

Agenda Item 2. Received overview of referral items from the Product Standards Committee regarding the *IIPRC Office Report and Recommendations for the Uniform Standards Currently Subject to Five-Year Review (Phase 8 – Individual Disability Income Insurance)*. Jeanne Daharsh, actuary for the Insurance Compact, provided the Actuarial Working Group (AWG) with an overview of the three clarification items and one substantive item that the Product Standards Committee (PSC) referred to the AWG.

Agenda Item 3. Discuss Substantive Item # 16 - *Minimum Loss Ratio - Standards for Initial Rate Filings for Individual Disability Income Insurance.*

Ms. Daharsh explained that an industry representative requested that the Insurance Compact adopt minimum loss ratios (MLR) which mirror the MLR for Loss of Income insurance in the NAIC Guidelines for Filing of Rates for Individual Health Insurance Forms (Guideline 134). She noted that Guideline 134 also includes a MLR for Optionally Renewable, and the current standards do not allow for optionally renewable. In addition, she indicated the guideline allows for possible adjustments to the MLR's for both Low Average Premium Forms and High Average Premium Forms and the current standards only include adjustment for Low Average Premium.

Following discussion, the working group concluded that they were not comfortable with adding Optionally Renewable since there are no nonforfeiture requirements for an individual disability income insurance policy with Issue Age rates. They noted that the policyholder of an Issue Age rated disability income policies pays more than the cost for coverage in the early years so he/she should be entitled to some nonforfeiture benefits if the company does not renew the coverage. The members concluded that they had no actuarial concerns with adjusting the Guaranteed Renewable and Noncancellable MLRs to reflect the MLRs listed in the NAIC Guideline 134 for Loss of Income insurance. They also had no actuarial concerns with including a provision in the Uniform Standard to allow for possible adjustments to the MLR's for High Average Premium, consistent with the approach in the Model Guideline.

Agenda Item 4. Discuss Clarification Item #8 - *Discounts for Multi-Life Plans.*

The AWG discussed the sentence in the standards stating that “In addition, the company shall submit adequate experience data to support the use of the same Minimum Loss Ratio (MLR) requirement for multi-life plans utilizing a discount as for those where a discount is not applicable.” Most members agreed that the reference should be to the Anticipated Loss Ratio (ALR) rather than the MLR. There were questions about what the term “expense savings” meant in the last sentence of this provision that states “Such experience data should indicate that any expense savings occurring as a result of the discount are accompanied by a commensurate reduction in expected claims costs for multi-life plans where the discounts are applied.” The Compact staff explained that they have interpreted “expense savings” to refer to the savings to the policy owner; i.e. the premium discount. In addition, Compact staff indicated that the standard requires that any premium discounts or variations in premiums be based on actual or anticipated loss experience. Compact staff also pointed out a conforming amendment to revise the iDI standard to allow for variances in premiums to be based on anticipated loss experience or

expenses as allowed in the GDI standard. The members concluded that they had no actuarial concerns with the proposed revision.

Agenda Item 5. Discuss Clarification Item #9 - *Minimum Loss Ratio for Multi-Life Discount Levels.*

The Chair noted that the Compact actuaries suggested that 1(g) of the Actuarial Submission requirements be amended to clarify that, when applicable, the description of the determination of the adjusted MLR be included. The Industry Advisory Committee submitted comments saying that they believe this change is inconsistent with the change proposed in Clarification item #8. Ms. Daharsh explained that multi-life discounts that the Compact has seen are more related to worksite marketed products, not partnership coverage or insured with spouse coverage. She also explained that the adjusted MLR might be different by discount level if a company is adjusting the MLR due to the average annual premium being less than \$2,500. Ms. Daharsh clarified that she asks companies to provide additional documentation in the filing to include a comparison of the ALR to the adjusted MLR separately for each available multi-level discount. The Chair noted that discussion will continue on the next call.

Agenda Item 6. Any Other Matters.

The Chair stated that the Compact staff will schedule another call after the Fall NAIC Meeting to finalize discussion of the referral items including Clarification Item #10. The Compact staff asked that if anyone had suggested revisions for the items under discussion, that they send them to [Jeanne Daharsh](#) or [Anne Marie Narcini](#) for inclusion with the materials for the next call.