



MEMORANDUM

TO: Insurance Compact Management Committee

FROM: Product Standards Committee

DATE: November 15, 2022

SUBJECT: Draft Individual Disability Income Buy Sell Insurance Uniform Standard
Draft Individual Disability Income Key Person Replacement Insurance
Uniform Standard

The Product Standards Committee (“PSC”) of the Interstate Insurance Product Regulation Commission (“Commission”) is charged with developing proposed drafts of Uniform Standards. In carrying out its charge, the PSC has finalized the following draft uniform standards, one for Individual Disability Income Key Person Replacement Insurance and the other for Individual Disability Income Buy-Sell Insurance, and is recommending that the Management Committee initiate the rulemaking procedure¹ with respect to these proposed uniform standards:

The recommendation is to initiate the rulemaking procedure with respect to these two standards for the individual disability income product line. The drafts were developed based on the Individual Disability Income Business Overhead Expense Uniform Standard with modifications for the unique features of the Buy-Sell and Key Person Replacement products.

The Committee recommends these uniform standards not be available for Mix and Match to be used in combination with State Product Components as described in Section 111(b) of the *Operating Procedure for the Filing and Approval of Product Filings* except that these standards are available to be used in combination with state-approved individual life insurance policies and annuity contracts, provided that the disability income rider and all the components associated with the disability income rider are filed and approved in accordance with the applicable uniform standards. The PSC also recommends that the standards be available for use in combination with Compact-approved group life insurance and annuity forms and that filings submitted under these uniform standards be subject to prior review and approval and not self-certification.

¹ The rulemaking procedure is set forth in the *Rule for Adoption, Amendment and Repeal of Rules for the Interstate Insurance Product Regulation Commission*.

The PSC exposed several updates to the draft for public comment and held four public calls on March 1, May 3, July 26, and October 4 to obtain further input. The PSC received comments from the ACLI. The ACLI also responded to written questions from the PSC.

Most comments were clarifications. There were comments about the definitions of benefit factor, benefit period, concurrent disability, recurrent disability and rehabilitation; the use of the word “company”; the use of Activities of Daily Living as a benefit trigger; the use of the term “fair market value”; and the section on benefit reduction on account of other disability buy-sell coverage in the Individual Disability Income Buy-Sell Insurance draft. There were comments about the definitions of business income; modifications to the definitions of business and key person; and comments on the definition of the cost of sales and services in the Key Person Replacement draft.

Given the extensive, transparent, and documented drafting process preceding this recommendation, the PSC suggests that any additional comments or concerns about these recommended Uniform Standards be raised, considered, and discussed by all members and interested parties during the Management Committee’s formal rulemaking process.

The PSC is available to respond to any questions or requests for information to assist the Management Committee.