LTCI accelerated benefit riders are paid if the insured qualifies as a chronically ill individual. Part or all of the life insurance death benefit may be accelerated to help pay for qualified long term care expenses received under a plan of care. These riders are governed under the NAIC Long Term Care Insurance Model Act (640) and Regulation (641). Other relevant standards that insurance companies consider regarding LTCI riders include Internal Revenue Code Section 7702B and filing requirements of the IIPRC Standards for Accelerated Benefits.

Seven of the 34 survey participants responded to questions in Part I relative to Life/LTCI accelerated benefit riders. One of the seven provided responses for more than one Life/LTCI ABR plan. A total of eight plans were reported for sales of Life/LTCI accelerated benefits. The same seven survey participants responded to questions in Part II relative to Life/LTCI accelerated benefit riders. One of the seven provided responses for more than one Life/LTCI ABR plan. A total of eight plans were reported for Life/LTCI accelerated benefits.

PART I

1. Sales

a. Total First Year Premium

Total first year premium was reported by seven survey participants relative to life/LTCI accelerated benefit riders. The seven participants reported sales for eight plans. Six of the eight plans are recurring premium plans and two are single premium plans. Total premiums reported equaled about $108 million in calendar year 2011, $138 million in 2012, and $239 million in calendar year 2013. The table in Figure 53 shows total sales by calendar year reported by survey participants, as well as the average and median sales per plan.

Figure 53: First Year Premium – Life/LTCI ABR Plans

Calendar Year	Number of Plans	Life/LTCI ABR Sales ($ millions)		
		Total	Average	Median
2011	6	$108.2	$18.0	$18.7
2012	7	$137.9	$19.7	$18.4
2013	8	$239.4	$29.9	$23.4

b. Total 2013 First Year Premium Broken Down by ABR Term Period

Total life/LTCI ABR sales by ABR term period were reported for calendar year 2013 by seven survey participants for eight plans. Term periods of approximately two, three, and four years were reported by participants, as well as other term periods. The other periods were reported for five plans, with an ABR term period of approximately eight years for three of the five. Sales in this category for one additional plan included five, six, and 10 year ABR term periods. The remaining two plans have ABR term periods that were described as follows:

- 2% per month until the death benefit is gone

- lifetime (until benefit has been completely used)

The ABR term period with the greatest sales is approximately two years (52.7%). The term period with the least sales is the other category (7.8%). The table in Figure 54 shows the distribution of life/LTCI ABR sales for calendar year 2013 by ABR Term Period.

Figure 54: First Year Premium Distribution by ABR Term Period – Life/LTCI ABR Plans

ABR Term Period	Distribution of Sales
Approximately 2 years	52.7%
Approximately 3 years	18.9%
Approximately 4 years	20.6%
Other	7.8%

The ABR term period with the highest average sales is approximately two years, and with the lowest average sales is the other ABR term category. The table in Figure 55 shows total sales by ABR term period reported by survey participants, as well as the average and median sales per plan.

Figure 55: First Year Premium by ABR Term Period – Life/LTCI ABR Plans

ABR Term Period	Number of Plans	Life/LTCI ABR Plans ($ millions)		
		Total	Average	Median
Approximately 2 years	3	$126.3	$42.1	$48.1
Approximately 3 years	3	$45.1	$15.0	$21.2
Approximately 4 years	4	$49.4	$12.4	$7.4
Other	5	$18.6	$3.7	$2.2

Total 2013 First Year Premium Broken Down by Issue Age Range

Total life/LTCI ABR sales by issue age ranges were reported for calendar year 2013 by seven survey participants for eight plans. The average issue age in 2013 was 56. The range with the greatest sales is issue ages 55 to 59 (19.2%). The range with the least sales is 80 and older (0.1%). The table in Figure 56 shows the distribution of life/LTCI ABR sales for calendar year 2013 by issue age range.

Figure 56: First Year Premium Distribution by Issue Age Range – Life/LTCI ABR Plans

Issue Age Range	Distribution of Sales
< 30	1.2%
30 – 34	2.1%
35 - 39	3.5%
40 – 44	7.1%
45 - 49	10.7%
50 - 54	17.5%
55 - 59	19.2%
60 - 64	16.1%
65 - 69	15.5%
70 – 74	4.7%
75 - 79	2.5%
80+	0.1%

The total, average, and median sales by issue age range for the eight life/LTCI ABR plans are shown in Figure 57. The highest average sales were reported for the 50 to 59 issue age range, and the lowest average sales were reported for issue ages 80 and older.

Figure 57: First Year Premium by Issue Age Range – Life/LTCI ABR Plans

Issue Age Range	Number of Plans	Life/LTCI ABR Plans ($ millions)		
		Total	Average	Median
< 30	8	$2,8	$0.3	$0.2
30 – 34	8	$5.0	$0.6	$0.3
35 - 39	8	$8.3	$1.0	$0.8
40 – 44	8	$17.0	$2.1	$1.6
45 - 49	8	$25.7	$3.2	$2,8
50 - 54	8	$41.8	$5.2	$3.8
55 - 59	8	$45.9	$5.7	$4.1
60 - 64	8	$38.5	$4.8	$3.5
65 - 69	8	$37.0	$4.6	$2.1
70 – 74	6	$11.2	$1.9	$1.6
75 - 79	4	$6.1	$1.5	$1.0
80+	2	$0.2	$0.1	$0.1

c. Total 2013 First Year Premium Broken down by Distribution Channel

Total life/LTCI ABR sales by distribution channel were reported for calendar year 2013 for seven plans. Sales of life/LTCI ABR plans were reported in six different channels by survey participants. The channel with the greatest sales is the agency building channel (48.9%). The channel with the least sales is the personal-producing general-agent channel (PPGA). The table in Figure 58 shows the distribution of life/LTCI ABR sales for calendar year 2013 by distribution channel. No sales were reported in the home service, worksite, and direct response channels, or any other channel.

Figure 58 First Year Premium Distribution by Channel – Life/LTCI ABR Plans

Distribution Channel	Distribution of Sales
Agency Building	48.9%
Multiple-Line Exclusive Agents	8.8%
Personal-Producing General-Agent	< 0.1%
Broker	29.4%
Wirehouse	6.9%
Banks & Financial Institutions	6.0%

The total, average, and median sales by distribution channel for the seven life/LTCI ABR plans are shown in Figure 59. The highest average sales were reported for the agency building channel, and the lowest average sales were reported for the PPGA channel.

Figure 59: First Year Premium by Distribution Channel – Life/LTCI ABR Plans

Distribution Channel	Number of Plans	Life/LTCI ABR Plans ($ millions)		
		Total	Average	Median
Agency Building	6	$116.0	$19.3	$10.5
Multiple-Line Exclusive Agents	3	$20.9	$7.0	$6.8
Personal-Producing General-Agent	1	$0.1	$0.1	$0.1
Broker	4	$69.7	$17.4	$9.8
Wirehouse	2	$16.4	$8.2	$8.2
Banks & Financial Institutions	3	$14.3	$4.8	$7.0

PART II

2. Benefit Features

a. Target Markets

Six of the seven participants reported specific target markets for the sale of life/LTCI accelerated death benefits. One of the six targets customers ages 50 and older who are interested in both life insurance and long term care insurance. A second targets individuals ages 40 to 70 who have a need for both life insurance and a low cost solution to funding LTC expenses. The third participant reported targeting individuals ages 55 to 70. Another targets clients who want a large death benefit with the option to pay for long-term care expenses if a chronic condition develops.

Two additional participants reported target markets that are generic in nature. The first targets the general life insurance market. The second is targeting individuals who want to protect against future LTC costs. The final two participants did not respond to this question.

b. Governing Tax Law

Of the eight life/LTCI ABR plans, the governing tax law is Section 7702B of the Internal Revenue Code (IRC) for six plans. The remaining two plans were reported as governed under Section 101(g) of the IRC.

c. *Optionality of Rider*

All of life/LTCI ABR plans (8) offered by survey participants are optional benefits offered by rider.

d. Base Product Chassis

Life/LTCI accelerated benefit riders are offered on a variety of base life insurance product chassis. Half of the life/LTCI ABR plans are offered on multiple base product chassis. Two of the eight are offered on universal life products only, and two additional plans are offered on whole life products only. Figure 60 includes a summary of the number of different base product chassis used with life/LTCI ABR plans reported by survey participants.

Figure 60: Number of Different Base Product Chassis for Life/LTCI ABR Plans

Number of Different Base Products	Base Products	Number of Life/LTCI ABR Plans
3	UL, Variable Life, Indexed UL	3
2	UL, Indexed UL	1
1	UL Whole Life	2 2

The most popular chassis reported by survey participants is a universal life chassis, followed by indexed UL, variable life, and whole life insurance. Figure 61 below includes a summary of the number of life/LTCI ABR plans available by base product type.

Figure 61: Base Product Chassis for Life/LTCI ABR Plans

Base Product	Number of Life/LTCI ABR Plans
Universal Life	6
Indexed UL	4
Variable Life	3
Whole Life	2

e. Single Life vs. Second-to-Die Base Product

All of the eight life/LTCI ABR plans are offered only on a single life base product.

f. Single Life vs. Joint Life LTC Option

All of the life/LTCI ABR plans included in the survey are offered with a single life LTC option only and none are offered with a joint life LTC option.

g. Single Premium vs. Recurring Premium

The majority of survey participants reported that life/LTCI accelerated benefit riders are attached to recurring premium products only. Seven of the eight survey plans are attached to recurring premium products only, and the final plan is attached to single premium products only.

For the seven plans attached to recurring premium products, responses were received regarding the premium limits on five plans. No premium limit was reported for three of the five plans. For the fourth plan, the rider is available on limited payment (10-pay, 20-pay, pay to age 65) products, as well as full payment. The rider premium period follows that of the base policy. The premium limit for the fifth plan is 10-pay, 20-pay, to age 65, to age 85, and to age 100. No response was received regarding premium limits for two life/LTCI ABR plans.

h. Death Benefit Options

The death benefit options allowed at issue on the underlying life coverage for UL, variable UL, or Indexed UL base products, were reported by survey participants. This question applies to six of the eight life/LTCI ABR plans, since the final two are only offered with whole life insurance. Four life/LTCI ABR plans allow death benefit options A and B at issue. One plan allows death benefit option A only at issue, and the sixth plan allows death benefit options A, B, and C at issue.

The death benefit options allowed during claim (i.e., once the policyholder starts accelerating the death benefit) on UL, variable UL, or Indexed UL base products were reported for all six plans where the death benefit options allowed at issue were reported. The same options are allowed during claim for all except one of the plans. This plan allows death benefit options A and B at issue, but only allows option B during claim. Figure 62 shows a comparison of the death benefit options allowed at issue versus during claim.

Figure 62: Death Benefit Options Allowed During Claim

Death Benefit Option	Number of Life/LTCI ABR Plans (on UL, VUL, and IUL Base Products Only)	
	At Issue	During Claim
A Only	1	1
B Only		1
A and B	4	3
A, B, and C	1	1

i. Benefit Payment Approach

The benefit payment approach used by survey participants in life/LTCI ABR plans is varied. Five of the eight plans use the indemnity approach. Under this approach, LTC expenses are reimbursed based on a specified amount per day or month, provided billable covered services are received. Two plans use a disability/cash approach. Under the disability/cash approach, LTC expenses are reimbursed based on a specified amount per day or month, provided the criteria for disability are met, regardless of services provided. The final plan uses an expense reimbursement approach. Under this

approach, LTC expenses are reimbursed based on actual expenses incurred for covered services, up to a daily or monthly cap.

For the one plan using an expense reimbursement benefit payment approach, the cap is on a monthly basis. Similarly, for the seven plans using an indemnity or disability/cash approach, the cap was reported to be on a monthly basis, as well.

j. Benefit Payment Triggers

Various actions that trigger the payment of accelerated benefits under life/LTCI ABR plans were reported by survey participants. By far, the most common triggers are a licensed health care practitioner (LHCP) certification, a plan of care, and two of six activities of daily living (ADL) or cognitive impairment. The first two of these three triggers were reported for eight plans each and all eight plans always require these triggers. The use of two of six ADLs or cognitive impairment was reported for seven plans. All seven plans always require this trigger. Figure 63 includes a summary of the benefit payment triggers and the frequency of their use, as well as all other triggers reported.

Figure 63: Benefit Payment Triggers

Trigger	Number of Plans		
	Use	Use Always	Use Sometimes
LHCP	8	8	
2 of 6 ADLs or Cognitive Impairment	7	7	
Plan of Care	8	8	
Service Provider Invoice	3	3	
2 of 6 ADLs or Severe Cognitive Impairment	1	1	
Nursing Home Confinement	1	1	

k. Maximum Lifetime LTC Benefit Basis

Survey participants were asked if the maximum lifetime LTC benefit is linked to the life insurance face amount, or chosen independently by the applicant. For five of the eight life/LTCI ABR plans, the maximum lifetime LTC benefit is chosen independently by the applicant. For the remaining three plans, the maximum lifetime LTC benefit is linked to the life insurance face amount.

l. Provisions, Elimination Period, and Amount Payable

Various provisions are included with life/LTCI ABR plans. The majority of survey plans include coverage for home health care, assisted living facilities, nursing homes, adult daycare, hospice services, and bed reservation. Provisions were reported for all eight survey plans, with all eight also reporting the corresponding elimination period. The elimination period is equal to 90 days in all cases where reported. The table in Figure 64 summarizes the provisions offered, and the applicable elimination periods.

Figure 64: Provisions and Elimination Periods included in Life/LTCI ABR Plans

Provision	Number of Plans Including Provision	Elimination Period (the same for all plans, unless noted)
Home Health Care Coverage	8	90 days
Assisted Living Facility	8	90 days
Nursing Home	8	90 days
Adult Daycare	8	90 days
Hospice Services	7	90 days
Bed Reservation	5	90 days
Residual Death Benefit	4	90 days (3 plans)
Care Planning Services	3	90 days
Respite Care	3	90 days
International Coverage Benefit	3	90 days
Caregiver Training	3	90 days
Personal Care	3	90 days
Alternative Care	3	90 days

For four of the eight life/LTCI ABR plans, the periodic amount that is payable under each of the provisions offered was reported. For two of the plans, the periodic amount payable was described as 100% of the maximum benefit payable under the life/LTCI ABR plan. For the third plan, the maximum benefit payable for the various provisions is equal to 100% of the maximum benefit paid under the nursing home provision. The periodic amount payable for the provisions included in the fourth plan is equal to the minimum of 2% of the LTC pool or 60 times the IRS per diem limit. The table in Figure 65 shows a summary of the periodic amounts payable for the provisions offered under these four plans.

Figure 65: Periodic Amount Payable for Provisions included in Life/LTCI ABR Plans

Provision	Periodic Amount Payable			
	100% of Max Benefit Payable under the Rider		100% of Max Benefit Payable under the Nursing Home Provision	Min(2% of LTC Pool, 60 x IRS Per Diem Limit)
	Plan A	Plan B		
Home Health Care Coverage	X	X	X	X
Assisted Living Facility	X	X	X	X
Nursing Home	X	X	X	X
Adult Daycare	X	X	X	X
Hospice Services	X	X		X
Bed Reservation		X		X
Residual Death Benefit		X		

Provision	Periodic Amount Payable			
	100% of Max Benefit Payable under the Rider		100% of Max Benefit Payable under the Nursing Home Provision	Min(2% of LTC Pool, 60 x IRS Per Diem Limit)
	Plan A	Plan B		
Care Planning Services		X		
Respite Care		X		
International Coverage Benefit		X		
Caregiver Training		X		
Personal Care	X			
Alternative Care	X			

A variety of methods were reported for the eight life/LTCI ABR plans regarding the satisfaction of the elimination period. A summary of the methods used is shown in the table in Figure 66.

Figure 66: Satisfaction of the Elimination Period

Description of Elimination Period	Service Days?	Calendar Days?	Satisfied Once in a Lifetime?
90 consecutive days			Yes
90 days within 2 years of the first day of service	X		Yes
90 days within a 24 month period			No Response
90 days within 2 years, but need not be consecutive			Yes
90 days within 2 years, but need not be consecutive			Yes
90 days within 730 days		X	Yes
90 days	Service days for facility services, 1 day of care in 7 is treated as 7 days of care for home and community based services.		Yes
90 days		X	No

m. Other Pertinent Benefit Features

One additional comment was received from a survey participant regarding the inclusion of a benefit that waives the monthly deduction as long as monthly benefit payments are being paid.

3. **Compensation**

a. *First Year Commission Basis*

Commissions on life/LTCI ABR riders are commonly based on an incremental commissionable target premium. The basis of first year commissions on life/LTCI ABR riders is incremental commissionable target premiums for six of the plans included in the survey. For two additional plans, the basis is a percentage of target rider charges/premiums. No life/LTCI ABR plans included in the survey base commissions on incremental rider charges/premiums to endow based on either current of guaranteed charges/premiums, or on any other basis. In all cases, the first year commission percentages are the same as those applicable to the base plan.

b. Renewal Commissions

The majority of the life/LTCI ABR plans pay renewal commissions. Seven of the eight plans pay renewal commissions and one does not (it is a single premium plan). For one plan, renewal commissions vary by the underlying base policy. For a second plan, renewal commissions were described as based on incremental commissionable target premiums.

Renewal commission percentages paid on life/LTCI ABR plans are the same as those applicable to the base plan for all seven policies.

c. Commission Pattern

The majority of the life/LTCI ABR plans use a heaped commission pattern. This is a commission structure where compensation is weighted more toward the front-end (first year), with reduced renewal commissions. Seven of the eight plans use a heaped pattern and the eighth one uses a level commission pattern.

d. Average Compensation Levels

Average compensation levels were reported for five of the eight life/LTCI ABR plans. For four of the five, the street level commission, general agent overrides, and total compensation and marketing costs were reported. The total compensation and marketing costs only were reported for the fifth plan. No compensation information was reported for the final three plans.

First year and renewal commissions were reported for one of the four recurring premium life/LTCI ABR plans. For another, only total compensation and marketing costs were reported. The table in Figure 67 shows a summary of first year compensation for the recurring premium life/LTCI ABR plans reported in the survey.

Figure 67: First Year Compensation Life/LTCI ABR Plans

Compensation Component	Number of Responses	Average	Median	Minimum	Maximum
Street Level Commissions	3	69%	45%	30%	120%
General Agent Overrides	3	4%	5%	3%	5%
Total Compensation and Marketing Costs	4	128%	127%	107%	150%

Renewal commissions reported for one plan equal 2% to 8% for street level commissions, 2% for general agent overrides, and 1% to 15% for total compensation and marketing costs.

e. *Commission Chargebacks*

Various commission chargeback schedules are used for life/LTCI ABR plans as shown in Figure 68.

Figure 68: Commission Chargeback Schedules

Commission Chargebacks	Number of Responses
100% Year 1	1
100% (Months 1 – 6) 50% (Months 7 – 12)	2
100% Month 1	1
None	2

Two additional plans reported other chargeback schedules. The first of the two indicated that lapses affect agents' overall renewal compensation formula. The second did not provide a description of the other chargeback schedule. No response was received regarding commission chargebacks for the final plan.

4. Underwriting

a. Underwriting Tools

The most common underwriting tools used with life/LTCI ABR plans are medical records or attending physician's statements, prescription drug screens, applications that are incorporated into the life insurance application, and cognitive screens. The table in Figure 69 shows a summary of the number of life/LTCI ABR plans that use various underwriting tools.

Figure 69: Use of Underwriting Tools

Underwriting Tool	Number of Plans That Use the Tool
Medical records or Attending Physician's Statement	8
Prescription Drug Screen	7
Application that is Supplemental to an Existing Life Application	5
Cognitive Screen	5
Pre-screening Questionnaire	3
Application that is Incorporated into a Life Application	3
Phone Interview	3

b. Underwriters

All eight life/LTCI ABR plans use in-house underwriters to underwrite the benefit. One of the eight reported that a third party telephone vendor is also used.

5. Charge Structure

a. Cost

A variety of cost structures were reported by survey participants for life/LTCI ABR plans. A yearly renewable term (YRT) charge based on per $1,000 of net amount at risk (NAR) was reported for four life/LTCI ABR plans. For two of the four plans the YRT charge is assessed in all states except Florida, Kentucky, Minnesota, New York, North Carolina, Virginia, and Washington. For these states, a level charge based on per $1,000 of NAR is assessed. For another of the four plans, it was reported that a level charge based on per $1,000 of NAR is assessed in Hawaii, Colorado, Florida, North Carolina, Ohio, Oregon, Tennessee, and Vermont only. The cost of the life/LTCI ABR plan is also a level charge based on per $1,000 of NAR for two additional plans. The cost of the life/LTCI ABR benefit is based on another structure for the final two plans. For these plans a level charge is assessed based on the amount of the face amount that is available for acceleration.

Guarantees

Guarantees included with the accelerated benefit rider are consistent among survey participants. All eight plans have current charge/premium scales that are accompanied by a maximum guaranteed charge/premium.

For six of the life/LTCI ABR plans, responses were similar relative to guarantees on the base plan chassis. These six plans have current charges/premium scales accompanied by maximum guaranteed charges/premium schedules on the base plan chassis. For one of the remaining two plans, the base plan has fully guaranteed charges/premiums. No response was received for the final plan.

b. Rider Premiums Comingled with UL Life Premiums

For the six life/LTCI ABR plans that use a UL base plan chassis, all commingle the rider premiums with the life premiums and reflect them in the base plan cash value mechanism.

c. Duration of Rider Charges/Premiums

Rider charges/premiums are assessed for the life of the base contract for four of the eight life/LTCI ABR plans. Two additional plans have rider charges/premiums assessed to a specified age. Both assess charges/premium to age 100. For the final two plans, rider charges/premiums are assessed for the duration of the premium paying period of the base plan.

d. Waiver of Charges/Premiums

It is common to waive charges/premiums while on claim for the life/LTCI ABR. Five of the eight plans waive the ABR premium/charges while on claim. For one additional plan, all charges/premiums are waived, and for a second plan no charges/premiums are waived. The eighth plan waives ABR rider premiums, plus a portion of the base premium depending on the ratio of LTC pool to the base policy face amount.

6. Claims

a. Level of Claims

For six of the eight life/LTCI ABR plans, the incidence of claims from 2010 through 2013 relative to that assumed in pricing was close to or better than expected. Claim incidence rates were close to expected for two plans and better than expected for four plans. For one of the four plans, it was reported that no claims were incurred during that time period. One plan where the incidence of claims was reported to be close to that assumed in pricing also had claim termination rates that were close to those assumed in pricing. For the final two plans, the level of claims relative to pricing was not reported since insufficient credible data exits.

b. Reasons Claims Differ from Expected

Three comments were received from survey participants explaining why life/LTCI ABR claims differed from that expected. All indicated that the claims were less than expected because the frequency of claims was lower.

c. Claims Administration

In-house claims administration is used for all eight survey life/LTCI ABR plans.

The in-house systems used to administer life/LTCI ABR are mainly internally developed systems. Five of the eight plans use internally developed claims administration systems. For one of the five it was noted that values are adjusted manually. Claims administration for the sixth plan is handled on LifeCare. Claims for the seventh plan are administered on a life administration legacy system. No system was reported for the eighth life/LTCI ABR plan.

7. Administrative Handling

a. Challenges with HIPAA Compliance

No challenges with HIPAA compliance were reported for any of the eight life/LTCI ABR plans.

8. Reinsurance

a. Reinsurance of Benefit

None of the life/LTCI ABR plans are reinsured. The reason why reinsurance isn't used was reported for six of the eight plans. No reinsurance support is available for two of the six plans. For another two plans, the life/LTCI accelerated benefit rider risk was deemed not material relative to the base death benefit risk (i.e., reinsurance on the base death benefit is adequate). Reinsurance was not sought for the fifth plan, and rate quotes were not attractive for the sixth.

b. Form of Reinsurance

None of the life/LTCI ABR plans are reinsured.

c. Reinsurance Limits

None of the life/LTCI ABR plans are reinsured.

d. Timing of Reinsurance Payments

None of the life/LTCI ABR plans are reinsured.

e. Implications of Reinsuring the Base Life Plan, but Not the life/LTCI ABR

Five comments were received regarding the implications of reinsuring the base life plan, but not the life/LTCI ABR. One implication reported is that as the death benefit is drawn down, the net amount at risk decreases. When determining the reinsurance amount this factor needs to be considered. A second comment indicated that if the death benefits that are accelerated exceed the cash value and the policy lapses before the insured dies, then the company would not receive reimbursement of the difference from the reinsurer. Two additional comments noted that the implication of reinsuring the base life plan, but not the life/LTCI ABR is that there would be timing differences in the benefit cash flows relative to the reinsurance cash flows. A final comment was received relative to one plan that stated a death benefit lien approach is used instead of a face amount decrease approach.

9. Pricing Implications

a. Pricing Model

A summary of the pricing models used by survey participants to price life/LTCI ABR plans is shown in Figure 70.

Figure 70: Pricing Models used to Price Life/LTCI ABR Plans

Pricing Model	Number of Plans
Excel	3
MG-ALFA	3
APL (programming language)	1
No Response	1

b. Impact of LTC ABR Only Benefit

The impact of including the LTC accelerated benefit on factors such as policyholder optionality/anti-selection, mortality, policy persistency, and premium persistency was reported for five life/LTCI ABR plans. The impact was not evaluated for one of the remaining three plans. It was reported that there was not enough credible data to determine the impact for the second plan. No response was received for the third plan. The tables in Figure 71 include a summary of the impacts on policyholder optionality/anti-selection, mortality, policy persistency, and premium persistency reported for five Life/LTCI ABR plans.

Figure 71: Impact of Including the Life/LTCI ABR

Impact of Including the Life/LTCI ABR on Policyholder Optionality/Anti-Selection	Number of Plans
No Impact	4
Higher	1

Impact of Including the Life/LTCI ABR on Mortality	Number of Plans
No Impact	2
Higher	1
Addition of disabled life mortality in addition to base mortality assumption	2

Impact of Including the Life/LTCI ABR on Policy Persistency	Number of Plans
No Impact	4
Increased	1

Impact of Including the Life/LTCI ABR on Premium Persistency	Number of Plans
No Impact	4
Increased	1

c. Impact on Profits

The impact of including the life/LTCI ABR on profits was reported for all eight plans. For five plans, it was reported that profits are enhanced by including the LTC ABR. For the remaining three plans, it was reported that there was no material impact on profits by inclusion of the LTC ABR.

d. Unisex or Sex Distinct LTC Rates
The LTC rates for the eight life/LTCI ABR plans are all sex distinct.

e. Anti-selection Concerns of Unisex Rates
The LTC rates for the eight life/LTCI ABR plans are all sex distinct.

f. Preservation of Overall Mortality
Two of the eight life/LTCI ABR plans factor in the preservation of overall mortality, such that disabled life deaths, plus active life deaths equals the original deaths for life only. Five of the remaining six plans do not factor in the preservation of overall mortality. No response was received for the final plan.

g. LTC Benefit Utilization
LTC benefit utilization on the life/LTCI ABR plan is assumed to be lower than that assumed on standalone LTC plans for six of the eight plans. LTC benefit utilization is not assumed to be lower than that for standalone LTC plans for the remaining two plans.

h. Pricing Method
The responses were evenly split between two pricing methods used to price the life/LTCI ABR. Four of the eight plans are priced based on an integrated approach with the life plan and LTC ABR combined. The remaining four plans are priced with the ABR priced independently from the life benefit.

10. Reserves

a. Additional Reserves
Additional active life reserves for the life/LTCI ABR (when the insured is not receiving accelerated benefits) are typically held. A reserve equal to ½ C_x on the YRT charges is held for three of the eight plans. For two plans, a separate additional reserve is calculated using standard LTC reserving methods, reflecting the present value of the LTC accelerated benefits, offset by the death benefit reduction. For one additional plan it was reported that an additional reserve is held that is greater than or equal to that determined based on standard LTC reserving methods. For one of the final two plans, the additional active life reserve is equal to a one year preliminary term reserve. No additional active life reserve is held for the final life/LTCI ABR plan.

b. Claim Reserves
Disabled life/claim reserves are also common for the life/LTCI ABR when the insured is receiving accelerated benefits. For six of the eight plans, a separate additional reserve is calculated using standard LTC reserving methods. For one plan, the additional disabled life reserve is equal to a one year preliminary term reserve. No claim reserve is held for the final life/LTCI ABR plan.

11. Target Surplus

a. Additional Target Surplus

Similar to the frequency of holding additional reserves, it is common for additional target surplus to be held for life/LTCI accelerated benefit riders. For six of the eight plans, additional target surplus in terms of NAIC risk based capital (RBC) was reported. For one of the final two plans, it was reported that target surplus increased because part of the target surplus formula includes a percent of premium component. No response was received for the final plan. The table in Figure 72 summarizes the target surplus responses that were expressed in terms of NAIC RBC.

Figure 72: Additional Target Surplus Held when the life/LTCI ABR is Added to the Base Life Plan

Additional Target Surplus	Number of Plans
Additional C2 and C4 components due to the increase in the reserve and premium	2
An additional LTC C2 component equal to 5% x the LTC claim reserve	1
53.9% of ABR premium (based on 350% RBC)	1
Based on RBC; follows the same method as UL	1
Follows the RBC formula for LTC liabilities	1

12. Agent Licensing/Training

a. Required Agent Licenses

Various opinions are held by survey participants regarding which agent licenses are required to sell the life/LTCI ABR. For two of the eight plans, it was reported that only a life license is required. For two additional plans, a life and health license is required for the agent to sell this benefit. For another two plans, it was reported that agents are required to have a life and LTC license to sell the life/LTCI ABR. For one of the final two plans, a life, health, and LTC licenses are thought to be required. Relative to the final plan, agents are required to have a life and health license, and the requirement of a LTC license varies by state.

b. Training Requirements

Responses regarding the applicability of long term care insurance training requirements to the life/LTCI ABR were evenly split. For four of the eight plans, these requirements are applicable, and for the remaining four plans, they are not assumed to be applicable. For the four plans where the LTC training requirements apply to the life/LTCI ABR, it was indicated above that LTC agent licenses are required.

13. State Filing

a. Filed with IIPRC

Of the eight life/LTCI accelerated benefit riders reported by survey participants, six were filed with the IIPRC. The remaining two plans were not filed with the IIPRC.

b. Reasons for Not Filing with IIPRC

Two different reasons were reported for not filing the life/LTCI ABR plans with the IIPRC. For the first plan, LTC was not available in the IIPRC at the time the product was filed. For the second plan, it was reported that the participant does not file through the IIPRC.

c. State Filings Other than IIPRC Filing

For the six life/LTCI ABR plans that were filed with the IIPRC, the number of state filings outside of the IIPRC were also reported. The number of other state filings ranged from 13 to 46 filings, with an average of 25 and a median of 16.

d. Non-IIPRC State Filings

For the two life/LTCI ABR plans that were not filed with the IIPRC, the number of state filings was 40 and 51.

e. Significant Filing Variations

Significant filing variations were reported for six of the eight life/LTCI ABR plans. No state variations were reported for the remaining two plans. The variations were reported for key states where the filing of the rider was filed outside the IIPRC. The table in Figure 73 shows a summary of the number of different state filing variations that were required for life/LTCI ABR plans, and the corresponding number of plans requiring that number of variations. The number of state variations ranged from one to five.

Figure 73: State Variations for Life/LTCI ABR Plans

Number of State Variations	Number of Plans
5	1
3	1
1	2
1 + "most non-IIPRC states"	2

Figure 74 includes a table with a list of the states where survey participants filed a state variation of the life/LTCI ABR. The state where the most variations were filed for life/LTCI ABR plans is New York, with five plans requiring a state variation. Seven different states were specifically reported as requiring a filing variation for one life/LTCI ABR plan each.

Figure 74: Number of Life/LTCI ABR Plans with State Variations

States Where Variations were Required	Number of Plans
New York	5
California, Florida, Hawaii, Kansas, Montana, North Carolina, Utah	1 plan in each of these states
"Most non-IIPRC states"	2

The types of filing variations by state, as well as the year when the life/LTCI ABR was approved and the reason for the variation are summarized in Figure 75.

Figure 75: Types of Variations by State (Listed in alphabeti cal order)

States Where Variations were Required	Variation (Number of Plans Indicated if Not Equal to One)	Year When Approved	Reason for the Variation
California	• State specific regulations	Not approved	Regulations
Florida	• State specific regulations and valuation and nonforfeiture certificates	2013	Regulations
Hawaii	• No chronic condition trigger		Regulations
Kansas	• No chronic condition trigger		Regulations
Montana	• Unisex rates		Regulations
New York	• Max monthly benefit is 1x the IRS limit instead of 2x in other states	2013	Regulations
	• State specific regulations, Self-support certification	2012	Regulations
	• Reduced paid up benefits, pay claims during elimination period once elimination period is satisfied		Regulations
	• Variation not reported (2)	2006	
North Carolina	• No chronic condition trigger		Regulations
Utah	• No chronic condition trigger		Regulations
"Most non-IIPRC states"	Not reported	Various	

f. States Where Not Approved

The states where the life/LTCI ABR is not approved were reported for six of the eight plans. The table in Figure 76 shows a summary of the number of different states where a particular LTC ABR plan is not approved, along with the number of plans the number applies to. The intent of this question was to determine where approvals were not secured when the life/LTCI ABR was filed with the states, but it is clear from the responses that some participants reported states where the life/LTCI ABR had not yet been filed.

Figure 76: States where Life/LTCI ABR Plans are Not Approved

Number of States Where Not Approved	Number of Plans
17	1
3	1

Number of States Where Not Approved	Number of Plans
1	4

Figure 77 includes a table that shows the states where life/LTCI ABR plans are not approved, and the corresponding number of plans that are not approved in that state.

Figure 77: Number of Life/LTCI ABR Plans Not Approved by State

States Where Not Approved	Number of Plans
California	4
Florida, Montana	2 plans in each of these states
Connecticut, Illinois, Indiana, Maryland, Massachusetts, Michigan, New Jersey, New York, Ohio, Oregon, Pennsylvania, Rhode Island, South Dakota, Tennessee, Virginia, Washington	1 plan in each of these states

Figure 78 shows a summary of the reasons that the life/LTCI ABR plans are not approved in the states reported in Figure 77. The reasons shown in Figure 60 apply to one life/LTCI ABR plan unless noted otherwise. The reasons reported were fairly generic and did not include specific details.

Figure 78: Reasons Why Life/LTCI ABR Plans Not Approved (Listed in alphabetical order)

States Where Not Approved	Reasons Why Not Approved
California	• Department of Insurance filing issues • Still working with the insurance department to get approval • Waiting for response from the insurance department • Outstanding objection
Connecticut	• Outstanding objection
Florida	• Department of Insurance filing issues • Did not file
Illinois	• Did not file
Indiana	• Filing withdrawn
Maryland	• Filing withdrawn
Massachusetts	• Did not file
Michigan	• Outstanding objection
Montana	• Did not file (2 responses)
New Jersey	• Did not file
New York	• Regulatory obstacles
Ohio	• Filing withdrawn
Oregon	• Did not file

States Where Not Approved	Reasons Why Not Approved
Pennsylvania	• Outstanding objection
Rhode Island	• Filing withdrawn
South Dakota	• Did not file
Tennessee	• Outstanding objection
Virginia	• Waiting on response from state department of insurance
Washington	• Did not file

Life/LTCI Linked-Benefit Plans

Life/LTCI linked-benefit plans include both an acceleration of the death benefit (ABR) if the insured has a chronic illness condition triggering long term care, and an extension of long term care benefits (EBR) beyond the accelerated death benefit. These riders are governed under the NAIC Long Term Care Insurance Model Act (640) and Regulation (641). Other relevant standards that insurance companies consider regarding LTCI riders include Internal Revenue Code Section 7702B and filing requirements of the IIPRC Standards for Long Term Care Benefits.

Seven of the 34 survey participants responded to questions relative to Life/LTCI linked-benefit plans. One of the seven provided responses for more than one Life/LTCI linked-benefit plan. Although participants were different in each of the parts of the survey, a total of seven plans were reported for Life/LTCI linked-benefits in both Part I and Part II.

PART I

1. Sales

a. Total First Year Premium

Total first year premium was reported by six survey participants relative to life/LTCI linked-benefit plans. The six participants reported sales for seven plans. Four of the plans are single premium, two are recurring premium plans and one plan did not provide a response to this question. Total first year premium refers to the total actual dollars of premium received in the period for the entire policy for all policies in which the life/LTCI Linked-Benefit is included. Total premiums for three of the seven plans equaled nearly $341 million in calendar year 2012. The total premium reported for seven plans equaled $805 million in calendar year 2013. The table in Figure 79 shows total sales by calendar year reported by survey participants, as well as the average and median sales per plan.

Figure 79: First Year Premium – Life/LTCI Linked-Benefit Plans

Calendar Year	Number of Plans	Life/LTCI Linked-Benefit Plan Sales ($ millions)		
		Total	Average	Median
2012	3	$340.8	$113.6	$120.7
2013	7	$804.9	$115.0	$72.5

b. ABR Only Elected

Limited data was reported for a breakdown of sales where the ABR only was elected. For this section, the number of plans that fall into the various categories will be reported, rather than the sales figures.

Figure 80: ABR Only– 2013 Return of Premium Elections

ABR Only ROP Benefit	Number of Plans
ABR without ROP Benefit	1
ABR with 100% ROP Benefit	3
ABR with Partial ROP Benefit	0

Figure 81: ABR Only– 2013 Term Period Elections

ABR Only Term Period:	Number of Plans
~ 2 years	4
~ 3 years	1
~ 4 years	2
Other	1

Figure 82: ABR Only– 2013 Sales by Issue Age

ABR Only Salesby Issue Age	Number of Plans
< 30	1
30 – 34	1
35 – 39	1
40 – 44	2
45 – 49	2
50 – 54	3
55 – 59	2
60 – 64	3
65 – 69	3
70 – 74	3
75 – 79	3
80+	2

c. ABR/EBR or ABR/EBR/Inflation Protection Rider Elected

Limited data was also reported for a breakdown of sales where an ABR and EBR were elected or an ABR/EBR and inflation protection rider (IPR) were elected. Similar to the prior section, the number of plans that fall into the various categories will be reported, rather than the sales figures.

Figure 82: ABR/EBR– 2013 IPR Elections

Inflation Protection Rider	Number of Plans
No IPR	4
3% Simple Interest	2
3% Compound Interest	1
5% Simple Interest	2
5% Compound Interest	1

Sales for an ABR/EBR with 100% return of premium benefit were reported for four plans. No other ROP sales were reported by survey participants.

Figure 83: ABR/EBR/IPR – 2013 Term Period Elections

ABR Term Period:	EBR Term Period	Number of Plans
~ 2 years	~ 2 years	4
~ 2 years	~ 3 years	2
~ 2 years	~ 4 years	4
~ 3 years	~ 4 years	1
Other		2

Figure 84: ABR/EBR/IPR– 2013 Sales by Issue Age

ABR Only Salesby Issue Age	Number of Plans
< 30	0
30 – 34	1
35 – 39	1
40 – 44	1
45 – 49	3
50 – 54	3
55 – 59	4
60 – 64	4
65 – 69	3
70 – 74	2
75 – 79	1
80+	0

2013 Sales by distribution channel for an ABR/EBR/IPR were reported by two participants for three life/LTCI linked-benefit plans. One plan each is sold via the following distribution channels:

- Agency Building
- PPGA
- Broker
- Wirehouse
- Banks & Financial Institutions

Two plans were reported to be sold via the MLEA channel.

The percentage of policies issued in 2013 that elected an ABR, EBR, and/or IPR were reported for five plans by four survey pariticpants. Responses varied widely and are shown in Figure 85.

Figure 85: ABR/EBR/IPR – 2013 Elections

Benefit Elected	Election Percentage	Number of Plans
LTC ABR Only	100%	1
	< 10%	4
LTC ABR and EBR	100%	2
	50%	1

Benefit Elected	Election Percentage	Number of Plans
	15%	1
	0%	1
LTC ABR and EBR and IPR	85%	1
	40%	1
	0%	3

PART II

2. Benefit Features

a. Target Markets

Five of the seven participants reported specific target markets for the sale of life/LTCI linked-benefits. The first participant targets affluent and high net worth individuals ages 55 to 70 for both life/LTCI linked-benefit plans that it offers. A second of the five targets customers ages 50 and older with various levels of assets to protect. Another participant reported targeting individuals ages 55 and older in the affluent market with "lazy" money. One of the final two participants targets clients with LTC insurance needs, who also want to know they can get their money back at death or when needed. The target market for the final participant is individuals looking for a higher LTC benefit with life insurance provided in the event of death, and the option to request a return of premium.

b. Governing Tax Law

For all seven life/LTCI linked benefit plans, the governing tax law is Section 7702B of the Internal Revenue Code (IRC). One of the seven plans is also governed under Section 101(g) of the IRC.

c. Optionality of Rider

Four of the life/LTCI linked-benefit plans automatically include the accelerated benefit rider (ABR) with the base plan, and the extension of benefits rider (EBR) is an optional benefit offered by rider. Two additional life/LTCI linked-benefit plans are optional benefits offered by rider. The final plan includes the ABR automatically with the base plan, but nothing was reported regarding the EBR. It is likely that the EBR is an optional benefit offered by rider.

d. Base Product Chassis

Six of the life/LTCI linked-benefit riders are offered on universal life products only. The final plan is offered on multiple base product chassis. It is offered on UL, VUL, and IUL products.

e. Single Life vs. Second-to-Die Base Product

All of the seven life/LTCI linked-benefit plans are offered only on a single life base product.

f. Single Life vs. Joint Life LTC Option

All of the life/LTCI linked-benefit plans included in the survey are offered with a single life LTC option only and none are offered with a joint life LTC option.

g. Single Premium vs. Recurring Premium

The majority of the survey participants reported that life/LTCI linked-benefit riders are attached to single premium products. Figure 86 includes a summary of the survey plans that are attached to base plans that are single premium or recurring premium products.

Figure 86: Life/LTCI Linked-Benefit Rider – Base Product Premium Pattern

Premium Pattern of Base Product	Number of Plans
Single Premium Products Only	4
Both Single Premium and Recurring Premium Products	1
Recurring Premium Products	2*

*It was noted that one of the two plans may be funded by various premium patterns, including single premium.

For the three plans attached to recurring premium products, responses were received regarding the premium limits. For the first of the three plans, the policy can be funded by various premium paying patterns, from a single premium through payment to age 121. The second plan has two premium options: five annual premiums or 10 annual premiums. The third plan is funded by a 10 year payment.

For three of the plans, a single premium in excess of $1,000 per unit of face amount is allowed. A comment regarding one of the plans indicated that the single premium for life insurance doesn't exceed $1,000 per $1,000 of life face amount, but adding the LTC premium could result in a total premium in excess of $1,000. Three additional responses indicated that a single premium in excess of $1,000 per unit of face amount is not allowed.

h. Death Benefit Options

The death benefit options allowed at issue on the underlying life coverage for UL, variable UL, or Indexed UL base products, were reported by survey participants. This question applies to all seven life/LTCI linked-benefit plans, since they are all offered with UL products. One of the seven plans is also offered with variable life, as well. Six of the seven life/LTCI linked-benefit plans allow only death benefit option A at issue. The seventh plan allows death benefit options A, and B at issue.

The death benefit options allowed during claim (i.e., once the policyholder starts accelerating the death benefit) on UL, variable UL, or Indexed UL base products were reported for six of the seven plans where the death benefit options allowed at issue were reported. The same options are allowed during claim for all six of the plans. There was no response regarding the death benefit option allowed during claim for one plan

that allows only death benefit option A at issue. Figure 87 shows a comparison of the death benefit options allowed at issue versus during claim.

Figure 87: Death Benefit Options Allowed

Death Benefit Option	Number of Life/LTCI ABR Plans (on UL, VUL, and IUL Base Products Only)	
	At Issue	During Claim
A Only	6	5
A and B	1	1
No Response		1

i. Benefit Payment Approach

The benefit payment approach used by survey participants in life/LTCI linked-benefit plans is split between the expense reimbursement approach and the disability/cash approach. Five of the seven plans use the expense reimbursement approach. Under this approach, LTC expenses are reimbursed based on actual expenses incurred for covered services, up to a daily or monthly cap. Two plans use a disability/cash approach. Under the disability/cash approach, LTC expenses are reimbursed based on a specified amount per day or month, provided the criteria for disability are met, regardless of services provided.

For the five plans using an expense reimbursement benefit payment approach, the cap is on a monthly basis. Similarly, for the two plans using a disability/cash approach, the cap was reported to be on a monthly basis, as well.

j. Benefit Payment Triggers

Various actions that trigger the payment of benefits under life/LTCI linked-benefit plans were reported by survey participants. The most common triggers are a licensed health care practitioner (LHCP) certification, two of six activities of daily living (ADL) or cognitive impairment, and a plan of care. These three triggers were reported for all seven plans. The frequency of requiring each trigger was reported for five of the seven plans. These five plans always require the triggers listed above. Figure 88 includes a summary of the benefit payment triggers and the frequency of their use.

Figure 88: Benefit Payment Triggers

Trigger	Number of Plans		
	Use	Use Always	No Response About Frequency of Use
LHCP	7	5	2
2 of 6 ADLs or Cognitive Impairment	7	5	2
Plan of Care	7	5	2
Service Provider Invoice	3	2	1

k. Maximum Lifetime LTC Benefit Basis

Survey participants were asked if the maximum lifetime LTC benefit is linked to the life insurance face amount, or chosen independently by the applicant. For all seven life/LTCI linked-benefit plans, the maximum lifetime LTC benefit is linked to the life insurance face amount.

l. Provisions, Elimination Period, and Amount Payable

Various provisions are included with life/LTCI linked-benefit plans. All seven survey plans include coverage for home health care, assisted living facilities, nursing homes, adult daycare, hospice services, care planning services, and a residual death benefit. Provisions were reported for all seven survey plans, with six of the seven also reporting the corresponding elimination period, and amount payable. The elimination period ranged from none to 100 days for nearly all provisions reported. The table in Figure 89 summarizes the provisions offered, and the applicable elimination periods.

Figure 89: Provisions and Elimination Periods included in Life/LTCI Linked-Benefit Plans

Provision	Number of Plans Including Provision	Number of Plans with:			
		100 Day Elimination Period	90 Day Elimination Period	No Elimination Period	Other
Home Health Care Coverage	7	1	3	2	
Assisted Living Facility	7	1	4	1	
Nursing Home	7	1	4	1	
Adult Daycare	7	1	4	1	
Hospice Services	7	1	3	2	
Care Planning Services	7	1	2	3	
Residual Death Benefit	7	1	2	1	Not applicable (1) No response (1)
Bed Reservation	6	1	3	1	
Respite Care	6	1	2	2	
Alternative Care	6		3	1	Mutual agreement (1)

Provision	Number of Plans Including Provision	Number of Plans with:			
		100 Day Elimination Period	90 Day Elimination Period	No Elimination Period	Other
International Coverage Benefit	5		3	1	
Caregiver Training	5		2	2	
Personal Care	5		2	2	
Qualified LTC services incurred on a one-time basis, e.g., home modifications, durable medical equipment	1				Mutual agreement

For six of the seven life/LTCI linked-benefit plans, the periodic amount that is payable under each of the provisions offered was reported. For three of the plans, the periodic amount payable was described as up to a percentage of the maximum benefit payable under the life/LTCI linked-benefit plan. A percentage was reported for the periodic amount payable for the provisions included in the fourth and fifth plans, but the basis was not reported. For purposes of the summary shown in Figure 89, it is assumed the benefit is expressed in terms of the maximum benefit payable under the life/LTCI linked-benefit plan. For the sixth plan, the maximum benefit payable is equal to a percentage of the maximum benefit paid under the nursing home provision. No response was received about the amount payable for the final plan. The table in Figure 90 shows a summary of the periodic amounts payable for the provisions offered under these six plans.

Figure 90: Periodic Amount Payable for Provisions included in Life/LTCI Linked-Benefit Plans

Provision	Periodic Plans (Number of Plans)		
	% of Max Benefit Payable under the Rider	% of Max Benefit Payable under the Nursing Home Provision	Other
Home Health Care Coverage	100% (5)	100% (1)	
Assisted Living Facility	100% (5)	100% (1)	
Nursing Home	100% (5)	100% (1)	

Provision	Periodic Plans (Number of Plans)		
	% of Max Benefit Payable under the Rider	% of Max Benefit Payable under the Nursing Home Provision	Other
Adult Daycare	100% (4) 50% (1)	100% (1)	
Hospice Services	100% (5)	100% (1)	
Care Planning Services	100% (4)	If use care coordination provided by the insurer, there is no cost to the policyholder; otherwise up to 100% of nursing home benefit is paid (1)	$500 for each period of care (1)
Residual Death Benefit			5% of face amount (1) 5% initial specified amount (1) 10% of the highest death benefit calculated on any benefit commencement date adjusted for surrenders (1)
Bed Reservation	100% (4)	100% - up to 30 days per calendar year (1)	
Respite Care	100% (4)		Paid up to 21 days per calendar year, daily maximum = 1/30th of the monthly maximum ABR benefit (initial specified amount / 24) (1)
Alternative Care	100% (4)	100% (1)	
International Coverage Benefit	100% (3)		Monthly benefit = 50% of the monthly maximum ABR benefit; not available after ABR exhausted (1)

Provision	Periodic Plans (Number of Plans)		
	% of Max Benefit Payable under the Rider	% of Max Benefit Payable under the Nursing Home Provision	Other
Caregiver Training	100% (2)		$500 per policy (2)
Personal Care	100% (3)	100% (1)	
Qualified LTC services incurred on a one-time basis, e.g., home modifications, durable medical equipment			Annual maximum = initial specified amount divided by 24 (1)

m. Satisfaction of the Elimination Period

A variety of methods were reported for six of the seven life/LTCI linked-benefit plans regarding the satisfaction of the elimination period. The seventh plan does not have an elimination period. In general, the elimination period is 90 calendar days that do not need to be consecutive, and the elimination period is satisfied once in a lifetime. A summary of the methods used is shown in the table in Figure91.

Figure 91: Satisfaction of the Elimination Period

Description of Elimination Period	Consecutive Days?	Calendar Days?	Satisfied Once in a Lifetime?
100 days	No		Yes
90 days		Yes	Yes
90 days	No	Yes	Yes
90 days within 2 years	No		Yes
90 days within 270 days		Yes	No

n. Return of Premium Provision

Four of the seven plans include a 100% return of premium (ROP) benefit with the life/LTCI linked-benefit plan. The fifth plan includes a return of premium benefit equal to 90% in the first two years, and 100% in years three and thereafter. Two ROP options are available on the sixth life/LTCI linked-benefit plan. The first option is equal to 80% of the premium and the second option is equal to 80% grading to 100%. The final plan does not include an ROP benefit.

o. Inflation Protection Benefits

Nearly every life/LTCI linked-benefit plan reported in the survey offers different inflation protection benefit options. No inflation protection benefits are available on

the first of the seven plans. Three plans offer two inflation protection options. One plan each offers one, three, and four inflation protection options. Figure 92 shows the number of plans that offer the various standard inflation protection benefit options.

Figure 92: Inflation Protection Benefits

Inflation Protection Benefit	Number of Plans that Offer
3% Simple Interest	4
5% Simple Interest	2
3% Compound Interest	2
5% Compound Interest	6

p. Nonforfeiture Benefit

All seven life/LTCI linked-benefit plans include the nonforfeiture option in the base coverage, rather than offer an optional benefit.

q. Other Pertinent Benefit Features

No other pertinent benefit features on life/LTCI linked-benefits were reported by survey participants.

3. Compensation

a. First Year Commission Basis

Various first year commission structures on life/LTCI linked-benefits were reported by survey participants. For one plan, first year commissions are based on an incremental commissionable target premium. The basis is an incremental rider charge/premium to endow based on the current charge/premium for a second plan. For two additional plans it was reported that first year commissions are based on premium for the base policy and life/LTCI linked-benefit riders combined. For another plan, the first year commissions on the life/LTCI linked-benefit are equal to a percentage of the premium paid. For one of the final two plans, the first year commission is equal to 6% of total premium, and it was noted that there is no specific commission for rider. No response was received for the final plan.

First year commission percentages are the same on the life/LTCI linked-benefit as those applicable to the base plan for five of the seven plans. They are different for one additional plan. No response was received for the final plan.

b. Renewal Commissions

For six of the seven life/LTCI linked-benefit plans commission information was provided. Five of the six pay renewal commissions and one does not (it is a single premium plan). For four of the five plans that pay renewal commissions, additional comments were provided. It was noted for one plan that there are different commission options, and one of the options includes a lower initial commission, with 25 bps on initial premium paid in years four and thereafter. For two plans, a commission is paid on all premiums received. A note on the final plan indicated that renewal commissions would be payable, but renewal premiums are not expected (it is a single premium plan).

For all five life/LTCI linked-benefit plans that pay renewal commissions, the renewal commission percentages paid are the same as those applicable to the base plan.

c. Commission Pattern

Three of the life/LTCI linked-benefit plans use a level commission pattern, and two use a heaped pattern. For the sixth plan, no commissions are paid for the life/LTCI linked-benefit rider, and no response was received for the seventh plan.

d. Average Compensation Levels

Few responses were received regarding average compensation levels for life/LTCI linked-benefit plans. For one of the seven plans, the street level commission, general agent overrides, and total compensation and marketing costs were reported. The total compensation and marketing costs only were reported for another plan. For a third plan, the street level commission and general agent overrides were reported. No compensation information was reported for the final four plans.

The table in Figure 93 shows a summary of the average compensation levels reported for life/LTCI linked-benefit plans reported in the survey.

Figure 93: Average Compensation Levels Life/LTCI Linked-Benefit Plans

Compensation Component	Number of Responses	Average
Street Level Commissions	2	7.5%
General Agent Overrides	2	0.5%
Total Compensation and Marketing Costs	2	8.0%

e. Commission Chargebacks

Various commission chargeback schedules are used for life/LTCI linked-benefit plans as shown in Figure 94.

Figure 94: Commission Chargeback Schedules

Commission Chargebacks	Number of Responses
100% (year 1) 50% (year 2)	2
100% (months 1 – 13), grading to 0% in month 25	1
100% (months 1 – 6), grading to 0% over next 18 months	2
No Response	2

4. Underwriting

a. Underwriting Tools

The most common underwriting tools used with life/LTCI linked-benefit plans are pre-screening questionnaires, prescription drug screens, phone interviews, and cognitive screens. The table in Figure 95 shows a summary of the number of life/LTCI linked-benefit plans that use various underwriting tools.

Figure 95: Use of Underwriting Tools

Underwriting Tool	Number of Plans That Use the Tool
Pre-screening Questionnaires	6
Prescription Drug Screen	6
Phone Interview	5
Cognitive Screen	5
Application that is Incorporated into a Life Application	4
Application that is Supplemental to an Existing Life Application	3
Medical Records or Attending Physician's Statement	1
Motor Vehicle History	1

b. Underwriters

Four of the seven life/LTCI linked-benefit plans use in-house underwriters to underwrite the benefit. Two of the four also use a third party telephone vendor. The final three plans use a third party underwriter.

c. Underwriting Manual

The underwriting manual used for the life/LTCI linked-benefit was reported for four of the seven plans. Two of the four plans use the Swiss Re underwriting manual for life insurance, and the Long Term Care Group, Inc. manual for LTC. The other two plans use proprietary/in-house manuals. No response was received for the final three plans.

5. Charge Structure

a. Cost

A variety of cost structures were reported by survey participants for the ABR benefit included in life/LTCI linked-benefit plans. For one plan, there is no explicit cost, but there is a lien against the death benefit to provide the benefit. For three additional plans it was reported that there is a level charge based on per $1,000 of NAR. Two of the final three plans assess a level charge based on per $1,000 of face amount. The final plan is a single premium design, and there is a single premium charge for the ABR benefit.

For the EBR, the cost structure was reported for five of the seven plans. For three of the five plans, the cost structure is the same as that reported for the ABR. For two of these three plans the EBR and ABR charge is level, and for the third there is a single premium charge for both the EBR and ABR. The final two plans use a different cost

structure for the EBR than the ABR. Four of the five plans use a level charge based on per $1,000 of face amount or per $X of LTC benefits for the extension of benefits rider. The fifth plan is a single premium design, and there is a single premium charge for the EBR benefit.

b. Guarantees

Five life/LTCI linked-benefit plans have fully guaranteed charges/premiums for the ABR/EBR. Two additional plans have current and maximum guaranteed charges for the ABR/EBR.

The majority of life/LTCI linked-benefit plans reported fully guaranteed charges/premiums for the base plan. The charge/premiums for five of the seven plans are fully guaranteed. One additional plan has current charges/premium scales accompanied by maximum guaranteed charges/premium schedules on the base plan chassis. For the remaining plan, it was reported that the guarantees on the base plan depend on the base plan product.

c. Sex Distinct vs. Unisex Charges/Premium

For all seven life/LTCI linked-benefit plans, the charges/premiums on the ABR are sex distinct. The basis of the charges/premiums on the EBR was reported for five of the seven plans. Sex distinct charges/premiums are used for the EBR on four of the five plans, and unisex charges/premiums are used for one plan. No response was received for the EBR on two life/LTCI linked-benefit plans. The basis of the charges/premiums on the inflation protection benefit was reported for the same five plans. Sex distinct charges/premiums are used for the inflation protection benefit on all five plans.

d. Marital Discount

The majority of life/LTCI linked-benefit plans offer a marital discount. Five of the plans offer a marital discount and two of the plans do not.

e. Marital Discount Variation

Five of the seven life/LTCI linked-benefit plans do not vary the marital discount depending on whether the benefit is purchased by one spouse versus both. No response was received for the final two plans.

f. Preferred vs. Standard LTC Discount

Five of the life/LTCI linked-benefit plans do not have a preferred versus standard LTC discount offered on the ABR/EBR and two do.

g. LTC Underwriting Classes

Six of the seven life/LTCI linked-benefit plans link the LTC underwriting classes to the life underwriting classes. The remaining plan does not link the LTC underwriting classes to the life underwriting classes.

h. Inflation Protection Benefit

The cost of the inflation protection benefit is a level additional charge on four of the seven life/LTCI linked-benefit plans. One plan bases the cost of the inflation protection benefit on the insured's attained age and initial risk class. Another plan includes the cost of the inflation protection benefit in the ABR/EBR single premium. No response was received for the final plan.

i. Rider Premiums Comingled with UL Life Premiums

All seven of the life/LTCI linked benefit plans use a UL base plan chassis, and six of the seven plans commingle the rider premiums with the life premiums and reflect them in the base plan cash value mechanism. The rider premiums are not commingled with the life premiums or reflected in the base plan cash value mechanism for the final plan.

j. Duration of Rider Charges/Premiums

Three life/LTCI linked-benefit plans have rider charges/premiums assessed to a specified age. Two of the three plans assess charges to age 95, and the third assesses charges to age 100. Rider charges/premiums are assessed for the life of the base contract for two additional plans. For one of the final two plans, rider charges/premiums are assessed for the duration of the premium paying period of the base plan. The final plan assesses rider charges/premiums on the life/LTCI linked-benefit for 10 years.

k. Waiver of Charges/Premiums

It is not common to waive charges/premiums while on claim for the life/LTCI linked-benefit. Five of the seven plans do not waive charges/premiums while on claim. For the final two plans, ABR and EBR charges/premiums are waived while on claim.

6. Claims

a. Level of Claims

For three of the seven life/LTCI linked-benefit plans, the incidence of claims from 2010 through 2013 relative to that assumed in pricing was close to or better than expected. Claim incidence rates were close to expected for one plan and better than expected for two plans. For two of the final four plans, it was reported that the life/LTCI linked-benefit product was launched in late 2013, and no claims had been experienced. No response was received for the final two plans.

b. Reasons Claims Differ from Expected

No comments were received from survey participants explaining why life/LTCI linked-benefit claims differed from that expected.

c. Claims Administration

In-house claims administration is used for five survey life/LTCI linked-benefit plans. For one of the five plans, a third party administrator is also used. Claims administration is also handled by a third party administrator for one of the final two plans. No response was received for the final plan.

d. Claims Administration

The in-house claims administration systems used to administer life/LTCI linked-benefit plans were reported for two plans. The systems used are Cyberlife and DESQ. No responses were received for the remaining plans.

7. Administrative Handling

a. Challenges with HIPAA Compliance

No challenges with HIPAA compliance were reported for six of the seven life/LTCI linked-benefit plans. No response was received for the final plan.

8. Reinsurance

a. Reinsurance of Benefit

Three of the seven life/LTCI linked-benefit plans are reinsured, and two plans are not reinsured. No response was received for the final two life/LTCI linked-benefit plans. The reason why reinsurance isn't used was reported for the two plans that are not reinsured. For the first plan, it was reported that no reinsurance support was available at the time of pool implementation. This participant noted that it seems like reinsurers are now more willing to talk about reinsurance on life/LTCI linked-benefits, and the participant may include this benefit in its next request for proposal from reinsurers. For the second plan, this participant is just starting to look at potential reinsurance support for its life/LTCI linked-benefit.

b. Form of Reinsurance

Two of the three reinsured life/LTCI linked-benefit plans are reinsured on a YRT basis. The third plan is reinsured on a coinsurance basis.

c. Reinsurance Limits

All three reinsured life/LTCI linked-benefit plans are reinsured up to the life insurance retention limit.

d. Timing of Reinsurance Payments

For all three reinsured life/LTCI linked-benefit plans, the reinsurer is paying its share of benefits at the time of rider claim.

e. Implications of Reinsuring the Base Life Plan, but Not the life/LTCI ABR

Only one comment was received from survey participants regarding the implications of reinsuring the base life plan, but not the life/LTCI linked-benefit. For one plan, the ceded net amount at risk is "frozen" in the reinsurance administration system at the time the LTC rider claim begins. From that point on, YRT reinsurance premiums continue to be paid based on that ceded NAR amount, and the direct company collects that ceded NAR amount as the benefit payment at the time of the insured's death (regardless of when / how much of the life benefit was previously accelerated).

9. Pricing Implications

a. Pricing Model

A summary of the pricing models used by survey participants to price life/LTCI linked-benefit plans is shown in Figure 96. The name of the pricing model was reported for six of the survey plans, and one of the six uses both MG-ALFA and Excel.

Figure 96: Pricing Models used to Price Life/LTCI Linked-Benefit Plans

Pricing Model	Number of Plans
MG-ALFA	4
Excel	1
MoSes	1
GGY Axis	1
No Response	1

b. Impact of LTC Linked-Benefit

The impact of including the LTC linked-benefit on factors such as policyholder optionality/anti-selection, mortality, policy persistency, and premium persistency was reported for six of the seven life/LTCI linked-benefit plans. For one of the plans, it was reported that the life/LTCI linked-benefit rider is not optional, and no impact was reported for each of the factors. For a second plan, it was reported that all assumptions were developed specifically for a combination product, and no impact was reported for policyholder optionality/anti-selection, mortality, or policy persistency. The tables in Figure 97 include a summary of the impacts on policyholder optionality/anti-selection, mortality, policy persistency, and premium persistency reported for the remaining four Life/LTCI linked-benefit plans.

Figure 97: Impact of Including the Life/LTCI Linked-Benefit

Impact of Including the Life/LTCI Linked-Benefit on Policyholder Optionality/Anti-Selection	Number of Plans
Increased policyholder behavior in early years based on ROP benefit.	2
Higher.	1
No change to base premium pattern, although most sales are for level premium track. No anti-selection at issue due to presence of a more lucrative net benefit on the LTC policy.	1

Impact of Including the Life/LTCI Linked-Benefit on Mortality	Number of Plans
No pricing difference, because data is sparse. Extra LTC underwriting probably provides improved mortality in practice.	1
Total population mortality is higher than other life insurance mortality due to simplified life underwriting.	1

Impact of Including the Life/LTCI Linked-Benefit on Policy Persistency	Number of Plans
No pricing difference. Improved benefit profile provides greater persistency for the mixed group.	1
Persistency increased over comparable life insurance product.	2
Lower	1

Impact of Including the Life/LTCI Linked-Benefit on Premium Persistency	Number of Plans
No difference to healthy pricing. Proportionally lower premiums adjusted for claims.	1
Higher due to single premium nature of product.	1
No impact (single premium product)	1

c. Impact on Profits

The impact of including the life/LTCI linked-benefit on profits was reported for six of the seven plans. For four plans, it was reported that there was no material impact on profits by inclusion of the life/LTCI linked-benefit. For one of the four plans it was noted that the product is not sold without the linked-benefit. For one additional plan, profits are enhanced by including the LTC linked-benefit. For the sixth plan, it was reported that the life/LTCI linked-benefit rider is not optional, and no impact on profits was reported.

d. Preservation of Overall Mortality

Four of the seven life/LTCI linked-benefit plans factor in the preservation of overall mortality, such that disabled life deaths, plus active life deaths equals the original deaths for life only. One participant commented that sensitivity testing is done on higher mortality. A technical mismatch between life mortality and LTC policy mortality (healthy and those on claim) is solved by a mix of increasing overall deaths and decreasing claims mortality. Two of the remaining three plans do not factor in the preservation of overall mortality. No response was received for the final plan.

e. LTC Benefit Utilization

LTC benefit utilization on the life/LTCI linked-benefit plan is assumed to be lower than that assumed on standalone LTC plans for one of the seven plans. LTC benefit utilization is not assumed to be lower than that for standalone LTC plans for another plan. For four of the remaining five plans, a comparison to standalone assumptions has never been done, or the company does not sell a standalone LTC plan. No response was received for the final plan.

f. Pricing Method

The pricing method used to price six of the seven life/LTCI linked-benefit plans is the integrated approach, with the life plan and LTC ABR/EBR priced on a combined basis. No response was received for the final plan.

10. Reserves

a. Additional Active Life Reserves

A variety of additional active life reserves for the life/LTCI ABR (when the insured is not receiving LTC benefits) are held. For three of the seven plans, a separate additional active life reserve is calculated using standard LTC reserving methods. For two additional plans, a separate additional active life reserve is calculated using standard LTC reserving methods, reflecting the present value of LTC accelerated benefits offset by the death benefit reduction. For another life/LTCI linked-benefit plan, no additional reserve is held. No response was received for the final plan.

The majority of life/LTCI linked-benefits plans (five of the seven) hold separate additional active life reserves for the EBR and inflation protection benefit that are calculated using standard LTC reserving methods. The sixth plan holds a separate additional reserve that is calculated using standard LTC reserving methods, reflecting the present value of LTC accelerated benefits offset by the death benefit reduction. No response was received for the final plan.

b. Additional Disabled Life Reserves

When the insured is receiving LTC ABR benefits from the life/LTCI linked-benefit, additional ABR disabled life reserves are held for five of the seven survey plans. For one plan, no additional reserve is held and no response was received for the final plan. For three of the five plans that hold an additional disabled life reserve, the separate additional reserve is calculated based on standard LTC claim reserving methods. For the final two of the five plans, the separate additional reserve is calculated based on standard LTC claim reserving methods, reflecting the present value of LTC accelerated benefits offset by the death benefit reduction.

When the insured is receiving LTC ABR benefits from the life/LTCI linked-benefit, additional disabled life reserves are held for the EBR and inflation protection benefit for the same five survey plans that do so for the ABR. For one plan, no additional reserve is held and no response was received for the final plan. For all five plans that hold an additional disabled life reserve, a separate additional reserve is calculated based on standard LTC claim reserving methods.

When the insured is receiving LTC EBR and inflation protection benefits from the life/LTCI linked-benefit, additional disabled life reserves are held for six of the seven survey plans. For five plans, a separate additional reserve is calculated using standard LTC claim reserving methods. For one additional plan, a separate additional reserve is calculated using standard LTC claim reserving methods, reflecting the present value of LTC accelerated benefits offset by the death benefit reduction. No response was received for the final plan.

11. Target Surplus

a. Additional Target Surplus

Comments about additional target surplus were reported for two life/LTCI linked-benefit plans. For the first plan, additional target surplus is based on 400% RBC factors used for stand-alone LTC. For the second plan, additional target surplus is held equal to a percentage of the LTC single premium plus a percentage of the LTC reserves and a percentage of the LTC claims. No response was received for the final five plans.

12. Agent Licensing/Training

a. Required Agent Licenses

Different opinions are held by survey participants regarding which agent licenses are required to sell the life/LTCI linked-benefit. For five of the seven plans, it was reported that a life and health license is required for the agent to sell this benefit. For the remaining two plans, it was reported that agents are required to have a life and LTC license to sell the life/LTCI ABR.

b. Training Requirements

Responses regarding the applicability of long term care insurance training requirements to the life/LTCI linked-benefit were received for all seven survey plans. For six of the seven plans, these requirements are applicable, and for the remaining plan, they are not assumed to be applicable.

13. State Filing

a. Filed with IIPRC

All seven of the life/LTCI linked-benefit plans were filed with the IIPRC.

b. Reasons for Not Filing with IIPRC

This question does not apply since all seven of the life/LTCI linked-benefit plans were filed with the IIPRC.

c. State Filings Other than IIPRC Filing

For six of the seven life/LTCI linked-benefit plans that were filed with the IIPRC, the number of state filings outside of the IIPRC were also reported. For four plans there were 13 other state filings outside the IIPRC, and for two plans there were 11 other state filings.

d. Non-IIPRC State Filings

This question does not apply since all seven of the life/LTCI linked-benefit plans were filed with the IIPRC.

e. Significant Filing Variations

Significant filing variations were reported for one of the seven life/LTCI ABR plans. No state variations were reported for the remaining six plans. For the plan where state variations were reported, a variation was required in six different states.

The types of filing variations by state for one plan, as well as the year when the life/LTCI linked-benefit was approved and the reason for the variation are summarized in Figure 98.

Figure 98: Types of Variations by State

States Where Variations were Required	Variation (Number of Plans Indicated if Not Equal to One)	Year When Approved	Reason for the Variation
Arizona	• Benefits must never be paid for less than the elected benefit duration	2012	Regulations
Maryland	• Benefits must be paid for a minimum of 24 months	2012	Regulations
Massachusetts	• Benefits must be paid for a minimum of 730 days	2012	Regulations
Montana	• Does not allow gender distinct ratings	2012	Regulations
Oregon	• Benefits must be paid for a minimum of 24 months	2012	Regulations
South Dakota	• The state's minimum monthly LTC benefit exceeds the minimum marketed benefit level in other states	2012	Regulations

f. States Where Not Approved

The states where the life/LTCI linked-benefit is not approved were reported for four of the seven plans. No response was received for the remaining three plans. The table in Figure 99 shows a summary of the number of different states where a particular life/LTCI linked-benefit plan is not approved, along with the number of plans the number applies to. The intent of this question was to determine where approvals were not secured when the life/LTCI linked-benefit was filed with the states, but it is clear from the responses that some participants reported states where the life/LTCI linked-benefit had not yet been filed.

Figure 99: States where Life/LTCI Linked-Benefit Plans are Not Approved

Number of States Where Not Approved	Number of Plans
11	2
4	1
2	1

Figure 100 includes a table that shows the states where life/LTCI linked-benefit plans are not approved, and the corresponding number of plans that are not approved in that state.

Figure 100: Number of Life/LTCI Linked-Benefit Plans Not Approved by State

States Where Not Approved	Number of Plans
California, New York	4 plans in each of these states
Connecticut, Florida	3 plans in each of these states
Delaware, Hawaii, Indiana, Montana, New Jersey, North Dakota, South Dakota	2 plans in each of these states

Figure 101 shows a summary of the reasons that the life/LTCI linked-benefit plans are not approved in the states reported in Figure 100. The reasons shown in Figure 101 apply to one life/LTCI linked-benefit plan unless noted otherwise.

Figure 101: Reasons Why Life/LTCI Linked-Benefit Plans Not Approved (Listed in alphabetical order)

States Where Not Approved	Reasons Why Not Approved
California	• Filing is pending • Filing with California specific rates is currently in progress • Still to be filed (2 responses)
Connecticut	• State does not allow inflation benefits or return of premium • Still to be filed (2 responses)
Florida	• State does not allow return of premium • Still to be filed (2 responses)
Delaware Hawaii Indiana Montana New Jersey	• Still to be filed (2 responses in each of these states)
New York	• State does not allow inflation option on acceleration of benefits • Filing was to be submitted August 2014 • Still to be filed (2 responses)
North Dakota	• Still to be filed (2 responses)
South Dakota	• Still to be filed (2 responses)

Annuity/LTCI Linked-Benefit Plans

Annuity/LTCI Linked-benefit plans include acceleration of the account value (without surrender charge) if the insured has a chronic illness condition (as defined under IRC Section 7702B), and the extension of long term care benefits over and above the accelerated account value (independent benefit).

Five of the 34 survey participants responded to questions relative to annuity/LTCI linked-benefit plans. One of the five provided responses for more than annuity/LTCI linked-benefit plan. A total of six plans were reported for annuity/LTCI linked-benefit plans in Part 1 and a total of five plans were reported in Part II.

PART I

1. Sales

a. Total First Year Premium

Total first year premium was reported by five survey participants relative to annuity/LTCI linked-benefit plans. The five participants reported sales for six plans. Four of the six plans are attached to single premium products, one is attached to a flexible premium product, and one company did not respond to this question. Total premiums reported by the five participants equaled nearly $25 million in calendar year 2011, $44 million in 2012, and $320 million in calendar year 2013. The table in Figure 102 shows total sales by calendar year reported by survey participants, as well as the average and median sales per plan.

Figure 102: First Year Premium – Annuity/LTCI Linked-Benefit Plans

Calendar Year	Number of Plans	Annuity/LTCI Linked-Benefit Sales ($ millions)		
		Total	Average	Median
2011	5	$25.0	$5.0	$3.4
2012	5	$43.9	$8.8	$5.4
2013	6	$319.7	$53.3	$14.3

b. Total 2013 First Year Premium Broken Down by Benefit Elected, Issue Age Range, and Benefit Design

Little information was received from the five survey participants relative to annuity/LTCI linked-benefit sales broken down by benefit elected, issue age range, and benefit design. Sales by issue age range were reported for three plans, and all sales were at ages 50 and over. Due to the low number of responses, no further details are reported to help preserve anonymity.

c. Total 2013 First Year Premium Broken down by Distribution Channel

Total annuity/LTCI sales by distribution channel were reported for calendar year 2013 by four survey participants for five plans. Sales of annuity/LTCI linked-benefits were reported in four different channels by survey participants. In order to preserve

anonymity, no sales information by channel is reported due to the low number of respondents at this level. However, the number of plans reporting sales in each of the channels is shown in the table in Figure 103.

Figure 103: Number of Plans with Sales by Channel – Annuity/LTCI Linked-Benefit Plans

Distribution Channel	Number of Plans
Agency Building	3
PPGA	2
Broker	1
Banks & Financial Institutions	2

PART II

2. Benefit Features

a. Target Markets

Specific target markets for the sale of annuity/LTCI linked-benefits were reported for four of the five plans. One of the four plans targets insureds between ages 55 and 75 with investable assets of at least $300,000 who are interested in leveraging a portion of their savings for LTC costs. The second plan targets insureds 55 and older with assets greater than $100,000 who are interested in self-insuring the LTC risk. One of the final two plans targets clients who have a need for help in paying for long-term care services that can be withdrawn on a tax-free basis. The final participant indicated that it targets clients ages 45 - 79, who want to use the tax advantage of a deferred annuity to leverage their money two or three times to provide for future LTC needs.

b. Optionality of Rider

Two of the annuity/LTCI linked-benefit plans are optional benefits offered by rider. For the remaining three plans, the accelerated benefit rider (ABR) and extension of benefits rider (EBR) are automatically included with the base policy.

c. Base Product Chassis

Annuity/LTCI linked-benefits sold by survey participants are offered on a variety of annuity product chassis. Four of the five annuity/LTCI linked-benefit plans are offered on a single base product chassis. The final plan is offered on two base product chassis. Two of the five plans are offered on book value fixed annuities only, one on a variable annuity plan only, and another one on a market value adjusted fixed annuity only. The fifth plan is offered on a book value fixed annuity and market value adjusted fixed annuity.

d. Single Life vs. Joint Life LTC Option

Of the five annuity/LTCI linked-benefit plans, three offer single life LTC options only. The final two plans offer both single life and joint life LTC options.

e. Single Premium vs. Flexible Premium

Four of the annuity/LTCI linked-benefit plans are attached to single premium products only. The fifth plan is attached to a flexible premium product only. For this plan, additional premiums are only allowed during the first 90 days following rider election.

f. Benefit Payment Approach

The benefit payment approach used by for three annuity/LTCI linked-benefit plans is the expense reimbursement approach. Under this approach, reimbursement is based on actual expenses incurred for covered services, up to a daily or monthly cap. The final two plans used the indemnity approach. Under this approach, LTC expenses are reimbursed based on a specified amount per day or month, provided billable covered services are received.

For the three expense reimbursement plans, two have a daily cap and one has a monthly cap. For the two indemnity plans, the benefit is on a monthly basis.

g. Benefit Payment Triggers

Various actions that trigger the payment of annuity/LTCI linked benefits were reported by survey participants. The most common triggers are a licensed health care practitioner (LHCP) certification, two of six activities of daily living (ADL) or cognitive impairment, and a plan of care. These triggers were reported for all five plans. Three of the five plans always require these three triggers, and two sometimes requires them. Figure 104 includes a summary of these benefit payment triggers and the frequency of their use, as well as all other triggers reported.

Figure 104: Benefit Payment Triggers

Trigger	Number of Plans		
	Use	Use Always	Use Sometimes
LHCP Certification	5	3	2
2 of 6 ADLs or Cognitive Impairment	5	3	2
Plan of Care	5	3	2
Service Provider Invoice	2	2	

h. Maximum Lifetime LTC Benefit

The maximum lifetime LTC benefit under annuity/LTCI linked-benefits was reported for four of the five plans. Two of the four plans have a maximum lifetime benefit expressed as a percent of account value. The maximum lifetime LTC benefit for the first plan is 300% of account value. For the second plan, the maximum lifetime benefit for the extension of benefit rider is 200% or 300%, depending on the option chosen. For the remaining two plans, the maximum lifetime LTC benefit is expressed in terms of the initial deposit. The first of these two plans has a maximum lifetime limit of three times the initial deposit. The second has a maximum lifetime limit of two times or three times the initial deposit.

i. Waiting Period

The waiting period that the annuity/LTCI linked-benefit rider must be inforce before coverage begins is one year for one of the five plans. For two additional annuity/LTCI linked-benefit plans, the waiting period is zero to one years, depending on the state of issue. There is no waiting period for the final two plans.

j. Provisions, Elimination Period, and Amount Payable

Various provisions are included with annuity/LTCI linked-benefit plans. All five survey plans include coverage for home health care, assisted living facilities, nursing homes, adult daycare, and hospice services. The elimination period is equal to 90 days in all five plans for these provisions, with the exception of no elimination period for one plan for home health care coverage. The table in Figure 105 summarizes the provisions offered, and the applicable elimination periods.

Figure 105 Provisions and Elimination Periods included in Annuity/LTCI Linked-Benefit Plans

Provision	Number of Plans Including Provision	Number of Plans with:	
		90 Day Elimination Period	No Elimination Period
Home Health Care Coverage	5	4	1
Assisted Living Facility	5	5	
Nursing Home	5	5	
Adult Daycare	5	5	
Hospice Services	5	5	
Respite Care	3	1	2
Personal Care	3	3	
Care Planning Services	2	2	
Bed Reservation	2	2	
Caregiver Training	2		2
Alternative Care	2	2	
Residual Death Benefit	1		1
Other: Equipment and home modifications	1		1
Other: Nurse & Therapist, Home Health Aide Care; Homemaker Services and Chore Services	1	1	

For all annuity /LTCI linked-benefit plans, the amount that is payable under each of the provisions offered was reported. Many amounts were described in terms of a percentage of the maximum amount payable for the nursing home benefit. For one plan, it was indicated that this maximum benefit was capped by actual expenses incurred. Amounts were expressed in terms of the maximum *daily* benefit paid under

the nursing home benefit for one plan. For two additional plans the percentages were reported, but the basis (e.g., nursing home benefit) was not. In the summary shown in Figure 106, it is assumed that the basis for the amounts payable for these two plans is the nursing home benefit.

Figure 106: Amounts Payable under Annuity/LTCI Linked-Benefit Plans

Provision	Amount Payable (Number of Plans)		
	% of Nursing Home Benefit	% of Home Health Care Benefit	Other Basis
Home Health Care Coverage	100% (2)	100% (1)	
	50% (2)		
Assisted Living Facility	100% (3)		
	50 - 100% (Varies by state) (2)		
Nursing Home	100% (4)		Daily maximum equal to AV at claim start / 720 (1)
Adult Daycare	100% (2)		50% of maximum benefit paid under home health care or nursing home benefit (1)
	50% (2)		
Hospice Services	100% (4)	100% (1)	
Respite Care	100% (1)	100% (1)	Lifetime maximum equal to AV at issue / 12 (1)
Personal Care	100% (2)	100% (1)	
Care Planning Services			No limit (1)
			$500 maximum paid annually (1)
Bed Reservation	100% (2)		
Caregiver Training			Lifetime maximum equal to AV at issue / 12 (1)
			$500 lifetime benefit (1)
Alternative Care	100% (1)		Approved expenses paid subject to benefit limits (1)

Provision	Amount Payable (Number of Plans)		
	% of Nursing Home Benefit	% of Home Health Care Benefit	Other Basis
Residual Death Benefit			Premium paid, less sum of LTC rider charges, partial surrenders, required withdrawals, and LTC benefits paid from AV (1)
Other: Equipment and home modifications			Lifetime maximum equal to AV at issue / 12 (1)
Other: Nurse & Therapist, Home Health Aide Care; Homemaker Services and Chore Services	100% (1)		

A variety of methods were reported for the five annuity /LTCI linked-benefit plans regarding the satisfaction of the elimination period. Where an elimination period applies, it is equal to 90 days. For all five annuity/LTCI linked-benefit plans, the elimination period is satisfied once in a lifetime. A summary of the methods used is shown in the table in Figure 107.

Figure 107: Satisfaction of the Elimination Period

90 Days Within How Many Days?	Consecutive Days?	Service Days?	Satisfied Once in a Lifetime?	Other
180	No	Service weeks	Yes	
270	No	Yes	Yes	
270	Yes	Yes	Yes	
Not Applicable (2 plans)	No	Yes	Yes	Elimination Period doesn't start until the waiting period is satisfied.

k. Inflation Protection Benefits

Available inflation protection benefits were reported for four of the five annuity/LTCI linked-benefit plans. Three of the four offer a 5% compound interest option only. The

fourth plan offers both a 3% and 5% compound interest option. No response was received for the fifth plan.

l. Annuity Maturity Date

When the annuity reaches its maturity date, the impact on the ABR/EBR varies by annuity LTCI linked-benefit plan. Two of the five plans terminate the ABR/EBR benefit at the annuity maturity date. For two additional plans, the policyholder has the option to extend the maturity date out by 12 months on a year by year basis. For the final annuity/LTCI linked-benefit plan, the LTC benefits become fully paid up based on the account value at maturity.

m. Other Pertinent Benefit Features

No additional comments were received regarding other pertinent benefit features on annuity/LTCI linked-benefit plans.

3. Compensation

a. Commissions

The majority of annuity plans do not increase annuity commission rates when the annuity/LTCI ABR/EBR is included. Three of the five plans do not increase commission rates, however, the base policy for one of the three plans is only available with the LTC rider. For the fourth and fifth annuity/LTCI linked-benefit plans, commission rates are increased 125 bps and 75 bps, respectively.

4. Underwriting

a. Underwriting

A variety of underwriting tools were reported for annuity/LTCI linked-benefits by survey participants. For four of the five plans, an application that is supplemental to the existing annuity application is used. Four plans also use prescription drug screens. Phone interviews and cognitive screens are used by three plans. The table in Figure 108 shows all underwriting tools used for annuity/LTCI linked-benefit plans, along with the corresponding number of plans using the tool. One participant noted that one issue that is being discussed currently is if applicants with other findings that are not on the application should be rejected in the final underwriting decision. As a practice, the company has just been using these underwriting tools to verify responses on the application.

Figure 108: Underwriting Tools Used with Annuity/LTCI Linked-Benefits

Underwriting Tool	Number of Plans Using
Application that is Supplemental to an Existing Annuity Application	4
Prescription Drug Screen	4
Phone Interview	3
Cognitive Screen	3
Face-to-Face Exam	2
Application Incorporated into the Annuity Application	1

Underwriting Tool	Number of Plans Using
Medical records or Attending Physicians' Statement	1

b. Underwriters

Of the five annuity/LTCI linked-benefit plans, three use in-house underwriters to underwrite the benefit, and two use third party underwriters.

c. Underwriting Manual

For two of the five annuity/LTCI linked-benefit plans, the underwriting manual was reported. The Long-Term Care Group underwriting manual is used for the first plan. The Life Plans underwriting manual is used for the second plan, and the issuing company has a rules engine that drives underwriting decisions.

5. Charge Structure

a. Cost of ABR/EBR

Various charge structures are used by the five annuity/LTCI linked-benefit plans. A level basis points charge against the account value is used for two of the five plans. The cost of the ABR/EBR for the third plan is based on cost of insurance rates applied to the excess of the lifetime LTC maximum over the account value. The final two plans assess a basis points charge against the remaining guaranteed amount. No state variations of the charge structure were reported for any of the annuity/LTCI linked-benefit plans.

b. Cost of Inflation Protection Benefit

One annuity/LTCI linked-benefit plan assesses a level basis points charge against the account value for this benefit. For this plan, it was also reported that annual pour-in amounts on the contract anniversary are used. For one of the remaining four plans there is a basis points charge against the initial guaranteed amount less withdrawals other than for the LTC benefits. The third plan assesses a single charge assessed at issue for the inflation protection benefit. No response was received for the final two plans.

c. Guarantees

Guarantees are varied for the annuity/LTCI benefit-linked plans. Guarantees were reported for four of the five plan. One of the four plans has fully guaranteed charges/premium for the ABR/EBR. A second has a minimum guaranteed annuity interest rate, and the LTC rider is guaranteed renewable for life. One of the final two plans has a current charge accompanied by a maximum guaranteed charge for the ABR. For the EBR there is no guarantee on the current charge, and the charge can change after filing approvals. The final plan also has a current charge accompanied by a maximum guaranteed charge for the ABR. However, for the EBR, the current charge is guaranteed during the surrender charge period. There is no guarantee on the current charge after the surrender charge period, and the charge can change after filing approvals.

d. Nonforfeiture Benefit

There is a separate charge for the nonforfeiture benefit included on all five annuity/LTCI linked-benefits reported in the survey.

e. Basis of Charges

Unisex charges are common for annuity/LTCI linked-benefits. Charges for the ABR are on a unisex basis for all five survey plans. Similarly, all five plans have unisex charges for the EBR. For the four plans that reported an inflation protection benefit, all have unisex charges.

f. Marital Discount

Responses were split among annuity/LTCI linked-benefit plans in the survey that offer a marital discount and those that don't offer a discount. Three of the five plans do not offer a marital discount and the final two do offer a marital discount.

g. Marital Discount Variation

Only two responses were received regarding variations in marital discounts depending on whether one spouse or both spouses buy the annuity/LTCI linked benefit. The first does vary the marital discount and the second does not.

h. Waiver of Charges/Premiums

Two extremes are seen regarding the waiver of charges/premiums while on claim for annuity/LTCI linked-benefits. One of the plans waives all charges/premiums and another does not waive charges/premiums while on claim. For the third plan charges/premiums are waived after 180 consecutive days of benefits or depletion of annuity value. The fourth plan assesses charges as long as there is account value in the contract, regardless of the benefit payment. For the final plan, charges are assessed until the accelerated benefit is exhausted.

6. Claims

a. Level of Claims

Few responses were received regarding claims experience from 2010 through 2013 relative to that assumed in pricing for annuity/LTCI linked-benefit plans. It was reported for one plan that the incidence of claims and the termination of claims were better than expected. For a second plan, the claims incidence rates were better than expected, and the claims termination rates were not reported. For a third plan, there have only been eight claims so far, so experience is not credible. In two of these eight cases, it was decided not to use the annuity/LTCI linked-benefit money; they used their own money first. No responses were received relative to the final two plans.

b. Reasons Claims Differ from Expected

For the two participants that reported claims experience, both indicated that the claims were less than expected because the frequency of claims was lower. The first reported that there have been no claims on the block so far, so claims are better than expected due to lower frequency. The second participant reported that claims were less due to exclusion of sub-standard applicants and lower utilization.

c. Claims Administration

In-house claims administration is used for three of the five annuity/LTCI linked-benefit plans. The final two plans use a third party administrator.

The in-house systems used to administer annuity/LTCI linked-benefit plans were reported for two plans. Both plans use the Fusion system. No system was named for the third in-house system. One of the two remaining plans uses LifePlans, a third party administrator. The name of the administration system was not reported for the final plan.

7. Administrative Handling

a. Challenges with HIPAA Compliance

No challenges with HIPAA compliance were reported for four of the five annuity/LTCI linked-benefit plans. For the fifth plan, it was reported that one challenge it has faced with HIPAA compliance was relative to the handling of information the client didn't provide the agent. It determined that additional health information obtained during underwriting could not be shared with the agent.

8. Reinsurance

a. Reinsurance of Benefit

Four of the five annuity/LTCI linked-benefits are not reinsured. For the final plan, it was reported that some of the business is reinsured and some is not.

For three annuity/LTCI linked-benefit plans, it was reported that the reason they are not reinsured is because there is not enough volume. One participant reported that there has been difficulty finding a reinsurer interested in a small block of business.

b. Form of Reinsurance

For the one plan that is reinsured, the form of reinsurance used is coinsurance.

c. Reinsurance Limits

The reinsurance limit for the one annuity/LTCI linked-benefit that is reinsured is equal to the annuity retention limit.

d. Timing of Reinsurance Payments

For the one annuity/LTCI linked-benefit plan that is reinsured, reinsurance payments are made at the time of rider claim.

e. Implications of Reinsuring the Base Annuity Plan, but Not the LTC Linked Benefit

No comments were received regarding annuity/LTCI linked-benefit plans and the implications of reinsuring the base annuity plan, but not the LTC linked-benefit.

9. Pricing Implications

a. Pricing Model

A summary of the pricing models used by survey participants to price annuity/LTCI linked-benefits is shown in Figure 109.

Figure 109: Pricing Models used to Price Annuity/LTCI Linked-Benefits

Pricing Model	Number of Plans
Excel	2
MG-ALFA	2
Lewis & Ellis	1

b. Impact of LTC Linked-Benefit

The impact of including the LTC linked- benefit on factors such as policyholder optionality/anti-selection, mortality, policy persistency, and premium persistency was reported for all five plans. For one plan, a response was received relative to all four factors, and for another relative to three of the four factors. For two plans, the impact on mortality and policy persistency was reported, and for the final plan the impact on policy persistency only was reported. For all plans, participants were consistent in reporting that the impact of including the LTC linked-benefit resulted in higher policy persistency. The tables in Figure 110 include a summary of the various impacts on policyholder optionality/anti-selection, mortality, policy persistency, and premium persistency.

Figure 110: Impact of Including the LTC Linked-Benefit

Impact of Including the LTC Linked-Benefit on Policyholder Optionality/Anti-Selection	Number of Plans
No Impact	1
Improved 20%	1
No Response	3

Impact of Including the LTC Linked-Benefit on Mortality	Number of Plans
No Impact	1
Targeting the Annuity Population; Does not Impact the Mortality of the Overall Population	2
No Response	2

Impact of Including the LTC Linked-Benefit on Policy Persistency	Number of Plans
Higher Policy Persistency	2
Significantly Higher Policy Persistency	2
Improved 20%	1

Impact of Including the LTC Linked-Benefit on Premium Persistency	Number of Plans
Improved 30%	1
No Response	1
Not Applicable - Single Premium Product	3

c. Impact on Profits

It was reported for four plans that the impact of including the annuity/LTCI linked-benefit resulted in enhanced profits. For the fifth plan, it was reported since the linked product and annuity have different profit targets, this question is not applicable.

d. LTC Benefit Utilization

LTC benefit utilization on the annuity/LTCI linked-benefit plan is assumed to be lower than that assumed on standalone LTC plans for three of the five survey plans. LTC benefit utilization is not assumed to be lower than that for standalone LTC plans for the remaining two plans.

e. *Pricing Method*

Three of the five annuity/LTCI linked-benefit plans are priced based on an integrated approach with the annuity plan and LTC ABR/EBR combined. The remaining two plans are priced with the ABR priced based on an integrated approach with the base annuity, and the EBR priced independently from the base annuity plan.

10. Reserves

a. Additional Active Life Reserves

A variety of additional active life reserves for the annuity ABR (when the insured is not receiving LTC benefits) are held. For two of the five plans, a separate additional active life reserve is calculated using standard LTC reserving methods, reflecting the present value of LTC accelerated benefits offset by the account value reduction. For two additional plans, an additional AG 33-type of reserve is held. For one of these two plans, it was also reported that a separate additional reserve is calculated using standard LTC reserving methods. The additional active life reserve for the ABR in the final plan is an AG43-type reserve.

The majority of annuity/LTCI linked-benefits plans (four of the five) hold additional active life reserves for the annuity EBR and inflation protection benefit that are calculated using standard LTC reserving methods. The fifth plan holds a separate additional reserve that is based on an AG 33-type reserve.

b. Additional Disabled Life Reserves

When the insured is receiving LTC ABR benefits from the annuity/LTCI linked-benefit, additional disabled life reserves are held for all five survey plans. For three plans, a separate additional reserve is calculated based on standard LTC claim reserving methods, reflecting potential benefits in excess of the account value. For one annuity/LTCI linked-benefit plan, the separate additional reserve is calculated based

on standard LTC claim reserving methods, reflecting all potential LTC benefits. For the final plan, a separate additional reserve is calculated based on standard LTC claim reserving methods, reflecting potential benefits in excess of the surrender value.

When the insured is receiving LTC ABR benefits from the annuity/LTCI linked-benefit, additional disabled life reserves are held for the EBR and inflation protection benefit for all five survey plans. For one plan, a separate additional reserve is calculated based on standard LTC claim reserving methods, reflecting potential benefits in excess of the account value. For four annuity/LTCI linked-benefit plans, the separate additional reserve is calculated based on standard LTC claim reserving methods, reflecting all potential LTC benefits.

When the insured is receiving LTC EBR and inflation protection benefits from the annuity/LTCI linked-benefit, additional disabled life reserves are held for all five survey plans. For all five plans, a separate additional reserve is calculated using standard LTC claim reserving methods, reflecting all potential LTC benefits.

11. Target Surplus

a. Additional Target Surplus

Additional target surplus for annuity/LTCI linked-benefit plans was reported for four of the five survey plans. For one plan, additional target surplus follows the NAIC RBC requirements for LTC. For a second plan, the additional target surplus is equal to 5% of the account value. For two additional plans, the NAIC RBC factors for the additional target surplus were reported as follows:

C1: 3.65% of active life reserves for ABR/EBR
C2: 27.35% of annual ABR/EBR rider charges + 68.38% of annual ABR/EBR out-of-pocket claims
C4: 1.82% of annual ABR/EBR rider charges

For these two plans, it was reported that the factors listed above already reflect the redundancy and covariance impact.

12. Agent Licensing/Training

a. Required Agent Licenses

Various opinions are held by survey participants regarding which agent licenses are required to sell the annuity/LTCI linked-benefit. For three of the five plans, it was reported that life, health, and LTC licenses are thought to be required. For one additional plan, it was reported that agents are required to have a life and health license to sell the annuity/LTCI linked-benefit. Relative to the final plan it was reported that the only agent license required to sell this benefit is an LTC license.

b. Training Requirements

Long term care insurance training requirements apply to all five of the annuity/LTCI linked-benefit plans reported by survey participants.

13. State Filing

a. Filed with IIPRC

Of the five annuity/LTCI linked-benefit plans reported by survey participants, only one was filed with the IIPRC and this was done only for five states for this plan. The remaining four plans were not filed with the IIPRC.

b. Reasons for Not Filing with IIPRC

Various reasons were reported for not filing the annuity/LTCI linked-benefit plans with the IIPRC. For two of the plans offered by one participant, they were not filed with the IIPRC to avoid specific IIPRC restrictions. For one additional plan, the reason reported was that LTC standards were not enacted within the IIPRC at the time the rider was filed. For another annuity/LTCI linked-benefit plan, it was reported that the state of domicile of this participant was not a member of the IIPRC at the time the plan was filed.

c. State Filings Other than IIPRC Filing

For the one annuity/LTCI linked-benefit plan that was filed with the IIPRC for five states, 43 state filings outside of the IIPRC were done.

d. Non-IIPRC State Filings

For two of the four plans that did not file with the IIPRC, the number of other state filings equals 31 and 46, respectively. The remaining two plans were filed and approved in 33 and 34 states, respectively.

e. Significant Filing Variations

Significant filing variations were reported for four of the five annuity/LTCI linked-benefit plans. The variations were reported for key states where the filing of the annuity/LTCI linked-benefit was filed outside the IIPRC. The table in Figure 111 shows a summary of the number of different state filing variations that were required for annuity/LTCI linked-benefit plans, and the corresponding number of plans requiring that number of variations. The number of state variations ranged from two to eight, with an average of six and a median of seven.

Figure 111: State Variations for Annuity/LTCI Linked-Benefits

Number of State Variations	Number of Plans
8	2
6	1
2	1

Figure 112 includes a table with a list of the states where survey participants filed a state variation of the annuity/LTCI linked-benefit plan. The states where the most

variations were filed for annuity/LTCI linked-benefits are New Jersey, South Dakota, and Wisconsin, with three plans each requiring a state variation. Three states each required a filing variation for two annuity/LTCI linked-benefit plans. Five different states required a filing variation for one annuity/LTCI linked-benefit plan each. The average and median are two for the number of plans per state where a filing variation was required.

Figure 112: Number of Annuity/LTCI Linked-Benefit Plans with State Variations

States Where Variations were Required	Number of Plans
New Jersey, South Dakota, Wisconsin	3 plans in each of these states
Indiana, Kansas, Mississippi	2 plans in each of these states
Arizona, California, Maryland, Ohio, Texas	1 plan in each of these states

The types of filing variations by state, as well as the year when the annuity/LTCI linked-benefit plan was approved are summarized in Figure 113.

Figure 113: Types of Variations by State (Listed in alphabetical order)

States Where Variations were Required	Variation (Number of Plans Indicated if Not Equal to One)	Year When Approved	Reason for the Variation
Arizona	• Joint insured option not available.	2010	Regulation
California	• Adult Day Care minimum changed to the greater of $50 or 50% of the home health care or nursing home benefit; and the alternate benefit section had to be modified.	2009	State regulation requires a $50 minimum. Alternate care benefit provisions are not permitted because they suggest certain benefits are available without a commitment from the insurer to provide them.
Indiana	• Optional inflation benefit rider (2)	2012	Regulation
	• 3+3 LTC benefit duration not available (2)	2012	Regulation

States Where Variations were Required	Variation (Number of Plans Indicated if Not Equal to One)	Year When Approved	Reason for the Variation
Kansas	• 100% maximum monthly benefit for assisted living facility (2)	2011	Regulation
Maryland	• Minimum daily benefit is $25.	2010	Regulation
Mississippi	• 3+3 LTC benefit duration not available (2)	2010	Regulation
New Jersey	• No waiting period. Elimination period is 180 days prior to the first anniversary, then 90 days thereafter.	2011	Regulation
	• Optional inflation benefit rider (2)	2014	Regulation
Ohio	• 180 day waiting period. Elimination period is 180 days prior to the 1st anniversary, then 90 days thereafter.	2011	Regulation
South Dakota	• Minimum daily benefit is $100. Minimum account value is $72,000.	2010	Regulation
	• Premium requirement (2)	2010	Regulation
Texas	• Grace period for reinstatement was changed from 30 to 90 days; and the plan of care periodic updates were changed from 30 to 90 days; and written notice for premium changes was changed from 31 to 45 days.	2000, 2002	Regulation
Wisconsin	• Premium requirement (2)	2010	Regulation
	• Coverage effective date less than 1 year (2)	2010	Regulation
	• Minimum daily benefit is $60. Minimum account value is $44,000.	2011	Regulation

f. States Where Not Approved

The states where the annuity/LTCI linked-benefit is not approved were reported for three of the five plans. The table in Figure 114 shows a summary of the number of different states where a particular annuity/LTCI linked-benefit plan is not approved, along with the number of plans the number applies to. The intent of this question was to determine where approvals were not secured when the plan was filed with the states, but it is clear from the responses that some participants reported states where the annuity/LTCI linked-benefit had not yet been filed.

Figure 114: States where Annuity/LTCI Linked Benefit-Plans are Not Approved

Number of States Where Not Approved	Number of Plans
19	1
5	1
2	1

Figure 115 includes a table that shows the states where annuity/LTCI linked-benefit plans are not approved, and the corresponding number of plans that are not approved in that state.

Figure 115: Number of Annuity/LTCI Linked-Benefit Plans Not Approved by State

States Where Not Approved	Number of Plans
Connecticut, Delaware, New York, Pennsylvania, Virginia	2 plans in each of these states
Alabama, California, Florida, Hawaii, Idaho, Maine, Maryland, Massachusetts, Minnesota, New Hampshire, New Jersey, Rhode Island, South Dakota, Vermont, West Virginia, Wisconsin	1 plan in each of these states

Figure 116 shows a summary of the reasons that the annuity/LTCI linked-benefit plans are not approved in the states reported in Figure 115. The reasons shown in Figure 116 apply to one annuity/LTCI linked-benefit plan unless noted otherwise. Many of the reasons were due to the company not being licensed in the state.

Figure 116: Reasons Why Annuity/LTCI Linked-Benefit Plans Not Approved (Listed in alphabetical order)

States Where Not Approved	Reasons Why Not Approved
Alabama	• Company is not licensed here
California	• Did not respond to the department's lengthy list of objections, so the filing was closed.
Connecticut	• Company is not licensed here • Didn't file here (no enabling legislation)
Delaware	• Company is not licensed here • Department did not believe the forms/rates were compliant with its regulations.

States Where Not Approved	Reasons Why Not Approved
Florida	• Did not respond to the department's lengthy list of objections, so the filing was closed.
Hawaii Idaho Maine Maryland Massachusetts Minnesota New Hampshire New Jersey	• Company is not licensed in these states
New York	• Company is not licensed here (2)
Pennsylvania	• Company is not licensed here • Department was unsure of how the product works, and how it could comply with various regulations.
Rhode Island	• Company is not licensed here
South Dakota	• Company is not licensed here
Vermont	• Company is not licensed here
Virginia	• Company is not licensed here • Department had concerns with several contract provisions.
West Virginia	• Company is not licensed here
Wisconsin	• Company is not licensed here

Appendix II - A: Survey Participants

Accordia Life and Annuity Company
Allstate Life Insurance Company
Ameritas Life Insurance Corp.
Assurity Life Insurance Company
AXA Life Insurance Company
Catholic Financial Life
CNO Financial Group
EquiTrust Life Insurance Company
Farm Bureau Life Insurance Company
Forethought
Great-West Financial
Guaranty Income Life Insurance Company
Guardian Life Insurance Company
ING U.S. / Voya Financial
John Hancock Financial Services
Kansas City Life Insurance Company
Knights of Columbus
Liberty Life Assurance Co. of Boston
Lincoln Financial Group
MassMutual Financial Group
Mutual of Omaha Insurance Company
Nationwide Financial
New York Life Insurance Company
Ohio National Financial Services
One America
Pacific Life Insurance Company
Penn Mutual Life Insurance Company
Principal Financial Group
Prudential Insurance Company
River Source Life Insurance Company
Sammons Financial Group
State Farm Insurance Company
Symetra
Thrivent Financial

Appendix II - B: Glossary of Terms

ADB for Chronic Illness Acceleration of the death benefit if the insured has a chronic illness condition. Includes triggers that utilize a combination of activities of daily living (ADLs) and cognitive impairment, or permanent nursing home confinement. These riders are typically filed under Accelerated Benefits Model Regulation 620.

ADB for Critical Illness Acceleration of the death benefit upon the occurrence of a medical condition that, in the absence of extensive or extraordinary medical treatment, results in a drastically limited life span, such as cancer or stroke. These riders are typically filed under Accelerated Benefit Model Regulation 620.

ADB for Terminal Illness Acceleration of the death benefit if the insured is terminally ill.

Agency Building A distribution channel also known as career agents; Affiliated agents who sell/service life, health, annuities, group insurance and equity products.

Annuity/LTCI Linked-Benefit Plans Acceleration of the account value (without surrender charge) if the insured has a chronic illness condition (as defined under IRC Section 7702B), along with extension of long term care benefits over and above the accelerated account value (independent benefit).

Banks & Financial Institutions A distribution channel that includes sales through banks, savings & loans, credit unions, thrifts, etc.

Broker A distribution channel with producers without an exclusive contract with one company. No overrides are paid on personally produced business.

Coinsurance Approach A type of annuity/LTCI benefit payout structure. Acceleration and independent benefits are paid concurrently in fixed proportions until the LTC benefit limit is exhausted.

Death Benefit Option A Level death benefit equal to the specified amount.

Death Benefit Option B Increasing death benefit equal to the specified amount plus the cash value.

Death Benefit Option C Increasing death benefit equal to the specified amount plus premiums paid and less partial surrenders.

Direct Response A distribution channel where the buyer-initiates the purchase in response to offerings through the mail or media advertising, or telemarketing efforts.

Disability/Cash A LTC benefit payment approach where reimbursement of a fixed daily or monthly amount is made as long as the criteria for disability are met, regardless of services provided.

Discounted Death Benefit Approach Insurer pays a discounted death benefit of the face amount being accelerated.

Dollar-for-Dollar Benefit Reduction Approach When accelerated death benefit is payable, there is a dollar-for-dollar reduction in the death benefit and a pro rata reduction in the cash value based on the percentage of death benefits accelerated.

Elimination Period A specified period of time during which the owner meets the terms of eligibility for the living benefit

Enhanced Payout Benefits A feature that increases the benefit amount (often double) upon the occurrence of an event, such as confinement in a nursing home, or for qualifying medical conditions. Any annuity with enhanced payout provisions is included in this category (i.e., deferred and immediate annuities).

Expense Reimbursement A LTC benefit payment approach where reimbursement is based on actual expenses incurred for covered services, up to a daily or monthly cap.

First Year Premium Total first year premium refers to the total actual dollars of premium received in the period for the entire policy for all policies in which such riders are attached. For Annuity Enhanced Payout Benefits, includes sales of deferred and immediate annuities with an enhanced payout option, even if not in the payout phase.

HIPAA Limits Health Insurance Portability and Accountability Act (HIPAA) per diem limit (for 2014, this limit is $330 a day). Benefit payments up to this amount may be excludable from taxable income.

Home Service A distribution channel with affiliated agents who sell individual life, health or P&C products in an assigned territory; May be responsible for home collection of premiums.

IIPRC Interstate Insurance Product Regulation Commission

Indemnity A LTC benefit payment approach where reimbursement of a specified amount per day or month, provided billable covered services are received.

Lien Approach Payment of accelerated benefits is considered a lien against the death benefit of the policy or rider and access to the cash value is restricted to
any excess of the cash value over the sum of any other outstanding loans and the lien.

Life/LTCI ABR Acceleration of the death benefit if the insured has a chronic illness condition triggering long term care. These riders are typically filed under
Long Term Care regulations.

Life/LTCI EBR Extension of long term care benefits beyond the accelerated death benefit.

Life/LTCI Linked-Benefit Plans Both LTC ABR and EBR included.

Multiple-Line Exclusive Agents (MLEA) A distribution channel with affiliated agents licensed to sell/service individual life, health & annuity products, as well as P&C products. of annuity/LTCI benefit payout structure.

Personal-Producing General-Agent (PPGA) A distribution channel with a full-time life producer who receives overrides on personally produced business and on business sold by subproducers. May have affiliations with more than one company, but usually has a primary affiliation with one company.

Pool Design A type of annuity/LTCI benefit payout structure. Acceleration and independent benefits are paid concurrently; benefit payments are based on a maximum LTC pool amount defined at issue. The excess of the maximum LTC pool amount over the account value defines a net amount at risk. As the account value grows, the portion of the benefit payment that is an accelerated benefit increases, while the independent benefit portion decreases.

Tail Design A type of annuity/LTCI benefit payout structure. Acceleration of the account value is paid first, followed by extension of benefits at the same monthly level for a specified period of time.

Waiting Period A period of time following the issue date of the living benefit rider during which the benefit is not in effect.

Wirehouse A distribution channel that includes the largest full-service broker-dealers with an extensive branch network system.

Worksite Marketing A distribution channel where individual insurance products are sold via the worksite. Commissioned agents/brokers line up the sponsoring employer and/or solicit individual employee enrollment.