

211 CMR: DIVISION OF INSURANCE

211 CMR 55.00 DISCLOSURE REQUIREMENTS FOR LIFE INSURANCE POLICIES WITH ACCELERATED BENEFIT PROVISIONS AND ANNUITY CONTRACTS WITH WAIVERS OF SURRENDER CHARGES FOR EARLY WITHDRAWAL OF ANNUITY PROCEEDS IN THE EVENT OF TOTAL AND PERMANENT DISABILITY

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55.01: Purpose

The purpose of 211 CMR 55.00 is to regulate all life insurance products with accelerated benefit provisions and annuity contracts with waivers of surrender charges for early withdrawals of annuity proceeds offered in Massachusetts. The provisions of 211 CMR 55.00 supersede Division of Insurance Bulletin Number SRB-94-04.

55.02: Applicability

211 CMR 55.00 applies to all life insurance with accelerated benefit provisions issued in Massachusetts on and after February 25, 2005 or annuity contracts with waivers of surrender charges for early withdrawals issued in Massachusetts on and after February 25, 2005. The requirements contained in 211 CMR 55.00 are in addition to any other applicable statutory provisions or lawful regulations. They do not in any way excuse any material noncompliance on the part of any insurance producer or carrier regarding the provisions of any other law.

55.03: Authority

211 CMR 55.00 is issued under authority of M.G.L. c. 175, § 24 and c. 176D.

55.04: Definitions

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As used in 211 CMR 55.00, the following words mean:

Accelerated Benefit Product: a provision in, or rider to, any policy of individual or group life insurance delivered or issued for delivery in Massachusetts under which benefits that reduce the otherwise payable death benefit of the policy are payable to a policyholder or certificateholder, during the lifetime of the insured, in the event the insured becomes totally and permanently disabled, as defined in 211 CMR 55.04. Activities of Daily Living: eating, toileting, transferring, bathing, dressing, and continence.

Carrier: a commercial insurance company licensed to issue life insurance policies under M.G.L. c.175 or a fraternal benefit society licensed under M.G.L. c. 176.

Chronic illness: a condition because of which an individual has been certified by a licensed health care practitioner as:

- (a) being unable to perform (without substantial assistance from another individual) at least two Activities of Daily Living for a period of at least 90 days due to a loss of functional capacity;
- (b) having a level of disability similar to the level of disability described above; or
- (c) requiring substantial supervision to protect such individual from threats to health and safety due to severe cognitive impairment.

Such term shall not include conditions otherwise meeting these requirements unless within the preceding 12-month period a licensed health care practitioner has certified that such individual meets such requirements.

Commissioner: the Commissioner of Insurance appointed pursuant to M.G.L. c. 26, § 6 or his or her designee.

Licensed Health Care Practitioner: any physician (as defined in section 1861(r)(1) of the federal Social Security Act) and any registered professional nurse, licensed social worker or other individual who meets such requirements as may be prescribed by the federal Secretary of Health and Human Services, or as defined in the federal Health Insurance Portability and Accountability Act or any successor law or any regulation promulgated thereunder. The Licensed Health Care Practitioner must be acting within the scope of his or her license in the state of licensure when providing covered services or performing actions required by the contract.

Medicaid: the medical assistance program administered by the Massachusetts Division of Medical Assistance pursuant to M.G.L. c. 118E and Title XIX of the federal Social Security Act, 42 USCS 1396, et seq., as amended.

Medicare: the federal health insurance program established under Title XVIII of the federal Social Security Act, "Health Insurance for the Aged Act," 42 USCS 1395 et seq., as amended.

Policy: any policy, plan, certificate, contract, agreement, statement of coverage, amendment, rider or endorsement that provides insurance benefits.

Policyholder:

- (a) the named insured under a life insurance policy or the owner of the policy if not the named insured;
- (b) in the case of a group life insurance policy, the group life insurance certificateholder; or

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(c) the contract holder, in the case of an annuity contract.

Qualified Long-Term Care Services: the necessary diagnostic, preventive, therapeutic, curing, treating, mitigating and rehabilitative services, and maintenance or personal care services that are required by a chronically ill individual and are provided pursuant to a plan of care prescribed by a licensed health care practitioner.

Special Benefits: benefits including, but not limited to:

(a) the acceleration of the death benefit in life insurance policies, as well as payments made over and above the accelerated benefit for expenses incurred for Qualified Long-Term Care Services in policies providing benefits for conditions of Chronic Illness only, or

(b) the waiver of the surrender charge for early withdrawal of annuity proceeds in annuity contracts.

Supplemental Security Income: the entitlement program under Title XVI, § 1601, 42 USCS 1381, et seq., as amended.

Terminal Illness: a condition that a physician certifies will reasonably be expected to result in a drastically limited life span as specified in the contract, for example, of twenty-four (24) months or less.

Total and Permanent Disability: any of the following conditions as specified in the policy:

(a) terminal illness, as defined in 211 CMR 55.04;

(b) chronic illness, as defined in 211 CMR 55.04;

(c) a medical condition, including but not limited to one of the following specifically named or described conditions, which the insured's physician certifies has required or will require extraordinary medical intervention without which the insured would have died, or will die:

1. Acquired Immune Deficiency Syndrome;

2. Coronary artery disease resulting in acute infarction or requiring surgery;

3. End-Stage Renal Disease;

4. Major organ transplant;

5. Medical condition requiring continuous life support; or

6. Permanent neurological deficit resulting from cerebral vascular accident; or

(d) other qualifying conditions that meet the definition in 211 CMR 55.04: Total and Permanent Disability(c) and that are approved by the Commissioner for any particular filing.

55.05: Minimum Standards

(1) Conditions Excluded from Life Policy. Notwithstanding any provision of 211 CMR 55.00 to the contrary, nothing contained herein shall be construed to require benefits under an accelerated death benefit product based upon the occurrence of a condition or disease which is specifically excluded from the underlying life insurance policy.

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(2) Pre-existing Conditions. Life insurance policies with accelerated benefit provisions and annuity contracts with a waiver of surrender charges for the early withdrawal of annuity proceeds may not contain any pre-existing condition exclusion provisions; nor may such products contain an incontestability clause which differs in duration or, if not added after issuance of the underlying policy, has an effective date different from any such clause contained in the total and permanent disability provision, if any, of the underlying life insurance policy or annuity contract.

(3) Evidence of Total and Permanent Disability.

(a) A carrier may require that reasonable additional evidence be provided that the insured is totally and permanently disabled as defined in 211 CMR 55.04.

(b) For the purposes of 211 CMR 55.05(3)(a), “reasonable additional evidence” means:

1. additional certification at the carrier’s expense, by a physician, or, at the option of the carrier in the case of a Chronic Illness, by a licensed health care practitioner, who is not a member of the policyholder’s or insured’s immediate family and who is not associated with or in any way affiliated with the provider rendering the services in question;

2. a finding by the Social Security Administration entitling the insured to disability benefits;

3. a finding of eligibility of total and permanent disability by an Industrial Accident Board or similar agency under a worker’s compensation system; or

4. a disability determination enabling an insured to make an early withdrawal from an individual retirement account or similar instrument without penalty from the Internal Revenue Service; or

5. any other evidence approved by the commissioner.

(4) Effective Date of Accelerated Benefit Provision. The accelerated benefit provision for qualifying events due to accidental injury shall be effective on the effective date of the policy or rider. The accelerated benefit provision in the case of qualifying events not due to accidental injury shall be effective no more than 30 days following the effective date of the policy or rider unless the insured has chosen an elimination period or deductible amount for policies providing accelerated benefits for conditions for Chronic Illness only.

(5) Method of Payment of Accelerated Benefits or Annuity Proceeds.

(a) The policy or annuity contract must specify all possible payment options.

(b) A policyholder may not be required to specify which type of option to exercise until the time of a qualifying event, except in cases that the individual qualifies for benefits only because of Chronic Illness, or in cases when the policy provides benefits only for Chronic Illness.

(c) The carrier shall give the policyholder the option to receive the full amount of the accelerated benefit or early withdrawal of the annuity proceeds available as a lump sum, in addition to any other methods of payment offered except in cases that the individual qualifies for benefits because of Chronic Illness only, or in cases when the policy provides benefits for Chronic Illness only.

(d) In no event may the benefit be made available as an annuity contingent upon the life of the insured.

(6) Benefits Other Than Accelerated Benefits. A carrier offering policies providing benefits for conditions of Chronic Illness only may also provide Special Benefits over and above the

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accelerated benefits or waiver of surrender charges to be payable for expenses incurred for Qualified Long-Term Care Services.

(7) Restrictions on Use of Proceeds.

(a) No carrier may restrict the use of accelerated benefits or the early withdrawal of the annuity proceeds in any way; nor may any carrier attempt to recoup all or any portion of benefits paid out under an accelerated benefit product, except in contestable cases of material misrepresentation, fraud or criminal misconduct.

(b) Notwithstanding 211 CMR 55.05(7)(a), in cases that the individual qualifies for benefits because of Chronic Illness only, the benefit amount shall be payable only for expenses incurred for Qualified Long-Term Care Services.

(8) Waiver of Premium in Accelerated Benefit Products

(a) If a policyholder elects to accelerate the full amount of the death benefit, whether as a lump sum or in periodic payments, future premium payments on the underlying life insurance policy shall be waived, without the inclusion of a waiver of premium rider.

(b) If a policyholder accelerates any amount less than the full amount of the death benefit, whether as a lump sum or in periodic payments, carriers are not required to waive future premium payments on the remaining in-force life insurance policy unless the policy already contains a waiver of premium provision that applies.

(9) Additional Premium.

(a) The carrier may require a separate premium charge for an accelerated benefit product or for a provision allowing for the waiver of surrender charges for early withdrawals on annuity proceeds.

(b) Those carriers proposing to offer an accelerated benefit or a waiver of a surrender charge for early withdrawals on annuity proceeds for additional premium shall furnish an actuarial memorandum to the Commissioner when filing the product.

(10) Effect on Cash Value.

(a) When an accelerated benefit is payable or there is a waiver of surrender charge for an early withdrawal of annuity proceeds, there shall be no more than a pro-rata reduction in the cash value based on the percentage of the death benefit accelerated to produce the accelerated benefit payment or the early withdrawal in relation to the annuity proceeds.

(b) Alternatively, the payment of accelerated benefits or waiver of surrender charge for an early withdrawal of annuity proceeds, and any reasonable administrative expense charges, any future premiums and any accrued interest may be considered a lien against the death benefit or annuity proceeds of the underlying policy or rider, and the access to the cash value may be restricted to any excess of the cash value over the sum of any other outstanding loans and the lien. Future access to additional policy loans could also be limited to any excess of the cash value over the sum of the lien and any other outstanding policy loans.

(11) Effect on Any Outstanding Policy Loans. If and when an accelerated benefit payment or early withdrawal of annuity proceeds with a waiver of surrender charge causes a pro rata reduction in the cash value of the underlying insurance policy or annuity, at the option of the

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policyholder, the payment may first be applied toward repaying all or a portion of any outstanding policy loan.

(12) Effect on Death Benefit for Certain Products. For accelerated benefit products and annuities requiring no additional premium payments, the death benefit may not be reduced by more than the amount of the accelerated benefits paid or the annuity may not be reduced by more than the amount of the early withdrawal for which surrender charges were waived in either case adjusted for any applicable actuarial discount, accrued interest appropriate to the policy design, or for any reasonable administrative expense charge.

(13) Effect on Accidental Death Benefit Provision.

(a) If any death benefit or annuity balance remains after payment of accelerated benefits or the early withdrawal of annuity proceeds for which surrender charges were waived, the accidental death benefit provision, if any, in the underlying policy or rider shall not be affected by the payment of any accelerated benefits or early withdrawal of annuity proceeds.

(b) If no death benefit or annuity balance remains, the accidental death benefit provision, if any, in the underlying policy shall have no effect.

(14) Policy Reserves.

(a) When benefits are intended to be provided through the acceleration of benefits or waiver of surrender charges for early withdrawals from annuity proceeds, policy reserves shall be determined in accordance with the Standard Valuation Law.

(b) All valuation assumptions used in constructing the reserves shall be determined as appropriate for statutory valuation purposes by a member in good standing of the American Academy of Actuaries.

1. Mortality tables and interest rates currently recognized for life insurance reserves by the NAIC may be used as well as appropriate assumptions for the other provisions incorporated in the policy form.

2. The actuary shall follow both actuarial standards and certification for good and sufficient reserves.

3. Reserves in the aggregate shall be sufficient to cover:

a. policies upon which no claim has yet arisen, as well as

b. policies upon which an accelerated claim or early withdrawal of annuity proceeds has arisen.

(15) Exemption from Reserves. No additional reserves need to be established for the following products:

(a) For policies and certificates which provide actuarially equivalent benefits with or without an option to accelerate death benefits or to waive the surrender charges for early withdrawal of annuity proceeds.

(b) For group insurance policies which provide accelerated death benefits without a separate premium charge or annuities with a waiver of surrender charges for early withdrawal of annuity proceeds without separate premium charge and which are experience-rated.

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55.06: Requirements for Disclosure

(1) Disclosure Statement

(a) All carriers offering either accelerated benefit products or waiver of surrender charges for early withdrawals of annuity proceeds, shall issue a disclosure statement, as described in 211 CMR 55.100, to the applicant at the time application is made or by separate communication with receipt or certification of delivery. The disclosure statement must be a free-standing document, plainly printed in light-faced type of a style in general use, the size of which shall be uniform and not less than 12-point type with boldface type as noted, and must not contain material of an advertising nature. The disclosure statement must be signed by the owner or proposed owner of the policy, as well as the writing insurance producer or company representative at the time of application.

(b) All carriers offering either accelerated benefit products or waiver of surrender charges for early withdrawals of annuity proceeds shall issue the appropriate disclosure statement, as described in 211 CMR 55.110, to the applicant at the time application for accelerated benefits or early withdrawal with waiver of surrender charges is elected or by separate communication with receipt or certification of delivery. All terms used must be clearly explained so that the policyholder understands the effect of accelerating death benefits or making an early withdrawal on annuity proceeds.

(c) For policies that do not provide benefits in the case of Chronic Illness, carriers may omit from the disclosure statement all references to Chronic Illness.

(2) Additional Disclosures for Accelerated Benefit Products. In addition to the requirements of 211 CMR 55.06(1), it shall be considered an unfair and deceptive practice if a carrier fails to meet the following requirements:

(a) All terms used in the policy must be fully explained so that the policyholder or certificateholder understands his or her relationship to the benefits provided;

(b) No misleading policy names may be used;

(c) The term “accelerated benefit” shall be included in the description, and the term “long term care insurance” may not be used in describing or marketing accelerated benefit products;

(d) Limitations or exclusions must be highlighted on the first page of the policy, or there must be a highlighted cross-reference on the first page to the “limitations or exclusions” section of the policy;

(e) If a policy is convertible, a notice is to be on the first page that identifies that the policy is convertible;

(f) If issued on other than an individual basis, policies providing conversion privileges must specify the benefits to be provided or must state that the converted coverage shall be on the policy form then being issued by the company for this purpose;

(g) When age is to be used as a determining factor for reducing the benefits made available in the policy as originally issued, such fact must be prominently set forth in the policy;

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(h) If the policy is issued on a basis other than that applied for, a disclosure statement properly describing the policy must accompany the policy when it is delivered and contain the following statement, in no less than 14-point type, immediately above the company name:

“NOTICE: Read this disclosure statement carefully. The coverage you originally applied for has not been issued. This policy is therefore not identical to the coverage you requested - it differs in the following respects: [list];”

(i) Riders or endorsements that provide a benefit for which a specific premium is charged must show the premium on the application, rider, or elsewhere in the policy;

(j) Any rider that reduces benefits requires a signed acceptance by the policyholder or certificateholder unless such coverage is provided under a master policy owned by an employer or trade union;

(k) Prior to the addition of an accelerated benefit product to an existing life insurance policy and prior to the payment of any accelerated benefit to the policyholder or non-group policy owner, the carrier shall notify any assignee or irrevocable beneficiary in writing, at his or her last known address, of any present or future effect on the rights of such third parties under the life insurance policy, and may require a signed acknowledgment of concurrence before paying accelerated benefits;

(1) The carrier must prominently note the following, in substantially similar form and content, on either the face of the policy or rider, or on a sticker attached to the face of the policy or rider: “Accelerated benefit payments from this 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.”

(3) Additional Disclosure Required at Time of Claim for Accelerated Benefits.

(a) The carrier must prominently note the following, in substantially similar form and content, on either the face of the claim settlement, or on a sticker attached to the face of the settlement of a claim for accelerated benefits: “Accelerated benefit payments from this 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 insurance 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.”

(b) The carrier must provide an illustration as set forth in 211 CMR 55.110, or one which contains substantially the same information in a format approved by the Commissioner.

(c) Lump Sum Payments: Regardless of the marketing method used, when a policyholder makes a claim for the lump sum payment of accelerated benefits for policies other than those providing benefits for conditions of Chronic Illness only and those policies using the lien method

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described in 211 CMR 55.05(10)(b), the carrier is required to issue a new or amended schedule page to reflect any new, reduced in-force face amount of the underlying life insurance policy, and any effect on the accumulation account, cash value, loan balance and future premiums. Group carriers paying such claims may substitute an equivalent Explanation of Benefits statement for delivery to the group certificateholder.

(4) Periodic Payment Statement. If the accelerated benefit is paid in periodic payments instead of a lump sum, and the policy's underlying contract values change with each payment, each time an accelerated benefit payment is made, the carrier is required to send to the policyholder a statement containing the underlying contract values.

55.07: Actuarial Disclosure and Reserves

A qualified actuary should describe the accelerated benefits, the risks, the expected costs and the calculation of statutory reserves in an actuarial memorandum accompanying each state filing. The insurer shall maintain in its files descriptions of the bases and procedures used to calculate benefits payable under these provisions. These descriptions shall be made available for examination by the commissioner upon request.

55.08: Severability

If any section or portion of a section of 211 CMR 55.00, or the applicability thereof to any person, entity or circumstance is held invalid by a court of competent jurisdiction, the remainder of 211 CMR 55.00 or the applicability thereof to other persons, entities or circumstances shall not be affected thereby.

55.100: Disclosure Statement Required at the Time of Application for the Policy or Contract

REQUIRED DISCLOSURE STATEMENT FOR [ACCELELRATED BENEFITS]

[EARLY WITHDRAWALS ON ANNUITY PROCEEDS]

[The disclosure statement shall be substantially similar to the following form.]

[(for accelerated benefit products only)]

Limitations of the Accelerated Benefit:

The accelerated benefit in this life insurance product may provide benefits to pay for long-term care services, but it is NOT part of a long-term care or nursing home insurance policy and the amount this product pays you may not be enough to cover your medical, nursing home or other bills. You may use the money you receive from this product for any purpose, unless you qualify for benefits because of Chronic Illness only. If you qualify for benefits because of Chronic Illness only, you may use the benefits to pay for Qualified Long-Term Care Services only. Unlike conventional life insurance proceeds, accelerated benefits payable under this product rider COULD BE TAXABLE IN SOME CIRCUMSTANCES. 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.]

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A. Consequences of This Benefit

Receipt of [annuity benefits] withdrawals on annuity proceeds] MAY AFFECT MEDICAID and SUPPLEMENTAL SECURITY INCOME (“SSI”) ELIGIBILITY The mere fact that you own a policy with [accelerated benefit product] option to make an early withdrawal on annuity proceeds without a surrender charge] may affect your eligibility for these government programs. In addition, exercising the option to [death benefits] an early withdrawal on annuity proceeds] and receiving those benefits before you apply for these programs, or while you are receiving government benefits, may affect your initial or continued eligibility. Contact the Medicaid Unit of your local Division of Medical Assistance and the Social Security Administration for more information.

B. Medical Condition(s) enabling [of life benefit] [waiver of surrender charge for early withdrawals]:

[Use whichever are included in the policy.]

[__ (1) Terminal Illness which means a condition that a physician certifies will reasonably be expected to result in a drastically limited life span as specified in the contract.

__ (2) Chronic illness which means a condition because of which an individual has been certified by a licensed health care practitioner as:

- (a) being unable to perform (without substantial assistance from another individual) at least two Activities of Daily Living for a period of at least 90 days due to a loss of functional capacity;
- (b) having a level of disability similar to the level of disability described above; or
- (c) requiring substantial supervision to protect such individual from threats to health and safety due to severe cognitive impairment.

__ (3) a medical condition, including but not limited to one of the following specifically named or described conditions, which the insured’s physician certifies has required or will require extraordinary medical intervention without which the insured would have died, or will die:

- (a) Acquired Immune Deficiency Syndrome;
- (b) Coronary artery disease resulting in acute infarction or requiring surgery;
- (c) End-Stage Renal Disease;
- (d) Major organ transplant;
- (e) Medical condition requiring continuous life support;
- (f) Permanent neurological deficit resulting from cerebral vascular accident; or

__ (4) qualifying conditions approved by the Commissioner for this policy. (list condition) _____]

C. Option(s): [which of the following will be available at the time of a claim]:

x [insert percentage] of total [death benefit] [annuity proceeds] as LUMP SUM (ALWAYS AVAILABLE except in cases that the individual qualifies for benefits because of Chronic Illness only.)

[insert percentage] of total [death benefit] [annuity proceeds] in periodic payments

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— Up to [insert percentage] of total [death benefit] [annuity proceeds] in periodic payments [Carrier shall describe the terms of any partial distribution or periodic payment plan, including the amount, number, and frequency of payments scheduled.]

D. Premium for [Accelerated Benefit] [Waiver of Surrender Charges for Early Withdrawals of Annuity Proceeds]: _____

[Carrier shall identify the amount and date due of any separate identifiable charge for the accelerated benefit or for a waiver of the surrender charge for early withdrawals of annuity proceeds; if there is no such charge, the carrier shall indicate that there is no additional charge for the provision.]

E. Administrative Expense Charge: _____

[Carrier shall include the amount and date due of any administrative expense charged to administer the accelerated benefits and an explanation of the effect on benefits.]

Signature of Applicant

Signature of Carrier Representative

55.110: Required Disclosure at the Time of Application for Acceleration of Life Insurance Benefits or Early Withdrawal of Annuity Proceeds with a Waiver of Surrender Charges

(1) Required Disclosure at the Time of Application for Acceleration of Life Insurance Benefits [The disclosure statement shall be substantially similar to the following form.]

The accelerated benefit in this life insurance product may provide benefits to pay for long-term care services, but it is NOT part of a long-term care or nursing home insurance policy and the amount this product pays you may not be enough to cover your medical, nursing home or other bills. You may use the money you receive from this product for any purpose, unless you qualify for benefits because of Chronic Illness only. If you qualify for benefits because of Chronic Illness only, you may use the benefits to pay for Qualified Long-Term Care Services only. Unlike conventional life insurance proceeds, accelerated benefits payable under this product rider COULD BE TAXABLE IN SOME CIRCUMSTANCES. 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.

Consequences of this Benefit

Receipt of accelerated death benefits from a life insurance policy MAY AFFECT MEDICAID and SUPPLEMENTAL SECURITY INCOME (“SSI”) eligibility. The mere fact that you own a policy with an option to accelerate the death benefit may affect your eligibility for these government programs. In addition, exercising the option to accelerate death benefits and receiving those benefits before you apply for these programs, or while you are receiving government benefits, may affect your initial or continued eligibility. Contact the Medicaid Unit of your local Division of Medical Assistance and the Social Security Administration for more information.

[(Either of the following sections should be used except in cases that the policy uses the lien method described in 211 CMR 55.06(3)(c).)

A. Effect on Policy Values: Cash values, loan values, and the death benefit WILL BE REDUCED if you receive an accelerated benefit. Here is an illustration of the effect of an accelerated benefit payment on your life insurance policy:

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- (1) Policy Face Amount: _____
- (2) Amount to be Accelerated: _____
- (3) Interest Rate: _____
- (4) Reduced Face Amount of Policy: _____

[Carrier shall show amount and date of reduced value.]

(5) Cash Values:

[Carrier shall include values at all ages pertaining to the individual, and the effect of the accelerated payment.]

Age 40: _ Age 50:

Age 60: Age 65:

Age 70: Age 75:

(6) Premium Necessary to Keep Policy in Force:

[Carrier shall include outstanding premium payment requirements to keep policy in force, when distribution is other than a lump sum payment.]

(7) Policy Loans: _____

[Carrier shall list any outstanding policy loans, and the effect of an accelerated benefit payment.]

OR

A. Effect on Policy Values: Cash values, loan values, and the death benefit WILL BE REDUCED if you receive an accelerated benefit. Here is an illustration of the effect of an accelerated benefit payment on your life insurance policy:

[The illustration should include the following values for policy years 1-10, and every five years after that to age 100:

- 1. Insured's age
- 2. Face amount of policy
- 3. Cash value of policy
- 4. Premium needed to keep the policy in force]

[Values shown may be for the BEGINNING or the END of the policy year, but it must be clearly indicated which is used.]

[Values may be CASH values or CASH SURRENDER values, but it must be clearly indicated which is used.]

[Illustration shown may be GUARANTEED or NONGUARANTEED, but it must be clearly indicated which is used. In addition, if nonguaranteed values are shown, it must be clearly noted that the interest rate could change.]

[The illustration should show the existence of a policy loan.]

Policy interest rate: [xx%] [Not applicable]

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Discount Rate used to determine accelerated benefit: [xx%] [Not applicable]

[(The following sections should be used in cases that the policy uses the lien method described in 211 CMR 55.06(3)(c).)]

The illustration should show the effect of the accelerated benefits including any reasonable administrative expense charges, future premiums and accrued interest which may be considered a lien against the death benefit or annuity proceeds of the underlying policy or rider, and whether access to the cash value and additional policy loans may be restricted as long as it is no more restrictive than access to the excess of the cash value over the sum of any other outstanding loans and the amount of the lien.]

(2) Required Disclosure at the Time of Application for Waiver of Surrender Charge on Early Withdrawal of Annuity Proceeds Where Less than the Full Value is Withdrawn

[The disclosure statement shall be substantially similar to the following form.] Consequences of this Benefit

Receipt of an early withdrawal on annuity proceeds MAY AFFECT MEDICAID and SUPPLEMENTAL SECURITY INCOME (“SSI”) eligibility. The mere fact that you own a policy with an option to make an early withdrawal on annuity proceeds without a surrender charge may affect your eligibility for these government programs. In addition, exercising the option to make an early withdrawal on annuity proceeds and receiving those benefits before you apply for these programs, or while you are receiving government benefits, may affect your initial or continued eligibility. Contact the Medicaid Unit of your local Division of Medical Assistance and the Social Security Administration for more information.

A. Effect on Policy Values: Cash values, loan values, and the annuity proceeds WILL BE REDUCED if you make an early withdrawal of the annuity proceeds. Here is an illustration of the effect on the proceeds:

(1) Amount to be Withdrawn: _____

(2) Annuity Cash Value:

[Carrier shall include values at all ages pertaining to the individual, and the effect of an early withdrawal.]

(3) Annuity Death Benefit: Carrier shall provide a written explanation of the effect of the early withdrawal on the death benefit and provide an illustration. [Carrier shall show amount and date of reduced value.]

(4) Policy Loans: _____

[Carrier shall list any outstanding policy loans, and the effect of an early withdrawal.]]

Signature of Applicant

Signature of Carrier Representative

REGULATORY AUTHORITY

211 CMR 55.00: M.G.L. c. 175, § 24 and c. 176D.