

Product Standards Committee (PSC)
Public Call Summary
May 3, 2022

Agenda Item 2. Receive comments on the current drafts of the Individual Disability Buy Sell and Key Person Replacement Uniform Standards including addressing comments and questions posed by the Product Standards Committee (PSC).

Jason Lapham said that there was one comment letter from the ACLI. He asked the ACLI to go over the response. Michael Palmieri provided the response on behalf of the ACLI. He explained that the buy sell policy provides the funding mechanism to help partners buy out a partner who is disabled. He summarized the ACLI response to each of the questions from the PSC.

- Activities of Daily Living: He said that the companies wanted the flexibility to include Activities of Daily Living (ADLs) as an optional trigger if a business chose to do so. PSC members questioned how this fit in with the definition of total disability that is used throughout the standard.
- Aggregate benefit amount and Monthly benefits: Palmieri explained that monthly benefits are installment payments. He said that the applicant chooses lump sum, monthly installment payments or a combination at the time of application. The applicant chooses the aggregate benefit amount during the application process.
- Benefit factor/benefit period: Palmieri said this could be separated into two definitions to avoid confusion. He said the benefit factor is the number of payments while the benefit period is a specific period of time such as 24 months.
- “Company” in definition of business: ACLI agreed that company was not needed in the definition of business.
- ACLI provided a sample buy-sell agreement.
- Reference to partial and residual disability rather than total disability: ACLI said that it wanted to include partial and residual disability in the definition of disability for “future flexibility.” A PSC member noted that there is no definition of partial and residual disability. PSC members noted that the ACLI previously stated that the buy-sell policy only covers total disability.
- Reference to ADLs as a benefit trigger: ACLI said that it wanted to include the inability to perform two ADLs as a disability benefit trigger for purposes of “future flexibility.”
- Definition of “fair market value”: ACLI said that the concept of “fair market value” was important and used in determining the purchase price of the disabled insured’s interest in the business.
- Definition of “maximum benefit amount”: ACLI said that the definition of “maximum benefit amount” refers to the amount actually paid.
- Benefit reduction on Account of Other Disability Buy-Sell coverage: ACLI explained that an insured could be covered under multiple policies as the business grows over time so there is a need for a mechanism to reduce benefits if the coverage exceeds to actual value of the insured’s ownership interest in the business at the time of claim.

Jason Lapham asked if there were any other oral comments. There were no additional comments.

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Agenda Item 3. Any Other Matters

The next call of the PSC will be on May 17. There were no other matters.