MEMORANDUM

TO: **IIPRC Management Committee**

FROM: **Product Standards Committee**

DATE: **March 23, 2018**

SUBJECT: **Recommendation Pursuant to Section 119 of the Rulemaking Rule for Changes and Clarifications to certain Uniform Standards Effective Between January 1 and December 31, 2012 (Phase 8) Subject to the Five-Year Review Process (Individual Disability Income Insurance Uniform Standards)**

The Product Standards Committee ("PSC") of the Interstate Insurance Product Regulation Commission ("IIPRC") is charged with reviewing, drafting and recommending proposed drafts of Uniform Standards for consideration and adoption by the Management Committee. In carrying out its charge, the PSC has conducted a review of the Uniform Standards effective between January 1 and December 31, 2012 and is recommending amendments to certain provisions within these Uniform Standards. This phase (Phase 8) of the Five-Year Review includes all of the Individual Disability Income Insurance Uniform Standards.

The PSC presents this recommendation pursuant to §119 of its *Rule for the Adoption, Amendment and Repeal of Rules for the Interstate Insurance Product Regulation Commission* ("Rulemaking Rule") which requires the Commission to substantially review its rules, including Uniform Standards, every five years. The PSC performed the review of these Uniform Standards in accordance with the *Procedures for Implementing §119 of the Rulemaking Rule* as adopted by the Management Committee on March 2, 2012 ("Procedures").

The Notice of Five-Year Review for Uniform Standards Effective between January 1 and December 31, 2012 was issued on January 9, 2017. Comments were submitted by the Idaho Department of Insurance, the Wyoming Department of Insurance, the Vermont Department of Financial Regulation, the Industry Advisory Committee, and State Farm.

Pursuant to the Procedures, the IIPRC Office presented a report and recommendation to the Product Standards Committee on June 20, 2017. The IIPRC Office Report and Recommendation provided a detailed description of the submitted comments and suggested changes as well as changes or amendments proposed by the IIPRC Office based on these comments and internal challenges faced in applying or implementing the Uniform Standards. The PSC requested public written comments on the IIPRC Office Report and Recommendation and during its consideration process held four public conference calls to receive comments on the report and the PSC recommendations.

The final Product Standards Committee Report and Recommendation is divided into four parts: 1) Substantive Changes (proposed amendments that would change or alter the meaning, application or interpretation of the provision); 2) Clarifications Changes (amendments to clarify the original or existing meaning, application, and/or intent of a provision); 3) Conforming Amendments (amendments to existing Uniform Standards where the substantive provisions of the amendments are included in other adopted Uniform Standards, and the amendments will have the same substantive effect on the application of the existing Uniform Standards as it does on in the other adopted Uniform Standard) and; 4) Technical Items (formatting, typographical, and/or drafting corrections). As part of the Five-Year Review process, the applicable changes adopted by the Commission in prior phases of the Five-Year Review process will be presented as conforming amendments to Uniform Standards subject to Phase 8. In addition conforming changes are recommended for certain provisions in the adopted Group Disability Income Insurance Uniform Standards that the PSC believes should also be a part of the Individual Disability Income Insurance Uniform Standards.

As required by the Procedures, the PSC's recommendation to the Management Committee includes a summary of recommended changes and an explanation of the change in circumstances or underlying assumptions since the rule was last adopted, amended or reviewed, as well as comments raised but not recommended by the Committee with the reasons for not recommending these items. Since most conforming amendments were already summarized in prior phases of the Five-Year Review and since the technical changes are format and typographical corrections, these items are not detailed on the chart. Attached to the chart is a table of the conforming amendments to add certain Group Disability Income Insurance provisions to the Individual Disability Income Insurance Uniform Standards. The Summary of Five-Year Review Comments, the table (Appendix A) and PSC Recommendations for Uniform Standards in Phase 8 accompany this Transmittal Memo.

As was previously recommended in prior Five-Year Reviews, the PSC recommends that the proposed amendments apply only to new filings received after the effective date of the amendments. It is not necessary to resubmit previously approved forms to comply with these amendments, or to suspend use of previously approved forms that do not comply with these amendments.

This Summary will be posted to the Rulemaking Docket of the Insurance Compact Website (www.insurancecompact.org) and will have links to the applicable Uniform Standards showing the proposed Five-Year Review changes in redlined format. The PSC is available to respond to any questions to assist the Management Committee during its rulemaking process.

Summary of Five-Year Review Comments and PSC Recommendations
For Uniform Standards in Phase 8 of the Five-Year Review
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RECOMMENDED SUBSTANTIVE CHANGE ITEMS			
1.	Mix and Match for Disability Income Riders in the STANDARDS FOR INDIVIDUAL DISABILITY INCOME INSURANCE POLICIES *(Cross-Reference to IIPRC Office Report – Substantive Change Item #1)*	*Industry Comment:* The Industry Advisory Committee (IAC) requested that Mix and Match be permitted for combination filings of individual life and long-term care with Individual Disability Income Insurance (IDI). The request was part of the overall explanation of allowing flexibility for new, more creative product solutions. *IIPRC Office Comments/Observations:* The IIPRC Office notes that the group disability income insurance allow the standards to be available for use in combination with state-approved group life insurance policies and annuity contracts, provided that the disability income rider and all the components associated with the disability income rider, e.g. application and rates, are filed and approved in accordance with the applicable uniform standards. A change to allow Mix and Match for state-approved individual life insurance policies and annuity contracts as long as all of the components of the IDI rider are filed and approved with the IIPRC would conform to the group disability income insurance standards.	The PSC noted that the recommended change still required all disability income insurance products (IDI) to be filed through the Compact, so there would not be instances where components of disability income insurance products, like rates or benefit riders, are approved at the state level and mixed with components of Compact approved IDI products, like policies. They observed that the current standards do not even allow Compact approved life and annuity products to be used with Compact IDI products. Following discussion, the PSC agreed to recommend the following change: **Mix and Match:** These standards are not available to be used in combination with State Product Components as described in Section 11~~0~~1(b) of the Operating Procedure for the Filing and Approval of Product Filing, 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, e.g. application and rates, are filed and approved in accordance with the applicable uniform standards. ~~These standards are not available to be used in combination with IIPRC approved or state approved individual life insurance and annuity forms.~~

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2.	Minimum Benefit Period And Lump Sum Payment in §3 B.(2) of the STANDARDS FOR INDIVIDUAL DISABILITY INCOME INSURANCE POLICIES *(Cross-Reference to IIPRC Office Report – Substantive Change Item #2)*	*Industry Comment:* The IAC suggests that the definition of Benefit Period be modified to allow for a minimum benefit period of "at least 3 months" to allow for less than 6 month benefits. The IAC states that availability of 3 month periods is beneficial to consumers who may desire a shorter benefit period, for instance to coordinate an IDI plan with a long-term GDI plan provided by an employer, and is also useful to companies that market IDI as a voluntary benefit through the worksite. These products are currently in the marketplace. The IAC also suggests allowing for lump sum payments. *IIPRC Office Comments/Observations*: The IIPRC Office notes that it has received requests for policies with shorter benefit periods and has been unable to accommodate such requests due to this provision.	Following extensive discussion on this issue, the PSC concluded that the majority of states do approve filings for 3 month benefit periods. Noting the Consumer Advisory Committee concerns regarding disclosure of limited benefit periods, the PSC agreed to recommend the following changes related to the changes in the minimum benefit period, including disclosure at the time of application and on the Cover Page of the policy regarding the minimum benefit period: **§ 2. GENERAL FORM REQUIREMENTS** **A. COVER PAGE** (7) A brief description shall appear in prominent print on the cover page of the policy or is visible without opening the policy. The brief description shall contain at least the following information: (d) For a policy with a *Benefit Period* of less than six months, a conspicuous statement indicating that the policy provides a limited duration of benefits and specify the duration. (2) "***Benefit Period***" means, subject to satisfaction of all policy terms and conditions by the insured, the length of time for which a *Disabled* insured can be paid periodic (usually monthly) income benefit amounts under the policy. A policy shall provide for at least ~~six~~ three consecutive months of periodic income benefits, subject to the requirements of § 2.A. (7).

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			(10)"***Elimination Period***" means, subject to satisfaction of all policy terms and conditions by the insured, the length of time an insured shall wait before periodic income benefit amounts are paid under the policy. Periodic income benefit amounts may or may not accrue during the *Elimination Period* at the option of the company. The length of time required to satisfy the *Elimination Period* may, but need not consist of, consecutive units of time. The trigger for the start of the *Elimination Period* shall be commencement of *Disability* for the insured as defined in the policy. The definition or concept may specify a separate *Elimination Period* for *Injury* and a separate *Elimination Period* for *Sickness*. In policies issued with *Benefit Periods* of less than six months, the application of an *Elimination Period* alone or in conjunction with a qualification period (see definition of *Residual Disability)* cannot result in the postponement of payment of periodic income benefit amounts to a *Disabled* insured in excess of 45 days from the commencement of a *Disability*. In policies issued with *Benefit Periods* of six months to one year or less, the application of an *Elimination Period* alone or in conjunction with a qualification period (see definition of *Residual Disability)* cannot result in the postponement of payment of periodic income benefit amounts to a *Disabled* insured in excess of 90 days from the commencement of a *Disability*.

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			INDIVIDUAL DISABILITY INCOME INSURANCE APPLICATION STANDARDS §3. APPLICATION SECTIONS L. AGREEMENTS: (3) If the policy offers a Benefit Period of less than six consecutive months of periodic income benefits, the application shall include a statement that the applicant is aware of and understands the limited duration of the Benefit Period selected. In reference to the lump sum payment provision, the PSC agreed to allow an optional lump sum benefit feature that the consumer could choose as long as the payment was not less than the present value calculation, similar to language found in the Additional Standards for Accelerated Death Benefits. § 3 POLICY PROVISIONS C. REQUIRED PROVISIONS (11) Payment of Claims: (c) The policy may include a provision that after a specified period of periodic claim payments, the company may offer a lump sum payment in lieu of future periodic payments. (i) The company shall not require that the insured select the lump sum payment option. (ii) The policy shall specify the benefit triggers for the optional lump sum payment. (iii) The value of the lump sum shall not be lower

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			than the present value of the remaining periodic claim payments. The present value may reflect the use of an appropriate disabled life mortality table and interest rate. The maximum interest rate shall not exceed the greater of: (A) The current yield on 90-day treasury bills available on the date of the lump sum payment; or (B) The current maximum adjustable policy loan interest rate based on the Moody's Corporate Bond Yield Averages – Monthly Average Corporates published by Moody's Investor Service, Inc., or successor thereto, for the calendar month ending two months before the date of the lump sum payment. The policy loan interest rate is that which is permitted under the NAIC Model Policy Loan Interest Rate Bill (#590);
3.	Partial Disability Triggers in §3 B.(18) of the STANDARDS FOR INDIVIDUAL DISABILITY INCOME INSURANCE POLICIES *(Cross-Reference to IIPRC Office Report – Substantive Change Item #5)*	*Industry Comment:* An Industry commenter suggested that the definition for *Partial Disability* be amended to permit a period of *Total Disability* before *Partial Disability* benefits are payable. The commenter stated that the majority of states including many of the participating Compacting States permit this requirement. The IAC suggested that the PSC consider the approach taken under the Group Disability Income Insurance Policy and Certificate Uniform Standards	The PSC concluded that many products in the marketplace require a period of *Total Disability* before *Partial Disability* benefits are available. They agreed to combine the definitions of *Partial Disability* and *Residual Disability* as defined in the individual standards, not group, since the PSC was not inclined to totally rewrite these standards to conform to group standards. The definition includes the option that a company can require a period of *Total Disability* before an individual is eligible for *Partial Disability* benefits.

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		for Employer Groups and combine the definitions of *Partial Disability* and *Residual Disability*. *IIPRC Office Comments/Observations*: The IIPRC Office often issues objections regarding the definition of partial disability. The current definition for *Residual Disability* allows for a qualification period in which the insured is *Totally Disabled* before *Residual Disability*. When the group disability income insurance uniform standards were developed, the definition for *Partial Disability* included *Residual Disability*.	***Partial Disability*" *or "Residual Disability*" means that, due to an *Injury or Sickness*, the insured is unable to perform one or more, but not all of the substantial and material duties of an *Occupation* for which he or she is qualified by reason of education, training or experience, or the inability to perform all of the substantial and material duties of an *Occupation* for which he or she is qualified by reason of education, training or experience for as long as usually required. (a) The benefit trigger may be described in terms of a reasonable reduction in the insured's time worked expressed as hours per week or otherwise due to *Disability*. (i) In order to trigger benefits, an insured shall be working at least 20% but no more than 80% of the time worked just before a *Disability* began. (ii) The benefit may be stated in terms of paying a stated percentage of the *Total Disability* periodic income benefit amounts, and the stated percentage of the *Total Disability* periodic income benefit amount shall be no less than 20% and no greater than 80%. (iii) An insured working longer than 80% of time worked just before a *Disability* began may be deemed ineligible for *Partial Disability* benefits.

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			(iv) An insured working less than 20% of time worked just before a *Disability* began or earning less than 20% of *Prior Earnings* shall be considered working 0% or a 100% reduction in average *Prior Earnings* for the claim time period, subject to satisfaction of all policy terms and conditions by the insured. **Drafting Note:** 80% may be reduced to as low as 50% if the company gives prominent notice of the lower threshold. (b) Alternatively, the benefit trigger may be described in terms of a reasonable reduction in the insured's *Earnings* due to *Disability*. (i) An insured shall be earning at least 20% but no more than 80% of *Prior Earnings*. (A) The benefit may be stated in terms of paying a stated percentage of the *Total Disability* periodic income benefit amounts, and the stated percentage of the *Total Disability* periodic income benefit amount shall be no less than 20% and no greater than 80%. (B) If the reduction in *Earnings* of an insured for a claim time period (usually monthly) equals or exceeds 80% of average *Prior Earnings* (calculated for a comparable time period), then the insured's reduction of average *Prior Earnings* shall be considered a 100% reduction

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			in average *Prior Earnings* for the claim time period subject to satisfaction of all policy terms and conditions by the insured. (C) If the reduction in *Earnings* of an insured for a claim time period (usually monthly) is less than 20% of average *Prior Earnings* (calculated for a comparable time period) it may result in no benefits being paid. **Drafting Note:** 80% may be reduced to as low as 50% if the company gives prominent notice of the lower threshold. (ii) The reduction in *Earnings* of an insured shall be measured by comparing *Earnings* for a claim time period (usually monthly) to average *Prior Earnings* (calculated for a comparable time period). (A) The percentage of the *Total Disability* periodic income benefit amounts paid shall be calculated by subtracting current *Earnings* for a claim time period (usually monthly) from average *Prior Earnings* (calculated for a comparable period of time), and placing this difference as the numerator over average *Prior Earnings* (calculated for a comparable time period) as the denominator. This fraction shall be converted to a percentage, and the percentage multiplied by the *Total Disability* periodic income benefit amounts to arrive at the *Partial* or *Residual*

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			Disability benefit paid for a claim time period. (B) Alternatively, this can be expressed as a formula, such as: the difference between *Prior Earnings* and current *Earnings* OVER *Prior Earnings*, multiplied by the *Total Disability* periodic income benefit amounts. (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 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*. **Drafting Note:** Benefits may be predicated on the insured being *Totally Disabled*, not on receipt of *Total Disability* benefits. In no event shall the combined *Elimination Period* and qualification period, if any, for *Partial/Residual Disability* benefits exceed that for *Total Disability*.

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4.	Definition of Preexisting Condition in §3.B.(21) of the STANDARDS FOR INDIVIDUAL DISABILITY INCOME INSURANCE POLICIES (Cross-Reference to IIPRC Office Report – Substantive Change Item #6)	*Regulator Comments:* The Wyoming Insurance Department and the Idaho Department of Insurance submitted comments regarding the definition of preexisting condition. Both states requested a 6 month look back period to be consistent with their individual state laws and both noted that the current standards do not specifically limit how long coverage can be limited or excluded for a preexisting condition, while their laws limit the time to 12 months. *Industry Comment:* The Industry Advisory Committee (IAC) suggests combining some provisions currently in the IDI uniform standards with those found in the Group Disability Income Insurance Policy and Certificate Standards, and allowing any time period for when symptoms existed or medical advice sought, recommended or received as long as the timeframe does not exceed 24 months. In supplemental comments, the IAC requested that the definition also include a provision that the preexisting condition include conditions "for which medical advice, consultation, diagnostic testing or treatment was recommended by a Physician or received from a Physician, or for which the insured took or was prescribed drugs or medications." *IIPRC Office Comments/Observations:* The IIPRC Office notes that the current NAIC Model Regulation to Implement the Accident and Sickness Insurance Minimum Standards Model Act (Model	The PSC reviewed the language in Model 171 that a policy shall not exclude coverage for a preexisting condition for a period greater than twelve months following issuance of the policy if the application doesn't ask about prior medical history and the preexisting condition is not specifically excluded. They agreed to add the following language to §3 F.(13) Permissible Limitations or Exclusions for clarity: (a) Any provision included in a policy limiting or excluding coverage for losses incurred or disabilities arising from *Preexisting Condition*s shall clearly define the limitation or exclusion and disclose such limitation or exclusion in the policy. Beginning no more than twelve months following the effective date of the policy, the policy shall not limit or exclude coverage for a loss due to a *Preexisting Condition* if the application for the insurance does not seek disclosure of prior illness, disease or physical conditions or prior medical care and treatment and the preexisting condition is not specifically limited or excluded by the terms of the policy. The PSC also agreed to update the definition of *Preexisting Condition* to include conditions for which diagnostic testing was recommended or for which a health provider prescribed medications: "Preexisting Condition" means a condition for which symptoms existed that would cause an

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		Regulation #171) which includes Disability Income Insurance states "'Preexisting condition' shall not be defined more restrictively than the following: 'Preexisting condition means the existence of symptoms that would cause an ordinarily prudent person to seek diagnosis, care or treatment within a two year period preceding the effective date of the coverage of the insured person or a condition for which medical advice or treatment was recommended by a physician or received from a physician within a two year period preceding the effective date of the coverage of the insured person." Section 6 of the Model Regulation limits exclusions or limitations after twelve (12) months only for any preexisting condition not specifically excluded from coverage by terms of the policy. At the time the standards were originally proposed, the Product Standards Committee (PSC) recommended amending the "ordinarily prudent person" language to a one year look back period, based on comments received from a member state. The standards have no cap on how long a preexisting condition limitation or exclusion is permitted.	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 a qualified health professional prescribed drugs or medications within a two-year period preceding the effective date of the coverage of the insured.
5.	Reinstatement Requirements in § 3 C. REQUIRED PROVISIONS of the STANDARDS FOR INDIVIDUAL DISABILITY INCOME INSURANCE POLICIES (Cross-Reference to IIPRC Office Report – Substantive Change Item #8)	*Industry Comment:* The IAC suggests that the PSC consider the life insurance standards for reinstatement for consistency since DI and Life may be sold in combination, and also suggests an addition to the reinstatement provision to say that if the policy includes a Return of Premium benefit and the company has paid such benefit, the policy may contain a provision that the policy terminates at such payment and may not be reinstated.	The PSC agreed that adding the word "requiring" an application would provide clarity and be consistent with the language in the long-term care insurance uniform standards, and that states generally allow the reinstatement to be from receipt of premium payment, not to be retroactive to the lapse date. The PSC also agreed to eliminate reference to conditional receipts and to address evidence of insurability. The PSC recommends the following changes:

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		IIPRC Office Comments/Observations: The IIPRC Office clarified that the issue that filers raised, which is different from the comments submitted by the IAC, is that as currently written it appears the standard could apply to situations where payment is made to a lock box and the company has no control over a requirement for an application. The Compact Office often issues objections to filers because they routinely include a provision requiring an application for reinstatement when a policy lapses. This requirement is not permitted under § 3C. (15)(a) if the company or producer accepts payment of a renewal premium without a reinstatement application. Filers have commented that current procedures do not include acceptance of a renewal premium on a lapsed policy without a reinstatement application. The IIPRC Office notes that this provision is different from requirements found in the group disability income insurance uniform standards and life insurance uniform standards, but is similar to the requirements found in the long-term care insurance standards.	The Committee agreed that certain sections of this provision, such as when payment if accepted without requiring an application, would not permit evidence of insurability. The PSC agreed to add a sentence to (b) addressing evidence of insurability. (15)**Reinstatement**. The policy shall include a reinstatement provision describing the company procedures when a renewal premium is not timely paid by an owner. (a) When the owner does not timely pay a renewal premium and the company or ~~its~~ an ~~producer~~ agent duly authorized to accept premium payment subsequently accepts payment of the renewal premium without requiring an application, this provision shall state the policy is reinstated ~~in such case as though a policy lapse had not occurred~~ as of the date of receipt of the renewal premium. (b) When the owner does not timely pay a renewal premium and the company or its ~~producer~~ agent requires an application for reinstatement ~~and issues a conditional receipt or interim insurance agreement for the premium tendered for reinstatement of the policy by the owner~~, this provision shall state that the policy is reinstated upon approval of the application by the company; or, if the company does not act to approve the application, the policy is reinstated on the 45th day following the date of ~~the~~

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			~~conditional~~ receipt ~~or interim insurance agreement~~ of the application for reinstatement unless the company has given notice to the owner of company disapproval of the application previous to the expiration of the 45 day time limit. Evidence of insurability may be required.
6.	Adding a Suspension of Coverage While Insured is Unemployed provision to §3.D. OPTIONAL PROVISIONS of the STANDARDS FOR INDIVIDUAL DISABILITY INCOME INSURANCE POLICIES (Cross-Reference to IIPRC Office Report – Substantive Change Item #10)	*Industry Comment:* The IAC requested adding a Suspension of Coverage While Insured is Unemployed to the Optional Provisions, indicating this is another change that would allow more flexibility in product development and pricing to meet changing consumer needs. *IIPRC Office Comments/Observations:* The IIPRC Office is not aware of any product filings in the past that contain this type of provision.	The PSC agreed in principle with the concept of adding a provision for suspension of coverage while unemployed. They were inclined to add language less prescriptive than the draft language offered by the IAC since such specific detail as requiring 8 weeks of government unemployment benefits and limiting the benefits to 12 months would tend to constrict an insurer's ability to offer benefits that fit consumer need as well as allow for future change. The PSC agreed to recommend the following addition: SUSPENSION OF COVERAGE WHILE INSURED IS UNEMPLOYED (1) If an insured has been covered for *Disability* benefits under the policy for the time period specified in the policy and becomes unemployed, the company may allow the insured to suspend coverage under the policy. (2) Any minimum period of unemployment, requirements for a written request from the insured for such suspension and the insured's certification that he or she is unemployed and required evidence of unemployment shall be specified in the policy. The suspension will begin on the date that the company receives the

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			documentation specified in the policy. *Premiums* must be paid up to the date of suspension. (3) During any policy suspension, the company will not accept *Premiums* and benefits or options previously available under the policy, as well as any attached riders, endorsements or amendments may not be exercised. (4) If any *Premiums* were paid for a period beyond the date of suspension, the company shall refund such *Premiums* on a pro-rata basis. (5) The policy shall specify the maximum period for which the policy may be suspended; (6) The suspension will end on the date any of the following events occur: (a) The date the insured dies; (b) The maximum period of suspension permitted under the policy; or (c) The date the company receives the insured's written request to end the suspension and evidence satisfactory to the company that the insured is gainfully employed; (7) Reinstatement of the policy following a period of suspension may be contingent upon payment of *Premium*.

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7.	Adding a Limitation for Disability Benefits Outside of the United States to §3 F. of the STANDARDS FOR INDIVIDUAL DISABILITY INCOME INSURANCE POLICIES (Cross-Reference to IIPRC Office Report – Substantive Change Item #11)	*IIPRC Office Comments/Observations:* The IIPRC Office often issues objections to filers because the form contains a limitation on benefits when the insured is outside of the United States. Filers have indicated that such a limitation is a common exclusion in individual DI policies and may have been inadvertently not included. Filers have indicated it is important to their ability to effectively manage claims and determine eligibility for benefits. It can be difficult to obtain needed documentation and medical records, investigate claims and order independent medical exams when the insured is outside of the United States or Canada. The companies have noted that both the group disability income insurance uniform standards and the long term care insurance standards contain such a limitation, and the companies are unaware of any state prohibiting this restriction.	The PSC noted that the limitation for residing outside the United States or Canada is a common one in individual disability income insurance policies approved in the states, and it appears this limitation was overlooked, not specifically excluded when the standards were initially drafted and adopted. The Committee concluded, and the companies agreed, that that the proposed provision did not need to reference exclusions, just limitation or suspension. The PSC recommends the following addition: ***DISABLED* INSURED RESIDING OUTSIDE THE UNITED STATES, TERRITORIES OR POSSESSIONS OF THE UNITED STATES OR CANADA, AS APPLICABLE (the "Specified Area")** While a *Disabled* insured is residing outside the Specified Area, benefits for such *Disability* may be limited to a period of time not less than 12 months~~,~~ and subsequently suspended. The limitation and suspension may apply whether or not the *Disability* began while the insured was residing outside the specified area. If benefits have been suspended, the policy shall state that upon return to the specified area, a *Disabled* insured may resubmit a notice of claim for benefits under the policy.
8.	Amendments to the Exclusions and Limitations for Mental Health And Substance Abuse Related Disabilities in §1. C.(1) and §3.F.(2), (9) and (10) of the STANDARDS FOR	*Regulator Comments:* The Vermont Insurance Division requested that the PSC recommend to the Management Committee that the provisions of the individual standards relating to exclusions or limitations for mental health or substance abuse	Following discussion, the PSC agreed that this was a public policy decision for the Management Committee. When the Management Committee decided to include the language requested by Vermont in the Group Disability Income Insurance

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	INDIVIDUAL DISABILITY INCOME INSURANCE POLICIES (Cross-Reference to IIPRC Office Report – Substantive Change Item #12)	related disabilities be revised similar to the language in the group disability income insurance standards to be subject to applicable law in the state where the policy is issued or delivered for issuance. Vermont notes that the current IDI standards permit limitations or exclusions for mental health and substance abuse related disabilities and would violate the state's mental health parity laws. Conforming language similar to the group disability income insurance standards would apply consistent standards for group and individual products and prevent the Vermont Department from having to consider whether it would need to opt out of the IDI standards. *IIPRC Office Comments/Observations:* The IIPRC office notes that the compromise language allowing limitations or exclusions for mental health and substance abuse related disabilities to be subject to applicable law in the state where the policy is issued or delivered for issuance was adopted by the Commission for the Group Disability Income Insurance Policy And Certificate Uniform Standards For Employer Groups in 2016.	Uniform Standards, they noted that in recent years, state and federal requirements were moving more in the direction of mental health parity, so allowance for state specific requirements in this case appeared justified. The Insurance Compact maintains a listing of state specific information on its Insurer resources area of the website. The PSC concluded that in this situation, there does not appear to be a reason for group and individual standards to be different. The IAC did not object further to the proposal. **§1. C. VARIABILITY OF INFORMATION** (1) The company may identify items that will be considered variable. The items shall be bracketed or otherwise marked to denote variability. Variability shall be limited to benefit data applicable to the owner or insured, *Disability* benefits, amounts, durations, and premium information. Variability may also include the limitations and exclusions that are required to comply with applicable law in the state where the policy is delivered or issued for delivery under Section 3.F. (2), (9) and (10). The filing shall include a Statement of Variability that will discuss the conditions under which each variable item may change. §3.F. PERMISSIBLE LIMITATIONS OR EXCLUSIONS (2) Chemical Dependency. Subject to the applicable

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			law in the state where the policy is delivered or issued for delivery, ~~L~~loss that results from alcoholism or drug addiction may be limited or excluded. (9) Intoxicants, Narcotics or Other Controlled Substances. Subject to the applicable law in the state where the policy is delivered or issued for delivery, ~~L~~loss that results from the insured's legal intoxication defined by state law where the loss occurs, or loss that results from the use of narcotics or other controlled substances, unless administered on the advice of a physician, may be limited or excluded. (10) Mental or Nervous Disorders. Subject to the applicable law in the state where the policy is delivered or issued for delivery, ~~L~~loss that results from mental or nervous disorders may be limited or excluded. If coverage is to be limited, coverage shall be provided for at least 12 months. **Drafting Note:** The Interstate Insurance Product Regulation Commission will maintain a comprehensive listing of state-specific requirements for those limitations and exclusions listed above that indicate "subject to applicable law in the state where the policy is delivered or issued for delivery," based on information reported by Member States.
9.	Adding Additional Incidental Benefits to §3.I. INCIDENTAL BENEFITS PROVISIONS of the STANDARDS	*Industry Comment:* The IAC suggests that Incidental Benefits be made a separate Section in the Standards, and that it include all incidental benefits	The PSC agreed that generally there was no basis for the IDI standards to only include two incidental benefits while GDI had 20+. They noted that some

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	FOR INDIVIDUAL DISABILITY INCOME INSURANCE POLICIES (Cross-Reference to IIPRC Office Report – Substantive Change Item #14)	listed in the Group Disability Income Insurance Policy and Certificate Uniform Standards with the exception of the Revenue Protection Benefit and the Worksite Modification Benefit. The IAC additionally suggested four more incidental benefits, not currently included in the GDI Uniform Standards. *IIPRC Office Comments/Observations:* The IIPRC Office notes that it often receives requests for additional incidental benefits to be added to IDI policies and that based on the limited criteria in the standards, the requests cannot always be accommodated. The IIPRC Office also notes that although the IAC provided a lengthy list of Incidental Benefits for the Group Disability Income Insurance Policy and Certificate Uniform Standards, the Insurance Compact has received requests for benefits that do not fit squarely within this list.	benefits listed in GDI would be more suitable for Employer Group coverage than for individual policies, and some members expressed concern that some benefits did not appear incidental in comparison to the *Disability* benefits. The Committee ultimately determined that instead of adding a list of additional incidental benefits, that the standards establish attributes of permissible incidental benefits. The PSC recommends the following additions to §3 I. Incidental Benefit Provisions: (3) **Other Benefits.** In addition to the benefits listed above, the Interstate Insurance Product Regulation Commission may approve other incidental insurance benefits provided: (a) The benefit is designed to address a specific financial need that arises as a consequence of the *Disability* that is not effectively addressed by the *Disability* benefits otherwise payable under the policy; (b) The *Elimination Period* for the incidental benefit does not exceed the policy *Elimination Period* for the basic *Disability* benefit under the policy; (c) The benefit can be administered effectively, without reliance on third parties (such as an employer or a financial institution); (d) The rates are based on verifiable data and

	Uniform Standards Provision	Five-Year Review Comment	PSC Recommendation
			reasonable assumptions such that a thorough actuarial review is achievable; (e) With the exception of Accidental Death Benefits, any death or terminal illness benefit shall be conditioned on prior *Disability* and in the form of a lump sum not to exceed the equivalent of 12 monthly *Disability* benefits payable under the policy; (f) Any benefit other than a death or terminal illness benefit shall be payable either (i) for no longer than 18 months, or for the length of the *Disability* benefit period under the policy if shorter; or (ii) in amounts that in total do not exceed the equivalent of 6 monthly *Disability* benefits payable under the policy; and (g) The benefit termination shall be consistent with the trigger and with stated policy limitations and maximum benefit amounts.
10.	Minimum Loss Ratio in §2.B.(1)(g) of the STANDARDS FOR INITIAL RATE FILINGS FOR INDIVIDUAL DISABILITY INCOME INSURANCE (Cross-Reference to IIPRC Office Report – Substantive Change Item #16)	*Industry Comment:* An Industry commenter requested that the Insurance Compact adopt minimum loss ratios (MLR) which mirror the MLR for Loss of Income insurance in the NAIC Guidelines for Filing of Rates for Individual Health Insurance Forms. The NAIC guidelines also include possible adjustments to these MLR's for both Low Average Premium Forms and High Average	The IAC withdrew its request to include Optionally Renewable in the IDI standards since they concluded that it was unlikely such a product would be offered soon in the marketplace. The PSC referred the request for MLRs that mirror the MLR for Loss of Income insurance in the NAIC Guidelines for Filing of Rates for Individual Health Insurance Forms to the Actuarial Working Group for their review and

	Uniform Standards Provision	Five-Year Review Comment	PSC Recommendation
		Premium Forms. Using the NAIC guidelines will allow for consistency between policies filed with the Compact and those that are not. They state that a lower MLR standard allows for a higher contingency and risk margin, which can give companies more freedom to explore and provide new, innovative benefits to customers. *IIPRC Office Comments/Observations:* The IIPRC Office notes that the MLRs listed in the current adopted standards were in the initial draft of the rate standards as submitted to the PSC by the National Standards (EX) Working Group and were not the subject of discussion by the PSC before or after the initial proposal was exposed for comment. The Office also notes that at this time, the standards do not contain a definition or reference to Optionally Renewable. It is noted that the comments submitted by the IAC include a suggestion, without specific rationale, to include the definition of Optionally Renewable that is listed in the Group Disability Income Insurance uniform standards.	recommendations. The AWG agreed that the MLR's should be consistent with the NAIC Guidance #134. The AWG also suggested language to adjust the MLR for High Average Premium plans, consistent with the NAIC Guidance, but noted that was different since the Compact's adjustment for Low Average Premium set a considerably higher premium than in the NAIC Guidance #134, thus requiring a higher high average premium as well. There were no objections raised to this approach when it was exposed for public comment, and the PSC agreed to recommend the following changes: g) A description of the determination of the MLR applicable to the policy form. The MLR shall be determined as follows: (i) The Initial MLR shall be based on the guidelines below using the Renewal Provision for the policy: Renewal Provision — Initial MLR % Conditionally Renewable — 55 Guaranteed Renewable — ~~55~~ 50 Noncancellable — ~~50~~ 45 (ii) ~~Adjustments to Initial MLR to determine MLR.~~ Companies may make adjustments to the Initial MLR for low average premium plans to determine the MLR. The adjustment below should be made only if the expected average annual premium for the policy form, considering

	Uniform Standards Provision	Five-Year Review Comment	PSC Recommendation
			the distribution of business assumptions in § 2B(1)(e)(v) above, is less than $2,500: The initial MLR shown in the table above shall be adjusted according to the formula below, where: MLR = (Initial MLR)* (A-25*I)/A and I = [CPI-U, Year (N-1)] / 103.9 where (I) The value for A is the average annual policy premium. The average annual policy premium shall be estimated by the insurer based on an anticipated distribution of business by all significant criteria having a price difference, such as age, gender, amount, dependent status, rider frequency, etc., except assuming an annual mode for all policies; (II) (N-1) is the calendar year immediately preceding the calendar year (N) in which the rate filing is submitted to the Interstate Insurance Product regulation Commission; and (III) CPI-U is the consumer price index for all urban consumers, for all items, and for all regions of the U.S. combined, as determined by the U.S. Department of Labor, Bureau of Labor Statistics. The CPI-U for any year is the value as of September; (iii) Companies shall make adjustments to the Initial MLR for high average premium plans to determine the MLR. The adjustment below

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			should be made if the expected average annual premium for the policy form, considering the distribution of business assumptions in § 2B(1)(e)(v) above, is greater than $15,000: The initial MLR shown in the table above shall be adjusted according to the formula below, where: MLR = (Initial MLR)* (A+150*I)/A and I = [CPI-U, Year (N-1)] / 103.9 where (I) The value for A is the average annual policy premium. The average annual policy premium shall be estimated by the insurer based on an anticipated distribution of business by all significant criteria having a price difference, such as age, gender, amount, dependent status, rider frequency, etc., except assuming an annual mode for all policies; (II) (N-1) is the calendar year immediately preceding the calendar year (N) in which the rate filing is submitted to the Interstate Insurance Product Regulation Commission; and (III) CPI-U is the consumer price index for all urban consumers, for all items, and for all regions of the U.S. combined, as determined by the U.S. Department of Labor, Bureau of Labor Statistics. The CPI-U for any year is the value as of

	Uniform Standards Provision	Five-Year Review Comment	PSC Recommendation
			September; ~~(iii)~~(iv) Limitation on Adjustments to Initial MLR In no event shall the adjustment to the initial MLR be more than 5%; up or down; and ~~(iv~~v)The discount rate, average annual policy premium (A), and MLR shall be shown as part of the information in Appendix A attached to these standards.
11.	Adding Procedures for Review of a Denial of a Claim to §3 Policy Provisions of the STANDARDS FOR INDIVIDUAL DISABILITY INCOME INSURANCE POLICIES (Cross-Reference to IIPRC Office Report – Substantive Change Item #17)	*Regulator Comments:* The Minnesota Department of Commerce called to the attention of the PSC a U.S. Department of Labor rule effective April 1, 2018 that requires employer-sponsored disability income insurance plans to provide disability claimants with explanations of claim denials and information on how to appeal such a denial. The new rule could have impact on some policies subject to the individual disability income insurance uniform standards. *Industry Comment:* The Industry Advisory Committee noted that they had suggested including a standard for Procedures for Review of a Denial of a Claim similar to that found in the GDI uniform standards which reflects the ERISA requirements, and noted that companies were already including this type of language for their individual IDI guaranteed issue cases that are employer sponsored.	The PSC agreed to recommend adding the following provision, similar to language found in the GDI standards to §3. Policy Provisions D. Optional Provisions: (6) Procedures for Review of a Denial of a Claim (a) The policy may include a provision for review of denial of a claim. If included, the provision shall state that the insured must request, in writing, a review of the denial of claim within a specified number of days after the insured receives notice of the denial. (b) The policy shall include a provision that an insured has the right to review, upon request and free of charge, copies of all documents, records, and other information relevant to the insured's claim for benefits, and the insured may submit written comments, documents, records and other information relating to the claim for benefits.

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			(c) The policy shall include a provision that the insurance company will review an insured's claim after receiving the insured's request and send the insured a notice of its decision within a specified number of days after the insurance company receives the request, or within another specified period of days if special circumstances require an extension. The number of days shall be specified in the policy. The insurance company will state the reasons for its decision and refer the insured to the relevant provisions of the policy. The insurance company will also advise the insured of the insured further appeal rights, if any.
RECOMMENDED CLARIFICATION ITEMS			
1.	Definition of *Residual Disability* in §3 B.(26) of the STANDARDS FOR INDIVIDUAL DISABILITY INCOME INSURANCE POLICIES *(Cross-Reference to IIPRC Office Report – Clarification Item #1)*	*Industry Comment:* An Industry commenter suggested that the definition of *Residual Disability* be amended to clarify the Compact's intent. In the definition of *Residual Disability*, under (b) it states that if an insured suffers a reduction in *Earnings*, equals or exceed 80% of average *Prior Earnings* then the insured will be eligible for payment of the Total Disability benefits under the policy "subject to the satisfaction of all policy terms and conditions." The definition of *Total Disability* includes that the insured "is not in fact engaged in any job or Occupation for wage or profit." The standards also do not specifically address a minimum length of time that *Residual Disability* benefits should be	The PSC addressed this clarification in Substantive Item #5 when they combined the definitions of *Partial* and *Residual Disability*.

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		made available after a period of *Total Disability*. The company states that they believe the intent of this provision is neither to deny benefits to an insured who is working but suffers a loss of *Earnings* equal to or greater than 80% of *Prior Earnings*, nor is it intended to prescribe a specific length of the *Residual Disability* benefit. *IIPRC Office Comments/Observations:* The IIPRC Office agrees that the intent in (b) is not to deny benefits to an insured who is working but suffers a loss of *Earnings* equal to or greater than 80% of *Prior Earnings*, nor is it intended to prescribe a specific length of the *Residual Disability* benefit. The IIPRC Office also notes that Substantive Item #5 includes a suggestion to combine *Partial Disability* and *Residual Disability* as one definition.	
2.	Qualification Period and Elimination Period for Residual Disability in §3 B.(26)(d) of the STANDARDS FOR INDIVIDUAL DISABILITY INCOME INSURANCE POLICIES *(Cross-Reference to IIPRC Office Report – Clarification Item #2)*	*Industry Comment:* An Industry commenter states that (d) in the definition of *Residual Disability* says that a period of *Residual Disability* can be required to follow a period of *Total Disability* and that "*Residual Disability* benefits cannot be denied for a time period in excess of six months due to a qualification period alone or in conjunction with an *Elimination Period*." The company suggests a drafting note to explain what is meant by a qualification period in this context for clarity, or to require a certification for an insurer to verify it does not use an initial qualification period. *IIPRC Office Comments/Observations*: The IIPRC Office seeks clarification of whether the referenced	The PSC addressed this clarification in Substantive Item #5 when they combined the definitions of Partial and Residual Disability. The PSC suggests the following revision to (c) and the Drafting Note in response to concerns regarding the potential for a lesser maximum qualification period for *Partial* or *Residual Disability* than for *Total Disability*: (See Substantive Item #5) (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

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		sentence is intended to mean 1.) that the maximum combined *Elimination Period* and qualification period before an insured can receive *Residual Disability* benefits is six months or 2.) that the qualification period cannot extend the Elimination Period by an additional six months? The IIPRC Office has applied the former interpretation, but notes that this can result in situations where the insurer has an *Elimination Period* for *Total Disability* of a year or more, and an insured who never qualifies for *Total Disability* benefits is eligible to receive *Residual Disability* benefits.	*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. **Drafting Note:** Benefits may be predicated on the insured being *Totally Disabled*, not on receipt of *Total Disability* benefits. In no event shall the combined *Elimination Period* and qualification period, if any, for *Partial/Residual Disability* benefits exceed that for *Total Disability*.
3.	Grace Period Provision in §3. C.(6) of the STANDARDS FOR INDIVIDUAL DISABILITY INCOME INSURANCE POLICIES *(Cross-Reference to IIPRC Office Report – Clarification Item #4)*	*Industry Comment:* Industry Comments: The IAC suggested rewording the Grace Period provision to combine language in the individual and group Disability Income Insurance standards as well as the life standards to be more consistent with each other to ease combination sales.	The PSC noted that the suggested change is essentially to reformat existing language for clarity and to specifically state that if *Premium* is not paid by the end of the grace period, coverage will automatically end on the date of the last period for which *Premium* was paid, the PSC agreed to recommend the following revision: (6) Grace Period. (a) The policy shall include a grace period provision ~~that states that a grace period of a certain number of days shall be granted for the payment of each premium due after the first premium, and the policy shall remain in force during the grace period~~. and describe the conditions of the provision.

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			(b) A grace period shall be provided for the payment of any Premium due except for the first, as follows: (i) For Premiums paid on a weekly basis, ~~a grace period of~~ at least seven (7) days ~~shall be granted by the company~~; (ii) For Premiums paid on a monthly basis, ~~a grace period of~~ at least ten (10) days ~~shall be granted by the company~~; and (iii)For all other Premium modes, ~~a grace period of~~ at least thirty-one (31) days ~~shall be granted by the company~~. (c) The coverage shall continue in force during the grace period. However, if *Premium* is not paid by the end of the grace period, coverage will automatically end on the date of the last period for which *Premium* was paid. .
4.	Changing the term "producer" to "agent" in §3. C.(17) and (18) throughout the STANDARDS FOR INDIVIDUAL DISABILITY INCOME INSURANCE Policies *(Cross-Reference to IIPRC Office Report – Clarification Item #5)*	*Industry Comment:* The IAC suggests that reference to producer be changed to agent for consistency with other standards, and that the phrase "as applicable" be added since not all companies have agents. In addition the IAC suggests that the provision in (18) regarding when the suspension is in effect should be the earlier of the date the company receives the owner's written request or the date military service begins.	The PSC agreed that one term should be used consistently in the uniform standards and that it appeared in most standards the reference was to agent or agent of the company. The PSC agreed to the other recommendations for clarity under the Suspension of Coverage While in Military Service provision of the standards. (18) **Suspension of Coverage While in Military**

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		IIPRC Office Comments/Observations: The IIPRC Office is not aware of any questions or confusion from filers regarding this provision, but notes that the term "agent" instead of "producer" is used in the life, annuity and long-term care insurance uniform standards. The words "as applicable" are not included in other standards and the IIPRC Office is not aware of any concerns related to the lack of this language.	**Service**. (b) The company may restrict the period of suspension of coverage to five years beyond the date of suspension but not to exceed the period of active duty. The policy shall state that in the implementation of the coverage suspension: (i) The owner shall make a written request to the company or its ~~producer~~ agent for coverage suspension providing information that the insured is eligible for the coverage suspension; and (ii) The company shall suspend the coverage for eligible insureds from the earlier of the date of receipt of the owner's written request for coverage suspension or the date military service begins (or a later date if requested by the owner) and refund any unearned premiums for the period of suspension.
5.	Adding a Provision for Termination of Insurance to §3.H. BENEFIT PROVISIONS of the STANDARDS FOR INDIVIDUAL DISABILITY INCOME INSURANCE POLICIES *(Cross-Reference to IIPRC Office Report – Clarification Item #6)*	*Industry Comment:* The IAC requested adding a Date Policy Ends standard to the Benefit Provisions, since ending disability benefits does not always result in the policy ending. *IIPRC Office Comments/Observations:* The IIPRC Office notes that filed IDI policies usually contain a provision regarding when the policy ends that is specific to the type of policy. The IIPRC Office does not object to the inclusion of termination provisions within the policy and reviews these provisions as they relate to type of policy	The PSC concluded that a termination provision consistent with other standards and with approved filings would add clarity. The PSC recommends the following provision: **Termination of Insurance Under the Policy** (1) The policy shall include a provision stating how and when insurance under the policy may end. The provision may include termination, as applicable, at the earliest of:

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		(noncancellable, guaranteed renewable or conditionally renewable) and the Payment of Premium and Reinstatement provisions within the standards.	(a) The expiry date shown in the policy, unless an insured renews the policy as provided in the renewal provisions of the policy; (b) The end of the period for which *Premium* has been paid, if *Premium* is not paid by the end of the grace period; (c) The date the company receives the owner's written request to end the policy; (d) The expiration of applicable Suspension of Coverage period(s) specified in the policy if the insured does not request that suspension end before such expiration; or (e) The date the insured dies.
6.	Full Time Status and Actively at Work in §4.E. Additional Standards for Underwriting Questions of the INDIVIDUAL DISABILITY INCOME INSURANCE APPLICATION STANDARDS *(Cross-Reference to IIPRC Office Report – Clarification Item #7)*	*IIPRC Office Comments/Observations:* The IIPRC Office has received questions related to the provision in this section stating "been continuously at work on a full-time basis (minimum of 30 hours per week)" and whether it means that only IDI policy forms covering full time workers may be filed through the Insurance Compact. The IIPRC Office currently applies the minimum 30 hours parenthetical only to situations where the insurer is asking the question related to applicants who work full-time. Clarifying this provision would alleviate further questions.	The PSC recommends clarifying that the question is not just applicable when the applicant works full time hours and suggests the following revision: (1) The application may include a question regarding if the proposed insured, within a specified period of time (not to exceed 180 days prior to the date of application) has not been continuously at work for the prescribed hours ~~on a full-time basis (minimum of 30 hours per week)~~ performing the duties of their occupation due to an injury or sickness.
7.	Discounts for Multi-Life Plans in §2.B.(1)(b) of the STANDARDS FOR	*IIPRC Office Comments/Observations:* The IIPRC Office actuaries question whether the sentence "In	The PSC, after consultation with the Actuarial Working Group, recommends the following

Summary of Five-Year Review Comments and PSC Recommendations
For Uniform Standards in Phase 8 of the Five-Year Review
Individual Disability Income Insurance Uniform Standards
March 23, 2018

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	INITIAL RATE FILINGS FOR INDIVIDUAL DISABILITY INCOME INSURANCE *(Cross-Reference to IIPRC Office Report – Clarification Item #8)*	addition, the company shall submit adequate experience data to support the use of the same Minimum Loss Ratio (MLR) requirement for multi-life plans utilizing a discount as for those where a discount is not applicable" should be referencing the Anticipated Loss Ratio (ALR) rather than the MLR. Since the experience data should indicate that "any expense savings occurring as a result of the discount are accompanied by a commensurate reduction in expected claims costs," it seems to imply ALR rather than MLR. *Industry Comment:* The IAC agreed that the reference should be to the ALR. In addition, they suggested that the PSC eliminate the requirement to use the same ALR for all levels, but retain the requirement that the company report an ALR for each discount level and eliminate all references to multi-life, thus clarifying that the requirement applies to all discounts regardless of when they apply.	revisions: (b) For multi-life plans, the company may use "premium class" to establish discounts based on case characteristics, documented in the Actuarial Memorandum, such as, for example, number of lives, who pays the premium, and/or premium mode. The criteria for the discount should be applied consistently between groups. In addition, the company shall submit adequate experience data to support the use of the ~~same~~ ~~Minimum Loss Ratio (MLR)~~ Anticipated Loss Ratio (ALR) requirement for ~~multi life~~ plans utilizing a discount as for those where a discount is not applicable. Such experience data should indicate that any expense savings occurring as a result of the discount are accompanied by a commensurate reduction in expected claims costs for ~~multi life~~ plans where the discounts are applied.
8.	Minimum Loss Ratio for Multi-Life Discount Levels in §2.B.(1)(g) of the STANDARDS FOR INITIAL RATE FILINGS FOR INDIVIDUAL DISABILITY INCOME INSURANCE *(Cross-Reference to IIPRC Office Report – Clarification Item #9)*	*IIPRC Office Comments/Observations:* The IIPRC Office actuaries request that filers document the MLR for each of the different multi-life discount levels. This is not always included in the initial actuarial memorandum, resulting in additional delays and review time. *Industry Comment:* The IAC suggested that as proposed, the standard would require companies to affirm that the ALR is the same for all multi-life discount levels. This presumes that all multi-life	The PSC consulted with the Actuarial Working Group and recommends the following amendments: (g) A description of the determination of the MLR applicable to the policy form, including, when applicable, each discount. The MLR shall be determined as follows:

	Uniform Standards Provision	Five-Year Review Comment	PSC Recommendation
		discounts are funded exclusively by reduced claim costs. However, there are other reasons why a company might offer a multi-life discount. A discount might be partially funded by reduced operating expenses – for example, by using list bills rather than traditional billing practices. In such a case, the multi-life plan would have a different ALR than policies where no discount is available	
9.	Expenses and Contingency and Risk Margins in §2.B.(1)(f) of the STANDARDS FOR INITIAL RATE FILINGS FOR INDIVIDUAL DISABILITY INCOME INSURANCE *(Cross-Reference to IIPRC Office Report – Clarification Item #10)*	*IIPRC Office Comments/Observations:* The IIPRC Office actuaries note that filers often fail to provide overall expenses plus contingency and risk margins as a percent of premium on a present value basis as required in (2)(f)(vi), resulting in objections being issued which delays review. The Office suggests reformatting to draw attention to the complete requirements.	The PSC consulted with the Actuarial Working Group and recommends the following revision for clarity: (vi) Expenses, including contingency/risk margins shall include: A. ~~(f~~For expenses, pricing variations that reflect percent of premium, dollars per policy and/or dollars per unit of benefit; and ~~shall be included~~ B. ~~Include as well as o~~Overall expenses plus contingency and risk margins as a percent of premium on a present value basis~~)~~.
CONFORMING AMENDMENTS WITH GROUP DISABILITY INCOME INSURANCE UNIFORM STANDARDS			
1.	Applies to various provisions within the STANDARDS FOR INDIVIDUAL DISABILITY INCOME INSURANCE POLICIES *(Cross-Reference to IIPRC Office Report – Conforming Amendment Item #3)*	*IIPRC Office Comments/Observations:* During the development of the Group Disability Income Insurance uniform standards, there were several provisions where it was noted that the standards were not the same as those in the Individual Disability Income Insurance uniform standards. In	The PSC reviewed notes from the development of the Group Disability Income Insurance Uniform Standards as well as requests made by the IAC to include language form the group standards in the IDI standards. The Report includes Appendix A, which is a chart of items where the PSC believed that it made

	Uniform Standards Provision	Five-Year Review Comment	PSC Recommendation
		some cases, the provisions were the result of updated information or knowledge of how the marketplace functions, while others reflected the difference between individual and group products. The Product Standards Committee agreed to review these changes once the group standards were adopted.	sense to have consistency between IDI and GDI standards. The PSC concluded that other suggestions made by the IAC were unsupported, beyond the scope of the 5-Year review, took away consumer protections and/or were not provisions typically found in IDI policies.
ITEM RAISED BUT NOT RECOMMENDED			
1.	Redefining *Guaranteed Renewable* and *Noncancellable* in the Definitions and Concepts section of the STANDARDS FOR INDIVIDUAL DISABILITY INCOME INSURANCE POLICIES *(Cross-Reference to IIPRC Office Report – Substantive Change Item # 3)*	*Industry Comment:* The IAC requested changes to these definitions to allow more flexibility in product development and pricing to meet changing consumer needs. They suggested that *Guaranteed Renewable and Noncancellable* no longer be until age 65, but instead be "until the termination date stated in the policy's specifications page." *IIPRC Office Comments/Observations:* The IIPRC Office noted that it is not aware of any requests from filers to limit the definitions of *Noncancellable* or *Guaranteed Renewable*. The IIPRC Office notes that NAIC Model Regulations 171 states "The terms 'noncancellable' or 'noncancellable and guaranteed renewable' may be used only in an individual accident and sickness policy that the insured has the right to continue in force by the timely payment of premiums set forth in the policy until the age of sixty-five (65) or until eligibility for Medicare, during which period the insurer has no right to make unilaterally any change in any provision of the policy while the policy is in force." Companies	The PSC noted that consumers, whether young or old, would want disability coverage for their productive work life and that such a change would nullify the meaning of these terms. The PSC concluded that such a change is beyond the discussion for a Five Year Review, and was a major policy decision requiring substantial public debate. The PSC noted that allowing flexibility for coverage should not be achieved by whittling away at any value to the policy and potentially creating a product that terminates only to be rewritten at a higher rate. The IAC ultimately withdrew their request.

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		seeking to limit renewability or its ability to modify rates have the option to consider filing conditionally renewable policies.	
2.	Adding standards for *Disability* Benefits When Unemployed or Retired§3 B. of the STANDARDS FOR INDIVIDUAL DISABILITY INCOME INSURANCE POLICIES *(Cross-Reference to IIPRC Office Report – Substantive Change Item # 4)*	*Industry Comment:* The IAC requested adding definitions for "job" or "specialty" similar to those in the group disability income insurance standards, revising the definition of "occupation" to conform with the definition found in the group disability income insurance standards, and adding provisions to all of these terms to address situations in which the insured is unemployed or retired when the Disability begins to allow more flexibility in product development and pricing to meet changing consumer needs. *IIPRC Office Comments/Observations:* The IIPRC Office has not been provided evidence that the existing definitions within these standards prohibit a definition of *Occupation* from including activities when an insured is unemployed or retired. The IAC has not explained the specific use of the requested additional terms or the types of benefits that would be provided to consumers. The IIPRC Office notes that the definitions in the group disability standards for *Job* and *Specialty* are primarily used in further defining other terms, such as *Regular Specialty*, *Actively at Work*, and *Total Disability*.	The PSC concluded that the IAC did not justify the need for adding the definitions listed in this item as well as including information related to being unemployed or disabled. It was noted that it is not clear that the current definitions within these standards would prohibit a definition of *Occupation* from including activities when an insured is unemployed or retired, and there was no identification of how circumstances or underlying assumptions had changed to require this revision.
3.	Coverage for own *Occupation* under the definition of Total Disability in the STANDARDS FOR INDIVIDUAL DISABILITY INCOME INSURANCE POLICIES *(Cross-*	*Industry Comment:* The IAC suggested that the definition of Total Disability be amended to be more like the definition found in the Group Disability Insurance Policy and Certificate Standards and allow an "any occupation" choice to provide a	The PSC noted that there was no clear indication of a need to conform GDI and IDI definitions in this instance, and doing so would take away a consumer benefit that is currently in the IDI standards. Noting concern over reasonable consumer expectations of

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	Reference to IIPRC Office Report – Substantive Change Item # 7)	viable benefit option for those who may be unable to afford a policy with the required one year own *Occupation* requirement. The IAC noted that only three states have an own *Occupation* requirement. *IIPRC Office Comments/Observations*: The IIPRC Office notes that it has issued objections to companies that have filed products that define total disability in a manner that may be considered more restrictive than the standards.	coverage related to one's own occupation vs. any occupation, the PSC concluded that it would not recommend this change.
4.	Adding a Return of Premium Benefit provision to §3.D. Optional Provisions of the STANDARDS FOR INDIVIDUAL DISABILITY INCOME INSURANCE POLICIES *(Cross-Reference to IIPRC Office Report – Substantive Change Item # 9)*	*Industry Comment:* The IAC requested adding a Return of Premium Benefit to the Optional Provisions to allow more flexibility in product development and pricing to meet changing consumer needs. They stated that one company is currently marketing this benefit, but other companies agreed that it should be included as a standard. *Consumer Advisory Committee (CAC) Comment:* The CAC urged the PSC to consider whether this invites sale of an expensive feature that covers no risk attached to an already expensive product. *IIPRC Office Comments/Observations*: The IIPRC Office noted that to date they have not received submissions of filings with this benefit feature.	The PSC noted that the IAC provided only a vague rationale for the benefit of such a provision to consumers and only indicated one company offered this benefit. They also noted that there was no indication of how such a provision impacts rates. Members also expressed reservation about the proposed language. The Committee noted that they would not consider this amendment without further documentation from the IAC addressing the concerns. The IAC ultimately withdrew its request.
5.	Amendments to the Insurance with Other Companies provision of §3. F. (8) of the STANDARDS FOR INDIVIDUAL DISABILITY INCOME INSURANCE POLICIES	*Regulator Comment:* The Idaho Department of Insurance commented that although the provision indicates that use of the term "coordination of benefits" shall not be used to describe the provision, in their view, it is basically a	The PSC noted that unlike coordination of benefits laws, this provision was only applicable when the existence of other individual disability coverage is not disclosed in order to provide a method for determining benefits, and that the standard requires

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	(Cross-Reference to IIPRC Office Report – Substantive Change Item # 13)	coordination of benefits provision. Under Idaho's coordination of benefits law IDAPA 18.01.74, a disability income insurance policy would not meet the definition of "plan" so the policy would pay regardless of any similar insurance with other companies. The Idaho Department requests consideration for an amendment to this provision to instead state that no benefits are offset and no return of premiums are paid if there is any "other valid coverage" (as defined in current § 3. F. (8)(b)) and the carrier would pay full benefits as if there was no other insurance in place. *IIPRC Office Comments/Observations*: The IIPRC Office noted that the language in the standard was included from the time that the draft was initially developed by the National Standards (EX) Working Group and that there were no comments on this provision from the regulators or interested parties during the original rulemaking process. The provision applies to applicants who withhold information about existing coverage at time of application, potentially creating over insurance incentives. Similar language is found in several states. The calculation of payment of benefits and the requirement to refund the portion of the premium paid which exceeds the pro-rata portion of the premium for the reduced benefits paid by the policy is different from coordination of benefits requirements. *Industry Comment*: The IAC comments were	the company to return the portion of premium paid which exceeds the pro-rated portion of the premium for the reduced benefits. The Committee agreed that this standard provides protection to the consumer by returning premium while protecting the company when other disability income coverage is not disclosed. There was no evidence that circumstances or underlying assumptions have changed since the standards were drafted and as a result the Committee determined that they would not recommend any change to this provision. In response to the IAC comments, the PSC noted that the language in the standard was included from the time that the draft was initially developed by the National Standards (EX) Working Group and that there were no comments on this provision from the regulators or interested parties during the original rulemaking process. They also noted that the provision is an optional limitation, not a required provision so if a company is concerned with it, they can choose not to add such a provision to their policy. The Committee concluded that adding such specific information about whether premium refunds were claim driven or would reform the contract is not generally included within the standards or the policy. In reference to the IAC's request that the term "other valid coverage" should include group health or disability insurance benefits, the Committee determined that it would recommend no change. They questioned why group health insurance would

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		unrelated to the regulator comments. They indicated that in the last sentence of item (8)(iii) there is a requirement to return premium, but it is not clear if this is intended for a specific claim, or is the intent to require a permanent premium reduction in the policy for all future benefits. They stated that both intentions are problematic since a policy is initially priced to fund the various benefits to be paid under the policy, and that pricing is adjusted for "other valid coverage" not known or not in force at the time of application, as well as coverage which was in force but may end. They also stated that in the last sentence of item (8)(b), they believe that the term "other valid coverage" should be allowed to include group health or disability insurance, benefits provided by union welfare plans or employer or employer benefit organizations.	have any impact on disability insurance benefits, and noted that group disability insurance can change frequently based on employment as well as whether the employer continues to offer the coverage and how much the employee must contribute. The Committee noted that there has been no documentation of a problem in the marketplace that would require such a revision.
6.	Look Back Period for Underwriting Questions in §4. Additional Standards for Underwriting Questions of the INDIVIDUAL DISABILITY INCOME INSURANCE APPLICATION STANDARDS *(Cross-Reference to IIPRC Office Report – Substantive Change Item # 15)*	*Industry Comment*: The IAC commented that the look back restrictions in the IDI application standards are a significant concern for the companies from an underwriting perspective. The IAC stated individuals would remember significant health conditions such as cancer and major surgeries which, from an underwriting perspective, are health issues that cause morbidity concern, regardless of when they happened. Longtime, serious injuries or illnesses can affect that person's ability to work in his occupation, but insurers aren't privy to this information if it happened more than 10 years ago. The IAC initially requested reconsideration of the use of "ever had" on the same basis as is allowed in	The PSC concluded that the IAC has presented no new information or data to support the arguments that they made when both IDI and GDI Uniform Standards were drafted and there was no evidence that a 10 year look back period is detrimental to insurers or consumers. The PSC requested documented evidence that people who experienced the health conditions identified in the IAC list who are untreated for a period of more than ten years prior to application are more of a risk than those without such conditions, but the IAC was unable to provide such data. The Committee observed that a change to the existing standards would result in taking away what could be considered an existing consumer

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		the Individual Life Application. Later they confined their request to a list of certain health conditions of greatest concern to the companies. *Consumer Advisory Committee Comment:* The CAC indicated support to continue a ten-year limit on look back for underwriting questions. They questioned the IAC's assertion that the average consumer doesn't need this protection.	protection, and that some of the items listed could be difficult for consumers to understand or they may not remember prior treatment if there was no need for further treatment later. For these reasons and since the 10 year look back period is in place for both the current group and individual disability income insurance uniform standards, the PSC concluded that they were not recommending further change.
7.	Revisions to the definition *of Mental or Nervous Disorder* in §3 B.(14) of the STANDARDS FOR INDIVIDUAL DISABILITY INCOME INSURANCE POLICIES CURRENT PROVISON *(Cross-Reference to IIPRC Office Report – Clarification Item # 3)*	*Industry Comment:* The IAC requests an addition to the definition of "Mental or Nervous Disorder" to include a specific list of disorders which are at the time recognized in the psychiatric and psychology fields of medicine but may not yet be included in the DSM due to infrequent updating of the DSM. The IAC states that the DSM was updated in 1980, 1994 and 2013. The IAC later noted that the company that suggested this change received approval from the Insurance Compact for this language under the current Uniform Standards. *IIPRC Office Comments/Observations*: The IIPRC Office is unaware of any questions or concerns from filers regarding the current definition and notes that the current definition of this term is the same definition that was initially proposed by the IAC for the group disability income insurance standards that were adopted in 2016. The NAIC Model Regulation to Implement the Accident and Sickness Insurance Minimum Standards Model Act (#171) states	The PSC noted that the preamble to the Definitions and Concepts section of the standards says that the definition shall be "consistent with the standards set forth below," not that the definition needs to be identical. They also noted that the IAC stated in their written comments that the individual company that suggested this language received approval of the language in its Compact filing. The PSC determined that there appeared to be no demonstrated need for expanding the definition so they would not recommend change. The IAC ultimately agreed with the PSC.

Summary of Five-Year Review Comments and PSC Recommendations
For Uniform Standards in Phase 8 of the Five-Year Review
Individual Disability Income Insurance Uniform Standards
March 23, 2018

	Uniform Standards Provision	Five-Year Review Comment	PSC Recommendation
		"'Mental or nervous disorder' shall not be defined more restrictively than a definition including neurosis, psychoneurosis, psychosis, or mental or emotional disease or disorder of any kind."	