Re: Minnesota’s written comments on the topic of incidental disability benefits

Minnesota supports the principle-based approach now proposed through the addition of the “other benefits” category. This approach is superior to the former list, because not only does the new approach allow for further innovation, but it also provides guardrails for the compact’s review of these benefits. The former list may have caused Minnesota to exit the compact for disability benefits, because too many of our existing state laws would been violated in some of the listed items (despite industry’s comments that stated otherwise or suggested that our state’s laws should be ignored in favor of uniformity and speed to market concerns). Minnesota did not join the compact so that our laws could be circumvented. Minnesota recommends the following additional language (see bold) to the guardrails provided, in order to ensure pricing concerns are addressed, and in order to ensure the incidental nature of the proposed benefits in terms of the value to the traditional disability contract:

Other Benefits. In addition to the benefits listed above, the Interstate Insurance Product Regulation Commission may approve other incidental insurance benefits that are secondary to or offered in connection with Disability benefits provided:
(a) The benefit is designed to address a short-term need or to assist the insured in meeting an existing financial commitment specific financial need that arises as a consequence of the disability that is not effectively addressed by the base disability benefit;
(b) The elimination period for the incidental benefit does not exceed the policy elimination period;
(c) The benefit can be administered effectively, without reliance on disinterested third parties (such as an employer or a financial institution);
(d) The rates are based on objective data or assumptions such that a substantive actuarial review is achievable and the expected loss ratio for each of the incidental benefits is provided and justified, and the expected loss ratio is no lower than the lesser of that which is traditionally required of the incidental benefit type(s) or that which is required of the base disability benefit;
(e) With the exception of Accidental Death Benefits, any death or dismemberment terminal illness benefit shall be conditioned on prior disability and in the form of a lump sum not to exceed the equivalent of 12 monthly disability benefits payable under the policy;
(f) Any benefit other than a death or dismemberment benefit shall be payable for no longer than 18 months, or for the length of the base policy benefit if shorter; and

(g) The benefit termination shall be consistent with the trigger and with stated policy limitations and maximum benefit amounts; and

(h) Each incidental or secondary benefit is found to be financially incidental to the base disability benefit, in that its actuarial value is estimated to be no more than 25 percent of the actuarial value of the base disability benefit.

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