

Agenda Item 2. Discuss Substantive Change Item recommendations proposed by the IIPRC Office in the *IIPRC Office Report and Recommendations for the Uniform Standards Currently Subject to Five-Year Review* (Phase 8 – Individual Disability Income Insurance).

Mary Mealer, Chair of the Product Standards Committee (PSC), reminded the members that the Compact office distributed an initial draft of the *IIPRC Office Report and Recommendations for the Uniform Standards Currently Subject to Five-Year Review* for Phase 8, the Individual Disability Income Insurance Uniform Standards, and received public comments on its July 11th public call. She stated that she hoped that the Committee has been reviewing the report and also considering whether some requested changes go beyond the scope of a Five-Year Review. She noted that the purpose of this call is to review changes that were suggested by the Compact office, since these suggested changes are ones that Compact staff has heard from filers, reviewers and other interested parties as filings were submitted for review with the Compact over the last five years.

- (a) **Substantive Change Item 1- Mix and Match for Disability Income Riders.** The PSC discussed the recommended change as well as the comments received from the Oregon Division of Insurance and noted that the recommended change still required all individual disability income insurance products (IDI) to be filed through the Compact, so there would not be instances where disability income insurance products are approved at the state level and mixed with Compact approved IDI policies. The Compact Office also notes that as written at this time, IDI riders cannot even be attached to Compact approved life and annuity policies. Although some members noted that their specific states do not permit disability riders with life or annuity policies as a combination product, they concluded that these were administrative requirements not consumer protections. Following discussion, the PSC agreed to recommend the following revision to the Mix and Match provision:

Mix and Match: These standards are not available to be used in combination with State Product Components as described in Section 1101(b) of the Operating Procedure for the Filing and Approval of Product Filing, except that these standards are available to be used in combination with state-approved individual life insurance policies and annuity contracts, provided that the disability income rider and all the components associated with the disability income rider, e.g. application and rates, are filed and approved in accordance with the applicable uniform standards. ~~These standards are not available to be used in combination with IIPRC approved or state-approved individual life insurance and annuity forms.~~

- (b) **Substantive Change Item 8- Reinstatement Requirements.** The Compact office clarified that the issue that filers raised, which is different from the comments submitted by the IAC, is that as currently written it appears the standard could apply to situations where payment is made to a lock box and the company has no control over a requirement for an application. The IAC raised two different issues, one requesting reinstatement as of the date of receipt of premium and the other questioning the language in §3 C.(15)(b)

about conditional receipts. Following discussion, the PSC agreed that adding the word “requiring” an application would provide clarity and be consistent with the language in the long-term care insurance uniform standards, and that states generally allow the reinstatement to be from receipt of premium payment, not to be retroactive to the lapse date. The PSC also agreed to eliminate reference to conditional receipts. The following revisions are suggested for recommended amendments, including noting that the producer must be authorized to accept premium:

- (15) **Reinstatement.** The policy shall include a reinstatement provision describing the company procedures when a renewal premium is not timely paid by an owner.
- (a) When the owner does not timely pay a renewal premium and the company or ~~its a~~ producer duly authorized to accept premium payment subsequently accepts payment of the renewal premium without requiring an application, this provision shall state the policy is reinstated ~~in such case as though a policy lapse had not occurred~~ as of the date of receipt of the renewal premium.
- (b) When the owner does not timely pay a renewal premium and the company or its producer requires an application for reinstatement ~~and issues a conditional receipt or interim insurance agreement for the premium tendered for reinstatement of the policy by the owner~~, this provision shall state that the policy is reinstated upon approval of the application by the company; or, if the company does not act to approve the application, the policy is reinstated on the 45th day following the date of ~~the conditional receipt or interim insurance agreement~~ of the application for reinstatement unless the company has given notice to the owner of company disapproval of the application previous to the expiration of the 45 day time limit.
- (c) **Substantive Change Item 11 – Exclusion for Disability benefits Outside of the U.S.** The PSC noted that the limitation for residing outside the United States or Canada is a common one in individual disability income insurance policies approved in the states, and it appears this limitation was overlooked, not specifically excluded, when the standards were initially drafted and adopted. They noted that the additional language requested by the IAC to include “working or travelling” is not contained in the group disability income uniform standards and also that filings received by the Insurance Compact that initially contained a limitation when the insured was outside of the United States that resulted in issuance of an objection were not as restrictive as the IAC

requested change. Following discussion, the PSC agreed that in this case the language should be consistent with the group disability standards and they agreed to the language recommended by the Compact office:

DISABLED INSURED RESIDING OUTSIDE THE UNITED STATES, TERRITORIES OR POSSESSIONS OF THE UNITED STATES OR CANADA, AS APPLICABLE (the "Specified Area")

(1) If a Disabled insured is determined to be residing outside the Specified Area, benefits for such Disability may be limited, suspended or excluded. The limitation, suspension or exclusion may apply whether or not the Disability began while the insured was residing outside the specified area. For a suspension, the policy shall state that upon return to the specified area, a Disabled insured may re-apply for benefits under the policy.

Agenda Item 3. Discuss Clarification Item recommendations proposed by the Compact Office in the IIPRC Office Report and Recommendations for the Uniform Standards Currently Subject to Five-Year Review (Phase 8 – Individual Disability Income Insurance).

(a) **Clarification Item 7 – Actively at Work and Full Time Status.** The PSC noted that the purpose of the clarification is to make it clear that the question is not just applicable when the applicant works full time hours and can be phrased to address the applicable prescribed hours. The PSC agreed with the language recommended by the Compact office.

(1) The application may include a question regarding if the proposed insured, within a specified period of time (not to exceed 180 days prior to the date of application) has not been continuously at work ~~for the prescribed hours on a full-time basis (minimum of 30 hours per week)~~ performing the duties of their occupation due to an injury or sickness. For any “yes” answer, details may be requested such as: number of days missed due to the injury or sickness, specification of the injury or sickness, explanation of inability to work; name, address and telephone number of medical professional or facility consulted; diagnosis; treatment prescribed; medications prescribed; date of onset and recovery.

(b) **Clarification Item 8 – Discounts for Multi-Life Plans.** The PSC agreed to refer this item to the Actuarial Working Group for their review and input.

(c) **Clarification Item 9 – Minimum Loss Ratio for Multi-Life Discount Levels.** The Insurance Compact office stated that they believe that the IAC may have misunderstood the intent of this clarification item. The reference to MLR in this provision is to the adjusted MLR. Although the Initial MLR is determined by renewability category, the

reference in this item is to the MLR following the adjustments as outlined in B.(1)(g)(ii). The PSC agreed to refer this item to the Actuarial Working Group for their review and input.

- (d) **Clarification Item 10 – Expenses and Contingency and Risk Margins.** At the request of a member, the PSC agreed to ask the AWG to review this item prior to making a recommendation to make sure the language is as clear as possible.

Agenda Item 4. Any Other Matters.

The Chair noted that the PSC will meet again on Tuesday September 12th. Compact Office staff will send notice of the call in advance.