UPDATED BRIEFING SHEET ON LTC OPTIONS

Prepared by the Compact Office
Updated on November 9, 2021

- At the request of South Carolina Insurance Commissioner Ray Farmer, the Management Committee asked the Product Standards Committee (PSC) to consider whether to reduce or remove the 15% threshold currently in place for Compact-approved long-term care insurance rate increases. The PSC developed options for the Commission to consider and documented them in its Transmittal Memo to the Management Committee on June 29th.

- During the October 19th joint meeting of the Management Committee and Commission, the members narrowed the options for purposes of voting on this item at its meeting on December 12th. The two remaining options the membership is considering are:

  1. Keep the "status quo" and not make any amendments to the *Rate Filing Standards for Individual Long-Term Care Insurance* (the "Status Quo Option"), or
  2. The option proposed by Washington Commissioner Mike Kreider (the "Kreidler Option") directly to the Management Committee. The Kreidler option proposes to separate the requirements for the initial rate schedule and for rate schedule increases for in-force business into two Uniform Standards and permit a Compacting State to opt out of the in-force rate increase Uniform Standard while continuing to participate in other individual long-term care insurance (iLTC) Uniform Standards, including for the policy and initial rate schedule.

- The following is a side-by-side comparison of the two options that will be considered for final action at the joint meeting of the Management Committee and Commission on Sunday, December 12th at 3:00 pm PT in San Diego being held in-person and virtually:

Side-by-Side Comparison		
	Kreidler Option	**Status Quo Option**
What change would be made to the existing Uniform Standard?	The Kreidler Option would split the requirements for initial rate schedules and requirements for in-force rate increases and revisions into two separate Uniform Standards. The new standard, *Standards for Filing Revisions to In-Force Rate Filing Schedules for Individual Long-Term Care Insurance*, would include the provisions for in-force rate increases from the current Rate Filing Standards, Sections 4, 5, and 6b. Breaking the rate schedule increase requirements into a separate Uniform Standard would allow Compacting States to opt out for in-force rate increase requests while allowing them to participate in the	None

	other iLTC Uniform Standards, including the policy and initial rate schedule.	
Would the substantive requirements change for either type of rate schedules?	No – the 15% threshold for Compact approval of an in-force rate increase would still apply to in-force rate schedule increases for participating states.	No
Does the scope of the Uniform Standards change with this option?	Yes – the scope would change as the current standards do not allow part of a product to be filed with the Compact and another part of the product (in this case, any in-force rate increase request) to be filed with the state.	No
Is there further action required of a state that would like the Compact to continue reviewing and approving rate increase requests up to the existing 15% threshold on its behalf?	No	No
Could a state opt out?	Yes – states could choose to opt out of the newly created *Standards for Filing Revisions to In-Force Rate Filing Schedules for Individual Long-Term Care Insurance* A state that opts out of this new in-force rate schedule increase standard would be responsible for reviewing all in-force rate increase requests on applicable Compact-approved products.	No.
Could a state choose to opt into certain LTC Uniform Standards but not others?	Yes – the proposed amendments include that compacting states could opt out of the newly created *Standards for Filing Revisions to In-Force Rate Filing Schedules for Individual Long-Term Care Insurance* without affecting participation in the other Uniform Standards for the individual long-term care insurance product and initial rate schedules.	No – states cannot pick and choose in which Uniform Standards it wants to participate. Currently, if a Compacting State opts out of one of the iLTC Uniform Standards, it is effectively opting out of all of them.
Can a state choose to decline the receipt of an advisory LTC opinion issued by the Compact?	Yes – the Kreidler Option also includes suggested language in the *Standards for Filing Revisions to Rate Filing Schedules for Individual Long-Term Care Insurance* to respond to Louisiana Commissioner Jim Donelon’s request to allow Compacting States to affirmatively decline the receipt of all Compact advisory review reports on in-force rate increase filings.	No – this option is not available if the status quo is maintained.

- Please note during the October 19th meeting, a representative from South Carolina indicated the Kreidler Option appeared upon their initial review to respond to their request noting their regulation-making to opt out would require legislative approval.

Background Information on existing long-term care rate review process

- It is important to note the current process as outlined in the current Rate Filing Standards for Individual Long-Term Care Insurance: the Compact has the authority to approve up to 15% rate increase on in-force business only provided the rate increase request complies with the Rate Filing Standards. Pursuant to Section § 4(A)(2), Compacting States must consider rate increases above 15% if the Compact determines a rate increase greater than 15% is necessary to comply with this standard. Section § 4(A)(4) also makes clear that in such a scenario, the Compact first issues an advisory finding that is not binding on Compacting states or the filing company. Companies cannot effectively seek a rate increase less than what is needed to comply with the standards simply to avoid triggering the advisory review. The Rate Filing Standards do not permit the Compact to approve or advise a rate increase less than what is needed to comply with the standards.

- Furthermore, carriers must file an Annual Certification attesting a Compact-approved premium rate schedule continues to be sufficient to cover anticipated costs under moderately adverse experience and that the premium schedule is reasonably expected to be sustainable over the life of the form with no future premiums increases anticipated. If the carrier cannot certify to this statement, it must provide a plan of action and time frame to the Compact detailing how it will re-establish adequate margins for moderately adverse experience. In this scenario, the Compact will immediately notify each Compacting State where the approved premium rate schedule applies.

- As an example of an advisory review, of the 36 Compacting States that received the John Hancock Custom Care III rate increase in 2018, approximately 52.7% of those states approved the same percentage in the advisory review which complied with the Rate Filing Standards in the amount of 19.4%, and 27.7% approved a lesser amount than what was recommended. The remaining states either disapproved or did not take any action on the request within one year of the request being filed with the Compacting States.

If you have any questions about this request, please contact Karen Schutter, Becky McElduff or Sue Ezalarab.