

Agenda Item 2. Discuss 3/1/2022 public call

Jason Lapham went over the agenda for the public call. He asked if there were any comments on the Five-Year report. This will be the final public call before the report is referred to the Management Committee for consideration. There were no comments on the Phase 9 Five-Year report. The ACLI will give a presentation on the Disability Key Person Replacement and Buy-Sell drafts.

Agenda Item 3. Begin discussion of Individual Disability Buy-Sell uniform standard draft

Jason Lapham asked the Compact Office to go over the differences between the ACLI Buy-Sell draft and the Individual Disability Income Overhead Expense Uniform Standard. The Compact Office prepared a redline version using the ACLI Disability Buy-Sell draft to show the differences between the current Disability Overhead Expense uniform standard and the ACLI draft. Jason Lapham asked for comments. Mary Block of Vermont said it would be helpful to understand when these products are used and when the product is appropriate. Jason Lapham said it would be a good idea to get some background on the products during the public call on March 1. He asked members if there were questions after the Compact Office presentation. Members raised questions about partial disability, maximum benefit amounts, references to the buy-sell agreement in the policy, and how the products relate to any benefits paid under individual disability income policies. Jason Lapham asked the Compact Office to prepare a list of questions based on the comments. He asked members to review the draft and provide feedback. Based on feedback from PSC members, the Compact office prepared the following list of questions to send to the ACLI in advance of the public call.

1. Can the ACLI provide the PSC with basic background on when these products (disability buy-sell and key person replacement) are appropriate, who is the owner, who is the insured, to whom benefits are paid.
2. As part of the background, can ACLI provide some background on the different types of buy sell agreements and how both life insurance and disability insurance are used to fund the agreements.
3. Members asked why the buy-sell agreement is referenced in the buy sell policy draft and why there is a requirement that the buy-sell agreement be in effect before claims are paid.
4. It was not clear from the draft how benefits in an individual disability income policy are affected when there is a claim under a buy-sell or key person replacement policy.

Product Standards Committee

Call Summary

February 22, 2022

5. There was also a question as to why the reference to benefit reduction on account of other coverage was deleted in both drafts. For example, why would the existence of Policy A permit the carrier of Policy B to reduce the benefits required under Policy B?
6. There was a question why partial disability, residual disability and other types of disability are not included. If they only cover total disability, why?
7. Members asked about changes to common definitions that are used in other individual disability income uniform standards:
 - Active full-time work
 - Aggregate Benefit Amount
 - Benefit Period – added Benefit Factor
 - Business – added /Company
 - Occupation
 - Total disability

Agenda Item 4. Any Other Matters

The Chair said the next meeting of the PSC will be the public call on March 1 at 3:00 pm ET / 2:00 pm CT / 1:00 pm MT / 12:00 pm PT / 11:00 am AKT. There were no other matters.