

April 28, 1949

SUBJECT: INSURANCE

TO ALL AUTHORIZED INSURERS WRITING GROUP LIFE INSURANCE IN THE STATE OF NEW YORK

Re: Waiver of Premiums in Extended Death Benefit Provisions of Group Life Insurance Contracts

Gentlemen:

On December 20, 1948, this Department circularized your Company in connection with a conditional requirement appearing in the so-called "Extended Death Benefit" provision contained in master group life contracts. We expressed the opinion that it is manifestly unfair to promise a prospective extended death benefit to beneficiaries of employees who die within one year after termination of employment and who have been totally and continuously disabled from the date of cessation of employment to the date of death, and to take away that benefit by stipulating that the master contract shall be in effect at date of death.

It has come to our attention that a similar restriction is contained in extended death benefit provisions agreeing to waive premiums during continuous disability provided proof is furnished annually of such continuous disability. A specimen clause in use by one company is quoted in part below:

"EXTENDED INSURANCE BENEFIT. If, on the date of termination of his insurance, any employee who has not reached age sixty is totally disabled from bodily injury or disease so that he is prevented thereby from engaging in any business or occupation ... the insurance in force on the date of such termination of insurance will be extended during the continuation of such total disability for a period of one year ...

"If, not later than one year after the termination of his insurance, any employee shall furnish written proof that such disability existed; ... the employee's insurance will again be extended during the continuation of such total and permanent disability for successive further periods of one year each ...

"...Any employee shall be covered under this provision only while this policy remains in full force and effect..."

In our opinion the underlined portion of the clause is subject to the same general criticisms as stated above. We find that certain other authorized group companies have not found it necessary to impose such a conditional requirement.

It is the view of this Department that group life forms currently being used which contain a conditional requirement corresponding to the above should be revised and resubmitted to the Department not later than August 1, 1949.

Your Company is requested to acknowledge receipt of this letter and to indicate whether or not your contracts contain the conditional requirement.

Very truly yours

[SIGNATURE]

Deputy Superintendent and Counsel