

Product Standards Committee  
Member Call Summary  
May 26, 2020

## **Agenda Item 2. Consider Comments to Uniform Standards in Rulemaking Process**

Review comments from ACLI and proposed changes to the amendments to the *Additional Standards for Qualifying Events for Waiver of Monthly Deductions Benefits* and *Additional Standards for Qualifying Events for Waiver of Premium Benefits* and for the new *Additional Standards for Waiver of Surrender Charge Benefit for Life Insurance*

The PSC reviewed the ACLI comments and Compact Office suggestions on the Waiver of Premium Benefits. Compact staff noted that ACLI had commented in several areas that the draft was confusing in terms of which provisions were for total disability and which for other qualifying events. The Compact Office noted that it was not the intent to change the existing standards for total disability triggers, and suggested revising the draft to separate total disability from other qualifying events. To that end, the PSC agreed to add clarifying language and a sentence to the Scope stating the form is not required to provide waiver for both total disability and qualifying events.

**Scope:** These standards apply to waiver of premium benefits that are built into individual life insurance policy forms or added to such policy forms by rider, endorsement or amendment. The waiver is for premiums due under an individual life insurance policy in the event that the insured **becomes totally disabled and/or experiences any allowable qualifying event under the terms of the form. The waiver can include waiver benefits for one or more benefit triggers and is not required to provide waiver for both total disability and all qualifying events.**

The PSC also agreed to the suggestions to edit the draft to identify areas where provisions apply only to total disability or only to other qualifying event triggers.

ACLI suggested adding two provision from the Variability of Information Section found in the Uniform Standards for life insurance policies. Compact staff noted that these standards are in addition to requirements for the core life insurance policy standards, so there was no need to add those provisions. The PSC agreed to add the sentence clarifying that the provisions in the policy uniform standards still apply, consistent with language found in other additional standards.

**In addition to the applicable policy Uniform Standards, the following provisions, as applicable apply:**

Under §1. Additional Submission Requirements B. (2) (c), ACLI pointed out the number of qualifying events (3) is different than the number of qualifying events (2) in the Additional Standards for Accelerated Benefits and could be confusing since these are both life benefit features. The PSC decided to change the number of qualifying events to two.

(c) Number of “activities of daily living” (no more than ~~three~~ **two**).

ACLI questioned the prohibition against 0 entries in §1. Additional Submission Requirements B. (3). They stated that a zero entry is overly broad with respect to this benefit with an example that an elimination period could range from 0 to 90 days with 0 days being beneficial to the policyholder. The Compact staff noted that the meaning and purpose of this provision is the waiver benefit the policyholder is paying for. If \$0 premium is being waived, this is not considered a meaningful benefit. Based on this information, the PSC decided not to make a change in response to this comment.

Under §3 A.(2)(f) definition of cognitive impairment, ACLI commented that the definition of “cognitive impairment” should be the same as the definition of “cognitive impairment” in the Additional Standards for Accelerated Benefits as these benefit riders are often sold together and different definitions could be confusing. A PSC member asked if the definition was the same as in the long-term care uniform standards. Another PSC member observed that cognitive impairment was not defined in the Internal Revenue Code. The federal definition used the term “chronic illness”. The PSC will continue the discussion of the definition of cognitive impairment on the 6/9 call.

The PSC also agreed to several technical edits and reformatting suggestions made by Compact staff in order to clarify the proposed changes.

In reference to §3 B. (1) and (2), ACLI questioned how claims would be handled when there were different eligibility requirements depending on whether there was a cost for the rider or not. Compact staff noted that the provision references what would or would not be included in the forms depending on whether there is an identifiable charge and is not related to claim handling requirements. The PSC determined that no change was needed.

ACLI questioned the use of the term imminent death in §3 B. (8), noting that the definition of “qualifying events” references limited life expectancy. The PSC agreed to change it to limited life expectancy.

- (78) A waiver benefit for ~~imminent death~~ **limited life expectancy** shall not require that the condition causing the limited life expectancy be diagnosed after the waiver benefit issue date.

The members discussed whether the two exclusions in §3. C.(1)(b) and (c) should apply to qualifying events as well as total disability. The PSC asked for more time to review and these will be discussed on the 6/9 call. The members will also discuss whether to include both qualifying events and total disability for the exclusions found under §3 C (2).

The PSC reviewed the frequency of requests for proof of disability found in §3. D. (1) (b)(i). and whether there should be similar requirements for qualifying events. PSC members were asked to review state requirements and be prepared to discuss on the 6/9 call.

Under §3. E. Incontestability, ACLI questioned why the language indicating that the two-year incontestability period “excluding any period when the insured is totally disabled” was changed to “receiving waiver benefits.” Compact staff noted that a review of the provision as well as waiver

of premium riders confirms that the change was unintentional and did change the meaning of the provision. The PSC will discuss further on the 6/9 call.

Compact staff indicated that they would follow up with a list of items for members to review in preparation for the next member call.

### **Agenda Item 3. Assignment from the *Insurance Compact Compass Strategic Plan* – Background Information**

#### **Priority I: Uniform Standards States Support and Companies Willingly Use**

Action Item 2: Provide wider and easy-to-follow public notice and detailed information with respect to Uniform Standards development for members, interested parties and constituents/stakeholders.

The Compact Office gave a presentation on the current process to provide notice of Uniform Standards development. The current process is informal and is done through issuance of a notice of potential rulemaking or issuance of a discussion draft. Public hearings are scheduled throughout the process. The PSC chair led a discussion regarding wider distribution of notices, easier to follow public notices and more detailed information. This led to a discussion of the Insurance Compact website. Members were asked to provide suggestions for making notices easier to find, and the Chair noted that the next step will be to solicit comments on the action item with a goal to review comments, develop recommendations and make a recommendation to the Management Committee at the August meeting.

### **Agenda Item 4. Any Other Matters**

Compact office staff reminded PSC members to respond to the survey about the Insurance Compact website. There will also be a focus group for regulators to review the website. The chair asked PSC members to review the outstanding items for the pending standard and to be prepared to discuss on the next call which is scheduled for June 9, 2020.