

**Agenda Item 2. Discuss § 9. BENEFIT PROVISIONS - Disability Benefits Reduced On Account of Other Benefits or Income Item (B) (1) (m) of the draft GROUP DISABILITY INCOME INSURANCE POLICY AND CERTIFICATE UNIFORM STANDARDS FOR EMPLOYER GROUPS.**

The Product Standards Committee (PSC) reviewed the Industry Advisory Committee's (IAC) response to questions about how often this provision is used and the practical application when there is a third party settlement. The IAC noted that it was a small subset of claims, primarily for long term disability. The IAC referred the PSC to the provision about Lump Sum Payments to show how they would prorate the settlement over the Covered Person's life expectancy. The PSC noted that the explanation did not address how the insurer identifies the part of a settlement that is allocated to disability income benefits. The PSC agreed to add a provision for when the amount of lost wages is not specified as follows:

(am) any amounts received, by a Covered Person from a third party, minus legal fees, in connection with lost income due to a Disability which the Covered Person suffers because of an act of omission of the third party.

i. If the amount received from the third party does not specify the lost income amount, the Company shall estimate the amount using a percentage of the settlement amount based on the Covered Person's Pre-Disability Earnings, prorated to cover the period for which the settlement or judgment was made.

ii. If the certificate includes both this right to reduce benefits or income on account of a third party settlement and a subrogation right, the certificate shall state that, with regard to any specific claim, if the insurance company elects to reduce a Disability benefit on account of other benefits or incomes for amounts received minus legal fees, for lost income due to a Disability because of an act of omission of the third party, the insurance company will not be permitted to elect subrogation for that same claim;

**Agenda Item 3. Review of Draft Survey of Compacting States on Mix and Match Process .**

PSC members were asked to review the Rulemaking Committee's draft survey for Member States regarding the Mix and Match process and to advise Anne Marie Narcini of any suggested additions or changes by July 13, 2015. The Rulemaking Committee will be scheduling a Public Call to discuss the proposed survey.

**Agenda Item 4. Discuss draft STANDARDS FOR GROUP DISABILITY INCOME INSURANCE INITIAL RATE FILINGS**

The Committee discussed the comments received from three member states regarding the Industry draft for initial rate filings. Under §2. B. Actuarial Submission Requirements (1)(e), they agreed to add pricing adjustments to the list of assumptions in the descriptions of how rates are determined for each marketing methodology. They also agreed to reformat new (1)(e)(vii) to list out the percentages and separate premium taxes out from expenses. They agreed to modify

1(f) to identify Minimum Loss Ratio (MLR) rather than just the abbreviation, since deleting the prior 2. B. (1)(b) resulted in eliminating the name for the acronym.

Under 2. B. (1)(f)(i) the three reviewing states suggested that the initial MLR percentage for Optionally Renewable should be 60% not 55%. Indiana also recommended adding column for Short Term and Long Term. They agreed to provide the actuary's explanation for this change as well as an explanation for their request to delete 2. B. (1)(f)(ii), adjustments to initial MLR. The Committee noted that this is permissible under the Individual Disability Income Uniform Standards for Initial Rates. Minnesota requested that standards in this provision note that complete documentation for the estimation of average annual policy premium be included with the filing. The Committee also agreed that the limitation to the adjustment of the initial MLR be limited to 5%, not the change to 10% as noted in the Industry draft, to assure consistency.

Under 2. B. (1)(h) Durational loss ratio table, IIPRC staff advised that Industry was asked to explain why the demonstration of the projected year-by-year premium and claims experience used in determining the ALR or ALRs applicable to the policy form, together with each year's anticipated loss ratio based on that experience, was changed from a period of at least 20 years to 3 years. Industry responded that a large portion of the business covered by these standards will be Short Term Disability and a long pricing horizon for a product with a product with a maximum benefit period of 2 years is not appropriate. Durational LR are useful in evaluating experience on products where the premiums are level over the lifetime of the policy but the claim costs increase over time. These are usually products sold to individuals where the rate depends on the age at issue. They noted that the only group disability product that companies market where durational loss ratios would be useful is issue-age rated worksite Short Term Disability. The companies state that true Group Disability Income Insurance products are yearly renewable term products and rates can be adjusted each year based on the updated risk profile of the group. The expected future durational loss ratios would be flat and not meaningful. If companies were required to provide durational loss ratios, they would pick a single expected loss ratio and project it to remain level going forward.

IIPRC staff agreed to distribute the comments in writing to the group once they are finalized by the IAC so members can discuss the response with their actuarial staff.

**Agenda Item 5. Any other matters.**

The Chair noted that the PSC will meet again on Tuesday July 7 to continue the review of rate standards.