

Agenda Item 2. Review public comments on the PSC recommendations to the Management Committee regarding comments received on the proposed Group Disability Income Insurance Policy and Certificate Uniform Standards for Employer Groups.

Mary Mealer, Missouri, Chair of the Product Standards Committee (PSC) summarized the comments received from the Industry Advisory Committee (IAC) and Mental Health Legal Advisors Committee of the Commonwealth of Massachusetts regarding Section 7 Permissible Limitations and Exclusions for Mental Health and Substance Abuse. The IAC supported no change to the standards and the Mental Health Legal Advisors Committee of the Commonwealth of Massachusetts advocated for full parity for disabilities caused by a mental health condition. Noting that there were no new points raised in the comments, the PSC agreed to make no further changes to its recommendations to the Management Committee.

The PSC next reviewed the comments and suggested revisions from the Consumer Advisory Committee (CAC) on Section 9.B(1)(m) Benefit Provisions: Disability Benefits Reduced on Account of Other Benefits or Income and again noted that they had discussed this issue in great detail since last Spring and there was no new information that would change their recommendation. In reference to the PSC decision not to make the suggested revisions to this provision, the PSC noted that it included a specific formula for the estimation of benefits that had not been vetted nor tested.

Agenda Item 3. Review public comments on the PSC recommendations to the Management Committee regarding comments on the Uniform Standards for Group Disability Income Insurance Initial Rate Filings and Revisions to Rate Filing Schedules.

Ms. Mealer summarized the IAC's comments that they preferred that the standards break out exactly which standards apply to issue age and which apply to attained age and suggesting that the filer should at least identify what rate method is being used. She observed that the PSC spent considerable time discussing why they believed it more practical to add drafting notes, reference Actuarial Standards of Practice and allow the companies the ability to provide the information needed to support the rates based upon the premium structure and guarantee period. The standards as drafted address all types of rate filings, even those that don't fit squarely into issue age or attained age. They also identify the Actuarial Standard of Practice that provides the necessary guidance. In reference to the comment about identifying the rate method used, Ms. Mealer noted that Section 1 (a) in the Actuarial Memorandum requirements says the actuarial memorandum should include a general description of the benefits provided and any limitations or exclusions including among other items, the premium structure. The PSC agreed that no further changes should be made to the Rate Uniform Standards based on the IAC comments.

The IIPRC staff reviewed the comments submitted by Utah. The PSC agreed to Utah's suggestion under the Actuarial Memorandum Requirements Section 1A(2) to allow variation in premiums for expenses so that such allowances as spousal or multiple-policy discounts based on administrative savings could be considered. They also agreed to rewording Section 2B(1)(g) of the Initial Rate Standards to clarify that the Minimum Loss Ratio is applicable to the form. In reference to the suggestion for the Drafting Note under Section 2B(3)(b) in both the initial rate filing standards and the revisions to rate filing schedules that the PSC consider some allowance

for the investment returns attributable to the block of business, IIPRC staff noted that the standards require that the ALR be calculated as “the ratio of the present value of the expected benefits to the present value of the expected Premiums over the entire period for which rates are computed to provide coverage. Interest shall be used in the calculation of this loss ratio.” Since interest is used in the calculation, the PSC agreed no further revision was necessary.

Agenda Item 4. Any other matters.

The Chair noted that the IIPRC staff will finalize the documents regarding recommendations about the public comments received regarding the Group Disability Income Insurance Uniform Standards and they will be presented at the joint meeting of the Management Committee and Commission scheduled for February 24th, when the standards will be considered for adoption. She reminded the Committee that ACORD, ACLI and IRI want to have more discussions among themselves about the request to develop uniform standards for replacement notices, so that item is temporarily on hold. The next item for consideration for the PSC will be the preliminary draft of the Report and Recommendations for Phase 6 of the Five-Year Review, the Long Term Care Uniform Standards. IIPRC staff anticipates completing this draft in early March and will schedule a call to present it to the Committee.
