

Product Standards Committee (PSC)
Regulator Call Summary
May 17, 2022

Agenda Item 2. Comments from the public call on the Individual Disability Buy-Sell Uniform Standards

The PSC discussed the definition of Activities of Daily Living (ADLs), and use of ADLs as a benefit trigger and decided to delete these items as there are no policies currently using ADLs.

The PSC suggested deleting the reference to a definition of partial and residual disability as the ACLI advised current policies only provide coverage for total disability. The PSC agreed to add the following drafting note:

Suggested Drafting Note: The buy-sell uniform standard is drafted based on total disability benefits which is currently the standard for this product. If companies start to offer and receive approval from Compacting States for partial or residual disability benefits, companies or regulators can submit a request during the annual prioritization process to amend the standards to expand these benefits.

PSC members questioned adding the word “Company” in the definition of Business. The ACLI agreed to delete the word “Company” in the definition of Business.

The PSC had questions about adding “Benefit Factor” to the definition of “Benefit Period.” The ACLI agreed to separate the definitions. The PSC agreed to the change for Benefit Factor. The Compact Office suggested removing “or number of periodic payments” from the definition of Benefit Period. A PSC member suggested adding “as stipulated in the contract” to the definition of “Benefit Period.” The revised definitions are:

Benefit Factor” means, subject to satisfaction of all policy terms and conditions by the owner or assignee, the number of payment installments that should be made when monthly or combination benefits are selected.

“Benefit Period” means, subject to satisfaction of all policy terms and conditions by the owner or assignee, the length of time **as stipulated in the contract** ~~or number of periodic payments~~ for which a Disability Buy Sell benefit may be paid.

The PSC had questions about the definitions of Aggregate Benefit Amount and Maximum Benefit Amount. The ACLI said the maximum benefit amount is the amount actually paid, while the aggregate benefit amount is the amount purchased. The aggregate benefit amount

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may be greater than the amount actually paid as the amount paid is determined on the value of the disabled owner's share of the business at the time a claim is filed. PSC members noted that some state-approved policies used only "Maximum Benefit Amount," while others used both "Aggregate Benefit Amount" and "Maximum Benefit Amount." The Compact Office suggested changing the term "Maximum Benefit Amount" to "Maximum Benefit Amount Payable." There was a discussion about the use of the term "lesser" when there were three options and the use of the word "and" in the definition of "Maximum Benefit Amount Payable". The Compact Office will provide a revised definition for the next call.

Agenda Item 3. Continue discussion of the Disability Key Person Replacement

There was not enough time to begin the discussion of the ACLI comments. Jason Lapham asked members to review the ACLI comments for discussion on the next PSC call.

Agenda Item 4. Any Other Matters

The next call of the PSC will be a regulator-only call on June 7. There were no other matters.