

**Agenda Item 2. Review summary of PSC recommended responses regarding public comments received by the Management Committee for the Group Disability Income Insurance Policy and Certificate Uniform Standards for Employer Groups and prepare recommendations for the Management Committee.**

Betsy Jerome, Utah, Chair of the Product Standards Committee (PSC), noted that the purpose of the call was to finalize the recommendations to the Management Committee for the Group Disability Income Insurance Policy and Certificate Uniform Standards for Employer Groups and prepare recommendations for the Management Committee on the public comments received for the Uniform Standards for Group Disability Income Insurance Initial Rate Filings and Revisions to Rate Filing Schedules. IIPRC staff provided an overview of the chart they prepared with the recommendations for the Group Disability Income Insurance Policy and Certificate Uniform Standards for Employer Groups that the PSC discussed on its last call. The PSC agreed to the revisions on the chart that were previously discussed.

IIPRC staff also suggested that the Third Party Offset provision contain a drafting note specifically stating that if Model 170 or 171 or any other Model or Guidance is revised or developed for group disability income products that impacts offset provisions, the IIPRC will revisit Section 9.B(1)(m). The PSC agreed to this revision. Staff also asked if the PSC wished to make Section 9.B(1)(m)(ii), the provision for estimating the amount of settlement that is allocated to lost wages, optional rather than required. After further discussion, the PSC decided on no change to the language as proposed since such a revision may inadvertently allow for insurance companies to again apply third party offsets without needed restrictions.

**Agenda Item 3. Review public comments received by the Management Committee for the Uniform Standards for Group Disability Income Insurance Initial Rate Filings and Revisions to Rate Filing Schedules and IIPRC staff recommendations and prepare final recommendations for the Management Committee.**

IIPRC staff summarized the comments received by the Industry Advisory Committee (IAC) that many of the standards in the draft proposal are not applicable or appropriate for Group Disability Income products and are not included in rate filings today. The IAC stated that they did not have appropriate company staff involved in the review during the drafting stages, and it was not until the rule proposal phase that this information became apparent.

IIPRC staff reviewed the distributed staff response to the IAC comments and proposed revisions to the draft. They noted in particular that although the changes recommended by the IAC would be applicable for employer group, attained age, Optionally Renewable products with limited rate guarantees, there are some groups that exhibit characteristics similar to individual coverage, but they are sold and considered by the company and employer as group products, not individual products. The requirements in the proposed standards would apply to such groups. Staff spoke with several states that review group disability income insurance rate filings and they confirmed this observation.

Staff recommends rather than deleting requirements, as suggested by the IAC, that the PSC consider changes that would note that there are requirements in the standards that only apply for

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certain rating characteristics. The revisions would include a drafting note stating that certain actuarial requirements may or may not apply depending upon the nature of the rating characteristics including types of *Premium* structure (e.g., issue age or attained age) and type of renewability. The drafting note would state that the documented assumptions and pricing approach are expected to vary based on the description of the Premium structure and guarantee period. The drafting note would also reference Actuarial Standard of Practice (ASOP) 8 *Regulatory Filings for Health Benefits, Accident and Health Insurance and Entities Providing Health Benefits* for guidance concerning the key pricing assumptions, underlying actuarial judgments and the manner in which the premium rates are to be tested against regulatory benchmarks as outlined in the Criteria for Review. The PSC agreed with this approach.

In reference to § 2. B. Actuarial Submission Requirements (1)(i) regarding durational loss ratios and the proposed new sentence stating “Durational loss ratio table if applicable due to the type of Premium structure or type of renewability, ~~t~~The projected year-by-year *Premium* and claims experience used in determining the ALR or ALRs applicable to the policy form, together with each year’s anticipated loss ratio based on that experience, shall be shown for a period of at least 3 years”, the PSC discussed concerns with the proposed revision, noting that it could be interpreted to read that the durational loss ratio table is optional. The Committee considered two alternatives; first, inserting the word “modified” before “if applicable...” and second, to strike the inserted language and instead insert a drafting note. Staff will consider proposed revisions, discuss with the actuaries from interested states and propose a revision to the PSC on the next call.

A member also questioned the definition of Incurred Claims in Appendix A. Following discussion, IIPRC staff agreed to work with the actuaries from interested states to see if further revisions were needed. Staff also noted that the Industry Advisory Committee was further discussing their suggested revisions, based upon staff feedback and may propose revisions.

#### **Agenda Item 4. Any other matters.**

The Chair stated that the PSC will not meet again in 2015. The next meeting will be in January, most likely on January 12<sup>th</sup>. Once recommended revisions are finalized, the PSC will hold one more Public Call to expose the recommendations.

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