

Product Standards Committee
Member Call Summary
Date of Call: June 9, 2020

2. Consider Comments to Uniform Standards in Rulemaking Process

Review comments from ACLI and proposed changes to the amendments to the *Additional Standards for Qualifying Events for Waiver of Monthly Deductions Benefits* and *Additional Standards for Qualifying Events for Waiver of Premium Benefits* and for the new *Additional Standards for Waiver of Surrender Charge Benefit for Life Insurance*

Jason Lapham, Chair of the Product Standards Committee, noted that a revised draft including the changes agreed to on the May 26 call was distributed to members. He went over the outstanding items.

The PSC discussed the frequency of requests for proof of disability or qualifying events in §3D(1)(b)(i). A regulator briefly discussed a state statute that limits the frequency of requests if the claimant is permanently disabled. They are reviewing the requirement and will provide an update on the next call. No other members had comments.

PSC members discussed the use of the term cognitive impairment in §3A(2)(f). There was a discussion about using the same language in the *Additional Standards for Accelerated Benefits* as the riders are often sold together. The PSC agreed to the following change to the benefit section to use the same wording as in the *Additional Standards for Accelerated Benefits*:

The insured is determined to have a cognitive impairment **requiring substantial supervision**.

The PSC discussed whether two exclusions in §3C(1)(b) and (c) should apply to qualifying events. The PSC agreed to make the exclusion for “occurring before the insured reaches a specified age, such as 5” to apply to both a waiver benefit for total disability and a waiver benefit for qualifying events. The PSC agreed that the exclusion for “occurring after the benefit anniversary on which the insured attains a specified age of no less than 65” remain as drafted and apply only to waiver benefit for total disability. The following change was made:

(b) Total disability **or qualifying event** occurring before the insured reaches a specified age, such as age 5.

Making this change required a second change to §3B(1)(b) which permitted the exclusion if there was a premium charged for the benefit.

(b) **Other than for total disability**, the insured shall not be required to be younger than a specified age in order to be initially eligible for the waiver benefit.

The PSC discussed whether to expand the exclusions for qualifying event triggers in §3C(2) to total disability. Texas asked if these exclusions could be used for total disability. There was discussion about whether to separate the exclusions for total disability and qualifying events. PSC members asked for more time to review. The PSC will discuss on the next call.

The Chair asked committee members if they had identified concerns with the incontestability period in §3. E only applying to total disability. ACLI questioned why the language was changed from total disability. The Compact Office said the change was inadvertent and recommended that the language should be for total disability. One state asked about a fraud exception. The Compact Office pointed out the standard requires the form to follow the fraud requirements as permitted by applicable law in the state where the policy is delivered or issued for delivery. The PSC agreed to change the wording back to total disability.

(1) If the form is issued as an attachment to the policy, the form may state that the company shall not contest the form after it has been in force during the lifetime of the insured for two years from the date of issue of the form, excluding any period when the insured is **totally disabled** ~~receiving waiver benefits~~, except for fraud in the procurement of the form, when permitted by applicable law in the state where the policy is delivered or issued for delivery

3. Assignment from the *Insurance Compact Compass* Strategic Plan

Priority I: Uniform Standards States Support and Companies Willingly Use

Action Item 2: Provide wider and easy-to-follow public notice and detailed information with respect to Uniform Standards development for members, interested parties and constituents/stakeholders.

Further discussion on next steps. This item was deferred until the next call due to time constraints.

4. Any Other Matters

The PSC will discuss the outstanding items on the next call which is scheduled for June 23, 2020.