

Agenda Item 2. Receive update on status of PSC review of the *IIPRC Office Report and Recommendations for the Uniform Standards Currently Subject to Five-Year Review (Phase 8 – Individual Disability Income Insurance)*.

The Insurance Compact Office reported that the Product Standards Committee (PSC) has reviewed and agreed to recommendations on Substantive items 1, 2, 8, 11, and 12 and Clarification items 1 and 7. They referred Substantive item 16 and Clarification items 8, 9, and 10 to the Actuarial Working Group. The PSC also asked the Compact Office to draft language for further discussion for Substantive items 5 and 6; those draft suggestions will be discussed on the next call.

Agenda Item 3. Discuss pending item from prior calls regarding the *IIPRC Office Report and Recommendations for the Uniform Standards Currently Subject to Five-Year Review (Phase 8 – Individual Disability Income Insurance)*:

- (a) **Clarification Item 2 – Qualification Period and Elimination Period for Residual Disability.** The PSC discussed the request to clarify whether (d) in the definition of *Residual Disability* means that the qualification period plus the *Elimination Period* cannot be more than six months before an individual qualifies for *Residual Disability* benefits or if it can be interpreted to mean that the qualification period cannot extend the *Elimination Period* by an additional six months. It was noted that the Compact Office reviews filings using the former interpretation and that the definition of *Partial* or *Residual Disability* in the group disability income uniform standards just states that the qualification period may be less than, equal to or greater than the *Elimination Period*. The definition of Disability in the group standards does say that “the certificate shall specify if such additional *Disability* benefit triggers may only apply after a specified period of *Total Disability* benefits have been paid under the certificate,” making specific reference to total disability benefit payment, unlike the individual standards that just say the person may be required to be *Totally Disabled*. Based on this information, the PSC agreed that the Compact Office’s interpretation of the provision was correct and that the qualification period plus the *Elimination Period* cannot be more than six months before the insured is eligible for *Residual Disability* benefits. The Compact Office will provide the PSC with a drafting note for their review for the next call.

Agenda Item 4. Begin discussion of recommendations proposed by the Industry Advisory Committee (IAC) in the *IIPRC Office Report and Recommendations for the Uniform Standards Currently Subject to Five-Year Review (Phase 8 – Individual Disability Income Insurance)*:

- (a) **Substantive Change Item 2 – Minimum Benefit Period.** Mary Mealer, Chair of the PSC noted that the key question for this item is whether the standards should be revised to allow a minimum benefit period of three months rather than six months. The Compact Office reported that it has received requests for shorter benefit periods but they have not been able to accommodate these requests because of this provision. The office believes that the three month minimum benefit is not uncommon in the marketplace and is being offered in some jurisdictions under state approved rather than compact approved forms.

Pennsylvania and Texas noted that their state rules do not allow the shorter duration. The Compact Office was asked to check the minimum provisions under Model Regulation #171. In response to a question about whether the Consumer Advisory Committee had weighed in on this item, the Compact Office responded that their comment letter for the July 12th call itemized some specific concerns within the report, but this was not one of them. The Chair agreed to table this discussion until the Compact Office reviewed state requirements and the Model regulation. Members were asked to consider whether they would be opposed to such a revision regardless of individual state requirements and it was suggested that the PSC obtain public feedback on whether a shorter minimum duration could be beneficial to consumers to provide for more affordable options or to fill the gap before group disability benefits commence.

- (b) **Substantive Change Item 9 - Return of Premium Provision.** The Committee discussed the proposal and noted that the IAC provided only a vague rationale for the benefit of such a provision to consumers and only indicated one company offered this provision. They also noted that there was no indication of how such a provision impacts rates. Members also expressed reservation about the proposed language and a reference to “the appropriate percentage in the Table of Return of Premium Percentages” as a multiplier for the actual return of premium. The Committee was disinclined to pursue adding this benefit without documentation from insurers providing 1) some framework for the variability of percentages in the referenced Table of Return of Premium Percentages; 2) an explanation of how circumstances or underlying assumptions have changed since the standards were adopted to justify a need to add such a benefit feature; 3) an indication of the impact on rates for such a feature, and; 4) a response to the CAC concern that this provision “invites sale of an expensive feature that covers no risk attached to an already expensive product.”
- (c) **Substantive Change Item 10 - Suspension of Coverage While Unemployed.** The chair noted that IAC has indicated that three companies currently market this benefit and that the companies consider it a consumer benefit since a person could suspend the coverage while unemployed. The PSC agreed in principle with the concept of adding a provision for suspension of coverage while unemployed. They were inclined to add language less prescriptive than the draft language offered by the IAC since such specific detail as requiring 8 weeks of government unemployment benefits and limiting the benefits to 12 months would tend to constrict an insurer’s ability to offer benefits that fit consumer need as well as allow for future change. The Compact staff will work on potential revisions to the proposed language and the PSC will seek comment on specifically why the IAC would require such prescriptive standards in this optional benefit provision.
- (d) **Clarification Item 3 – *Mental or Nervous Disorder* Definition.** The Committee discussed the suggested addition to the definition of *Mental or Nervous Disorder*. Noting that the preamble to the Definitions and Concepts section of the standards says that the definition shall be “consistent with the standards set forth below,” not that the definition needs to be identical, and also noting that the IAC stated in their written comments that the individual company that suggested this language received approval of the language in

its Compact filing, the PSC determined that there appeared to be no demonstrated need for expanding the definition and absent such a demonstration, they were not inclined to recommend change.

- (e) **Clarification Item 4 – Grace Periods.** The PSC noted that the IAC has now requested deleting item (4) in their revised language since an insured receiving disability benefits is not paying premium. Noting that the suggested change is essentially to reformat existing language for clarity and to specifically state that if *Premium* is not paid by the end of the grace period, coverage will automatically end on the date of the last period for which *Premium* was paid, the PSC agreed to recommend this revision.
- (f) **Clarification Item 5 - Change Term “Producer” to “Agent.”** The PSC agreed that one term should be used consistently in the uniform standards and that it appeared in most standards the reference was to agent or agent of the company. The PSC agreed to recommend use of the word agent rather than producer. Compact staff noted that in addition to the two areas noted by the IAC, the term producer was used in other sections of this standard, so she would review and make the needed proposed revisions. The PSC agreed to the other recommendations for clarity under the Suspension of Coverage While in Military Service provision of the standards.
- (g) **Clarification Item 6 - Date Policy Ends.** The Compact staff noted that most filings received for disability income insurance products do contain a Termination provision, and that the Compact does not object to these provisions as long as they are consistent with the uniform standards. Staff noted that most other uniform standards do have Termination standards. The Compact staff suggested that a termination provision consistent with other standards and with approved filings would add clarity. Compact staff noted that most disability income insurance policy filings do not contain a separate section in the policy specific to when disability benefits end as requested in the IAC’s additional comments, since many benefits are interwoven and the whole policy must be considered. When benefits end is addressed in various ways throughout the Uniform Standards. The PSC agreed that in concept, pending the Compact Office draft revisions to the IAC suggestions to create less prescriptive requirements, with the idea of adding a Termination provision consistent with other uniform standards. They concluded that the addition of another provision for when benefits end would cause confusion and was unnecessary given the ability to address benefit limitations and termination of benefits within the existing individual disability income insurance Uniform Standards.

Agenda Item 5. Any Other Matters.

The Chair noted that the PSC will meet again on Tuesday October 10th and that the Compact Office will also schedule a public call in October to obtain comments and feedback on Committee’s recommendations and questions to date.