

DATE: February 5, 2018

TO: IIPRC Product Standards Committee (“PSC”)

FROM: Industry Advisory Committee

SUBJECT: IIPRC 5 Year Review For Phase 8: Individual Disability Income

Additional Comments on Substantive Change Item #15: Application Questions
Look Back Periods

Response to Comments Provided by Minnesota Department of Commerce, Dated
December 20, 2018

Response to Comments Provided By Oregon Department of Insurance, Dated
January 22, 2018

Re: Substantive Change Item #15

We believe that we have addressed the PSC concerns as they have been presented (for example, the risk for DI is not as great as for Life). While we don't have specific data on 10-year look back questions, since we have been using "ever" in our applications, the underwriting manuals that we use do present the need to have a long-term medical history, especially on certain conditions, in order to properly assess risk. These manuals have been created by gathering a lot of data, from both medical and study related sources, over a long period of time.

In our January 19, 2018 comments, we provided, as requested, a "short list" of conditions that were most concerning, as a fair compromise. With 80% of states still supporting the "ever" look back on all medical questions, it does not seem a stretch to allow the "ever" look back for these proposed conditions. With regard to the objection that people who complete an IDI insurance application don't remember inconsequential health issues over many years, we believe the conditions we requested are not conditions people forget they have, and the conditions are consequential to risk management.

We respectfully request a serious and fair reconsideration of the look back periods. An important part of the decision for IDI companies of whether or not to use the IIPRC for their filings will depend on the look back periods.

Re: Kristi Bohn, Minnesota Department of Commerce Comments

Comment #2

While we understand that Minnesota would require issuance of two separate policies to provide IDI coverage and incidental benefits for critical illness, accidental death and accidental dismemberment, this would require such benefits to be provided on a stand-alone basis. For

critical illness and accidental dismemberment stand-alone policies, these would then make these policies subject to health requirements and accordingly out of the jurisdiction for the IIPRC.

Minnesota does not prohibit the sale of the combination products, just how they are issued. If a company has to issue separate policies for several benefits to be included in a plan of coverage selected by a consumer, policy fees would be added to the cost, and possibly separate premium notices would need to be generated during the life of the coverages - how is this a consumer benefit?

Many states today allow the inclusion of incidental benefits with IDI policies and we believe that the IIPRC standards should reflect the majority regulatory view.

Comment #3

We wish to advise that with regards to incidental benefits for COBRA and Retirement, the word “employer” was used to mean either a group policyholder or self-employment. With regard to the medical Insurance Premium Benefit, there are only references to “group medical insurance premium” and “group medical insurance plan”. Accordingly, there is no “concept that the policyholder is the employer”.

Comment #4

We believe the proposed standards for Insurance With Other Companies, Other Insurance With This Company, and the Disability Benefits Reduced on Account of Other Benefits or Income include all the benefits provided under a policy, including incidental benefits.

Comment #5

We did not understand the “pricing equity” se comments – not clear what are the underlying concerns.

The companies are not comfortable with a fixed dollar amount for certain expenses (ie, retirement savings) as the benefit to be provided needs to have some relationship with what is actually being saved at time of underwriting. We know from research that most consumers are unaware that their employer’s contributions to their retirement plan end upon disability.

Comment #6

“Incidental” benefits are a way to balance the need for more coverage (the base IDI benefit is often a % of income) with an option to minimize the risk exposure to the companies. Some DOIs have asked companies to instead just issue more IDI coverage which, on its surface, seems logical. But the companies know from experience that insureds’ behaviors change with more coverage. The companies believe that the approach of “stacking” coverage provides a more balanced way to provide more benefits overall.

DOL New Rule on Disability Income Insurance

In our proposed draft, under REQUIRED PROVISIONS the companies had included a standard for ***Procedures For Review of a Denial of a Claim*** which reflect the ERISA requirements which would not have applied to IDI but the companies decided it was a good idea to offer this as an IDI standard for all IDI policies. Our companies were already including this type of language for their individual IDI guaranteed issue cases that are employer sponsored since this type of arrangements fell under the ERISA guidelines/requirements.

While at this date it remains to be seen how states will react to the new federal requirements, the proposed standards should be adequate for now.

Re: David Bolton, Oregon Department of Insurance Comments

In general, it appears to us that David believes that separate IDI standards should be developed to cover the limited benefits and durations. We believe that the current standards, with the ***Scope*** section of the IDI standards, makes it very clear that the standards are intended to apply to “short term, long term or combined short term and long term” plans of benefits.

Comment #2

While the companies agree that it is ideal is for consumers to have a robust product, not all walks of life can afford the traditional product. The companies believe that a limited benefit product has viability for the traditionally uninsured consumer with important risk levers. As an uninsured consumer, all the risk is retained by any state program.

Comment #5

It is a common filing issue that a state confuses the “trigger” with the “benefit” for ADL benefits. Most persons would agree that the inability to perform one or more ADL is a disability at its core – accordingly, not clear to us how IDI benefits would be “cut out” with or without ADL triggers.

Comment #6

There are a fair number of claims that begin as total disability, so this variation for partial disability does make sense within the concept of a Long Term Disability. David’s comments make more sense when discussing Short Term Disability and return-to-work incentives.

Comment #7

In practical terms, claim management to address anti-selection concerns is inappropriate as the “horse has left the barn” with a Noncancelable policy. Including broader exclusions and limitations are the only recourse companies have to enable claims management, and many of the proposed exclusions and limitations have evolved with IDI policies as a result of anti-selection detected at time of claim.

Submitted by the Industry Advisory Committee:

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