

Product Standards Committee
Member Call Summary
Date of Call: July 21, 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 July 7 call was distributed to members. The Compact Office went over the revisions to the *Additional Standards for Qualifying Events for Waiver of Premium Benefits*.

In response to Oregon's comments, the PSC agreed to add the following sentences to the Scope that is used in other standards:

Products subject to these standards shall not be described as long-term care insurance or as providing long-term care benefits. If the payment of waiver of premium benefits is contingent upon receipt of long-term care services or supports, these standards shall not apply and such benefit will be subject to the Interstate Insurance Product Regulation Commission standards for individual long-term care insurance.

The PSC agreed to the following:

In response to Pennsylvania's suggestion, add a Fairness provision to the General Requirements §2C.

C. FAIRNESS

- (1) The form shall not contain provisions that unfairly discriminate among insureds with differing qualifying events covered under the form, or among insureds with similar qualifying events covered under the form.

In Section 3C (2) total disability was added as well as qualifying events.

- C (2) A waiver benefit form **for qualifying events and total disability** shall not include the following exclusions and restrictions as a basis of waiver claim denial by the company:

The word “and” was removed in the Scope section so it will read “becomes totally disabled or experiences any allowable qualifying event” and in §3C(1) in the Exclusions section so it will read “total disability or qualifying event”.

Maryland asked for additional language in the Incontestability Provision in §3E to address the provision if the waiver benefit was added after the policy was in effect. The PSC agreed to add the following sentences:

With respect to statements made in an application for the waiver benefit, the waiver benefit is incontestable after it has been in force during the insured’s lifetime for two years beginning with the date of issuance. The contestable period is based only on statements in the waiver benefit application, unless the original contestable period has not yet expired.

Jason Lapham asked the Compact Office Staff to review the changes to the *Additional Standards for Waiver of Surrender Charge Benefit for Life Insurance*. These are all the same changes that were made to the *Additional Standards for Qualifying Events for Waiver of Premium Benefits*. The PSC reviewed the revised draft and agreed to the following changes.

There are several changes throughout the standard due to separating total disability from qualifying events. This was in response to the ACLI comment that it was confusing to combine the two.

Sentences stating that the standard is not required to provide waiver for both total disability and all qualifying events and that the standards shall not be described as long-term care insurance or as providing long-term care benefits were added to the Scope section.

The definition of qualifying event was separated out from total disability

The number of Activities of Daily Living was changed in the Variability of Information Provision to 2 in §1B(2)(d) and in the Waiver Benefit Provisions §3A(2)(e) to make it consistent with other standards.

The Fairness provision was added in §2 C General Requirements.

In the Waiver Benefit Provisions §3A(2)(f) the description of cognitive impairment was modified to add requiring substantial supervision to agree with other standards.

In §3 B (7) the term “imminent death” was replaced with limited life expectancy.

The Compact Office said there is one remaining outstanding item. The PSC had discussed the ACLI request to allow the surrender charge to vary for I.R.C. Section 1035 exchanges. However, this requires the ability of the insurer to differentiate the percentage waived by type of qualifying event. ACLI asked that (a) be modified by

adding “where X can vary by qualifying event” after “premiums”. PSC members did not make the change and asked ACLI for some examples so they could better understand the request. The Chair asked the Compact Office to follow up with the ACLI.

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.

The Compact Office said the Strategic Plan items will be discussed on the next call.

4. Discuss Next Steps and preparation for August 18, 2020 PSC Call

The Chair said that the Compact Office will prepare the drafts of the three standards to be exposed for public comment. The public call will be scheduled for September 22. The next meeting of the PSC will be on August 18 after the National meeting. The PSC will consider its Strategic Plan assignments on the August 18 call.

5. Any Other Matters

There were no other matters.