

Product Standards Committee
Member Call Summary
Date of Call: June 23, 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 June 9 call was distributed to members. He went over the outstanding items in the *Additional Standards for Qualifying Events for Waiver of Premium Benefits*.

The PSC discussed whether to expand the exclusions for qualifying event triggers in §3C (2) to include total disability. Pennsylvania asked if there should be an additional reason for denial based on other circumstances or conditions that are similarly arbitrary. Texas and Utah said this language could place a burden on Compact reviewers. The chair asked if there could be more targeted language. Texas asked if the exclusions could render the benefit illusory. The Compact office pointed out that the policy to which the rider is added contains a fairness doctrine policy. The Compact Office will take the comments and work with Pennsylvania and Texas on wording for next meeting.

The PSC discussed the frequency of requests for proof of disability for qualifying events in §3D (1)(b)(i). Pennsylvania asked if there should be different standards for qualifying events. The chair asked the members if they wanted to pursue different standards and no member expressed interest. Pennsylvania may want to submit proposed language for the public call. The Compact office will follow up with Pennsylvania.

Hawaii submitted suggested edits to the proof of disability sections §3B (3) and §3D (1)(b)(i). The Compact office will distribute the draft for discussion on the next call.

The Chair discussed the ACLI comments on the *Additional Standards for Waiver of Surrender Charge Benefit for Life Insurance*.

ACLI questioned the prohibition against 0 entries in §1B (3) Variability of Information. They stated that a zero entry is overly broad with respect to this benefit with an example that an elimination period could range from 0 to 90 days with 0 days being beneficial to the policyholder. The Compact staff noted that the meaning and purpose of this provision is the waiver benefit the policyholder is paying for. If \$0 waiver of surrender charge is being waived, this is not considered a meaningful benefit. Based on this information, the PSC decided not to make a change in response to this comment.

ACLI requested a modification to allow waiver of surrender charge to vary by qualifying event in §3 A.(2)(a) Waiver Benefit Provisions. There was considerable discussion about the ACLI request to modify the language regarding surrender charges. The Compact Office staff will follow up with ACLI for further clarification.

Oregon provided written comments on the standard for waiver of premium. They asked for appropriate titles for riders and agreed to look at the specifications section to see if they could submit language. Pennsylvania expressed concern that it was difficult to develop titles as the waivers could cover both total disability and qualifying events. Oregon said they were concerned about the title of the rider and how it is laid out in the policy as issued.

Pennsylvania wanted the scope language to be more refined. They expressed concern about the use of “and/or” in the draft standard. The Compact Office suggested removing “and” and leaving “or”. Pennsylvania said they had a similar concern in the Exclusions section. The Compact Office will follow up with Pennsylvania.

The Chair said it would be helpful to have examples of the types of concerns raised by Oregon.

The Compact Office said there is qualifying language in other standards to address concerns about confusion with long term care benefits and this language can be added to the Scope section.

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

The Strategic Plan item will be deferred until the next call.

4. Discuss Next Steps and preparation for July 7, 2020 PSC Call

The Chair said that the next call will be July 7. The public call will be rescheduled for August.

5. Any Other Matters

Karen Schutter said that this is Anne Marie Narcini’s last meeting. The members thanked Anne Marie and wished her well in her retirement.