

Product Standards Committee (PSC)
Regulator Call Summary
July 12, 2022

Agenda Item 2. Continue discussion of the Individual Disability Buy Sell draft

PSC members reviewed the draft with the changes as summarized in the June 26 call summary along with comments received from ACLI.

The PSC had additional questions about the ACLI responses on the Buy-Sell draft. The PSC commented that the language needs to be explicit regarding verifying continued disability during the long elimination periods in buy-sell coverage.

There was a question about Required Provisions, (10) Notice of Claim, Requirements for notice of continuing disability. The ACLI indicated that this language is needed in connection with the need to ensure continuing disability during the elimination period. The current language seems to discuss continuing disability after claim payments have already begun. The PSC questions whether the current provision sufficiently addresses the issue ACLI intends this language to cover.

There was a question about Permissible Limitations (7), Disabled Insured residing outside the United States. The PSC suggested the language needs to be modified for the Buy-sell draft to address the elimination period rather than the suspension of benefits as well as the need for the insured to return for an examination during the elimination period.

The PSC had questions about the Permissible Limitations (6) Objective medical means. The ACLI response did not provide the example. The PSC asked for better explanation and an example of a disability that might not be verifiable by objective medical means.

PSC members asked about the reference in the (10) Notice of Claim to the Drafting Note in the (9) Misstatements in the Application (b) Time Limit for Certain Defenses. The Compact Office will research the history of the drafting note.

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

The PSC asked the ACLI to review the definition of business income using cost of sales and services. The PSC asked about the need for a definition of Benefit Payment Methods in the Key Person Replacement draft.

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The ACLI indicated that the Key Person definition was necessary for "clarification". The definition in the Buy/Sell standard is much simpler. The PSC was looking to understand why clarification is needed in a Key Person policy but not in a Buy/Sell contract.

Agenda Item 4. Any Other Matters

Jason Lapham said that the PSC will be working on development of the group whole life Uniform Standard. The Compact Office has prepared a draft based on the group term life uniform standard and the individual whole life uniform standard. The draft will be distributed to PSC members for comments. The PSC will also begin to work on a uniform standard for indexed-linked variable annuities as the NAIC Life Actuarial Task Force is completing its work on the development of an Actuarial Guideline for interim values. The Actuarial Working Group will update its draft. The Compact Office is preparing some educational background materials for the PSC.

The next call of the PSC will be a public call on July 26. There were no other matters.