

Agenda Item 2. Review an Overview of Rulemaking Committee Proposal to Implement a Comment Form for Five-Year Review. The Compact staff summarized the Comment Form proposed by the Rulemaking Committee. This is a standardized comment form to be used as a template for submitting comments for 5 year review. The form would request details to help the Product Standards Committee (PSC) consider and understand requested changes.

Agenda Item 3. Receive an Overview of Rulemaking Committee Proposal to Implement a Rulemaking Citation for Items on the Insurance Compact Docket. Compact staff provided an overview of the proposed citation system for future rulemaking to include new and amended uniform standards and operating procedures. The system would create a reference for standards and operating procedures that are recommended to the Management Committee and then posted for public comment. The Rulemaking Committee would like to receive feedback from the PSC before recommending for Public Comment. The Compact Office asked that members review both the 5 Year Review comment form and the Rulemaking Citation and notify [Anne Marie](#) if they have any feedback.

Agenda Item 4. Begin Discussion of 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):

- **Substantive Item 2 – Lump Sum Payments.** The Insurance Compact staff provided an overview of comments received from the Insurance Advisory Committee (IAC) regarding the approval of a lump sum benefit feature. Staff noted there were also comments from the CAC suggesting more disclosure of the 3 month benefit period. As that falls more appropriately under application standards, rather than core standards, it will be discussed on the next conference call. The Committee had initially expressed concerns over specifics related to lump sum payments, as the IAC’s proposal did not address when lump sum payments would be an option, timeliness of payment, or eligibility. The IAC responded that products with the lump sum benefit feature were approved in 46 states and in the other states where they were not approved; the reason wasn’t related to lump sum. The IAC clarified the Committee’s concerns emphasizing that lump sum benefit features would benefit individuals impacted by an extended disability or catastrophic disability which would trigger the lump sum payment.

Following Committee discussion, it was agreed to allow an optional lump sum benefit feature that the consumer could opt-in to. The Compact staff will prepare draft language for the Committee’s review.

- **Substantive Item 3** – The Chair noted the Compact received comments from the IAC on Substantive Item 3, redefining the guaranteed renewable and noncancellable standard but the companies subsequently withdrew their comments and are no longer pursuing changes.

- **Substantive Item 5 – Partial Disability Triggers.** The Compact staff summarized the comments received by the IAC questioning language in part (c) of the “partial disability” or “residual disability” definition. Companies raised concern with the proposed language noting that some individual disability income benefits have an elimination period for total disability that exceeds 6 months, for example a 1 year elimination. Under the new language, there is concern that a totally disabled person may never meet the elimination period for total disability required under the policy, but after 6 months would be eligible for partial or residual benefits. The companies questioned why the PSC would prescribe a lesser maximum qualification period for a secondary/optional Disability benefit when most member compacting states do not have this requirement.

After discussion, the PSC agreed to the following revision:

(c) Partial or Residual Disability benefits may be predicated upon a qualification period during which the insured shall be Totally Disabled before Partial or Residual Disability benefits are paid. The qualification period may be in lieu of the Elimination Period or in addition to the Elimination Period but ~~may not exceed six months due to use of a qualification period alone or in conjunction with an Elimination Period~~ the combined elimination period and qualification period, if any, for partial/residual disability benefits cannot exceed that for total disability. A company may require care by a Physician.

- **Substantive Item 6 – Definition of Preexisting Condition.** The Compact staff provided an overview of comments submitted by the CAC supporting the PSC proposal, but suggesting updated language to definition of preexisting condition, as follows:

“Preexisting Condition” means a condition for which symptoms existed that would cause an ordinarily prudent person to seek diagnosis, care or treatment within a one-year period preceding the effective date of the coverage of the insured, or for which medical advice, diagnostic testing or treatment was recommended by a *Physician* or received from a Physician or for which the insured took or was a qualified health professional prescribed drugs or medications within a two-year period preceding the effective date of the coverage of the insured. The term “coverage of the insured” as used in this definition or concept refers to initial coverage amounts when a policy is first issued, and it may, at company discretion, also refer to coverage increase amounts which are issued after the policy is first made effective when those coverage increase amounts are subject to evidence of medical insurability. In the case of coverage increase amounts subject to evidence of medical insurability, the time periods in this definition or concept run anew from the effective dates of the increased coverage amounts and apply anew only to the coverage increases.

The Committee approved the suggested language change to the definition of preexisting condition.

- **Substantive Item 7 – Definition of Total Disability.** Compact staff summarized the IAC’s request to change the definition of total disability under the Individual Disability Income Standards to align with Group Disability Income Standards. During an earlier review, the Committee decided not to change the definition, and had also noted that the revisions the IAC presented were more stringent than the Group Disability Income Uniform Standard’s definition of total disability. The IAC responded during the last public call that they did not intend to make the definition more stringent and proposed removing the word “all” from their proposed language.

The Committee discussed the IAC’s request for reconsideration and raised concern over reasonable consumer expectations of coverage related to one’s own occupation vs. any occupation. The Committee’s decision was not to accept the IAC’s proposal and leave the language as is.

- **Substantive Item 15- Unlimited Look-Back.** Compact staff summarized the IAC’s comments to limit the unlimited look-back on the application to a set of specific health conditions/health issues of greatest concern to the companies. The Industry initially asked for the same unlimited look back as is contained in the life insurance standards. The IAC submitted comments indicating only 20% of all states (including non-compacting states) have a look-back period that is shorter than unlimited. Compact staff noted that the companies emphasized that this has become a significant issue for companies in determining whether to file with individual states or with the Compact. It was suggested that if concern over consumer protection prevents members from approving such a change at the Compact level, but requirements at the state level do not meet the same expectation in regard to look-back periods, then a meaningful difference is created between the states and the Compact.

The Committee discussed and raised concern that applicants may not understand some of the conditions presented on the application that are on the industry’s list and could unintentionally fail to disclose. The Committee will take more time to consider the proposed change and revisit on the next call.

- **Agenda Item 4 - Any other Matters.** The Chair noted that the goal is to finalize Phase 8 recommendations on the February 20th call and set a final public call to see if further changes are needed prior to making a recommendation to the Management Committee during the meeting in Milwaukee on March 23rd.