

Product Standards Committee (PSC)
Regulator Call Summary
June 7, 2022

Agenda Item 2. Continue discussion of the Individual Disability Buy Sell draft
PSC members reviewed the draft with the changes as summarized in the May 17 call summary.

Andria Seip, the Vice chair, asked for other comments on the draft.

PSC members questioned the definition of “Disability” in B. Definitions and Concepts (12) and suggested a clarification by striking “or” as follows:

(12) “**Disability**” or “Disabled” means that due to Injury or Sickness, ~~or~~ the insured meets the definition of Total Disability, or other Disability benefit triggers specified in the policy.

Another member questioned the section on Ownership provision in D. Optional Provisions. The PSC agreed the (6)(b) should be deleted:

- (6) **Ownership.** The policy may include an ownership provision. If included, the provision shall:
 - (a) Describe the procedures for designating or changing the owner and indicating when the designation is effective; and
 - (b) ~~Indicate that the insured is the owner unless there is an owner designation different from the insured, with a proper insurable interest, is in effect.~~

PSC members were asked to review the draft and to bring any other items up on the next call.

Agenda Item 3. Continue discussion of the Disability Key Person Replacement

The Compact Office went over the ACLI comments and some additional items

There was a suggestion to separate the definition of Benefit Period and Benefit Factor into two separate definitions, similar to what was done with the Buy-Sell draft standard.

(xx) “**Benefit Factor**” means, subject to satisfaction of all policy terms and conditions by the owner or assignee, the number of payment installments that should be made when monthly or combination benefits are selected.

(5) “**Benefit Period/Benefit Factor**” means, subject to satisfaction of all policy terms and conditions by the Owner or assignee, the length of time that can be used to calculate periodic Disability Key Person Replacement under the policy. If there is a maximum Benefit Period/~~Benefit Factor~~, the maximum shall be stated in the policy.

PSC members agreed to delete the reference to “Company” in the definition of “Business” to avoid confusion between the business and the insurance company.

There was discussion about the definition of business income and how it is used in the key person replacement uniform standard. The Compact Office noted that the Individual Disability Income Standard uses a definition of “Earnings” that might be more appropriate for the Key Person Replacement uniform standard. The PSC will also review the definitions of Partial Disability and Prior Business Income. The Individual Disability Income Uniform Standard uses the term “Prior Earnings” instead of “Prior Business Income” which would be more appropriate for Key Person Replacement. The use of “Earnings” would also affect the Benefit Reduction section replacing Prior Business Income with Prior Earnings.

The PSC agreed with the ACLI recommendation to delete the *Cost of Living Index* definition and the Cost of Living Index Guarantee in the Benefit Provisions section.

The PSC is still reviewing the ACLI request to delete the *Cost of Sales or Services* depending on the decision made about replacing the definition of *Business Income with the* definition of *Earnings*.

The PSC discussed the ACLI comments on the definition of *Total Disability*. The PSC agreed to add “insurance” before company in (a) and (c). The PSC agreed to deleting “company” in (b) and modifying (b) as follows.

(b) The Insured is not working in any other occupation for the Business/~~Company~~

The PSC agreed to the ACLI deletion of *Change of Occupation* in the Optional Provisions Section.

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The PSC asked for clarification on the Benefit Reduction Section in the Permissible Limitations or Exclusions Section depending on the decision on the definition of Business Income.

The PSC agreed to change “Occupation” to lower case and to delete “Company” for clarification the Regular Occupation provision in the Benefit Provisions section.

The PSC agreed to edits for clarification in the Termination section to state that the Owner terminations the key person. It would read as follows:

(a)(viii) Date the *Owner* terminates the *Key Person*, the date the *Key Person* terminates their *Occupation* or the date the *Key Person* is no longer engaging in Active Full-time Work for any reason other than Disability

Agenda Item 4. Any Other Matters

Andria Seip asked members to review the ACLI comments for discussion on the next PSC call. The next call of the PSC will be a regulator-only call on June 21. There were no other matters.