I would like to thank the regulators from other states that sent me the most recent response to my comments from the Industry Advisory Committee. Since we were removed from the PSC calls, it is nice to keep in touch with the latest responses to my comments on the five year review of the adopted product standards that I helped to draft.

Industry is correct, that I have stated from the first meeting of the PSC dealing with drafting Individual Disability Product Standards that “separate product standards should be developed to cover limited benefits and durations.” I have witnesses to my original comments that the way the Scope section was drafted could lead to allowing very limited duration plans with combinations of critical illness designs. Most doubted that would ever happen, and here we are dealing with this in the 2nd five year review.

Comment #2 response from the IAC:

First, it appears that the IAC did not disagree with my Comment #1 that Individual Disability Plans are not the same as Group Disability Plans. I would like to thank the industry persons involved in drafting such a quality individual disability product that I purchased decades ago, that I have never had to use. (my group disability plan could also help prevent me from bankruptcy)

I agree with the IAC response “that it is ideal for consumers to have a robust product” since protecting your future income over decades of your work is the most important insurance coverage you will ever purchase. Don’t we want to protect the excellent reputation of our industry from limited benefit plans. What about protecting the other insurance companies that do not want to offer the most limited disability plan.

When the consumer buys a limited benefit plan allowed by the IIPRC disability product standards, the consumer will most likely find out about the limited benefits at claim time. Since they will be uninsurable at that point for additional coverage, buying a six month benefit period is a mistake that they can not correct and could cause the states extra expense when the state assumes the cost for the purchase of the limited benefit plan. Delaying that for six months or a few years will not change possible decades of government expense and health insurance benefits until age 65.

Comment #5 response from the IAC:

Thanks again to the IAC, that it does not appear that you had any points to make about my stated concerns on recommended changes to the product standards in my comments numbered 3-5. This was a smaller part of my written concerns about the changes to the IIPRC individual disability standards dated July 7, 2017 which I never saw any written response.

If “it is common filing issue that a state confuses the “trigger” with the “benefit” for ADL benefits.”
Count me among the confused regulators, since it appears to me that in order to receive benefits you would have to meet the “trigger” or another “trigger for benefits” would be meeting the definition of disability of one or more activity of daily living restrictions from our LTC product standards.

ORS 743.652 (5) “Long Term Care insurance” uses ADL’s as it’s primary trigger for benefits. “This does not include any insurance policy that is offered primarily to provide disability income or related asset protection coverage, catastrophic coverage, accident only coverage, specified disease or specified accident coverage or limited benefit health coverage.”

The question for regulators is, the inability to perform one or more ADL’s, a disability a enhancement or a limitation. For example, providing additional benefits for the 15 to 20% of the most severity disabled would be an enhancement to the person who has already meet the definition of disability under the contract and has increased expenses due to the severity of the disability.

A dis-enhancement or limitation would be changing the trigger or definition of disability to one of more ADL’s after the required one year own occupation definition. “most persons would agree that the inability to perform one or more ADL is a disability at it’s core”. Yes, for a much smaller percentage of the total disabled population, which would appear to cut off the disability claims of the rest that qualified under the trigger for one year. A one year disability benefit for a long term need, meets the definition of a limited benefit plan. Certainly you could offer such a limited benefit for a cheaper premium. (the rate approval issue would be how much cheaper, the form issue would appear not be allowed)

Comment #6 response from the IAC:

The IAC is correct that “there are a fair number of claims that begin as total disability”. My concern was there is a fair amount that do not and start a partial disability. Removing this long-time benefit would be a reduction in benefits. This would also force some to go out on disability instead of working part of the time. This could also increase the amount of disability benefits since this change could make it harder to qualify for disability benefits if you could work at all. Studies have shown that working as much as possible reduces the amount of time on disability.

“David’s comments make more sense when discussing Short Term Disability.” Which leads us back to the stated problem of STD and other limited benefit plans currently being a part of the “Core” individual disability product standards. Instead of developing specific product standards for this very unique and limited disability coverage. For a combination disability plan with LTD and STD how would you discontinue the STD once you have the resources or actually read in the contract that your accumulated sick leave will be fully deductible, resulting in a even more limited benefit.

Comment #7 response from the IAC:

The IAC responded that “In practical terms, claim management to address anti-selection concerns is inappropriate as the “horse has left the barn”. Including broader exclusions and limitations are the only recourse.”
I would like to apologize if my comments were “inappropriate” to suggest that the claim management tools should be used to discontinue disability benefits to anyone who is not truly disabled. There are a number of tools that have been very effective in this regard. Yes, it is cheaper to have more and more exclusions and limitations that reduce the benefits for everyone insured under the insurance contract. The question is how many who have provided proof from their personal physician and a board certified intern specializing in their impairment, will have limited benefits due to the increase of allowed exclusions and limitations under the IIPRC product standards. Not every insured wants to take advantage of their disability. How many more complaints will the DOI receive from persons denied disability insurance benefits, while being approved for SSDI. There are a few that unfortunately, went from morbidity to a mortality claim while still waiting for disability insurance benefits to be approved.

Thanks for the industry response to my concerns to changes in the adopted product standards, I always learn a great deal that is helpful in my insurance product review function.

Respectfully. David.