Agenda Item 2. Receive Comments on the draft of the Additional Standards for Return of Premium for Individual Disability Income Insurance.

Mary Mealer, Chair of the Product Standards Committee (PSC) noted that during the Five-Year Review of the Individual Disability Income Insurance Uniform Standards in 2018, there was a request to add provisions for an optional return of premium benefit. During discussions of the review; the PSC agreed in principle with the request; however, they felt that more time was needed to develop a proposal. As a result, the PSC recommended, and the Management Committee agreed, to consider the benefit as an additional standard rather than as part of the Standards for Individual Disability Income Insurance Policies. Since that time, the PSC has been discussing this new additional standard. The circulated draft was the result of reviews of existing return of premium benefit forms in the marketplace today, discussion with companies who market these products, regulatory requirements, consideration of the return of premium standards for individual life insurance products, and PSC input. The draft was distributed and posted on April 23rd for public comment. Written comments were received from the North Carolina Department of Insurance, Oregon Division of Financial Regulation, Mass Mutual and Mutual of Omaha.

North Carolina summarized its comments, noting that most were suggested edits for clarity. There were no questions. The Oregon Division of Financial Regulation summarized its comments, expressing the view that they did not agree with the process used by the PSC to develop or amend standards, questioning why this standard was developed outside the Five-Year Review and asking whether the cost of the benefit outweighed any return the consumer would receive in benefit. They asked when the benefit would be “self-supporting.”

Mass Mutual summarized their comments asking for clarification that the amendments do not impact the inclusion of language in policy provisions that specifically address a return of unearned premium situation. The Chair responded that the intent was not to include situations as described in the company’s comments, such as when an insured dies and unearned premium is refunded. The PSC will review the Scope to see if this can be made clearer.

Mutual of Omaha stated that they provided a “Return of Premium Cash Flow Example Chart” created by their actuaries to illustrate sample return of premium and cash value benefit payment amounts for Individual Disability Income products. Oregon asked if the example could be expanded to show when the benefit is self-supporting and whether more information could be provided to determine when the benefit outweighs the additional premium and what premium is included. Mutual of Omaha indicated that the example includes both the premium for the rider and the base policy and shows the premium returned based on the selected percentage premium.

Illinois asked if there was information on how often this benefit is purchased and noted that it would appear to be a product that more sophisticated buyers may consider. Mass Mutual responded that the company does not currently offer this rider so would not have this information. Mutual of Omaha stated they would see if they could obtain this information. They stated their current return of premium rider is approved in over forty states and is an optional benefit feature. It is generally considered by policyholders who are concerned with paying for disability income insurance but never using the benefit. A return of premium option provides them with some return on premium paid.
Karen Schutter of the Insurance Compact reminded PSC members that information was distributed to members earlier in the year with sample riders for at least four companies as well as an article explaining the product. She stated the Compact would be happy to share this information with any other members with an interest.

Regulators discussed whether there are consumer complaints about this benefit feature or other data that they can obtain from industry. The Chair asked member states to review their individual states complaint data and advise Compact staff of the results. The Chair stated that the PSC would consider the comments and act on a recommendation to the Management Committee.

**Agenda Item 3. Receive an Update on the Uniform Standards Under Development.**

The Compact office provided an update on other Uniform Standards under development, noting that in addition to the *Additional Standards for Return of Premium for Individual Disability Income Insurance*, the PSC is finalizing its recommendations on *Single Premium Group Fixed Annuity Contract Uniform Standards for Employer Groups* and reviewing comments on the *Group Annuity Certificate Uniform Standards for Employer Groups*. In the coming weeks, the PSC will also review comments on the *Uniform Standards For Group Guaranteed Interest Contracts for Non-Variable Annuities for Employer Groups* and will post draft amendments for consideration for the *Additional Standards for Waiver of Premium Benefits* and *Additional Standards for Waiver of Monthly Deduction Benefits* to add additional qualifying triggers beyond total disability. Members and interested parties were reminded that all proposals are posted to the Docket – Uniform Standards Under Construction and that all PSC call summaries are found under the About the Compact section of the Compact’s website.

**Agenda Item 4. Any other Matters.**

The Chair stated that the PSC will review the comments on the *Additional Standards for Return of Premium for Individual Disability Income Insurance* draft with a goal of presenting recommendations to the Management Committee on their June 17th conference call.