

Agenda Item 2. Continue Discussion and finalize recommendations regarding Public Comments on the Product Standard Committee Recommendations on the Remaining Items in the Draft of the IIPRC Office Report and Recommendations for the Uniform Standards Currently Subject to Five-Year Review (Phase 8 – Individual Disability Income Insurance):

- **Incidental Benefits – Attachment A.** Discussion was opened up to the Committee members for comment on Incidental Benefits Attachment A. Pennsylvania proposed an alternative approach to the list of incidental benefits previously submitted. This alternative option outlines specific parameters that a benefit must fit into to be considered an incidental benefit. After discussion, the PSC members agreed the updated approach would be preferred to the current list. Some ideas of specific parameters discussed were an 18 month limit for incidental benefit payments, a lump sum benefit amount option not to exceed the equivalent of 12 months disability benefit payments payable under the policy, and suggestion of tying in principal based criteria. Pennsylvania will provide their initial draft language to include with the materials for the March 6th Public call. PSC member states MN, PA, TX, CO and UT will work with Compact staff to draft any proposed revisions to the language and update the material if needed prior to the March 6th Public call.

- **Substantive Item 2 – LUMP SUM PAYMENTS AND 3 MONTH BENEFIT PERIOD.** Compact staff presented draft language for lump sum benefit options previously discussed on the February 6th PSC call, specifically defining triggers and identifying the provision as optional. It was also suggested that this lump sum payment provision should fall under § 3. POLICY PROVISIONS SECTION C. REQUIRED PROVISIONS (11) PAYMENT OF CLAIMS:
 - (c) The policy may include a provision that after a specified period of periodic claim payments, the company may offer a lump sum payment in lieu of future periodic payments.
 - (i.) The company shall not require that the insured select the lump sum payment option.
 - (ii) The policy shall specify the benefit triggers for the optional lump sum payment.

PSC members discussed adding an additional provision (iii) specifying parameters for calculating lump sum payout. Compact staff commented that precedents exist in other standards setting parameters for lump sum payments and also agreed with adding parameters to the provision to address this concern. Compact staff will work to finalize language and distribute.

The Chair summarized the Consumer Advisory Committee (CAC) comments on the proposed three month benefit period. The CAC is not supportive of the three month benefit period and suggests that if the Committee recommends the optional three month

benefit period, a disclosure should be included about the limited duration in the application.

The PSC reviewed draft language prepared by the Compact Office and agreed to the following proposed addition to § 3. APPLICATION SECTIONS L. AGREEMENTS of the Individual Disability Income Insurance Application Standards:

(3) If the policy offers a Benefit Period of less than six consecutive months of periodic income benefits, the application shall include a statement that the applicant is aware of and understands the limited duration of the Benefit Period selected.

- **Substantive Item 15 – UNLIMITED LOOK-BACK.** Compact staff summarized the Industry Advisory Committee’s (IAC) request for the PSC to consider allowing an unlimited look-back period on the application for certain specific health questions of greatest concern to the companies. On the February 6th call the PSC discussed concern over consumer comprehension of certain medical conditions resulting in unintentional failure to disclose.

After additional review, the PSC discussed and determined that there would be no change in the standards for this item and the 10 year look-back would remain unchanged. It was also noted that since the PSC continues to support no change, it would be helpful if states could also adopt a policy of no more than 10 year look-back to create more uniformity between the standards and individual state requirements.

- **Clarification Item 8 - DISCOUNTS FOR MULTI-LIFE PLANS.** The Chair summarized initial clarification recommending change from MLR to ALR. Compact staff then summarized the IAC request to clarify language, clearly stating that discounts can be for expense savings and not just reduced claim costs. The IAC recommends the following language:

(b) ~~For multi-life plans,~~ The company may use “premium class” to establish discounts based on case characteristics, documented in the Actuarial Memorandum, such as, for example, number of lives, who pays the premium, ~~and/or~~ premium mode ~~and/or reduced operating expenses~~. The criteria for the discount should be applied consistently between groups. ~~In addition, the company shall submit adequate experience data to support the use of the same Anticipated Loss Ratio (ALR) Minimum Loss Ratio (MLR) requirement for multi-life plans utilizing a discount as for those plans where a discount is applicable and not applicable.~~ Such experience data should indicate that any expense savings occurring as a result of the discount are accompanied by a commensurate reduction in expected claims costs for ~~multi-life~~ plans where the discounts are applied.

The suggested language was approved by the Committee.

- **Clarification Item 9 - MINIMUM LOSS RATIO FOR MULTI-LIFE DISCOUNT LEVELS.** Compact staff summarized the IAC request to eliminate all references to multi-life, clarifying that the requirement applies to all discounts regardless of when they apply, suggesting the following language:

“A description of the determination of the MLR applicable to the policy form, including, when applicable, each ~~multi-life~~ discount ~~level~~.”

The suggested language was approved by the Committee.

- **Clarification Item 10 - EXPENSES AND CONTINGENCY AND RISK MARGINS.** Compact staff summarized original request to reformat (2)(f)(vi) to draw attention to the two separate requirements by breaking out into A. and B.

(vi) Expenses, including contingency/risk margins shall include:

- A. ~~For~~ expenses, pricing variations that reflect percent of premium, dollars per policy and/or dollars per unit of benefit; ~~and shall be included~~
- B. ~~Include as well as~~ ~~Overall~~ expenses plus contingency and risk margins as a percent of premium on a present value basis).

Utah proposed updated language clarifying the proposed language to state “(vi) Expenses, including contingency/risk margins, expressed in two different ways: A. as pricing variations that reflect percent of premiums, dollars per policy and/or dollars per unit of benefit; and B. as a percent of lifetime premium on a present value basis.”

The Committee determined that as the Actuarial Working Group (AWG) and Industry did not express any concerns over original language submitted by the Compact the language remain as originally presented.

- **Exclusion for Recreational Activity – Attachment C.** Compact staff summarized the IAC suggestion that exclusions and limitations should be consistent between Individual and Group DI standards. The Industry suggests adding parameters below for scuba diving and rock or mountain climbing.

(1) Disability that results from one or more of the following recreational activities may be limited or excluded: motor sports events, racing, speed or endurance contest (auto, truck, cycle, boat), rock or mountain climbing: untethered indoor rock climbing; rock or mountain climbing with the use of equipment, such as ropes, pulleys, harness, ice axe, Scuba Diving: depths greater than 100 feet, including decompression, cave, and mixed gas diving, or dives requiring specialized equipment, or bungee jumping. The policy may also limit or exclude Disability that results from a Covered Person's participation in any sport for wage, compensation or profit.

The Committee expressed concern over the language provided by the IAC. PSC members recommended replacing with language allowing exclusion for technical rock or

mountain climbing as defined by the company as well as adding qualifier that the individual must be participating in the activity and not merely a bystander.

Agenda Item 3. Review IAC comments regarding article on DOL New Rule on Disability Income Insurance and suggestion to add Procedures for Review of a Denial of a Claim to IDI Uniform Standards – Attachment D. The Compact staff summarized the DOL rule requiring disability claimants to receive an explanation as to why their claim was denied and outlining their appeal rights. Also summarized were comments received from the IAC suggesting including provision for review of a denial of a claim, similar to the language in the GDI standards in the IDI standards. The Chair asked whether or not the Committee wanted to add the provision, and if so, should it be a required provision or optional.

After Committee discussion, it was determined this item should be included under optional provisions and the PSC agreed to the following language:

Procedures for Review of a Denial of a Claim

- (a) The policy may include a provision for review of denial of a claim. If included, the provision shall state that the insured must request, in writing, a review of the denial of claim within a specified number of days after the insured receives notice of the denial.
- (b) The policy shall include a provision that an insured has the right to review, upon request and free of charge, copies of all documents, records, and other information relevant to the insured's claim for benefits, and the insured may submit written comments, documents, records and other information relating to the claim for benefits.
- (c) The policy shall include a provision that the insurance company will review an insured's claim after receiving the insured's request and send the insured a notice of its decision within a specified number of days after the insurance company receives the request, or within another specified period of days if special circumstances require an extension. The number of days shall be specified in the policy. The insurance company will state the reasons for its decision and refer the insured to the relevant provisions of the policy. The insurance company will also advise the insured of the insured further appeal rights, if any.

Agenda Item 4 - Any other Matters. The Chair noted the two outstanding items to finalize ahead of the Public call on March 6th. A member call will be held March 13th to iron out any changes arising from the March 6th Public call. The final recommendations will be submitted to the Management Committee during the meeting in Milwaukee on March 23rd.