

Agenda Item 2. Review and discuss the comments from the Industry Advisory Committee related to the proposed amendments to the Individual Disability Income Insurance Uniform Standards under Phase 8 of the Five-Year Review.

Vice Chair Roger Stefani, MN stated that the purpose of this call was for the Product Standards Committee (PSC) to review the comments that were received regarding the Individual Disability Income (IDI) Insurance Uniform Standards under the 5 Year review process and to work towards finalizing recommendations related to the comments. The recommendations would be exposed for a Public Call in July with the goal that during the in person meeting of the Management Committee and full Commission on August 3rd, the amendments to the IDI uniform standards can be considered for adoption.

a) Substantive Change Item #7 – Coverage for own Occupation under the definition of Total Disability in the STANDARDS FOR INDIVIDUAL DISABILITY INCOME INSURANCE POLICIES

The Compact staff summarized the Industry Advisory Committee (IAC) comments expressing disappointment that the PSC was not changing the definition of Total Disability to conform to the definition found in the Group Disability Income Insurance Uniform Standards. The Committee noted that no new information was provided that had not been extensively discussed on prior calls and no member wished to pursue a discussion of change from the prior recommendation.

b) Substantive Change Item #15 - Look Back Period for Underwriting Questions in §4. Additional Standards for Underwriting Questions of the INDIVIDUAL DISABILITY INCOME INSURANCE APPLICATION STANDARDS

Following the Compact office summary of the IAC comments again expressing disappointment that the Committee was not going to change the look back period for certain medical conditions to an unlimited time and noting that the majority of states allow the unlimited look back, the PSC determined that they would make no change to their prior recommendation. The IAC had not presented new information or data to support the arguments that they made when both IDI and GDI Uniform Standards were drafted. The PSC had previously requested documented evidence that people who experienced the health conditions identified in the IAC list who are untreated for a period of more than ten years prior to application are more of a risk than those without such conditions, but the IAC was unable to provide such data. A change to the existing standards would result in taking away what could be considered an existing consumer protection. For these reasons, the PSC again concluded that they were not recommending further change.

c) Substantive Change Item # 9 - Adding a Return of Premium Benefit provision to §3.D. Optional Provisions of the STANDARDS FOR INDIVIDUAL DISABILITY INCOME INSURANCE POLICIES

Insurance Compact staff summarized the IAC comment to reopen their request for an optional Return of Premium provision and the responses to the questions previously asked by the PSC. Karen Schutter noted that since the PSC had made their recommendations for amendments to the IDI standards, the Compact has heard from two companies with state-approved products that include Return of Premium. She noted

that Texas has a regulation allowing such an optional provision with certain parameters not included in the draft submitted by the IAC.

A representative from the Texas Department of Insurance noted that they were not specifically asking to include this provision; rather that they had noted in a comparison of their laws and regulations with the IDI standards that this was a difference. This Texas regulation is on the list of rules the Department is considering for updating. Minnesota noted that contrary to the information listed in the IAC comment letter, they do not prohibit Return of Premium, rather they have requirements for such provisions. New Hampshire noted that they recently adopted amendments to their rules that include a Return of Premium provision and stated they would send a copy to Compact staff.

Pennsylvania observed that it would be important to include nonforfeiture requirements but the IAC proposal did not include them, so he questioned whether Industry would have an interest in a standard including such requirements. Colorado stated that he believes the return of premium optional provision to the standards should be explored with appropriate requirements to protect consumers. Utah questioned the motivation for including such a provision if it was only available after a ten year term, noting that if the policy lapsed after 5 years, the consumer would receive nothing even though he may have paid 100% of the premium to add this benefit. He noted that if the motivation is to promote purchasing insurance and appropriate safe guards could be developed, he could support the concept.

Following discussion, the PSC agreed that a subgroup including representatives from TX, MN, CO, NH, UT and PA would work with the Compact staff to develop a draft for the full Committee's consideration on the next call.

d) PERMISSIBLE LIMITATIONS/EXCLUSIONS - (18) Specified Conditions

The Compact staff summarized the comments received during the Management Committee's June 4th Public Hearing asking for clarification of (18) (b) of the Permissible Limitations or Exclusions subsection. During the hearing, an Industry representative asked for clarification of (b), noting that sometimes the conditions listed in (b) may be ones for which the company may decline coverage during underwriting, or specifically exclude if it was a preexisting condition. Compact staff noted that the intent of the Specified Conditions limitation was to identify specific conditions for which the insurer could limit coverage to 12 months or the maximum *Benefit Period*, whichever is less. The conditions listed in (b) are ones that cannot be limited. This is an optional policy provision and does not limit underwriting prior to issuance of the policy.

Compact staff suggested revising the beginning of (b) for clarity to say "The specified conditions shall not include the following." Pennsylvania suggested "The specified conditions shall not include any of the following," and the PSC agreed.

Agenda Item 3 – Discuss the request from the Texas DOI to require demonstration through variability that mental health and substance abuse limitations/exclusions are subject to state law in the state where the policy is delivered or issued for delivery.

Karen Schutter noted that the Texas DOI asked the Compact if the amendment to certain limitations and exclusions in Section 3(F) is changed to follow state law, would it be possible for the Insurance Compact

Office to require that filers show compliance through variability and ensure it follows the state-reported information on the chart that will be maintained by the Compact. She suggested that the Insurance Compact Office could provide filing guidance directing companies to demonstrate compliance with this provision through the use of variability and also that the PSC recommend some minor changes to the Variability of Information provision, including replacing the term “may” with “shall” in the new sentence in Section 1(C)(1) of the Standards for Individual Disability Income Insurance Policies. The Compact office suggested the following highlighted changes:

C. VARIABILITY OF INFORMATION

(1) The company may identify items that will be considered variable. The items shall be bracketed or otherwise marked to denote variability. Variability shall be limited to benefit data applicable to the owner or insured, *Disability* benefits, amounts, durations, and premium information. Variability ~~may~~ shall also include the limitations and exclusions that are required to comply with applicable law in the state where the policy is delivered or issued for delivery under Section 3.F. (3), (11) and (12). The filing shall include a Statement of Variability that will discuss the conditions under which each variable item may change as well as the alternative content to which the item may change.

Texas indicated they were satisfied with this approach and the PSC agreed to the recommendation.

Agenda Item 4 - Any other Matters. Compact staff stated that she would work with the subgroup to prepare a draft for the Return of Premium provision. The Vice Chair noted that the next member call would be in two weeks on June 26th.