

Agenda Item 2. Review 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) and finalize recommendations:

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

The Chair summarized the Industry Advisory Committee’s (IAC) repeated request to remove the initial 12-month “own occupation” requirement and allow an option for “any occupation for which the insured is qualified by reason of education, training, and experience” from day one.

The Committee did not note any new reasons for reconsideration and decided to leave the initial 12-month “own occupation” requirement unchanged.

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

The Chair summarized the IAC’s request for an unlimited look back period for certain medical conditions, also noting that no credible data or information was submitted to verify 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 comments presented by the IAC on the March 6th call did not provide any new information for consideration. The Committee does not wish to pursue changes to the look back period based on the comments received from the IAC.

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

Compact staff presented revised language addressing the IAC comments received during the March 6th Public call. 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 Insurance Compact presented the recommended language below addressing the IAC’s concern, noting that Insurance Compact actuary suggested adding a description of the mortality table to be used.

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

The Committee approved the recommended change to the lump sum language.

- **Substantive Item 14 - INCIDENTAL BENEFITS**

Insurance Compact staff summarized the request from the IAC to clarify subsection (a) and (b) to add the terms Disability and Elimination Periods as these terms are specifically defined in the *Standards for Disability Income Insurance Policies*.

- (a) The benefit is designed to address a specific financial need that arises as a consequence of the *Disability* that is not effectively addressed by the base *Disability* benefits otherwise payable under the policy;
- (b) The *Elimination Period* for the incidental benefit does not exceed the policy *Elimination Period* for the basic *Disability* benefit under the policy;

The Committee agreed to the suggested language outlined above.

Compact staff presented recommended language submitted by Tom Kilcoyne of Pennsylvania to address comments raised by the IAC on the March 6th Public Call, related to use of the terms “objective” and “substantive.” Compact staff also suggested the word “verifiable” instead of “relevant” to allow review of verifiable information through the actuarial review. The Committee agreed to the recommended language pertaining to rates:

- (d) The rates are based on ~~objective-verifiable data~~ or **and reasonable** assumptions such that a ~~substantive~~ **thorough** actuarial review is achievable;

The Compact staff presented two suggestions received from Pennsylvania and the IAC in response to Standard Life’s oral comments made during the March 6th Public call. On that call Standard Life explained that sometimes there are payments that may be lump sum, rather than for a specific duration, and having an option to describe the benefit in terms of length of benefit or amount would be helpful. Staff noted that the proposed provisions were similar; however the IAC proposal did not provide a monetary cap for the multiple of the monthly Disability benefit payable under the policy and the Pennsylvania proposal did. The Compact staff suggested that the language submitted by Pennsylvania would address the issue raised by the IAC and also establish limits to assure that the benefit is incidental in nature.

The Committee approved Pennsylvania’s recommended language as follows:

- (f) Any benefit other than a death or terminal illness benefit shall be payable either
 - (i) for no longer than 18 months, or for the length of the *Disability* benefit period under the policy if shorter; or
 - (ii) in amounts that in total do not exceed the equivalent of 6 monthly *Disability* benefits payable under the policy;

The Compact staff reviewed language suggested by Minnesota to limit incidental benefit actuarial value to no more than 25 percent of the actuarial value of the base *Disability* benefit. Staff suggested that the previously approved Pennsylvania language for (f) establishes limits to assure that the benefit is incidental. The Committee agreed that Pennsylvania’s recommended language limits the value of incidental benefit payments and there is no need to add subsection (h).

Product Standards Committee
Member Call Summary
March 13, 2018

Agenda Item 3 - Any other Matters. The Chair stated that recommendations for Phase 8 of the 5-Year Review were finalized. The recommendations will be presented to the Management Committee at the in-person meeting in Milwaukee on March 23rd and the proposed amendments will then be published for a 60 day comment period before the Management Committee and full Commission consider them for adoption.

The next PSC meeting will be scheduled in April, after the NAIC Spring Meeting.