MEMORANDUM

TO:       IIPRC Management Committee

FROM:     Product Standards Committee

DATE:     June 27, 2011

SUBJECT:  Remaining Disability Income Insurance Uniform Standards

The Product Standards Committee (“PSC”) of the Interstate Insurance Product Regulation Commission (“IIPRC”) is charged with developing proposed drafts of Uniform Standards. In carrying out its charge, the Standards Committee has finalized proposed drafts of four new Uniform Standards and revisions to one Uniform Standard already under Management Committee consideration.

The PSC recommends the Management Committee initiate the rulemaking procedure with respect to the following proposed Uniform Standards, copies of which are attached:
1. Individual Disability Income Insurance Application Change Form Standards,
2. Individual Disability Income Insurance Policy Change Form Standards,
3. Standards for Forms Used to Limit or Exclude Individual Disability Income Insurance Policy Coverage Based on the Underwriting Process for Each Proposed Insured,
4. Individual Disability Business Overhead Expense Insurance Policy Standards, and
5. Specified revisions to Individual Disability Income Insurance Application Standards for purposes of permitting mix and match only with application-related Uniform Standards.

The proposed Uniform Standards were originally developed by the NAIC National Standards (EX) Working Group. The PSC thoroughly reviewed the proposed Uniform Standards, including a word-for-word comparison to the relevant long-term care Uniform Standards. For each of the proposed Uniform Standards, the PSC took the opportunity to add customary language about mix-and-match and self-certification. The PSC recommends permitting mix and match only with respect to the application and application change form Uniform Standards. The PSC does not recommend permitting self-certification for any of the proposed Uniform Standards.

1 The rulemaking procedure is set forth in the Rule for Adoption, Amendment and Repeal of Rules for the IIPRC.
The proposed Uniform Standards were subject to public participation by written comment and a teleconference meeting on June 7. The PSC received written comments from the Industry Advisory Committee and implemented most of the suggestions. The most vocal objection from the Industry Advisory Committee continues to involve the provision on page 19 of the recommended Individual Disability Business Overhead Expense Policy Standards for optional Benefit Reduction on Account of Other Disability Business Overhead Expense Coverage. Because it provides a benefit to the insured in the event of a benefit reduction by the company and is consistent with the laws of most states, the PSC maintained the provision for a limited return of premium that exceeds the pro-rata amount of the premiums for the proportional benefits actually paid when benefits are reduced. The PSC would encourage more information from companies about the frequency of benefit reductions pursuant to this provision.

The PSC notes that the proposed Uniform Standards numbered 1 through 3 above are ultimately expected to apply to other types of disability income products such as Business Overhead Expense Plans, Key Person Plans and Buy-Sell Plans. The PSC anticipates that the Uniform Standards recommended today will be considered for final adoption and become available for filing as a complete suite with the Uniform Standards issued on April 29.