

DATE: July 9, 2017

TO: IIPRC Product Standards Committee (“PSC”)

FROM: Sonja Larkin-Thorne, Brendan Bridgeland, Angela Lello, James McSpadden, Fred Nepple, IIPRC Consumer Representatives

SUBJECT: Comment on Draft IIPRC Office Report and Recommendations for the Uniform Standards Currently Subject to Five-Year Review (Phase 8 – Individual Disability Income Insurance) (“Report”)

We agree with many of the IIPRC’s recommendations throughout the Phase 8 draft, especially those recommendations that cite a need for more information. We urge you to table the IAC Phase 8 requests until the IAC member companies provide the information you need to make informed decisions.

The IAC Phase 8 requests are rarely supported by evidence and often overreach. In some cases the substance is not even individually described. Items that are unsupported or that are objectionable include the following:

- 1) Radical changes to the definitions of non-cancellable and guaranteed renewable that defy consumer expectations and the law of most states.
- 2) An overreaching definition of pre-existing condition that defies any reasonable anti-risk selection purpose for this underwritten product. As proposed an insured who had symptoms diagnosed by a physician as a common cold would be excluded from coverage when the symptoms proved to precede a stroke.
- 3) A definition of “Total Disability” that is more restrictive than that found in the group standards and that is inherently misleading: A disabled insured will be surprised to learn there are no benefits because the insured can perform one, but not all the rest of the “substantial and material” job duties. Note this proposal is contrary to NAIC Model 171 Section 5 N.
- 4) Allowing an insurer to terminate coverage after it has accepted a late premium payment without condition. Insurers unwilling to

accept late payments should have the responsibility to promptly reject the payment or to promptly alert the insured to possible termination of coverage by issuing a conditional receipt. Note this proposal is contrary to NAIC Model 180 Section A (5).

- 5) Return of premium rider. We urge you to consider whether this invites sale of an expensive feature that covers no risk attached to an already expensive product.
- 6) Elimination of the look-back limit for application medical questions. This issue was thoroughly discussed as part of the development of the group standards. The 10-year look back limit balances the competing concerns.
- 7) Permitting Third Party Liability Claim Offset, prohibited under the current standard. This proposal is particularly extreme in an individual product. There is no evidence of a change in “assumptions and circumstances.”
- 8) Permitting a subrogation clause. This is proposed without any evidence of a change in “assumptions and circumstances” and without evidence subrogation clauses are typically permitted in these products by individual state departments.

In addition, we noted multiple other exclusions the IAC broadly proposes to copy from the group standard. We recommend that the Product Standards Committee carefully examine each exclusion.

More broadly we urge the IIPRC to consider developing a standard submission form.

The basic information that should be submitted by the companies is straightforward: A substantive description of the proposal, the pros and cons, evidence of a change in “assumptions and circumstances,” a state by state chart of where the proposal is currently accepted or rejected, companies that include the proposal in their policies, a sample of policy language and cites to any NAIC Model provisions that bear on the proposal.

With respect to the Phase 8 draft, we believe that an IIPRC submission requirement would help companies self-edit some of the items they ask the IAC to submit.