

2. Receive Public Comments on the PSC Recommendations in the IIPRC Office Report and Recommendations for the Uniform Standards Currently Subject to Five-Year Review (Phase 8 – Individual Disability Income Insurance)

- **Substantive Item 2 - MINIMUM BENEFIT PERIOD AND LUMP SUM PAYMENT**

The IAC questioned the intent of C. REQUIRED PROVISIONS, item (11)(c)(iii), requiring that the “lump sum shall not be lower than the present value calculation.” They asked what calculation is intended for “present value calculation.”

The Compact office responded that the intent of the language was that the lump sum shall not be lower than the present value of the remaining periodic claim payments. They suggested that the following change may add clarity:

(iii) The value of the lump sum shall not be lower than the present value of the remaining periodic claim payments. The present value may reflect the use of an appropriate disabled life mortality table and interest rate.

- **Substantive Item 7- DEFINITION OF TOTAL DISABILITY**

The IAC summarized comments related to the “own occupation” requirement currently supported by the PSC. According to the IAC, only 3 states have a 12-month “own occupation” requirement (FL, MD, and NJ). With consumer demand for purchasing insurance products via the internet increasing, the ability to offer “any occupation” coverage with limited underwriting becomes an important option for companies. Examples were given of consumers in sedentary jobs, pointing out a limited need for an “own occupation” definition of disability. Consumers falling into that category may not want to pay a higher premium for coverage they deem unnecessary. For consumers in a manual type occupation, from which it is easier to become disabled, “own occupation” coverage is often too expensive. This could result in the consumer being unable to afford coverage where he/she may have been able to afford “any occupation” coverage, providing coverage in the event they are unable to fulfill the requirements of a sedentary job. The representative emphasized the importance of providing coverage to more people, not limiting choices to unaffordable products.

- **Substantive Item 14 - INCIDENTAL BENEFITS**

Comments received from Minnesota were summarized, confirming support for the principle-based approach, replacing the list of incidental benefits previously submitted to the PSC. Minnesota stated that a principle based approach will allow for innovation while providing guardrails for the Compact’s review of incidental benefits. Minnesota’s written comments included additional language to be added to Other Benefits, section (d) to state that the company shall provide the expected loss ratio which should be no lower than the lesser of that which is traditionally required of the incidental benefit type(s) or that which is required of the base disability benefit, and addition of section (h) requiring that the actuarial value shall be estimated to be no more than 25 percent of the actuarial value of the base disability benefit.

For item (c), Tom Kilcoyne of Pennsylvania stated that he agreed “disinterested” was not needed. He also noted that in situations where a newer benefit was offered without “objective data or assumptions,” there should be some data perhaps for a different product or market.

Standard Life suggested deleting the word “objective and perhaps changing substantive to sufficient, so the sentence would read **(d) The rates are based on objective data or assumptions such that a substantive sufficient actuarial review is achievable.**

In reference to the comments from Minnesota, the IAC stated that they were unclear about the meaning of the phrase “the expected loss ratio is no lower than the lesser of that which is traditionally required of the incidental benefit type(s) or that which is required of the base disability benefit, specifically how one determines what is traditionally required.

Utah suggested deleting the word “traditionally” would be a sufficient fix and the IAC agreed. The IAC also questioned reference to the word “basic” in several spots in the proposal, indicating that using the defined term *Disability* benefit would suffice.

In reference to the IAC comments on (f), Standard Life explained that sometimes there are payments that may be lump sum, rather than for a specific duration, so having an option to describe both in terms of length of benefit or amount would be helpful.

- **Substantive Item 15 - LOOK BACK PERIOD FOR UNDERWRITING QUESTIONS**

The IAC expressed disappointment that the PSC is not interested in considering a compromise to the 10-year look-back period for the application. Instead of focusing on the serious medical conditions, such as cancer, heart disorders, or degenerative diseases that are of grave concern to underwriting, the PSC chose to pull out one term from the list that may not be “understood” or focus on a situation that is not an expected reality: arthritis is not curable, and even osteoarthritis is degenerative in nature. It is not uncommon for a person to have cancer, become cancer free for 12, 15, even 20 years, and then develop cancer again. Cancer treatments are severe and leave their mark on the future health of a person. While medical technology is becoming better at treating cancer, it is unknown what long-term effects the new treatments will have on a person. With 80% of states allowing an “ever” look-back, it is disappointing that the PSC could not agree to a compromise on this standard.

Utah asked if the 80% figure actually indicated states that had an unlimited look back, or if it included states that had a reasonableness standard. Industry responded that they could not specifically answer since the data was based on states approving the application questions with an unlimited look back.

An industry commenter noted that policies usually have a two year contestability provision and it is infrequent that a company would learn of a condition from more than ten years ago if the insured had no claim during that two year period.

Oregon and the CAC spoke in support of maintaining the current standard.

Product Standards Committee
Public Call Summary
March 6, 2018

3. **Any Other Matters** – The Chair announced that comments received on the Public call would be considered and the PSC would finalize recommendations to present to the Management Committee on March 23rd in Milwaukee.