

**DATE:** July 13, 2018

**TO:** Products Standards Committee (“PSC”)

**FROM:** Industry Advisory Committee

**SUBJECT:** IIPRC 5 Year Review For Phase 8: Individual Disability Income  
Response to Proposed Amendments to the Uniform Standards Listed Under Phase 8 of the 5 Year Review, Noticed June 28, 2018

### **Substantive Change Items**

**#7: Definition of Total Disability, Previous Report Pages 27-30**

**#15: Application Questions Lookback Periods, Previous Report Pages 45-52**

The PSC’s summary of the Industry’s (IAC) previously-shared concerns regarding the above-referenced issues seemingly understates information provided by the IAC; supporting the need for a change in the IDI product designs. The summary appears to set aside validity of previously-shared arguments, by simply stating that the IAC “provided no new information beyond what was extensively discussed on prior calls.”

The PSC’s disinclination to vary from the current standards for these two issues was expressed as concern for “consumer protection”. However, the IAC emphasizes that it is in the consumers’ best interest to provide a product they need, and at a price they can afford.

The IAC’s previous arguments note the vast majority of the states currently approve individual disability income products, reflecting the options the IAC was requesting the PSC to recommend for adoption. The IAC was informed this was important information as the IIPRC did not desire to be more restrictive than the majority of states. In fact, all but three states allow an “any occupation” definition of disability, and all but ten states do not limit the look-back years for health questions on the application (both statistics include non-compacting states).

Industry reemphasizes its concern to the PSC in its efforts to “rectify” this concern by invoking ***“states without a specific law or regulation (regarding the definition of disability and the look back period) should adopt the Compact’s standard as their policy.”*** Industry was asked to provide state-specific approval data to support the position that most states today allow the “ever had” application questions. However, the PSC’s responsive summary seemingly disregards the state data requested, and, rather supports states to adopt the more restrictive IIPRC standards.

The IAC is concerned of the effect and impact on industry’s direct state filing alternative, as opposed to potentially more restrictive IIPRC standards. The IAC feels it is important to note that with the development of the “mix and match” alternatives, (which have existed since the beginning of the IIPRC), a strategy was to include the type of standards that would eliminate a company’s need to file with the states. A recommendation by the PSC to change majority legal and/or regulatory standards to minority legal and/or regulatory standards, as currently reflected

in the proposed standards for these two requested substantive changes, appears to go against the purpose and history of the IIPRC.

Further, the IAC does not understand the necessity for “new information” to support its argument:

Industry requested the ability to offer an “Any Occupation” definition of disability, from day one, within our individual disability products. The IAC advocates for affordable options to a clear majority of working people in this country; people who, otherwise, go without any disability insurance. Looking to the near future, to meet consumer habits of younger generations, industry will seek to offer some type of minimally underwritten product, likely available over the internet. Therefore, for this segment of the population, higher-end products wouldn’t work, especially given the inherent risk of disability insurance. This leads the IAC to question what further or additional information is necessary?

As for the lookback periods on the application questions, the IAC expressed serious concern with the 10-year limitation recommendation. In response to the PSC’s initial comments that IDI does not present as much risk as Individual Life insurance (which has the “ever had” lookback questions), industry demonstrated the great amount at risk for disability products. In response to the PSC’s concern that consumers couldn’t remember health events past 10 years, the IAC offered a compromise that included only significant health events, including a scale to list back. The IAC explained the necessity of look back periods to the use of underwriting manuals provided by reinsurers, which are based on data collected over many years of experience, as well as medical documentation. There was no time for the IAC to provide the specifics of such data.

### ***Return Of Premium Benefit***

We would be willing to work with the PSC to develop this standard in the near future.

### ***Submitted by the Industry Advisory Committee:***

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