# SUMMARY OF THE PRODUCT STANDARDS COMMITTEE RESPONSE TO COMMENTS REGARDING THE PSC-RECOMMENDED GROUP DISABILITY INCOME UNIFORM STANDARDS CURRENTLY BEING CONSIDERED BY THE MANAGEMENT COMMITTEE

## GROUP DISABILITY INCOME INSURANCE POLICY AND CERTIFICATE UNIFORM STANDARDS FOR EMPLOYER GROUPS

| | **Standards Provision** | **Comment** | **Product Standards Committee (PSC) Response to Comments** |
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| 1. | TERMS AND CONCEPTS: "ELIMINATION PERIOD" Section 3.A(22) | With respect to the definition of "Elimination Period", the IAC submitted written comments to the Management Committee noting that they do not understand how the PSC is willing to allow integration with personal time off, salary continuation or sick leave, but not with accumulated vacation leave and asking for reconsideration. | The PSC noted that there was extensive discussion about this provision during drafting and the IAC did not present any new information. The PSC had previously determined that vacation time is not meant for sick or disability time and some employers allow employees to accumulate this time, paying it upon termination of employment. The PSC had previously opined that an employee may choose to use vacation leave before disability benefits start, but should not be required to do so. The PSC is not recommending any change to the proposed provision. |
| 2. | REQUIRED PROVISIONS: GRACE PERIOD Section 4.J | USAble Life submitted comments regarding the Grace Period provision, noting that it effectively imposes liability on the incumbent insurer for claims incurred during a period of at least 31 days after the policyholder ceases paying the requisite premium. The company stated that it puts the insurance company in a pay-and-chase situation with respect to a former policyholder and has the potential to create disputes relating both to coverage and the amount of benefits payable. | The PSC discussed the submitted comments and noted that the Grace Period provision was not altered from the original draft language suggested by the IAC. Members agreed that no change is recommended since the proposed standard is consistent with current practice as well as the Model Law. |
| 3. | REQUIRED PROVISIONS: TERMINATION OF INSURANCE UNDER THE POLICY Section 4.Q(1) | The IAC submitted comments stating that for consistency in language, the references to "at least 31 days" in§4.Q(1)(b)(ii) should be changed to be consistent with (b)(iv) and (b)(v) which say "a specified period (such as | The PSC noted that they intentionally changed the language in (1) (b)(ii) from "such as" to "at least 31 days" to be more clear and less open-ended and to conform with the requirements for the policyholder found in (1)(a). For this reasons, the PSC does not recommend the IAC proposed edit, rather that the references in §4.Q(1)(b)(iv) |

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| | | 31 days) of advance written notice". | and (v) be changed from "(such as 31 days)" to "at least 31 days." |
| 4. | PERMISSIBLE LIMITATIONS AND EXCLUSIONS :<br>Section 7:<br>(C) Chemical Dependency<br>(L) Intoxicants<br>(M) Voluntary Intake Of Narcotics And Other Substances<br>(O) Mental Or Nervous Disorders | The Vermont Department of Financial Regulation (VT Department) submitted comments requesting revisions to §7(C), (L),(M), (O) to allow insurance companies to use variable language so that the limitations or exclusions continue to follow and be subject to state law rather than creating a standard provision of permitting these limitations and exclusions even when state law prohibits. VT Department state that without such provisions, they would have to opt out of the Uniform Standards for Group Disability Income.<br><br>The Mental Health Legal Advisors Committee submitted comments requesting parity for disabilities as a result of mental health conditions, and state that at the very least it should be subject to individual state law. | The PSC reviewed the comments and noted that based on current state practices and laws, they could not recommend the position requested by the Mental Health Legal Advisors Committee that the uniform standards prohibit any limitation or exclusion for disability as a result of a mental health condition.<br><br>The PSC then discussed the request from the VT Department to consider a compromise approach that requires an insurer filing a group disability policy with the IIPRC to use variable language with respect to mental health and related exclusions or limitations. The PSC noted its prior discussions on this matter during several calls, both with members and interested parties, and reaffirmed their concern that including variable language for a single state is not in accordance with the goal of establishing uniform standards.<br><br>A representative of the VT Department noted that mental health parity has expanded in recent years and variable language would allow other states to fully participate in the IIPRC should their laws change in the future to require parity for disability income products. He noted that variable language to allow coverage based on a state's public policy exists in other Uniform Standards including life and long-term care.<br><br>Following further discussion, the PSC agreed that they would not recommend the amendment but would provide the Management Committee with the history of this issue and the basis for the current provision. Since the PSC |

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| | | | defers to the Management Committee on this issue, it has also provided language in the event that the Management Committee wishes to change these provisions to follow state law as requested by the VT Department and would suggest any such amendment include a drafting note indicating the IIPRC will maintain a list of states that limit or prohibit these exclusions. The suggested language for these provisions is found in Exhibit A to this Summary. |
| 5. | BENEFIT PROVISIONS:<br>DISABILITY BENEFITS REDUCED ON ACCOUNT OF OTHER BENEFITS OR INCOME<br>SECTION 9.B(1)(m) | The CAC submitted comments on this provision and the IAC submitted comments on the CAC's comments. The CAC reiterated its prior comments that it would like the provision eliminated, stating that it allows the insurer to recover first from a third-party recovery before the injured worker recovers damage for pain and suffer, other non-economic damages and medical damages. The CAC commented that the provision does not require the injured worker be compensated first from the recovery for any uninsured portion of the worker's lost income; it requires the enrollee, in many cases, to bear the cost of legal expenses to obtain the recovery; and will be confusing to consumers, "as it is not readily apparent to purchasers (or their advisors) that this new Standard will eliminate the clear and long established subrogation system"<br>The IAC comments refute each of the | The PSC reviewed the comments and history regarding the provision related to third-party offset. The PSC noted that this issue was discussed during at least nine prior public and member calls and had been fully vetted. The PSC reaffirmed its prior observation that while it understood the CAC concerns, in the vast majority of states, there is no prohibition on a third-party settlement offset. The current provisions provide additional consumer protections by requiring that amounts from third-party settlements that the covered person must pay in legal fees cannot be offset, the offset can only be for the part of the settlement applicable to lost income, and the insurance company can only either offset or subrogate for the claim, but not both.<br><br>The PSC does not recommend changes to the language in the provision in response to the CAC's comments based on the reasons above. However, the PSC noted that the Regulatory Framework (B) Task Force will be reviewing whether to make changes to the Accident and Sickness insurance Minimum Standards Model Act (#170) and the Model Regulation to Implement the Accident and Sickness Insurance Minimum Standards Model Act (#171) that may impact group disability income products. Because of this ongoing development at the NAIC that may establish new or different model provisions for group disability income |

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| | | CAC's comments and state that offset is currently approved in all states except Missouri, New Jersey and North Carolina. They state that whether the "made whole" doctrine applies depends on a number of factors, including whether state or federal law applies, whether the claimant or counsel has made an assertion that the claimant has not been made whole, and specific terms of the underlying policy or subrogation provision within a specifically negotiated contract. The IAC indicated if the policy enables an offset, this would not run afoul of the made whole doctrine since third-party recovery provisions are reimbursement provisions, not subrogation provisions. The IAC noted that a group disability income plan with no offsets would be cost prohibitive. | insurance products, the PSC suggests the Management Committee may wish to add a Drafting Note to this section as follows:<br><br>***PROPOSED DRAFTING NOTE:***<br>***Drafting Note: If revisions are made to the NAIC Accident and Sickness Insurance Minimum Standards Model Act (#170) or the Model Regulation to Implement the Accident and Sickness Insurance Minimum Standards Model Act (#171) or a new Model or Guidance is developed for group disability income products that impacts offset provisions, the Interstate Insurance Product Regulation Commission will revisit Section 9.B(1)(m) of this Uniform Standard.*** |
| 6. | BENEFIT PROVISIONS:<br>DISABILITY BENEFITS REDUCED ON ACCOUNT OF OTHER BENEFITS OR INCOME<br>Section 9.B(1)(m)(ii) | The IAC raised concerns about the practical application of Section 9.B(1)(m)(ii). The IAC indicated group disability income monthly benefits are based on a percentage of a Covered Person's Pre-Disability Earnings, such as 40%, 50% or 60% which is the most common and employers would not ask for a benefit equal to 100% of *Pre-Disability Earnings* and insurance | The PSC noted that this provision was added based on prior IAC comments stating that settlements are often lump sum so they cannot determine how much of the settlement is for lost income, and the current language was based on language in an existing group disability income product approved in many jurisdictions. A PSC member noted that this is not a formula, rather an estimate to give an idea of the portion of the settlement that is applicable to lost income due to disability. The settlement (not the offset) is not based on what the insurer pays in disability benefits; in order to have the most relevant and accurate |

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| | | companies would not provide it because it is too costly and eliminates any incentive to return to work. The IAC indicated the proposed process to "estimate by using a percentage of the settlement amount" would result in calculations that would lead to a dispute on every such claim. The IAC proposed alternative language for this provision. | look at what income was lost due to the disability, the point of reference is Pre-Disability Earnings. However, the insurer should not be calculating its offset based on the Pre-Disability Earnings. It estimates the portion of the settlement that is for lost income and prorates for the period of time for which the settlement was made.<br><br>The PSC discussed the IAC suggested revision and rejected it since it only allows for out-of-pocket medical expenses to be considered, nothing more. The PSC noted that such an approach does not address third-party settlement amounts related to such items as unreimbursed lost income, other out-of-pocket expenses, and pain and suffering. After discussing whether to delete the language in Section 9.B(1)(m)(ii) related to estimating or retain the language as is, the PSC recommended no change. |
| 7. | INCIDENTAL BENEFIT PROVISIONS:<br>COBRA INSURANCE PREMIUM BENEFIT<br>Section 10.H(4) | The IAC submitted comments requesting a sentence at the end of this provision stating that "The certificate may also include the notice." The IAC stated that because the uniform standard only refers to the policy and is silent about the certificate, and because today's practice is to include this notice in the certificate, it would be beneficial to include this sentence eliminating the guesswork and questions. | The PSC reviewed the history of this item and the IAC request to add a sentence allowing the notification to be included in the certificate as long as it is also in the policy. The PSC agreed that the recommendation would provide clarify.<br><br>The PSC suggests the Management Committee may wish to add the following section at the end of Section 10.H(4) as follows:<br><br>***The certificate may also include this notice.*** |

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**UNIFORM STANDARDS FOR GROUP DISABILITY INCOME INSURANCE INITIAL RATE FILINGS**

| | **Standards Provision** | **Comment** | **Product Standards Committee (PSC) Response to Comments** |
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| 8. | SCOPE and DEFINED TERMS | The IAC suggested adding a sentence to the Scope that states "These standards accommodate attained age and issue age rating schedules" and then to define each of those terms. They note that insurance companies have variations of the process, so it is not possible to propose a "one size fits all" definition with specifics, rather the detail will be provided in the information required to explain the pricing methodology. | The PSC does not recommend adding these definitions and delineating standards for the different types of rating schedules. The Committee notes that there are also other available non-level issue age rate structures, such as age banded rates where rates will change as a person ages from one band to another, that do not neatly fit into the definitions provided. Delineating issue age vs. non-issue age, would only apply some of the detailed standards to the issue age rates, and no specific alternative standards were suggested for the other rate schedule variations. |
| 9. | CRITERIA FOR REVIEW – General<br>Section 1.A.(2) | Utah suggested adding "or expenses" to item 2 to allow variation in premiums for expenses. Utah notes that generally, rates are not unfairly discriminatory if the rate differentials reflect differences in expected losses or expenses. This would allow, for example, spousal or multiple-policy discounts based on administrative savings. | The PSC suggests that the Management Committee may wish to add clarification in this provision that variances in *Premiums* per *Covered Persons* are based on sound underwriting and sound actuarial principles that are reasonably related to actual or reasonably anticipated loss experience and also to expenses. |
| 10. | ACTUARIAL REQUIREMENTS - Description of How Rates Were Determined for Each Marketing Methodology<br>Section 2.B.(1)(e) | The IAC suggests changing (e) to state "A specification of whether rates are filed on an attained age rating schedule or issue age rating schedule basis, and a brief description of how rates were determined for each marketing methodology, including the complete description and source of each assumption used in pricing the product." They also suggest that references to voluntary termination and distribution of business be deleted from this provision because they are not | The PSC suggests that the Management Committee may wish to delete the list of assumptions requiring descriptions when pricing the product and limiting (e) to requiring "a brief description of how rates were determined for each marketing methodology" with a new item (f) "A complete description and source of each assumption used in pricing." The PSC suggests the Management Committee add a drafting note similar to that found in the Individual Long Term Care Rate Uniform Standards:<br><br>***PROPOSED DRAFTING NOTE:*** |

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| | | assumptions included in group insurance rate filings today. These assumptions apply to individual disability income rates. | ***Drafting Note: Certain actuarial requirements may or may not apply depending upon the nature of the rating characteristics including types of Premium structure (e.g., issue age or attained age) and type of renewability (e.g., Optionally Renewable or Guaranteed Renewable) and the documented assumptions and pricing approach are expected to vary based on the description of the Premium structure and guarantee period. To the extent that certain items listed in these standards are not applicable, indication to that effect is acceptable. Actuarial Standard of Practice (ASOP) 8 Regulatory Filings for Health Benefits, Accident and Health Insurance and Entities Providing Health Benefits provides guidance*** *concerning the key pricing assumptions, underlying actuarial judgments and the manner in which the premium rates are to be tested against regulatory benchmarks as outlined in the Criteria for Review.* |
| 11. | ACTUARIAL REQUIREMENTS - Minimum Loss Ratio<br>Section 2.B.(1)(f) now (g) in revised draft | The IAC suggests the reference to "policy form" in Section 2.B.(1)(f)(i) be changed to "average annual *Premium* per *Covered Person* under the policy"; that the references to "average annual *Premium* for the policy form" and "average annual policy *Premium*" in Section 2.B.(1)(f)(ii) need to be changed to say "average annual *Premium* per *Covered Person* under the policy" and Section 2.B.(1)(f)(iv) should also reference the "average annual *Premium* per *Covered Person* under the policy." The IAC also suggested The IAC suggested moving "Documentation of the estimation shall be included" from after (III) to under (I). | For clarity and consistency with terminology used in Group Disability Income Insurance products, the PSC suggests that the Management Committee may wish to use the terminology suggested by the IAC *"Premium* per *Covered Person"* in these provisions. Based on feedback from Utah, the PSC suggests revised Section 2.B.(1)(g) contain language stating that the Minimum Loss Ratio (MLR) be "applicable to the policy form based on the average annual *Premium* per *Covered Person* under the policy. The PSC also agrees that the sentence "Documentation of the estimation shall be included" from after (III) to after (I) since reference to the estimations is found in (I) not in (III). |

SUMMARY OF THE PRODUCT STANDARDS COMMITTEE RESPONSE TO COMMENTS REGARDING THE PSC-RECOMMENDED GROUP DISABILITY INCOME UNIFORM STANDARDS CURRENTLY BEING CONSIDERED BY THE MANAGEMENT COMMITTEE

**UNIFORM STANDARDS FOR GROUP DISABILITY INCOME INSURANCE INITIAL RATE FILINGS**

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| 12. | ACTUARIAL REQUIREMENTS - Documentation of the Anticipated Loss Ratio<br>Section 2.B.(1)(g) now (h) in revised draft | The IAC suggests stating that for issue age rating schedules, active life reserves should not be considered in the ALR calculations. | The PSC notes that the approach suggested by the IAC again restricts the most stringent/detailed standards to the issue age rates only, and remains silent on what the filer should do if a non-issue age product has active life reserves. The PSC therefore does not recommend this change. |
| 13. | ACTUARIAL REQUIREMENTS - Durational Loss Ratio Table<br>Section 2.B.(1)(h) now (i) in revised draft | The IAC suggests that the durational loss ratio item be deleted. The companies state that since Group Disability Income Insurance is an annual renewable product, there is no durational loss ratios, and such ratios have never been required in these rate filings. | The PSC notes that although many group contracts are attained-age rated, and annually renewable, not all group products have this structure of rates, especially those that may be Guaranteed Renewable or Noncancellable. For group products with individual-like rating features of issue age, or multi-year guarantees, the Appendix A durational loss ratio exhibit is needed. The PSC therefore recommends that durational loss ratio table be retained, and that the Management Committee may wish to modify the sentence referencing anticipated loss ratio to state "anticipated loss ratio based on that experience, shall be shown <u>for a period sufficient to estimate anticipated lifetime loss ratio, but in no instance less than at least 3 years</u> and consider adding a Drafting Note for clarification of use of the Appendix.<br><br>**<u>Drafting Note:</u>** Depending upon the nature of the rating characteristics including types of Premium structure (e.g., issue age or attained age) and type of renewability (e.g., Optionally Renewable or Guaranteed Renewable) the Durational Loss ratio table is expected to be modified. For example, for Optionally Renewable or Conditionally Renewable and/or attained age rated products, it may be appropriate to either assume 100% termination or 100% renewal at the end of the first projection year and limit the projection to 3 years. Such modifications should be clearly documented, with a rationale provided. |

SUMMARY OF THE PRODUCT STANDARDS COMMITTEE RESPONSE TO COMMENTS REGARDING THE PSC-RECOMMENDED GROUP DISABILITY INCOME UNIFORM STANDARDS CURRENTLY BEING CONSIDERED BY THE MANAGEMENT COMMITTEE

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| 14. | ACTUARIAL REQUIREMENTS - Actuarial Certification<br>Section 2.B.(3)(b) | During discussions of these standards, a member of the PSC noted that Section 2.B.(3)(b) required the certifying actuary to provide information demonstrating that the *Premiums* charged are reasonable in relation to the benefits provided, but provided no guidance on how this should be done. | The PSC recommends that the following Drafting Note, similar to one found with the same provision in the Standards for Initial Rate Filings for Individual Disability Income Insurance be added to provide guidance:<br><br>***PROPOSED DRAFTING NOTE:***<br>***Drafting Note: Premiums charged will be assumed to be reasonable in relation to the benefits provided if the ALR for the product, determined in accordance with § 2B(1)(h), is not less than the MLR for the product, determined in accordance with § 2B(1)(g) and when added to the overall expenses plus contingency and risk margin percentage does not exceed 100%.*** |
| 15. | APPENDIX | The IAC suggested that the 20 year durations in the Appendix be changed to 3 for consistency with §2.B.(1)(i). The IAC also noted that the Appendix defines "incurred claims" to be "change in claim reserves plus claims paid." The IAC suggests deleting this definition. | The PSC recommends making no change to the Appendix. The PSC recommended revising section 2.B.(1)(i) to state that anticipated loss ratio shall be shown for a period sufficient to estimate anticipated lifetime loss ratio, but in no instance less than 3 years The Drafting Note added following §2.B.(1)(o) that notes modification to Anticipated Future Loss Ratio, Lifetime Anticipated Ratio and the Durational loss ratio table based upon Premium structure and type of renewability should also address the PSC's concern.<br><br>The PSC acknowledges that "incurred claims" can be calculated in different ways, but the definition, which is consistent with that in the Individual DI standards, has not caused any comments to date from filers using those standards. As such there does not seem to be a compelling reason to use a different definition in these standards. |

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**UNIFORM STANDARDS FOR FILING REVISIONS TO RATE FILING SCHEDULES**

| | **Standards Provision** | **Comment** | **Product Standards Committee (PSC) Response to Comments** |
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| 16. | SCOPE and DEFINED TERMS | The IAC suggested adding a sentence to the Scope that states "These standards accommodate attained age and issue age rating schedules" and then to define each of those terms. They note that insurance companies have variations of the process, so it is not possible to propose a "one size fits all" definition with specifics, rather the detail will be provided in the information required to explain the pricing methodology. | The PSC does not recommend adding these definitions and delineating standards for the two different types of rating scheduled. The Committee notes that there are also other available non-level issue age rate structures, such as age banded rates where rates will change as a person ages from one band to another, that do not neatly fit into the definitions provided. Delineating issue age vs. non- issue age, would only apply some of the detailed standards to the issue age rates, and no specific alternative standards were suggested for the other rate schedule variations. |
| 17. | CRITERIA FOR REVIEW – General<br>Section 1.A.(2) | Utah suggested adding "or expenses" to item 2 to allow variation in premiums for expenses. Utah notes that generally, rates are not unfairly discriminatory if the rate differentials reflect differences in expected losses or expenses. This would allow, for example, spousal or multiple-policy discounts based on administrative savings. | The PSC suggests that the Management Committee may wish to add clarification in this provision that variances in *Premiums* per *Covered Persons* are based on sound underwriting and sound actuarial principles that are reasonably related to actual or reasonably anticipated loss experience and also to expenses. |
| 18. | ACTUARIAL REQUIREMENTS - Description of How Rates Were Determined for Each Marketing Methodology<br>Section 2.B.(1)(e) | The IAC suggests changing (e) to state "A specification of whether rates had been initially filed on an attained age rating schedule or issue age rating schedule basis, and a brief description of how the revised Premium rates were determined for each marketing methodology, including the complete description and source of each assumption used in determining the revised Premium rates." They also suggest that references to voluntary termination and distribution of business be deleted from this | The PSC suggests that the Management Committee may wish to delete the list of assumptions requiring descriptions when pricing the product and limit (e) to requiring "a brief description of how the revised rates were determined for each marketing methodology" with a new item (f) "A complete description and source of each assumption used in used in determining the revised *Premium* rates." The PSC recommends that the Management Committee may wish to add a drafting note similar to that found in the Individual Long Term Care Rate Uniform Standards as follows: |

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| | | provision because they are not assumptions included in group insurance rate filings today. These assumptions apply to individual disability income rates. | ***PROPOSED DRAFTING NOTE:*** ***Drafting Note: Certain actuarial requirements may or may not apply depending upon the nature of the rating characteristics including types of Premium structure (e.g., issue age or attained age) and type of renewability (e.g., Optionally Renewable or Guaranteed Renewable) and the documented assumptions and pricing approach are expected to vary based on the description of the Premium structure and guarantee period. To the extent that certain items listed in these standards are not applicable, indication to that effect is acceptable. Actuarial Standard of Practice (ASOP) 8 Regulatory Filings for Health Benefits, Accident and Health Insurance and Entities Providing Health Benefits provides guidance concerning the key pricing assumptions, underlying actuarial judgments and the manner in which the premium rates are to be tested against regulatory benchmarks as outlined in the Criteria for Review.*** |
| 19. | ACTUARIAL REQUIREMENTS - Estimated Average Annual Premium Section 2.B.(1) (g) | The IAC suggests the references to "average annual *Premium*" and "average annual policy *Premium*" be changed to "average annual *Premium* per *Covered Person* under the policy." | For clarity and consistency with terminology used in Group Disability Income Insurance products, the PSC suggests that the Management Committee may wish to use the terminology suggested by the IAC. Based on feedback from Utah, the PSC suggests revised Section 2.B.(1)(g) contain language stating that the Minimum Loss Ratio (MLR) be "applicable to the policy form based on the average annual *Premium* per *Covered Person* under the policy. |
| 20. | ACTUARIAL REQUIREMENTS - Documentation of the Anticipated Loss Ratio Section 2.B.(1)(j) | The IAC suggests changing this to "The Anticipated Loss Ratio (ALR) for the product, ~~as~~ if initially filed with the Interstate Insurance Product Regulation | The PSC notes that the Anticipated Loss Ratio (ALR) for the product is always required in the initial rate filing. As such, this change would not be appropriate and the PSC recommends no change in this provision. |

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| 21. | ACTUARIAL REQUIREMENTS - Anticipated Loss Ratio, Anticipated Future Loss Ratio, Lifetime Anticipated Loss Ratio, and Durational loss ratio table. Section 2.B.(1)(j) (k)(l)(m) and (N) | The IAC suggests that (j), (k), (l), and (m) be noted as only applicable to issue age rating schedules and that for (m) the projected experience should be limited to three years. In addition they suggest a sentence be added to (m) stating "For attained age rating schedules, the insurance company shall provide a 3-5 years of experience to support a requested rate revision, to include Premiums, Premiums adjusted to proposed rate basis, number of claims, incurred claims, loss ratio, adjusted loss ratio, target loss ratio, actual to target and proposed actual to target; Premiums, claims and expenses shall be adjusted to a basis consistent with the revised pricing assumptions to demonstrate the reasonability of the revised rates." Under (n) the IAC recommends adding a sentence stating "For attained age rating schedules, a justification and supporting documentation for the use of the proposed revised Premium rates." | The PSC notes that this suggestion again restricts the most stringent/detailed standards to the issue age rates only and does not address products with age banded rates where rates will change as a person ages from one band to another. The PSC suggests that the Management Committee may wish to change item m to state that "historical experience shall be shown from the date of the initial rate filing with the Interstate Insurance Product Regulation Commission and projected experience shall be shown for a period sufficient to estimate anticipated lifetime loss ratio, but in no instance less than 3 years and limiting (o) to issue age and allowing modified demonstration, with the following Drafting Note added:<br><br>***PROPOSED DRAFTING NOTE:***<br>***Drafting Note: Depending upon the nature of the rating characteristics including types of Premium structure (e.g., issue age or attained age) and type of renewability (e.g., Optionally Renewable or Guaranteed Renewable), items (k), (l), (m), are expected to be modified. For example, for Optionally Renewable or Conditionally Renewable and/or attained age rated products, it may be appropriate to the provide a 3-5 years of historical experience to support a requested rate revision, to include Premiums, Premiums adjusted to proposed rate basis, number of claims, incurred claims, loss ratio, adjusted loss ratio, target loss ratio, actual to target and proposed actual to target. Premiums, claims and expenses shall be adjusted to a basis consistent with the revised pricing assumptions to demonstrate the*** |

**UNIFORM STANDARDS FOR FILING REVISIONS TO RATE FILING SCHEDULES**

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| | | | ***reasonability of the revised rates. Such modifications should be clearly documented, with a rationale provided.*** |
| 22. | ACTUARIAL REQUIREMENTS - Actuarial Certification<br>Section 2.B.(3)(b) | During discussions of these standards, a member of the PSC noted that Section 2.B.(3)(b) required the certifying actuary to provide information demonstrating that the *Premiums* charged are reasonable in relation to the benefits provided, but provided no guidance on how this should be done. | The PSC suggests that the Management Committee may wish to add a drafting note, similar to one found with the same provision in the Standards for Initial Rate Filings for Individual Disability Income Insurance be added to provide guidance:<br><br>***PROPOSED DRAFTING NOTE:***<br>***Drafting Note: Premiums charged will be assumed to be reasonable in relation to the benefits provided if the ALR for the product, determined in accordance with § 2B(1)(h), is not less than the MLR for the product, determined in accordance with § 2B(1)(g) and when added to the overall expenses plus contingency and risk margin percentage does not exceed 100%.*** |
| 23. | APPENDIX A-1 and A-2 | The IAC states that the Appendix is only for use with issue age rating schedules, so that should be stated in the title of the Appendix. They also state that the durational loss ratio table should be limited to 3 years. | The PSC recommends no change and notes that the Drafting Note added following §2.B.(1)(o) that notes modification to Anticipated Future Loss Ratio, Lifetime Anticipated Ratio and the Durational loss ratio table based upon Premium structure and type of renewability should address this concern. |

# EXHIBIT A - LANGUAGE REGARDIMG PERMISSIBLE LIMITATIONS OR EXCLUSIONS FOR DISABILITIES RESULTING FROM CHEMICAL DEPENDENCY AND MENTAL OR NERVOUS DISORDERS

**§ 1 ADDITIONAL SUBMISSION REQUIREMENTS**

**B. VARIABILITY OF INFORMATION**

**(2)** Variability shall be limited to policy and certificate definitions, periods of time, percentages, numerical values, benefits available, benefit schedules and amounts, eligibility rules and other plan parameters that are subject to the policyholder's plan design. 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 7 (C), (L), (M) and (O).

**§7** PERMISSIBLE LIMITATIONS OR EXCLUSIONS

**C. CHEMICAL DEPENDENCY**

(1) Subject to the applicable law in the state where the policy is delivered or issued for delivery, *Disability* that results from alcoholism or drug addiction may be limited or excluded. If coverage is to be limited, coverage shall be provided for a period specified in the certificate, not less than 12 months or the maximum *Benefit Period,* whichever is less.

**L. INTOXICANTS**

(1) Subject to the applicable law in the state where the policy is delivered or issued for delivery, *Disability* that results from the *Covered Person's* legal intoxication defined by state law where the *Disability* occurs may be limited or excluded.

**M. VOLUNTARY INTAKE OF NARCOTICS OR OTHER CONTROLLED SUBSTANCES**

(1) Subject to the applicable law in the state where the policy is delivered or issued for delivery, *Disability* that results from the voluntary intake of narcotics or other controlled substances, unless administered on the advice of a *Physician*, may be limited or excluded.

**O. MENTAL OR NERVOUS DISORDERS**

# EXHIBIT A - LANGUAGE REGARDIMG PERMISSIBLE LIMITATIONS OR EXCLUSIONS FOR DISABILITIES RESULTING FROM CHEMICAL DEPENDENCY AND MENTAL OR NERVOUS DISORDERS

(1) Subject to the applicable law in the state where the policy is delivered or issued for delivery, *Disability* that results from mental or nervous disorders may be limited or excluded. If coverage is to be limited, coverage shall be provided for a period specified in the certificate, not less than 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.