

Agenda Item 2. Review proposed revisions to the Uniform Standard provision for Substantive Item 2 – Minimum Benefit Period of the draft *IIPRC Office Report and Recommendations for the Uniform Standards Currently Subject to Five-Year Review (Phase 8 – Individual Disability Income Insurance)*.

The Insurance Compact staff provided an overview of the suggested revisions to the Uniform Standards to allow a 3 month minimum benefit period that includes disclosure requirements and elimination periods that are shorter than for greater benefit periods. The Compact staff also noted that the Industry Advisory Committee (IAC) was also seeking the ability to provide lump sum payment of benefits. The Product Standards Committee (PSC) determined that it was not going to recommend lump sum benefits since the proposal from the IAC did not address timeliness of such payments, what benefit periods would include lump sum payments and how it is determined. The PSC did, however, agree to expose the revisions drafted by the Compact staff to allow for the option of a 3 month benefit period as long as there was notification on the Cover Page and the elimination period was no longer than 45 days. The PSC agreed to the following revisions:

§ 2. GENERAL FORM REQUIREMENTS

A. COVER PAGE

- (7) A brief description shall appear in prominent print on the cover page of the policy or is visible without opening the policy. The brief description shall contain at least the following information:
- (a) A statement that disability income coverage is being provided;
 - (b) A statement as to whether the policy is *Conditionally Renewable*, *Guaranteed Renewable*, or *Noncancellable*;
 - (c) A conspicuous statement as follows: *Preexisting Condition* limitations or exclusions and other limitations or exclusions may apply. Please read your policy carefully;
 - (d) For a policy with a *Benefit Period* of less than six months, a conspicuous statement indicating that the policy provides a limited duration of benefits and specify the duration.
 - (~~e~~) A statement as to any benefit limits or reductions due to the attainment of certain ages; and
 - (~~ef~~) A statement as to whether the policy is *Participating* or *Non-Participating*.

§3.B. DEFINITIONS AND CONCEPTS

(2) “*Benefit Period*” means, subject to satisfaction of all policy terms and conditions by the insured, the length of time for which a *Disabled* insured can be paid periodic (usually monthly) income benefit amounts under the policy. A policy shall provide for at least ~~six~~ three consecutive months of periodic income benefits, subject to the requirements of § 2.A.(7).

(10) “*Elimination Period*” means, subject to satisfaction of all policy terms and conditions by the insured, the length of time an insured shall wait before periodic income benefit amounts are paid under the policy. Periodic income benefit amounts may or may not accrue during the *Elimination Period* at the option of the company. The length of time required to satisfy the *Elimination Period* may, but need not consist of, consecutive units of time. The trigger for the start of the *Elimination Period* shall be commencement of *Disability* for the insured as defined in the policy. The definition or concept may specify a separate *Elimination Period* for *Injury* and a separate *Elimination Period* for *Sickness*. In policies issued with *Benefit Periods* of less than six months, the application of an *Elimination Period* alone or in conjunction with a qualification period (see definition of *Residual Disability*) cannot result in the postponement of payment of periodic income benefit amounts to a *Disabled* insured in excess of 45 days from the commencement of a *Disability*. In policies issued with *Benefit Periods* of six months to one year ~~or less~~, the application of an *Elimination Period* alone or in conjunction with a qualification period (see definition of *Residual Disability*) cannot result in the postponement of payment of periodic income benefit amounts to a *Disabled* insured in excess of 90 days from the commencement of a *Disability*.

Agenda Item 3. Review proposed revisions to the Uniform Standard provision for Substantive Item #11 – Limitation for Disability Benefits Outside of the United States. The PSC reviewed the suggested changes proposed by the Pennsylvania Department of Insurance and agreed that the revisions listed below provided clarity as well as reasonable standards for the limitation.

DISABLED INSURED RESIDING OUTSIDE THE UNITED STATES, TERRITORIES OR POSSESSIONS OF THE UNITED STATES OR CANADA, AS APPLICABLE (the "Specified Area")

~~If While~~ a *Disabled* insured is ~~determined to be~~ residing outside the Specified Area, benefits for such *Disability* may be limited to a period of time not less than 12 months; and subsequently suspended ~~or excluded~~. The limitation; and suspension ~~or exclusion~~ may apply whether or not the *Disability* began while the insured was residing outside the specified area. ~~For a suspension~~ If benefits have been

suspended, the policy shall state that upon return to the specified area, a *Disabled* insured may ~~re-apply~~ resubmit a notice of claim for benefits under the policy.

Agenda Item 4. Discuss outstanding Substantive Items in the draft *IIPRC Office Report and Recommendations for the Uniform Standards Currently Subject to Five-Year Review (Phase 8 – Individual Disability Income Insurance)*.

- **Substantive Item #3 - Redefining Guaranteed Renewable and Noncancellable.** The PSC discussed the IAC request to allow any end date specified by the company to be the end date for noncancellable or guaranteed renewable policies. Noting that consumers, whether young or old, would want disability coverage for their productive work life and that such a change would nullify the meaning of these terms, the PSC determined that such a change is beyond the discussion for a Five Year Review, and was a major policy decision requiring substantial public debate. The PSC concluded that allowing flexibility for coverage should not be achieved by whittling away at any value to the policy and potentially creating a product that terminates only to be rewritten at a higher rate. There was no support for recommending this change.
- **Substantive Item #4 - Disability Benefits When Unemployed or Retired.** The PSC concluded that the IAC did not justify the need for adding the definitions listed in this item as well as including information related to being unemployed or disabled. It was noted that it is not clear that the current definitions within these standards would prohibit a definition of “occupation” from including activities when an insured is unemployed or retired, and no identification of how circumstances or underlying assumptions had change to require this revision had been presented by the IAC. There was no support for recommending this change.
- **Substantive Item #7 - Definition of Total Disability.** The PSC noted that there was no clear indication of a need to conform GDI and IDI definitions in this instance, and doing so would take away a consumer benefit that is currently in the IDI standards. They also noted that the IAC wanted to further amend the IDI standards to be even more restrictive than the GDI definition. The PSC agreed with the comments from the Consumer Advisory Committee and is not recommending this proposed change.
- **Substantive Item #14 – Incidental Benefits.** The Committee discussed whether there was a need to expand the incidental benefits contained in the IDI standards and agreed that in this case, there was no reason for IDI and GDI to be different. The Committee agreed to review the proposed preamble as well as the list of incidental benefits contained in the GDI Uniform Standards as well as the four new benefits proposed by the IAC and be prepared to discuss further on the next member call.
- **Substantive Item #15 - Look Back Period for Underwriting Questions.** The Committee discussed the request for an unlimited look back period for certain application questions, similar to those on life applications. They noted that the IAC has presented no new information or data to support the arguments that they made when both IDI and GDI

Uniform Standards were drafted and as a result the Committee was disinclined to consider the same debate under the Five-Year Review. The Chair requested that members look at what they are doing on applications filed with their respective states.

Agenda Item 5. Any Other Matters. The Chair reminded members that the PSC will hold a public call on November 28th to kick off planned calls to solicit feedback on the types of benefits that are being filed with the states for life and annuity products because the Compact does not have standards, as well as the types of innovation planned for the future or consumer demands for products related to life insurance policies and annuity contracts where regulatory change and/or new uniform standards may be needed. She stated that the next member call would be December 12th.