

**Agenda Item 2. Receive Public Comments on the initial draft of the Additional Standard for Incidental and/or Ancillary Benefit Features for Life Insurance Products.**

Mary Mealer, Chair of the Product Standards Committee (PSC), noted that when the Insurance Compact does not have uniform standards to review additional life insurance benefits or services that are offered by insurers, companies file directly with the states, which impacts speed to market and Mix and Match. To address these concerns and because many of these additional benefit features would require the same standards of review, the Insurance Compact officers requested that the PSC develop a draft recommendation for additional standards for incidental life insurance benefits. She noted that the exposed draft was an initial version for discussion that used requirements from other adopted uniform standards as well as some state requirements. She stated that in advance of the call, written comments were submitted by the Pennsylvania Insurance Department, the Oregon Insurance Division and the Industry Advisory Committee.

Representatives from the Pennsylvania Insurance Department summarized their written comments in which they proposed revisions to the draft definitions of “Incidental life insurance benefit” and “Ancillary benefit” to further limit the value of any incidental benefit and to discourage the introduction of third-party promotional programs into a policy. Pennsylvania also suggested amendments to the standards regarding eligibility for incidental benefits to allow reviewer discretion for ambiguous or subjective provisions. They also suggested revisions to clearly convey that ancillary benefits are optional.

A representative from the Oregon Insurance Division noted that in their written comments they questioned the need for product standards for services that are not insurance. He stated that such benefits can be offered outside of the insurance policy. In addition he noted that their comments raised concerns regarding any language in a form that says the insurer is not responsible for the actions of any third party vendor, the need for language in the policy to explain how individual health information will be protected as required by state and federal law, and the use of any collected information as a result of additional benefits to increase rates or conduct post issue underwriting.

Miriam Krol, representing the ACLI asked Marie Roche, John Hancock to summarize the Industry Advisory Committee (IAC) comments. Ms. Roche stated that the insurance companies did not understand the need for separate definitions for ancillary benefits and incidental benefits and noted that in the market, these benefits are not generally additional death benefits. She suggested using the term “incidental” or “supplemental.” Industry also suggested a generic approach to incidental benefits requiring that the filing describe the benefit to be provided, to whom benefits are payable, the conditions to be met to receive benefit payments, the maximum benefit period and maximum benefit amount, any elimination period and when benefits end.

Ms. Roche provided examples of the types of benefits or services companies offer, noting that it was not clear whether all of these benefits or services would be included in the definitions as currently drafted. She noted that sometimes an insurer will act as an intermediary to offer goods or services from a third party vendor because those benefits can be discounted due to volume. The benefits are paid through the policy for policyholder convenience.

The IAC also questioned the 10% aggregate cap on benefits and suggested allowing for benefits in addition to death benefit paid under the policy rather than a specific cap.

Several Commission member state representatives expressed concerns about noninsurance benefits being offered in an insurance policy and whether the states have the ability to regulate such benefits. It was noted that in some states the benefit must be included in the contract or it may be considered a rebate or inducement. Some states expressed concerns that the insured may not fully understand the benefit offered. Others questioned whether products with benefits that are historically rate regulated should be combined with those that are not.

Illinois stated that while he understood the concerns with state variations, their department encourages innovation as long as the benefit is prospective and the information is clearly disclosed. New Jersey indicated that they have approved benefits similar to wellness provisions like gym benefits as long as it is not an inducement and there is no obligation and no additional cost to the policyholder.

There were no other additional comments or questions on this item.

**Agenda Item 3. Receive Public Comments on the initial draft of the IIPRC Office Report and Recommendations for the Uniform Standards Currently Subject to Five-Year Review (Phase 8 – Individual Disability Income Insurance).**

The Chair noted that prior to the call, written comments were received from the Oregon Division of Insurance, the Consumer Advisory Committee (CAC) and the IAC.

Oregon summarized their written comments objecting to many of the major changes requested by the IAC including, but not limited to limiting benefits to three months, lowering the age during which benefits are payable, changing definitions for many terms including “Non-cancellable,” “Guaranteed Renewable,” “Occupation” and “Total Disability.” He stated that the individual disability insurance standards should not have lower consumer protection standards to be similar to group disability standards and preferred raising the group standards to be similar to individual.

Fred Nepple, representing the CAC, stated that the CAC urges the PSC to require more information on the need for many changes requested by the IAC. He stated that there were no documented changes in circumstances that would explain the basis for requested changes, and that the CAC written comments include a listing of items that are unsupported and questionable, including requested changes that are contrary to certain NAIC Models. Mr. Nepple urged the PSC to carefully consider the requests and going forward, to develop a standard submission form for requested changes.

Miriam Krol, representing the ACLI provided an overview of some of the major comments submitted by the IAC. She stated that several companies have been meeting since January to review the standards and that the comments submitted on March 31<sup>st</sup> explain that the current standards reflect the traditional approach to disability insurance but that the standards need to be

more flexible to encourage the development of new and more creative product solutions. She stated that prior Five-Year Reviews included major rewrites of certain standards, such as the Longevity standards.

It was noted that the IAC written submission included revisions to their suggestions regarding the definitions of “Guaranteed Renewable” and “Noncancellable.” Ms. Krol also noted that for preexisting conditions, the vast majority of states allow up to 24 months as timeframes.

Other industry representatives summarized the IAC written comments suggesting the life insurance standards for reinstatement provisions and requesting the life standards of no cap for a look back period for certain medical questions on the application.

Ms. Krol noted that the written comments regarding Substantive Item #14 should be amended to clarify the IAC’s current understanding that the recommendation from the Compact office is not to delete the list of Incidental Benefits, rather to consider language for reviewing benefits not specifically included in the list. The IAC would like to expand the list to include the benefits they outlined in their March 31<sup>st</sup> comments.

In reference to Clarification Item #8 and discounts for multi-life plans, Ohio National explained that they agree with the Compact office that it appears the reference should be to the Anticipated Loss Ratio (ALR). The minimum loss ratio (MLR) is set in the standards and it does not vary by whether the product is multi-life or not. The standard seems to be looking for a comparison of the expected multi-life loss ratio with the expected non-multi-life loss ratio which would be through the ALR.

There were no other questions or comments on this item.

#### **Agenda Item 4. Any Other Matters**

The Chair requested that any additional comments on either agenda item be submitted to [comments@insurancecompact.org](mailto:comments@insurancecompact.org). She stated that the PSC will consider all comments received as the Committee continues work on both matters and will hold additional public calls as needed prior to submitting recommendations to the Management Committee.