Agenda Item 2. Receive an update on the Product Standard Committee's discussions on the Management Committee request to review their recommendation regarding whether to include "Non-Duplication of Benefits" or "Management of Benefits" provisions in the proposed amendments to the Core Standards for Individual Long-Term Care Insurance Policies.

Mary Mealer, Chair of the Product Standards Committee (PSC) stated that the Management Committee asked the PSC to consider whether the comments and additional materials provided to the Management Committee would change the PSC recommendation that no change be made to the standard to address nonduplication of long-term care insurance benefits, and regardless of whether the PSC recommends a change or not, to provide draft language for a management of benefits provision for the Management Committee's consideration. She noted that PSC has had several discussions about the recommendation and at this point has not reached consensus. At the request of the Committee, the Compact Office drafted a proposal that attempts to address the concerns expressed during public calls and discussions.

Agenda Item 3. Receive Public Comments on the draft proposal for a provision on "Other Long-Term Care Insurance With This Company" in § 3 Policy Provisions of the Core Standards for Individual Long-Term Care Insurance Policies.

Ms. Mealer provided an overview of the Compact Office draft provision *Other Long-Term Care Insurance With This Company*. She noted that comments were received in advance of the call from the Utah Insurance Department, the Oregon Division of Financial Regulation, the Consumer Advisory Committee (CAC) and the Industry Advisory Committee (IAC).

Ms. Mealer asked the Utah Insurance Department if they had any additional remarks concerning their comments suggesting that language in the draft related to "pro-rata" calculation be clarified since other provisions seem to suggest that the insured would have the ability to use benefits as the insured wishes, and that the provision should address how different elimination periods are addressed. Utah had no additional comments and there were no questions.

The Oregon Division of Financial Regulation noted that their written comments raised concerns about allowing the provision to apply to affiliates, potential confusion when benefits differ with more than one policy, return of premium for reduction of benefits in the first policy, suitability, and disclosure. Oregon noted that they continue to support making no change to the standards. There were no questions for Oregon.

The CAC noted that it submitted two sets of comments. The first one, dated February 18th addressed the earlier IAC comments on nonduplication of benefits, and the second set of comments, dated March 13th specifically addressed the proposed draft. Fred Nepple of the CAC stated that the IAC has not provided any data to support adding this provision and that member states agreed to the LTC standards initially without a long-term care insurance "non-duplication" standard. The CAC noted that their comments address some specific concerns with language in the draft, but even if such language was revised, they remain opposed since the proposal still exposes a vulnerable population to confusing choices, conflicting claims adjudication and unsuitable sales, all to address an issue they do not believe is supported by any evidence of a problem. Bonnie Burns, California Health Advocates, emphasized the potential confusion for consumers and also stated that such a provision could increase the amount of time it takes for the policyholder to receive full benefits. There were no questions for the CAC.

Miriam Krol, representing the IAC introduced Greg Gurlik of Northwestern Mutual to provide an overview of their comments. Mr. Gurlik stated that although they initially believe 6% of their policyholders had more than one policy, the company has researched the inforce database and has recently determined that the number with more than one policy is closer to 14%, or over 30,000. He noted that in states that did not adopt the nonduplication of benefits provisions in Model Regulation #641, many companies will not issue more than one policy. The companies would like the nonduplication provision added because over time consumers may want to buy more than one LTC policy to better fund for their future LTC needs and without such a provision, many companies will not offer a second sale.

In reference to the draft provision, Mr. Gurlik stated that the IAC suggests that the draft not limit application of the provision to policies that contain language addressing other insurance with the same company, since this would allow different treatment of payment of benefits for some, and it isn’t clear that this restriction addresses a public policy issue. The IAC therefore suggests deleting “contains such a provision” from item 2. Mr. Gurlik stated that the IAC agrees with most of the points raised by Utah and submitted draft language addressing these concerns. On the issue of how to address policies with different elimination periods, the IAC noted that the issue exists now, and exists whether or not policies have the provisions in question. While the IAC agrees with the approach Utah expressed for handling different elimination periods, they do not believe it needs to be addressed in the proposed standard.

On the issue of rate reduction, Mr. Gurlik disputed the argument that two policies with a lower daily benefit would be individually rated for a higher probability of use than one policy with a higher daily benefit. He stated that conceptually, it is correct that the first $200 policy would have a greater probability of being used than the second $200 policy. However, this is the same situation as the first $200 of coverage in a single $400 policy. Commissioner Rosendale, Montana questioned why there shouldn’t be a return of premium for loss of benefit. Mr. Gurlik noted that there is a remaining pool of benefits and stated that he believes the relevant issue is the average cost of services in the area relative to the level of coverage. If consumers buy a level of coverage that is reflective of the costs in the area in which they anticipate receiving services, the company would anticipate that an insured going on claim in early policy durations will have reimbursable expenses of roughly 70% of the maximum benefit available, with the percentage tending to increase by policy duration. By taking that into consideration in pricing, the company offers insureds a lower premium, since they anticipate that benefits will be paid out over an extended period relative to the benefit period selected to determine the policy maximum benefits.

Kristi Bohn, Minnesota stated that Minnesota law requires a premium decrease or refund reflecting the reduction in benefits payable. Terry Seaton, New Mexico questioned why addressing overinsurance could not be achieved through underwriting. The IAC responded that the issue is not overinsurance, rather it is allowing consumers the opportunity to purchase LTC benefits as they can afford to do so and to increase the level of benefits over time as circumstances allow. Kentucky expressed the concern that allowing this provision could motivate certain producers to oversell.

The Chair asked if there were any other comments. Hearing none, she asked that any additional written comments be submitted to the IIPRC by March 17^{th}.

Agenda Item 4. Any other matters.

The Chair noted that the comments received on the call confirm that there are several different and sometimes opposing views about this issue. She stated that the PSC will consider the comments and discussion from today's call and prepare Committee recommendations for the Management Committee's meeting on April 7th. She stated that it appears that states treat this issue in different ways and that there is not consensus on a standard at this time. The Chair suggested that the issue may be one that is more appropriately addressed through discussions at the NAIC so it can be fully vetted and a more uniform approach developed which could then be considered for incorporation into the Uniform Standards.