

**DATE:** March 2, 2018

**TO:** IIPRC Product Standards Committee (“PSC”)

**FROM:** Industry Advisory Committee

**SUBJECT:** IIPRC 5 Year Review For Phase 8: Individual Disability Income  
Response to IIPRC Report and Recommendations Dated February 21, 2018 and  
February 27, 2018 (“Report”)

### **Substantive Change Items**

#### **#2: Minimum Benefit Period/Lump Sum Issues, Report Pages 2-10**

In C. REQUIRED PROVISIONS, item (11)(c)(iii), it requires that the “lump sum shall not be lower than the present value calculation.” We request a clarification of what is meant by “present value calculation”? What calculation is intended?

#### **#7: Definition of Total Disability, Report Pages 27-30**

We are at a loss as to how only 3 states have a 12-month “own occupation” requirement (FL, MD, and NJ) and yet the PSC chooses to hold on to a minority view regarding the perceived "need" for some period of “own occupation” coverage to be applied to every compacting state.

In an age where people are beginning to purchase everything over the Internet, instantaneously, the ability to offer "any occupation" coverage with limited underwriting becomes an important option for companies. This also plays into the mentality of the younger working generation, who seemingly struggle to see the need to purchase disability income coverage, but may be enticed by affordable and easily attainable disability income coverage.

The consumer who has a sedentary job, sitting in an office or at a desk all day, has little, if any, use for an “own occupation” definition of disability. If that person can't do a desk job due to a disability, what else will that person be able to do? So, to pay for “own occupation” is likely to pay for more coverage than is necessary. For the consumer who has a manual type occupation, from which it is easier to become disabled, “own occupation” coverage is more expensive, and frequently too expensive, and so this person may not be able to afford any coverage, where he/she may have purchased “any occupation” coverage, which would have provided coverage in the event he/she can't do a sedentary job, as well.

The companies know they have a huge, under-served population that cannot afford what is considered "traditional" disability insurance with all the bells and whistles, but who need some type of coverage, possibly more than anyone else. We also live in a time where people purchase

things in a different way than they did 10, 20 years ago. If we continue to think old-school, under the guise of protecting the consumer from their own choices, then we will become obsolete.

#### **#14: Incidental Benefits, Report Pages 31-44 / Draft Dated February 27, 2018**

We have the following comments on the proposed draft:

##### ***Item (a):***

We suggest changing the end of the item to say “and that is not addressed by the *Disability* benefits otherwise payable under the policy.” Other reference to “disability” needs to say “*Disability*.”

##### ***Item (b):***

We suggest changing the item to say:

“The *Elimination Period* for the incidental benefit shall not exceed the *Elimination Period* for the basic *Disability* benefit under the policy.”

##### ***Item (c):***

We don't believe that the word “disinterested” is needed.

##### ***Item (d):***

We have some concerns about what the expectation would be for “objective data or assumptions”. If a benefit is innovative in the marketplace, where would the data/assumptions come from?

##### ***Item (e):***

We suggest changing to say “shall be conditioned on a prior *Disability* and paid in a lump sum not to exceed the equivalent of 12 monthly *Disability* benefits payable under the policy.”

##### ***Item (f):***

We suggest changing the end to say “or for the length of the *Disability* benefit period under the policy, if shorter.”

We may need the flexibility to express the benefit as not exceeding a multiple of the *Disability* benefit otherwise payable under the policy, vs. a specified length of time – would this be acceptable??

## #15: Application Questions Lookback Periods, Report Pages 45-52

It is very disappointing that the PSC is not interested in even considering a compromise to the 10-year look-back periods for the application. Instead of focusing on the serious medical conditions, such as cancer, heart disorders, or degenerative diseases that are of grave concern to underwriting, the PSC chose to pull out one term from the list that may not be "understood" or focus on a situation that is not an expected reality: ***arthritis is not curable***, and even ***osteoarthritis is degenerative in nature***. It is not uncommon for a person to have cancer, become cancer free for 12, 15, even 20 years, and then develop cancer again. Cancer treatments are severe and leave their mark on the future health of a person. While medical technology is becoming better at treating cancer, it is unknown what long-term effects the new treatments will have on a person.

With 80% of states allowing an "ever" look-back, it is disappointing that the PSC could not agree to a compromise on this standard.

### ***Submitted by the Industry Advisory Committee:***

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