

Agenda Item 2. Receive Public Comments on the Product Standard Committee Recommendations on the Remaining Items in the Draft of the IIPRC Office Report and Recommendations for the Uniform Standards Currently Subject to Five-Year Review (Phase 8 – Individual Disability Income Insurance). The Chair stated that prior to the call, the Insurance Compact received written comments from the Utah Insurance Department, Tom Kilcoyne with the Pennsylvania Department of Insurance, the Industry Advisory Committee (IAC) and the Consumer Advisory Committee (CAC). Tomasz Serbinowski of Utah summarized his comments suggesting clarification of § 2.B.(1)(f) of the Standards for Initial Rate Filings for Individual Disability Income (IDI) Insurance. There were no comments or questions.

Tom Kilcoyne with the Pennsylvania Department of Insurance summarized his comments related to the Incidental Benefit Provisions of the Standards for Individual Disability Income Insurance Policies as proposed in Appendix B of the call materials. He suggested establishing guidance for determining which of the incidental benefits included in the Group Disability Income Insurance (Group DI) uniform standards should be included within the IDI standards. Mr. Kilcoyne noted that his written comments included a proposed list of attributes of incidental benefits that are compatible with an IDI policy as well as a listing of the incidental benefits he did not believe met these attributes and therefore should not be included.

Miriam Krol, representing the ACLI noted that the IAC's written comments included a statement that the companies agreed not to include Activities of Daily Living Deficiency or Cognitive Impairment Benefit for Spouses of Covered Persons, Child(ren) Care Benefit, and Child(ren) Education Benefit as benefits for IDI, but they explained how Retirement Benefits and COBRA Premium Benefits would be relevant for IDI policies. Ms. Krol stated that the companies would have to review the other benefits on Mr. Kilcoyne's list since they were unaware previously that he questioned their applicability. The companies also noted that the written comments contained an error and they believe that Activities of Daily Living Deficiency or Cognitive Impairment Benefit for Insureds should be included with the list of IDI incidental benefits.

Ellen Owens of Ameritas stated that she believed the list of attributes was a good starting point and she thought the COBRA Premium Benefits and Retirement Benefits fit well within those attributes. She noted that disability income benefits are based on insured income not expenses, and many of the incidental benefits including COBRA Premium Benefits and Retirement Benefits provide added coverage for expenses that would not normally be incurred and/or included in the determination of disability benefits. There were no further comments or questions regarding Mr. Kilcoyne's comments.

Miriam Krol provided an overview of the IAC comments. Ellen Owens discussed instances where lump sum payments would be beneficial to consumers, particularly for catastrophic or long term conditions resulting in disability. Some policies provide the lump sum after a certain period of disability, such as a year. Others may allow immediate payment of a lump sum if the insured meets a certain benefit trigger, such as a terminal illness. The companies clarified that they were not trying to include the specific design for lump sum payment within the uniform standards since different companies may handle this in different ways, but the ability to allow a

lump sum would allow more consumer choice and decrease the cost of administration, resulting in lower premiums.

Ms. Krol asked if the PSC could confirm that the current proposed definition of *Elimination Period* would allow companies to vary the benefit *Elimination Periods* to provide for 0 through 60 days. Mary Mealer, Chair of the PSC stated that there can be different *Elimination Periods*, but if the *Benefit Period* is less than six months, the *Elimination Period* cannot be more than 45 days. Ms. Krol then asked if Ms. Mealer could confirm that the proposed language would allow maximum *Benefit Periods* of 6 months through 5 years. Ms. Mealer stated that there is no change to maximum *Benefit Periods* in the proposed language. The change is just to allow a minimum *Benefit Period* of three months instead of the current six month period.

David Bolton, Oregon commented that he was opposed to a shorter *Benefit Period* and that it should be titled short-term disability insurance and have different standards. It was noted that when the IDI Uniform Standards were developed, the decision was made not to have separate standards for short term and long term, rather include any differences within the one set of standards.

Ms. Krol stated that the IAC is withdrawing its comments regarding Substantive Change Item #3, Redefining Guaranteed Renewable and Noncancellable, as well as Substantive Change Item #13, Insurance With Other Companies.

In reference to Substantive Change Item #5, Partial/Residual Disability, she stated that the current draft does not allow for a requirement that one must be totally disabled before receiving *Partial Disability* benefits, but it does under *Residual Disability*. Companies would like that option for partial disability as well. The companies also had concerns with the proposed language stating “in no event shall the qualification period result in the postponement of payment of *Partial* or *Residual Disability* benefits for a time period in excess of six months from commencement of the insured being *Totally Disabled*,” noting that there are cases where insureds purchase policies with *Total Disability Elimination Periods* of up to a year to keep costs lower, and as written, the company would have to pay *Partial Disability* benefits before the insured even met the *Elimination Period* for *Total Disability*.

Under the definition of *Total Disability* in Substantive Change Item #7, the IAC stated that it wasn't their intent to make the definition more stringent than the definition in Group DI and they agree to delete the word “all” in connection with the inability to perform *Material and Substantial Duties*. The IAC also requested that the PSC reconsider and eliminate the initial 12-month “own occupation” requirement and allow instead “any occupation for which the insured is qualified by reason of education, training, and experience,” and also allow for other disability benefit triggers as in Group DI following a period of occupational disability.

Ms. Krol noted that their written comments contained feedback on Incidental Benefits that they previously addressed on this call. In reference to the look back period, the companies are now suggesting an unlimited look back period only for health issues of greatest concern to the companies, such as cancer, stroke, heart disease, chronic obstructive pulmonary disease,

AIDS/HIV and other conditions listed in their written comments. They noted that companies use detailed underwriting manuals from reinsurance companies that allow for consistent and concise underwriting, and according to these manuals, there are specific health issues that warrant an “ever” look back since they can lie dormant for years but are known to manifest into long-term disabilities. Fred Nepple of the Consumer Advisory Committee (CAC) noted that it has been his experience that consumers do not always recall even significant health conditions for an extended period of time and ten years seems adequate. Tomasz Serbinowski, Utah asked if the companies have specific data that verifies that people with certain health conditions that are untreated for a period of more than ten years are more of a risk than those without such conditions. The companies responded that they did not know and would research. There were no other questions or comments on the IAC’s comments.

Fred Nepple representing the CAC, summarized their comments. He stated that the CAC was still opposed to a three month benefit period and that it did not conform to requirements in NAIC Model #171. Mr. Nepple stated that if the PSC ultimately recommends a three month benefit period, the CAC suggests that they add a requirement in the application standards that a separate form must be included with the application that discloses the limited benefit and requires the applicant’s signature.

For Substantive item #6, the CAC suggested the phrase "for which the insured took or was prescribed drugs or medications" be revised to "for which a qualified health professional prescribed drugs or medication." The CAC also stated that they continue to support a ten year look back period on the application rather than an unlimited look back. There were no other questions or comments on the CAC’s comments.

The Chair asked if there were any other comments on the report from PSC members or interested parties. Kristi Bohn of Minnesota noted that she had sent some comments regarding the Incidental Benefit provisions in December before the Public call notice and would like them included as public comments. She also noted that there was a recent article regarding a new federal rule on disability income insurance that she would forward. The Compact staff stated that they would get both documents distributed and posted to the website.

There were no other comments or questions.

Agenda Item 3. Any Other Matters. The Chair noted that the PSC will consider all the comments received as they continue to finalize recommendations for the Management Committee. The goal is to submit these recommendations for the in person meeting in March.