

**INSURANCE**

**DEPARTMENT OF BANKING AND INSURANCE**

**DIVISION OF INSURANCE**

**Actuarial Services**

**Accelerated Death Benefits**

**Proposed Amendments: N.J.A.C. 11:4-30.2 through 30.11**

Authorized By: Thomas B. Considine, Commissioner, Department of Banking and Insurance.

Authority: N.J.S.A. 17:1-8.1 and 17:1-15(e).

Calendar Reference: See Summary below for explanation of exception to calendar requirements.

Proposal Number: PRN 2011-246.

Submit comments by February 3, 2012 to:

Robert J. Melillo, Chief

Legislation and Regulation

20 West State Street

POB 325

Trenton, NJ 08625-0325

Fax: (609) 292-0896

E-mail: [legsregs@dobi.state.nj.us](mailto:legsregs@dobi.state.nj.us)

The agency proposal follows:

**Summary**

The Interstate Insurance Compact (Compact) is an important modernization initiative that benefits state insurance regulators, consumers, and the insurance industry. The Compact enhances the efficiency and effectiveness of the way insurance products are filed, reviewed, and approved, allowing consumers to have faster access to competitive insurance products in an ever-changing global marketplace. The Compact promotes uniformity through application of national product standards embedded with strong consumer protections. The Compact established a multi-state public entity, the Interstate Insurance Product Regulation Commission (IIPRC), which serves as an instrumentality of the member states. New Jersey, along with 40 other states, is a member of the IIPRC. The IIPRC serves as a central point of electronic filing for certain insurance products, including life insurance, annuities, disability income, and long-term care insurance to develop uniform product standards, affording a high level of protection to purchasers of asset protection insurance products.

In 2007, the IIPRC adopted standards for accelerated death benefits of life insurance policies. The standards provide for the advance payment of some or all of the death proceeds payable under a life insurance policy upon the occurrence of a qualifying event. The proposed amendments are intended to make the Department's current accelerated death benefits rules more consistent with the IIPRC standards.

N.J.A.C. 11:4-30.2, Application and scope, is amended to delete as no longer necessary the reference to policies delivered or issued for delivery on and after September 18, 1995.

At N.J.A.C. 11:4-30.3, the following current definitions are amended:

The new definition of "accelerated death benefits" replaces language describing accelerated death benefits as the "advance settlement of death proceeds payable under a life insurance contract" with "advance payment of some or all of the death proceeds payable under a life insurance policy or group certificate." At paragraph one within the definition, "policy" is deleted, and "when the insured is reasonably expected to have a drastically limited life span" is replaced with "at the time of a qualifying event." At paragraph two, "which" is replaced with "that," "contract" is replaced with "policy or certificate," and "through a total or partial surrender of the contract or imposition of a lien upon the death benefits" is deleted. At paragraph three, "which are" is replaced with "that is";

The definition of "Department" is amended by adding "State of New Jersey" at the end of the current definition; and

The current definition of "qualifying event" is amended by specifically stating that an insured's drastically limited life span must be a minimum of 6 months or less and a maximum of 24 months or less, and that time period must be specified in the policy or certificate. Current language stating that other qualifying events that the insurer at its option could include in the contract, and which are listed in the current definition, is replaced with five new items that the insurer at its option may include in the policy or certificate as qualifying events.

N.J.A.C. 11:4-30.4, Permitted forms of accelerated death benefit provisions, is amended to delete the words "total or partial" before "surrender of the policy."

At N.J.A.C. 11:4-30.5, Partial surrender, the section heading is being changed to "Surrender (total or partial)," as the section now applies to all surrenders. The section describes and sets forth the requirements for the surrender approach to accelerated death benefits. Throughout the section, references to insureds under group insurance and policy owners in the case of individual insurance are replaced with the term "owner," and references to contract are replaced with "policy or certificate." Subsection (a) is amended to clarify how, under the surrender approach, the cash value is reduced. The amended provision permits all or a part of the payment of a death benefit to be accelerated, and the cash value, if any, is reduced by the same percentage as the death benefit. The current language describing how premium is reduced is deleted because the same language appears in paragraph (b)2. In paragraph (b), the term accelerated death benefit "options" is replaced with "provisions." Paragraph (b)2 is amended to add language clarifying how premium is reduced under the surrender approach. Paragraph (b)3 is amended to delete the language stating that, "[t]he present value calculation shall be based on any actuarial discount appropriate to the policy design"; to delete the language relating to the interest rate or interest rate methodology used in the present value calculation stating that it is "based on sound actuarial principles"; and to amend the language describing the maximum allowable interest rate, which shall not exceed the greater of the yield on the 90-day Treasury bills available on the date of application or of the accelerated payment, whichever is greater; or the maximum adjustable policy loan interest rate based on the Moody's Corporate Bond Yield Averages-Monthly Average Corporates published by Moody's Investment Services, Inc.,

or successor thereto, for the calendar month ending two months before the date of application for an accelerated payment. The policy loan interest rate is that which is permitted under the NAIC Model Policy Loan Interest Rate Bill, Model #590.

N.J.A.C. 11:4-30.6 describes and sets forth the requirements for the lien approach to accelerated death benefits. Throughout paragraph (b)2, the term "contract" is replaced with "policy." Also, the amendments to paragraph (b)2 change the language describing the maximum allowable interest rate for the lien in excess of cash value as the yield on the 90-day Treasury bills available on the date of application or of the accelerated payment, whichever is greater, or the maximum adjustable policy loan interest rate based on the Moody's Corporate Bond Yield Averages-Monthly Average Corporates published by Moody's Investment Services, Inc., or successor thereto, for the calendar month ending two months before the date of application for an accelerated payment. The policy loan interest rate is that which is permitted under the NAIC Model Policy Loan Interest Rate Bill, Model #590. Paragraph (b)3 is also amended to state that interest shall not be charged on the lien once the lien plus cumulative interest thereon equals the net amount at risk. New requirements are added at paragraphs (b)4, 5, and 6 that permit expense charges to be added to the lien; permit due and unpaid premiums to be included in the lien after the automatic premium loan, if available, is exercised; and permit access to the policy or certificate cash value to be restricted to the excess of the cash value over the sum of the lien and any other outstanding policy or certificate loans.

N.J.A.C. 11:4-30.7 describes and sets forth the requirements for accelerated death benefits payment options. Subsection (a) is amended to change the term "contract payment or settlement options" to "payment options available to the owner." This paragraph is further amended to change the term "option" to "right" regarding the owner's right to receive a lump sum payment, and to change the language describing the option to receive the benefit in periodic payments by adding "for a term certain period." Language is added in paragraph (a)1 clarifying that the lump sum shall in no event be less than the percentage of the death benefit being accelerated multiplied by the current cash value less outstanding policy or certificate loans. At paragraph (a)3, the term "settlement options" is changed to "payment options," which specify what occurs if the insured dies before all payments of the accelerated death benefit are made. New language is added stating that if the present value of the remaining payments is paid in a lump sum, the interest rate used to calculate the present value shall be that assumed in calculating the original term certain periodic payments. The current paragraph (b)4, stating that the interest rate used to calculate any present value of the settlement option shall be that assumed in calculating the original payments, is being deleted.

N.J.A.C. 11:4-30.8 sets forth the required and permitted terms of accelerated death benefit contract provisions. At paragraph (a)2, the term "option" is changed to "accelerated death benefit provision." In paragraph (a)4, certain language is being added that clarifies that accelerated death benefit provisions must describe the effect of exercise of the option to accelerate payment on the death benefit premiums, expenses

and interest charges if applicable, in addition to the effect on cash values, loan values and coverage on another insured where applicable. Paragraph (b)1 is amended to include language stating that accelerated death benefit provisions may include the right of the insurer to require a second or third medical opinion to confirm benefit eligibility, that those opinions will be at the insurer's expense, and that the second medical opinion may include a physical examination by a physician designated by the insurer. The first examination of the insured would be performed to establish the existence of a "qualifying event" as defined in this subchapter, would occur prior to the insured's submission of an accelerated death benefit claim, and would be at the insured's expense. Language is deleted stating that these provisions may also specify that in the event of a denial of a claim, a referee will be appointed or an additional medical opinion will be obtained, and is replaced with language stating that these provisions may also specify that in the case of conflicting opinions, eligibility for the accelerated death benefit shall be determined by a third medical opinion that is provided by a physician that is mutually acceptable to the owner and the insurer. New paragraphs (b)4 and 5 are added that permit an insurer to impose a premium charge or a cost of insurance charge for the accelerated death benefit provision and to specify that certain conditions set forth in the rule must be met by the policy owner or certificate holder before requesting payment. Subsection (c) includes some "housekeeping" amendments that do not change the current requirements, but merely clarify its intent. Paragraph (c)3 is amended to remove the prohibition against the waiting period requirement that the individual policy or rider or the group certificate be in force past the incontestable

period. Paragraph (c)4 is amended to remove the prohibition against accelerated death benefit provisions that contain restrictions on the use of the benefit, and replaces it with a prohibition against requiring that the policy or the group certificate be in force past the incontestable period. Paragraph (c)5 is amended to remove the prohibition against an insurer requiring a premium charge or cost of insurance charge for the accelerated benefit, and replaces it with a prohibition against provisions that place restrictions on the use of the benefit.

N.J.A.C. 11:4-30.9 contains the requirements for exercise of the option to accelerate the payment of death benefits. At subsection (a), language stating that "[w]hen a portion of the coverage remains after payment of the accelerated death benefit" is replaced with "[w]hen a partial amount of the death benefit is accelerated." In paragraph (a)1, "where the accelerated death benefit is paid under the partial surrender method" is deleted. In paragraph (a)3, "rider" is replaced with "certificate." At subsection (c), "option to accelerate" is replaced with "accelerated death benefit provision," and "individual policy or rider or the group certificate" is replaced with "policy or the group certificate."

N.J.A.C. 11:4-30.10 contains the form submission requirements. At paragraph (b)2, "accelerated death benefit option" is replaced with "accelerated death benefit provision."

N.J.A.C. 11:4-30.11, Illustrations, requires that the owner be given an illustration demonstrating the effect of accelerating the payment of death benefits on the cash value, death benefit, premium and policy or certificate loans, and is amended to delete

the language stating "(including policy liens) of the particular contract involved." Also, the term "group contribution" is changed to "charge."

A 60-day comment period is provided for this notice of proposal, and therefore, pursuant to N.J.A.C. 1:30-3.3(a)5, the proposal is not subject to the provisions of N.J.A.C. 1:30-3.1 and 3.2 governing rulemaking calendars.

### **Social Impact**

The proposed amendments will have a favorable impact on insurers. Because the amendments are more consistent with the IIPRC standards for accelerated death benefits of life insurance policies, insurers will need to comply with only one set of filing guidelines whether making their filings directly with the Department or via the Compact. Consumers will also be favorably impacted because the amendments provide insurers with the flexibility they may need to offer their customers more choices regarding accelerated death benefits features.

### **Economic Impact**

Insurers will be favorably impacted because the proposed amendments permit insurers to charge a premium for the accelerated death benefits provision. Consumers overall are likely to experience a negligible or slightly positive impact since the premiums they are charged will more accurately reflect the coverage they buy. While insurers may impose a slightly higher premium for this benefit, or an additional cost on consumers choosing to exercise this option, the benefits to consumers greatly outweigh the costs. The funds received from accelerated benefits may be used by the policy owner for any purpose he or she chooses (for example, additional or experimental

medical care, improving a home, or hiring nursing staff), thereby enhancing quality of life at a time when it is most needed. Insureds would need to incur the initial medical costs associated with establishing the presence of a "qualifying event" in order to be eligible to exercise the option to accelerate the payment of death benefits. Any subsequent medical examinations required by the insurer to confirm eligibility would be at the insurer's expense.

### **Federal Standards Statement**

A Federal standards analysis is not required because the proposed amendments are not subject to any Federal requirements.

### **Jobs Impact**

The Department does not anticipate that the proposed amendments will result in the generation or loss of jobs.

### **Agriculture Industry Impact**

Pursuant to N.J.S.A. 4:1C-10.3, the Right to Farm Act, and N.J.S.A. 52:14B-4(a)(2) of the Administrative Procedures Act, the Department does not expect any impact on the agriculture industry from these proposed amendments.

### **Regulatory Flexibility Analysis**

The Department believes that few, if any, insurers subject to the proposed amendments are "small businesses" as defined under the Regulatory Flexibility Act, N.J.S.A. 52:14B-16 et seq. The compliance requirements under the proposed amendments are described in the Summary above. The proposed amendments impose no undue burden or adverse economic impact upon insurers which may qualify as

"small businesses," and would not require insurers to obtain any consulting or other professional services in order to comply with them. In fact, the proposed amendments provide an economic benefit to insurers that elect to offer accelerated death benefits. Therefore, no regulatory flexibility analysis is necessary.

### **Housing Affordability Impact**

The Department does not expect the proposed amendments to have any impact on housing affordability because the proposed amendments address the regulation of accelerated death benefit provisions of life insurance policies.

### **Smart Growth Development Impact**

The Department does not expect the proposed amendments to evoke a change in the housing production in Planning Areas 1 and 2 or within the designated centers under the State Development and Redevelopment Plan in New Jersey because the proposed amendments address the regulation of accelerated death benefit provisions of life insurance policies.

**Full text** of the proposed amendments follows (additions indicated in boldface **thus**; deletions indicated in brackets [thus]):

#### SUBCHAPTER 30. ACCELERATED DEATH BENEFITS

##### 11:4-30.2 Application and scope

These rules shall apply to all accelerated death benefit provisions of individual and group life insurance policies delivered or issued for delivery in this State [on and after September 18, 1995].

### 11:4-30.3 Definitions

The following terms, when used in this subchapter, shall have the following meanings:

“Accelerated death benefits” means the advance [settlement] **payment** of **some or all of the** death proceeds payable under a life insurance [contract] **policy or group certificate**:

1. To the [policy] owner or certificate holder, during the lifetime of the insured, [when the insured is reasonably expected to have a drastically limited life span] **at the time of a qualifying event**;

2. [Which] **That** reduces the death benefit otherwise payable under the [contract] **policy or certificate** [through a total or partial surrender of the contract or imposition of a lien upon the death benefits]; and

3. [Which are] **That is** payable upon the occurrence of a single qualifying event resulting in the payment of a benefit amount fixed at the time of acceleration.

...

“Department” means the Department of Banking and Insurance, **State of New Jersey**.

“Qualifying event” means **the following**:

1. [a] **A** medical condition [which] **that** is reasonably expected to result in a drastically limited life span for the insured[, such limitation to be specified in

the contract; for example, a remaining life span of 24 months]. **The definition of a drastically limited life span shall have a minimum of “six months or less” and a maximum of “24 months or less” and shall be specified in the policy or certificate; and**

2. At the option of the insurer, the [contract] **policy or certificate** may also [define qualifying events to include] **include one or more of the following:**

[1. Those medical conditions which result in a limited life span and which are reasonably expected to require continuous confinement in an eligible institution, as defined in the contract, until the death of the insured;

2. A chronic illness as defined in 26 U.S.C. § 7702B(c)(2)(A); and]

i. **A medical condition that requires extraordinary medical intervention, such as a major organ transplant or continuous artificial life support, without which the insured would die;**

ii. **A condition that is reasonably expected to require continuous confinement in an institution, as defined in the policy or certificate, and the insured is expected to remain there for the rest of his or her life;**

iii. **A specified medical condition that, in the absence of extensive or extraordinary medical treatment, would result in a drastically limited life span;**

iv. **A chronic illness as defined in 26 U.S.C. § 7702B(c)(2)(A), that is, a permanent inability to perform, without substantial assistance from another individual, a specified number of activities of daily living (bathing, continence, dressing, eating, toileting and transferring) and/or permanent severe cognitive impairment and similar forms of dementia; and**

[3.] v. (No change in text.)

#### 11:4-30.4 Permitted forms of accelerated death benefit provisions

Accelerated death benefit provisions will be permitted in the form of either a [total or partial] surrender of the policy or a lien on the death benefits.

#### 11:4-30.5 [Partial surrender] **Surrender (total or partial)**

(a) Under the [partial] surrender approach, the [insured in the case of group insurance or the policy owner in the case of individual insurance] **owner of a policy or certificate** is permitted to accelerate the payment of [a portion] **all or part** of the death benefit, [which portion is] **as** specified in the [contract] **policy or certificate**, through [a partial surrender of the contract] **the acceleration of (all or part) of the death benefit. Under this approach, [The] the cash value, if any, is reduced by the same percentage as the death benefit. [The premium in individual life policies is reduced to the premium that would apply had the contract been issued at the reduced amount of death benefit. The premium in group life policies is reduced to reflect the remaining amount of insurance in effect.]**

(b) The following requirements apply to accelerated death benefit [options] **provisions** which utilize the [partial] surrender approach.

1. The amount of the accelerated death benefit may be applied to [repayment of] **repay** an outstanding policy **or certificate** loan but only up to the amount of the outstanding [policy] loan multiplied by the percentage of the death benefits which have been accelerated. For example, where [a policy] **an** owner [or certificate holder] has a death benefit of \$100,000 with an outstanding policy loan of \$20,000 and seeks to accelerate the payment of \$25,000 or 25 percent of the death benefit, the \$25,000 may be applied to repay up to 25 percent of the outstanding [policy] loan of \$20,000. Thus, of the \$25,000 accelerated payment, \$5,000 may be applied to repayment of the [policy] loan and \$20,000 may be paid to the [policy] owner [or certificate holder].

2. [Under the partial surrender method, the] **The** premium is **proportionately** reduced to [the premium that would apply had the contract been issued at the reduced] **reflect the** amount **of insurance remaining in effect** and may be further reduced according to some [defined] **specified** formula, or become paid-up.

3. The insurer may pay the [policy] owner [or certificate holder] a present value of the death benefit which is being accelerated. [The present value calculation shall be based on any actuarial discount appropriate to the policy design.] The interest rate or interest rate methodology used in the calculation shall be [based on

sound actuarial principles and] disclosed in the [contract] **policy or certificate** and actuarial memorandum. The maximum interest rate shall not exceed the greater of:

i. The [current] yield on **the 90-day [treasury] Treasury bills available on the date of application or of the accelerated payment, whichever is greater**; or

ii. The [current] maximum [statutory] adjustable policy loan interest rate **based on the Moody's Corporate Bond Yield Averages-Monthly Average Corporates published by Moody's Investment Services, Inc., or successor thereto, for the calendar month ending two months before the date of application for an accelerated payment. The policy loan interest rate is that which is permitted under the NAIC Model Policy Loan Interest Rate Bill, Model #590.**

#### 11:4-30.6 Lien

(a) Under the lien approach, the payment to the [policy] owner [or certificate holder] of the accelerated death benefit is treated as a lien on the death benefits of the [contract] **policy**. Expense charges may be added to the lien. Due and unpaid premiums may be included in the lien after the automatic premium loan, if available, is exercised. Access to cash value may be restricted to the excess of the cash value over the sum of the lien and any other outstanding policy loans.

(b) The following requirements apply to accelerated death benefit provisions which utilize the lien approach.

1. (No change.)

2. Interest bearing liens are permitted. The interest rate accrued on the portion of the lien which is equal to the cash value of the [contract] **policy** at the time of acceleration shall be no more than the policy loan interest rate stated in the [contract] **policy**. For the amount of the lien in excess of such cash value, the interest rate or interest rate methodology [as a whole must] **shall** be [based on sound actuarial principles and] disclosed in the [contract] **policy** and actuarial memorandum. The maximum interest rate for the lien in excess of cash value shall not exceed the greater of:

i. The [current] yield on **the** 90-day [treasury] **Treasury** bills **available on the date of application or of the accelerated payment, whichever is greater;** or

ii. The [current] maximum [statutory] adjustable policy loan interest rate **based on the Moody's Corporate Bond Yield Averages-Monthly Average Corporates published by Moody's Investment Services, Inc., or successor thereto, for the calendar month ending two months before the date of application for an accelerated payment. The policy loan interest rate is that which is permitted under the NAIC Model Policy Loan Interest Rate Bill, Model #590.**

3. The amount of the lien and any interest thereon may not exceed the net amount at risk, that is, death benefit less cash value. Interest shall not be

charged on the lien once the lien **plus cumulative interest thereon** equals the net amount at risk.

4. **Expense charges may be added to the lien.**

5. **Due and unpaid premiums may be included in the lien after the automatic premium loan, if available, is exercised.**

6. **Access to the policy or certificate cash value may be restricted to the excess of the cash value over the sum of the lien and any other outstanding policy or certificate loans.**

11:4-30.7 Payment options

(a) [Contract payment] **Payment** [or settlement] options **available to the owner** shall include the [option] **right** to receive the accelerated death benefit in lump sum and may include **an** option[s] to receive the benefit in periodic payments **for a term certain period (that is, without life contingencies)**.

1. In no event shall the amount payable as a lump sum be less than the [acceleration] percentage **of the death benefit being accelerated** multiplied by the current cash value less outstanding policy **or certificate** loans. The current cash value shall include any termination dividend payable on the surrender of the policy **or certificate**.

2. (No change.)

3. [All settlement] **Payment** options shall specify what occurs if the insured dies before all payments of the accelerated death benefit are made. **If such a**

**death occurs and the present value of the remaining payments is paid in a lump sum, the interest rate used to calculate the present value shall be that assumed in calculating the original term certain periodic payments.**

[4. The interest rate used to calculate any present value of the settlement option shall be that assumed in calculating the original payments.]

(b) If the insured dies after the [policy] owner [or certificate holder] elects to receive accelerated death benefits but before any such benefits are received, the election shall be cancelled and the death benefit paid pursuant to the policy.

#### 11:4-30.8 Terms of accelerated death benefit contract provisions

(a) The following are required terms:

1. (No change.)

2. If the policy lapses due to nonpayment of premium, the [policy] owner or insured shall have the right to reinstate the [option] **accelerated death benefit provision** on the same, or more favorable, terms as contained in the individual policy or group certificate.

3. (No change.)

4. Accelerated death benefit provisions shall describe the effect of exercise of the option to accelerate payment on **the death benefit premiums, expenses and interest charges if applicable**, cash values, loan values and coverage on another insured, where applicable.

5. Accelerated death benefit provisions shall be permitted in group life insurance [contracts] **policies** and certificates only if the insured has all rights of ownership concerning election and receipt of the accelerated death benefit.

(b) The following are permitted terms:

1. Accelerated death benefit provisions may [provide for the examination of the insured at the insurer's expense] **include the right of the insurer to require a second or third medical opinion to confirm benefit eligibility. The second and third medical opinions will be at the insurer's expense. The second medical opinion may include a physical examination by a physician designated by the insurer.** These provisions may also specify that in the [event of a denial of a claim, a referee will be appointed or an additional medical opinion will be obtained] **case of conflicting opinions, eligibility for the accelerated death benefit shall be determined by a third medical opinion that is provided by a physician that is mutually acceptable to the owner and the insurer.**

2. (No change.)

3. The insurer may deduct an expense charge in determining the accelerated death benefit provided that such expense charge is disclosed in the [contract] **policy** and actuarial memorandum.

4. **The insurer may impose a premium charge or a cost of insurance charge for the provision.**

5. The insurer may specify any of the following conditions that would have to be met by the policy owner or certificate holder before requesting payment of an accelerated death benefit:

i. The absence of a designation of an irrevocable beneficiary; and/or

ii. The absence of an assignment.

(c) The following are prohibited terms:

1. Accelerated death benefit provisions [shall not] **that** contain exclusions or restrictions as to coverage which are not also exclusions or restrictions in the [base] policy.

2. Accelerated death benefit provisions [shall not] **that** require [that] the cause of the terminal condition first manifest itself or be diagnosed after issuance of the [individual] policy [or rider] or the group certificate.

3. Accelerated death benefit provisions [shall not] **that** contain a waiting period requirement (except in the case of presumed, as opposed to diagnosed, terminal illness). [A requirement that the individual policy or rider or the group certificate be in force past the incontestable period is a prohibited waiting period requirement.]

4. Accelerated death benefit provisions [shall not contain any restrictions on the use of the benefit] **that require the policy or the group certificate be in force past the incontestable period.**

5. [The insurer shall not require a premium charge or cost of insurance charge for the accelerated benefit.] **Accelerated death benefit provisions that place restrictions on the use of the benefit.**

6. Accelerated death benefit provisions [shall not require] that upon exercise of the option to accelerate [payment of a portion of the] **less than 100 percent of the** death benefits [less than the full amount of such benefits] **require** the insured **to** forfeit[s] the residual coverage.

7. [The insurer shall not include] **Accelerated death benefit provisions that place** an aggregate limit [provision] which caps the **total** accelerated death benefits payable for all [contracts] **policies or certificates** issued by the insurer and its subsidiaries and affiliates.

11:4-30.9 Exercise of the option to accelerate the payment of death benefits

(a) When a [portion of the coverage remains after payment of the accelerated death benefit, the following requirements apply] **partial amount of the death benefit is accelerated:**

1. [Where the accelerated death benefit is paid under the partial surrender method, the individual] **The** policy or group certificate shall be modified by an endorsement which includes a statement of cash values, policy loans, premiums and death benefits following acceleration.

2. The dividends or non-guaranteed elements credited thereon shall not discriminate between policies **or certificates** whose death benefits have been reduced through acceleration and policies **or certificates** originally issued in the amount of the reduced death benefits.

3. The accidental death benefit provision, if any, in the policy or [rider] **certificate** shall not be affected by the payment of the accelerated death benefit.

(b) When the full amount of the death benefit is accelerated, the [individual] policy or [life insurance evidenced by the group] certificate shall terminate upon the election of acceleration of the benefit.

(c) The [option to accelerate] **accelerated death benefit provision** shall be incontestable on the same, or a more favorable, basis as the [individual] policy [or rider] or the group certificate.

#### 11:4-30.10 Form submission requirements

(a) (No change.)

(b) The following requirements apply to the submission of accelerated death benefit forms to the Department[.]:

1. (No change.)

2. The material submitted by the insurer to the Department shall include a specimen issue of the illustrations provided to the [policy] owner [or

certificate holder] prior to or concurrent with the election of the accelerated death benefit [option] **provision** and an explanation of how and when the illustration will be provided. See N.J.A.C. 11:4-30.11.

3. (No change.)

#### 11:4-30.11 Illustrations

(a) Prior to or concurrent with the election of the option to accelerate the payment of death benefits, the [policy] owner [or certificate holder] shall be given an illustration demonstrating the effect of the acceleration of the payment of death benefits on the cash value, death benefit, premium and policy **or certificate** loans [(including policy liens) of the particular contract involved]. The illustration shall display any premium or [group contribution] **charge** necessary to continue coverage following the acceleration. An illustration with representative examples intended for use on a general basis is not satisfactory.

(b) - (c) (No change.)