

Product Standards Committee (PSC)
Regulator-only Call Summary
July 23, 2024

Agenda Item 2. Update on Corrected Versions of the Additional Standards for Annuity Benefit Features

The Compact Office provided an informational update on the status of the Additional Standards for Annuity Benefit Features.

Agenda Item 3. Continue Discussion of 5-year review of the Group Disability Income Standards

PSC members reviewed the ACLI July 1, 2024 response regarding the maximum benefit for mental disorders and the section to amend the section on benefit reductions to amend it to paid family leave programs. The ACLI had no objections to the PSC amendment regarding the maximum benefit period:

O. *MENTAL OR NERVOUS DISORDERS*

- (1) Subject to the applicable law in the state where the policy is delivered or issued for delivery, *Disability* that results from *Mental or Nervous Disorders* may be limited or excluded. If coverage is to be limited, coverage shall be provided for a period specified in the certificate, not less than 12 months **or the maximum Benefit Period, whichever is less.**

The next item was the ACLI request to amend the section on benefit reductions to add paid family and medical plans. The PSC members discussed the variation among state laws. The PSC reviewed the ACLI proposed language and suggested adding “if permitted by state law”.

Current (c) would be deleted and replaced with the ACLI draft plus the language added in red by the PSC.

§ 9. BENEFIT PROVISIONS B. DISABILITY BENEFITS REDUCED ON ACCOUNT OF OTHER BENEFITS OR INCOME

(1)The *Disability* benefits payable under the certificate may be reduced by the following other benefits or income sources from:

~~(c)Disability benefits under state disability plans, such as California, Hawaii, New Jersey, New York, Puerto Rico and Rhode Island~~

(c) Benefits payable for disability under state or federal disability income plans, paid family and medical leave plans, or other similar governmental compulsory plans, **if permitted by state law.**

The ACLI requested that “if permitted” be replaced with “unless prohibited”. The PSC discussed the request. There were comments from Oregon, Vermont and Washington. The PSC agreed to accept the suggested edit.

(c) Benefits payable for disability under state or federal disability income plans, paid family and medical leave plans, or other similar governmental compulsory plans, **unless prohibited by state law.**

The PSC discussed the ACLI request to use a state approved application or statement of insurability form with the compact approved policy. The Compact Office explained that the Compact standard has a different lookback period and the rates are reviewed based on the Compact standard. If a combined group form were filed with the Compact, which is permitted provided all Disability Income components are filed with the Compact, both standards would be used with the primary difference being a 10 year maximum lookback on diagnosis/treatment/testing for specific disorders and diseases. The company can submit the state form for Compact approval. The PSC asked the Compact Office to provide this information to the ACLI and see if that resolves the issue.

The PSC discussed the request to modify the wording in the Grace Period provision. The PSC discussed the concern about requiring the termination notice before the end of the grace period. PSC members did not see that the current provision required a separate notice during the grace period. There was discussion that the notice could be incorporated into the premium notice. The Compact Office will follow up with the ACLI for clarification.

Agenda Item 3. Review Group Disability Income Standards for Other Than Employer Groups

The Compact Office summarized the edits to initial rate standards. Compact actuaries requested the amendments to clarify the actuarial requirements. The PSC agreed to schedule a public call to receive comments on the amendments.

Agenda Item 4. Discuss questions about Value-Added Benefits

The PSC discussed the proposed questions for the survey. Mary Block suggested modifying the question about adopting the NAIC model to allow states to advise if there were variations

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from the Model. The members discussed disclosures that some states required and asked that the survey include a question about consumer disclosure requirements. And that the offer has to be made to all policyholders. The Compact Office will add the comments to the draft survey.

Agenda Item 5. Any Other Matters

The next meeting of the PSC will be a regulator only call on August 6. There were no other matters.