DATE: July 20, 2015

TO: IIPRC Product Standards Committee (PSC)

FROM: Industry Advisory Committee

SUBJECT: Group DI Standards Dated June 24, 2015 and July 8, 2015

Re: Enrollment Form/Statement of Insurability

§2. STATEMENT OF INSURABILITY FORM STANDARDS

Page 4, Item 5

The PSC wishes to delete the phrase “including any requirements for prior approval of a change or modification.” This phrase was included in the Group term Life standards, and our recollection is that this was included at a suggestion of a compacting state. All this phrase is saying is that the certification will certify that a company will administer the variability as filed, including an understanding that changes beyond what had been reserved for variability would require prior approval. While we don’t have a problem removing the phrase, we believe it reinforces the point that if one goes beyond the parameters in the Explanation of Variable material, that any changes will require prior approval.

§5. STATEMENT OF INSURABILITY SECTIONS

Page 8, PSC Comments Re: Limiting Questions to a 10 Year Look Back

The standard was developed to reflect the Group term Life standards since Group Life and Group DI is sometimes sold together. The proposed limit of the look back to 10 years will result in companies not being able to file and use a combination group life and group DI statement of insurability, and employees will have to complete two separate statements of insurability, one for group life and one for group DI. The obvious preference for employers, employees and the companies is to use a combination form.

We believe that the draft we submitted, as well as the group term life standards, are reasonable in that not all questions were “have you ever” – we limited this to those questions where one would know if “they ever”, such as ever having pleaded guilty to or been convicted of a felony or misdemeanor, drug and alcohol use, and diagnosis, advice or treatment for diseases or disorders, and immune deficiency. We did not cap the years for these questions on purpose – we did not want to pick an arbitrary number. While the 10 years may work for IDI where every applicant is fully underwritten, in group DI a statement of insurability will only be completed in certain situations, such as when an employee wants additional benefits, and the anti-selection risk is greater. It is interesting that the proposed change expects applicants to have total recall within the past 10 years, but they would not be able to have recall for the past 11 years? The past 12 years? What is the significance of 10 years? If an employee had received diagnosis, advice or treatment for an immune deficiency within the past 15 years, shouldn’t a company have the right to underwrite this risk?

For the reasons stated, we prefer that the group term life and group DI standards read the same.
Re: Initial Rate Filing Standards

Page 1, Definitions of “Noncancellable” and “Optionally Renewable”

Florida law specifies that under a noncancellable policy a group can be non-renewed for fraud, misrepresentation or failure to pay premium. We request that such language be added to the definition.

§2. ADDITIONAL SUBMISSION REQUIREMENTS

Page 3, Item B. (1)(e)(vii)

The PSC added the entire item – same as what we had included in the Rate Revision Filing Standards, with the exception of the addition of “premium taxes”.

Why was premium taxes broken out from expenses? Is this related so a specific regulatory issue in GDI rate filings?

Page 4, Item B. (1)(f)(i)

The PSC changed Optionally Renewable to 60%.

We note that an Optionally Renewable voluntary product will have enrollment expenses which are much higher than an employer-paid Conditionally Renewable product, and arguably should have a lower loss ratio standard. Maybe the PSC should consider allowing an adjustment for employer-paid coverage vs. voluntary coverage.

We also note that the following states currently allow 55%: NH, OH.

We also note that the following states allow 50%: AK, AL, AR, AZ, CA, DC, GA, HI, IA, ID, IL, IN, KS, LA, ME, MI, MO, MS, MT, NC, NE, NJ, NM, NV, OK, OR, PA, RI, SC, SD, TX, UT, VA, WI, WV, WY.

Faced with what is currently permitted, we believed that asking for 55% was reasonable.

Page 5, Item B. (1)(f)(ii)(III)

In our draft, we had changed the name of the CPI-U in the last sentence but not in the first – this should be corrected at this time.

Page 5, Item B. (1)(f)(iii)
The PSC changed 10% to 5% and state that this is what the states are currently allowing – we are still researching to determine if this is the case – we know that Florida allows 10% and we think OH may also.

Page 6, Item B. (1)(h)

For the durational loss ratio, the PSC is proposing 3 years for non-issue age rated and 20 years for issue age rated.

We believe that for issue age rated STD products, if the product is Optionally Renewable or Conditionally Renewable, that the durational loss ratio should be 3%. The duration of the plan is the rate guarantee period plus the maximum benefit period, and this is usually 3 years. It makes no sense to us to project experience beyond this point.

Re: Rate Filing Revision Standards

§2. ADDITIONAL SUBMISSION REQUIREMENTS

Some of the changes made are the same as for Initial Rate Filing Standards above, so same comments apply here – not repeated for brevity.

Page 4, B.(1)(j); Page 5, B.(1)(k)((ii)

The PSC is proposing the same interest rate as in the initial filing –we are still in the process of reviewing this issue.

Page 5, Drafting Note following Item (m)

The PSC is questioning why we deleted the Note. The Note was included in the IDI standards and the group DI companies did not believe that this was applicable or needed for GDI.
Industry Advisory Committee:

William Anderson, representing NAIFA
Hugh Barrett, Mass Mutual
Jason Berkowitz, IRI
Tanya Gonzales, Great West Life & Annuity
Angela Hanson, Northwestern Mutual Life
Miriam Krol, representing ACLI
Amanda Matthiesen, AHIP
Joseph Muratore, New York Life