

Agenda Item 2. Discuss comments received on the October 24th Public Call on the draft IIPRC Office Report and Recommendations for the Uniform Standards Currently Subject to Five-Year Review (Phase 8 – Individual Disability Income Insurance) and finalize those recommendations.

- **Substantive Item 1 – Mix and Match.** The Industry Advisory Committee (IAC) had commented that companies may issue policies rather than riders in combination with state-approved individual life insurance policies and annuity contracts, so they suggested not restricting the new language to riders in the Mix and Match section. The Compact staff explained Section 111(b) of the Operating Procedure for the Filing and Approval of Product Filing, and noted that Mix and Match applies to components of the product, such as the policy form, application, riders and endorsements, not to separate policies. Noting that there is nothing that prohibits a company from marketing a disability income insurance policy with a life insurance policy, the Product Standards Committee (PSC) agreed that adding the word “policy” to the Mix and Match provision would be inconsistent with other Uniform Standards as well as with the intent of Mix and Match.
- **Substantive Item 2 – Minimum Benefit Period.** The Insurance Compact staff provided an overview of the comments received from the IAC and the Consumer Advisory Committee (CAC) regarding the suggestion to change the minimum benefit period from 6 months to 3 months. Staff also noted that 13 member states have adopted the 6 month benefit period contained in Model 171, but several of these states have also approved product filings with a 3 month benefit period option, including some that have done so as long as there is disclosure that the policy provides limited benefits. The Compact office also noted that a preliminary review of SERFF Filing Access uncovered at least 6 different companies that offered policies including an option for a 3 month benefit period and these policies were approved in the states that staff reviewed. It was noted that the benefit period was an option, with greater benefits also available for the same product.

Following discussion, the PSC agreed that they were not opposed to allowing a 3 month minimum benefit period as long as there were disclosure requirements and elimination periods for this minimum benefit period were shorter than for greater benefit periods. The Compact staff will prepare draft amendments for the Committee’s review.

- **Substantive Item 5 – Partial Disability Triggers.** The Chair suggested that the Committee defer discussion of the IAC comments on this item until the Committee had completed its review of all the suggested additions for other definitions that were made by the IAC. The Committee members agreed.
- **Substantive Item 6 – Definition of Preexisting Condition.** The Committee first discussed the IAC request to amend the definition of Preexisting Condition to include consultation, diagnostic testing and taking or being prescribed drugs within two years preceding the effective date of coverage. Some members expressed reservations about the term “consultation,” indicating that it could be interpreted more broadly than seeking medical advice regarding a medical condition and noting that it is not a term used in most

state definitions for preexisting conditions. The Committee agreed to the following revision to the current definition of preexisting condition:

“Preexisting Condition” means a condition for which symptoms existed that would cause an ordinarily prudent person to seek diagnosis, care or treatment within a one-year period preceding the effective date of the coverage of the insured, or for which medical advice, diagnostic testing or treatment was recommended by a *Physician* or received from a Physician or for which the insured took or was prescribed drugs or medications within a two-year period preceding the effective date of the coverage of the insured. The term “coverage of the insured” as used in this definition or concept refers to initial coverage amounts when a policy is first issued, and it may, at company discretion, also refer to coverage increase amounts which are issued after the policy is first made effective when those coverage increase amounts are subject to evidence of medical insurability. In the case of coverage increase amounts subject to evidence of medical insurability, the time periods in this definition or concept run anew from the effective dates of the increased coverage amounts and apply anew only to the coverage increases.

The PSC then reviewed the IAC request to clarify the language proposed by the PSC and noted that the language proposed could be interpreted to limit the period of time the preexisting condition can be limited or excluded, or that it possibly could be read to allow new conditions to be limited or excluded if they develop after the first twelve months of the policy. Following discussion, the PSC agreed to the following revision:

§3 F. PERMISSIBLE LIMITATIONS OR EXCLUSIONS

(13) Preexisting Conditions.

(a) Any provision included in a policy limiting or excluding coverage for losses incurred or disabilities arising from *Preexisting Conditions* shall clearly define the limitation or exclusion and disclose such limitation or exclusion in the policy. Beginning no more than twelve months following the effective date of the policy, the policy shall not limit or exclude coverage for a loss due to a *Preexisting Condition* if the application for the insurance does not seek disclosure of prior illness, disease or physical conditions or prior medical care and treatment and the preexisting condition is not specifically limited or excluded by the terms of the policy.

- **Substantive Item 8 – Reinstatement Requirements.** The Chair noted that the reference to producer in (15)(b) was an oversight and would be corrected. The Compact Office advised members that other Uniform Standards with Reinstatement provisions specifically state whether evidence of insurability may be required. The Committee agreed that certain sections of this provision, such as when payment is accepted without requiring an application, would not permit evidence of insurability. The PSC agreed to add a sentence to (b) addressing evidence of insurability.

(15) **Reinstatement.** The policy shall include a reinstatement provision describing the company procedures when a renewal premium is not timely paid by an owner.

(a) When the owner does not timely pay a renewal premium and the company or ~~its an producer~~ agent duly authorized to accept premium payment subsequently accepts payment of the renewal premium without requiring an application, this provision shall state the policy is reinstated ~~in such case as though a policy lapse had not occurred~~ as of the date of receipt of the renewal premium.

(b) When the owner does not timely pay a renewal premium and the company or its ~~producer~~ agent requires an application for reinstatement ~~and issues a conditional receipt or interim insurance agreement for the premium tendered for reinstatement of the policy by the owner,~~ this provision shall state that the policy is reinstated upon approval of the application by the company; or, if the company does not act to approve the application, the policy is reinstated on the 45th day following the date of ~~the conditional receipt or interim insurance agreement of the~~ application for reinstatement unless the company has given notice to the owner of company disapproval of the application previous to the expiration of the 45 day time limit. Evidence of insurability may be required.

- **Substantive Item 9 – Return of Premium Provision.** The Chair noted that the IAC withdrew its request and the Committee agreed no recommendation was needed on this item.
- **Substantive Item 11 – Limitation for Disability Benefits Outside of the United States.** The Compact Office went over the comments from Pennsylvania that were made during the Public call to eliminate excluding benefits from this provision. Tom Kilcoyne from Pennsylvania suggested further revisions to clarify the language and to indicate any limitation on benefits prior to suspension is for a period not less than 12 months. Texas asked for the rationale behind allowing such a limitation and it was noted that this provision is included in most disability policies as well as in the group disability income insurance Uniform Standards. It was also noted that when the insured is outside the country it is more difficult to manage the claim, arrange independent exams and obtain claim documentation and there is also the potential for over insurance.

The PSC agreed that Pennsylvania would submit their suggested revisions in writing for review and consideration on the next member call.

- **Substantive Item 13 – Insurance with Other Companies.** The PSC discussed the IAC's question regarding whether return of premium was for a specific claim, or if the intent was to require a permanent premium reduction in the policy for all future benefits. The PSC noted that as mentioned in the report, the language in the

standard was included from the time that the draft was initially developed by the National Standards (EX) Working Group and that there were no comments on this provision from the regulators or interested parties during the original rulemaking process. They also noted that the provision is an optional limitation, not a required provision so if a company is concerned with it, they can choose not to add such a provision to their policy. The Committee concluded that they were disinclined to make amendments to the provision to address specifically whether premium refunds were claim driven or would reform the contract and that such specific information is not generally included within the policy.

In reference to the IAC's request that the term "other valid coverage" should include group health or disability insurance benefits, the Committee determined that it would recommend no change. They questioned why group health insurance would have any impact on disability insurance benefits, and noted that group disability insurance can change frequently based on employment as well as whether the employer continues to offer the coverage and how much the employee must contribute. The Committee noted that there can be a significant difference in plan design and benefits between a group and individual policy and if an individual is purchasing individual coverage when he or she also has group coverage, it is usually to supplement the benefits and to potentially cover longer elimination periods, not to be reimbursed more than 100%. They discussed that group policies may be paid in whole or in part by the employer so allowing for reduction in benefits when there is valid individual disability insurance coverage makes more sense on the group side. The Committee noted that there has been no documentation of a problem in the marketplace that would require the revision requested by the IAC.

Agenda Item 3. Receive an Update on the Clarification Items That Were the Subject of the October 24th Public Call. The Insurance Compact staff summarized the comments received from the IAC related to the clarification items, noting that none required action at this time by the PSC. For Clarification Item #6, the IAC asked that their comments regarding use of "termination" and "end" be withdrawn since other Uniform Standards use both and policies can use either term. For Clarification Item #9, the Compact staff noted that this item was referred to the Actuarial Working Group, so the comments will also be presented to them.

Agenda Item 4. Any Other Matters. The Chair noted that the PSC will have a member call on November 21st to go over some of the remaining items on the report, and 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

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related to life insurance policies and annuity contracts where regulatory change and/or new uniform standards may be needed.