

**Agenda Item 2. Welcome new PSC members and overview of 2016 goals.**

Mary Mealer, Missouri, 2016 Chair of the Product Standards Committee (PSC), introduced the Vice Chair, Roger Stefani, Minnesota and welcomed new PSC member states, Colorado, Vermont and Wyoming. She noted that today's call was primarily to finalize the recommendations to the Management Committee on the comments received for the rating standards for the Group Disability Income Insurance Uniform Standards, and that the January 19 call would be devoted to more specific discussion of the goals of the PSC and timelines for 2016. Ms. Mealer briefly went over some of the key goals for 2016 including finalizing the recommendations to the Management Committee on the comments received for the Group Disability Income Insurance Uniform Standards, considering the request from ACORD to develop uniform standards for replacement forms, working on recommendations for Phase 6 of the 5-Year Review process, which includes all of the Long Term Care Insurance Uniform Standards, and developing recommendations for Phase 7 of the 5-Year Review. The [notice for comments for Phase 7](#) and list of the included standards was published on January 5 with a comment period through March 7, 2016. Ms. Mealer asked members to review the notice and provide comments on suggested amendments. She noted that these goals would cover PSC meetings through the August joint meeting of the Management Committee and Commission and that the Committee would reevaluate goals and timelines in the summer to consider other priorities for the rest of the year.

**Agenda Item 3. Continue review of public comments received by the Management Committee for the Uniform Standards for Group Disability Income Insurance Initial Rate Filings and Revisions to Rate Filing Schedules and IPRC staff recommendations and prepare final recommendations for the Management Committee.**

For the benefit of new members, Ms. Mealer provided a brief overview of the work of the Committee on the Group Disability Income Insurance Uniform Standards during 2015. She noted that the Management Committee accepted the draft recommendations for the uniform standards from the PSC in August and then the formal rulemaking process started. The Management Committee held a public hearing in November of 2015 and subsequently requested that the PSC provide the Management Committee with its recommendations regarding the comments received. In November and December of 2015, the PSC finalized recommendations on the Group Disability Income Insurance Policy and Certificate Uniform Standards and started to review the comments from the Industry Advisory Committee (IAC) on the rating standards. The IAC comments primarily focused on their observation that many of the standards in the draft proposal are not applicable or appropriate for Group Disability Income products and are not included in rate filings today. The IAC proposed revisions were primarily applicable for employer group, attained age, *Optionally Renewable* products with limited rate guarantees.

IIPRC staff noted that since the December 15, 2015 PSC call, the IAC provided further feedback. Staff reviewed these comments and observed that there are some groups that exhibit characteristics similar to individual coverage, but they are sold and considered by the company and employer as group products, not individual products. The requirements in the proposed standards would need to also apply to such groups. The IAC comments suggested defining issue age and attained age rating structures and identifying specifically which standards applied to

---

which rating structures. IIPRC staff worked with actuaries in several states including Minnesota, Indiana, Tennessee and Utah. These regulators and staff provided feedback and recommended that rather than defining issue age and attained age rating schedules and delineating requirements for each, as suggested by the IAC, that the PSC consider changes that would note that there are requirements in the standards that only apply for certain rating characteristics. This approach would address all types of rating structures, including those that do not clearly meet either attained age or issue age definitions, such as non-level issue age rate structures, where rates will change as a person ages from one band to another. The suggested revisions from staff for the PSC's consideration include a Drafting Note stating that certain actuarial requirements may or may not apply depending upon the nature of the rating characteristics including types of *Premium* structure (e.g., issue age or attained age) and type of renewability. The Drafting Note states that the documented assumptions and pricing approach are expected to vary based on the description of the Premium structure and guarantee period and reference Actuarial Standard of Practice (ASOP) 8 *Regulatory Filings for Health Benefits, Accident and Health Insurance and Entities Providing Health Benefits* for guidance concerning the key pricing assumptions, underlying actuarial judgments and the manner in which the premium rates are to be tested against regulatory benchmarks as outlined in the Criteria for Review. The PSC agreed with this approach.

The PSC agreed with the IAC suggestion to move the sentence "Documentation of the estimation shall be included" from § 2.B.(1)(g)(ii)(III) to (1)(g)(ii)(I) since the reference to estimation is under (I) not (III).

In reference to § 2.B. (1)(i) regarding durational loss ratios, the PSC agree to delete the proposed new phrase referencing "Durational loss ratio table if applicable due to the type of Premium structure or type of renewability." They also agreed to change the sentence to state that 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, shall be shown for a period sufficient to estimate anticipated lifetime loss ratio, but in no instance less than ~~of at least~~ 3 years" for clarity. The Committee deleted a proposed parenthetical in an earlier draft, instead adding the following Drafting Note:

**Drafting Note:** Depending upon the nature of the rating characteristics including types of Premium structure (e.g., issue age or attained age) and type of renewability (e.g., *Optionally Renewable* or *Guaranteed Renewable*) the Durational Loss ratio table is expected to be modified. For example, for *Optionally Renewable* or *Conditionally Renewable* and/or attained age rated products, it may be appropriate to either assume 100% termination or 100% renewal at the end of the first projection year and limit the projection to 3 years. Such modifications should be clearly documented, with a rationale provided.

Under §2B.(3)(b) "The Premiums charged are reasonable in relation to the benefits provided," the PSC added the following Drafting Note found in the Individual Disability Income Insurance rate standards to provide guidance to the certifying actuary:

---

**Drafting Note: Premiums charged will be assumed to be reasonable in relation to the benefits provided if the ALR for the product, determined in accordance with § 2B(1)(h), is not less than the MLR for the product, determined in accordance with § 2B(1)(g) and when added to the overall expenses plus contingency and risk margin percentage does not exceed 100%.**

The IAC suggested that the 20 year durations in the Appendix be changed to 3 for consistency with §2.B.(1)(h). IIPRC staff advised the Committee that on the July 7, 2015 member call, the PSC agreed to the 3 year period for all policies except for issue age rated policies. For issue age rated policies, the Committee agreed to keep the period at 20 years. Therefore, the period of up to 20 years in the Appendix appears to be consistent with the recommendations of the PSC. The PSC agreed.

During the December meeting, a member had questioned the definition of Incurred Claims in Appendix A. The IAC also noted that in Appendix A, a double asterisk footnote then defines “incurred claims” to be “change in claim reserves plus claims paid.” The Industry suggested that the double asterisk and its definition be deleted since it is not appropriate for what is “PV of Incurred Claims.”

Staff and the regulator actuaries discussed this and acknowledged that “Incurred Claims” can be calculated in different ways, but the definition, which is consistent with that in the Individual DI standards, has not caused any comments to date from filers using those standards. As such there does not seem to be a compelling reason to use a different definition in the Group DI standards. The PSC agreed.

IIPRC staff then reviewed the Uniform Standards for Filing Revisions to Rate Filing Schedules in Group Disability Income Insurance Policies, noting that the same changes agreed to for the Initial Rate Standards would be made for rate revisions. The PSC reviewed the IAC comment stating that the Appendix is only for use with issue age rating schedules, so that should be stated in the title of the Appendix. They also stated that the durational loss ratio table should be limited to 3 years. The PSC agreed that the Drafting Note added following §2.B.(1)(o) that notes modification to Anticipated Future Loss Ratio, Lifetime Anticipated Ratio and the Durational loss ratio table based upon *Premium* structure and type of renewability should address this concern.

#### **Agenda Item 4. Any other matters.**

The Chair stated that the next meeting will be January 19 to go over the PSC goals and timelines for the first half of 2016 and then the PSC will have a Public Call on February 2, 2016 to expose the recommendations to the Management Committee regarding the public comments on the Group Disability Income Insurance Uniform Standards.

---