Anne Marie,

Thank you for the opportunity for Oregon to comment on the initial draft of Additional Standards for Incidental and Ancillary Benefit Features. (Agenda Item 2)

Statutes Defining what is “Insurance”:

ORS 731.102 defines Insurance as a contract whereby one undertakes to indemnify another or pay a specified or ascertainable amount of benefit upon determinable risk contingencies.

ORS 731.170 defines what is life insurance and ORS 731.156 defines what is variable life insurance.

We regulate insurance products and the question is why we need product standards for other services that are not insurance, and often not much of a benefit. Other services can be offered with the insurance contract but most of the time the requested provisions should not be part of the entire contract as defined in our statute (ORS 743.174) and the other IIPRC product standards.

Statutes and Rules on Required Disclosures in the Insurance Contract:

What we have required is the insurance company can not choose a vendor for the “additional benefits” and then include a disclosure in the insurance contract that they are not responsible for the vendor. If the industry want these Incidental and/or Ancillary benefits included in the insurance contract then they are responsible for the content and the service of the vendor chosen.

The product standards should also require disclosure in the insurance contract on how specific individual health information will be protected as required by state and federal regulations. The consumer should have disclosure and the insurance contract and the product standards should provide enough details of the new contract provision and wellness benefit. The consumer should be able to understand if the sending of personal health information from their provided fit bit or apps from their phone straight to the cloud in real-time, is really a benefit. The life insurance company should disclose if they are being compensated for obtaining the personal information from their customers.
Statutes and Rules on Life Insurance Rates:

ORS 743.018 requires that changes to life insurance rates and any changes based on new provisions to the insurance contract be filed for approval.

Section 1B needs guidance on what happens when a benefit appears as an enhancement for the consumer (which most of them start out) and how the IIPRC will process the dis-enhancement of new rate increases based on not meeting the contract requirements of the new incidental and/or ancillary benefit. The consumer has already proven insurability for issue and this appears to be post-issue underwriting that never ends. This is on top of any additional charges or fees for the new “benefit”.

Statutes and Rules on Incontestability of the Life Contract and Post-Issue Underwriting:

ORS 743.168 requires that a life insurance contract be incontestable after two years from issue. The only listed exclusion is non-payment of premium. Will the new health information required by the “benefit” be used to determine new product features and rates after the two year period. Will the new information obtained from the “benefit” be used to rescind the policy for fraud in violation of this statute.

Recommendation:

Our recommendation is that the new rather vague (catch all) product standards are not needed. The life insurance company can inform their customers of any non-insurance products that maybe of value. For example, a prescription benefit card should state that this is not insurance. The regulators will not have to answer questions and complaints, since this not technically insurance. Any specific “insurance” features can have their own specific product standards drafted such as “product standards for wellness benefits”. At that time, the state regulators can have very specific conversations about required language and if rate increases and any other allowable reductions to the insurance contract provisions meet the definition of the title “benefit”. ORS 743.198 requires a correct title for life insurance products.

We would have been happy to offer these comments prior but as you are aware, our state is no longer on the IIPRC product standards committee which we were an active participant prior to our state joining the insurance compact.

Agenda 3.

Thank you for the opportunity to comment on the changes under the five year review for the Individual Disability Product Standards:

Since this is not the first five year product standard review of the individual disability product standards, we are surprised and concerned about receiving more than a hundred pages of requested changes. When working on the initial group disability product standards we stated our concern...
about lowering consumer protections might result in industry wanting uniformity with the group product standards. The reason stated for the lower product standard requirements was that the employer maybe paying part or all of the employees benefit. This usually is not the case for individual disability premiums which are paid by the individual.

To simplify our concerns, the regulators did a good job on the original individual disability product standards that prevented much of the lowering of consumer protections included in this most recent document.

Disability insurance protects your income while you are working and prevents bankruptcy if the worst happens. If other states approved forms that reduce benefits, mix and match should not be used to reduce consumer protection standards below the compact national designed product standards on Page two of this document. If a state form stated that if Social Security did not approve your disability claim then your individual disability insurance claim was also not approved, this is not a proper use of mix and match. There were many other stated concerns on why disability and long term care should be approved as a suite of products and mix and match not be allowed.

Concerns with requested changes to current adopted individual disability product standards:

- Providing a 3 month benefit or not paying benefits to individuals over the age of 50 (are people no longer working over the age of 50?)-

- Changing the definition of non-cancellable and guarantee renewable so we can have the same problems we had in the Long Term Care contracts-

- Altering the definition of the same “occupation” you have worked at for decades to any “job” the claim adjuster thinks you can do in the national economy-

- Forcing you to accept early retirement benefits when you planned on working until age 65-

- More restrictive pre-existing conditions which will result in more recessions-

- Physician should be clearly defined as referring to your physician and other specialist as opposed the insurance companies physician and IME physician-

- Changes to “total disability” and “residual disability” from the original product standards that the regulators all agreed upon-

- Limiting benefits outside of the US and Canada (disability only happens in these countries? Or could this impact disability due to Terrorism)-

- Ten year limit is required under OAR 836-050-0245-

- Too many others to list in detail on such short notice-
-How could these above numerous types of reductions in required product standards not reduce down the Minimum Loss Ratios (MLR) that have been in place for years-

**Recommendation:**

*Our recommendation would be that the individual disability product should not be reduced to create uniformity with the group disability standards. Conversely, since most employees are paying for group disability premiums without any help from their employer, the group disability product standards under the next five year review process should be raised to be uniform with the compact individual disability product standards that currently exist.*

Regards, David. Oregon