



MEMORANDUM

TO: IIPRC Management Committee

FROM: Product Standards Committee

DATE: August 25, 2016

SUBJECT: Recommendation Pursuant to Section 119 of the Rulemaking Rule for Changes and Clarifications to certain Uniform Standards Effective On or Before December 1, 2010 (Phase 6) Subject to the Five-Year Review Process (Long-Term Care Insurance Uniform Standards)

The Product Standards Committee (“PSC”) of the Interstate Insurance Product Regulation Commission (“IIPRC”) is charged with reviewing, drafting and recommending proposed drafts of Uniform Standards for consideration and adoption by the Management Committee. In carrying out its charge, the PSC has conducted a review of the Individual Long-Term Care Insurance Uniform Standards effective on December 1, 2010 and is recommending amendments to certain provisions within these Uniform Standards.

The PSC presents this recommendation pursuant to §119 of its Rule for the Adoption, Amendment and Repeal of Rules for the Interstate Insurance Product Regulation Commission (“Rulemaking Rule”) which requires the Commission to substantially review its rules, including Uniform Standards, every five years. The PSC performed the review of these Uniform Standards in accordance with the Procedures for Implementing §119 of the Rulemaking Rule as adopted by the Management Committee on March 2, 2012 (“Procedures”).

The Notice of Five-Year Review for Uniform Standards Effective On or Before December 1, 2010 was issued on July 1, 2015. In order to allow for all interested parties to provide comments, the comment period was extended to five months. Comments were submitted by the Oregon Insurance Division, the Kentucky Department of Insurance, the Utah Insurance Department, the Industry Advisory Committee, the Consumer Advisory Committee, and a filing company.

Pursuant to the Procedures, the IIPRC Office presented a report and recommendation to the Product Standards Committee on April 12, 2016. The IIPRC Office Report and Recommendation provided a detailed description of the submitted comments and suggested changes as well as changes or amendments proposed by the IIPRC Office based on these comments and internal challenges faced in applying or implementing the Uniform Standards. In addition, since Article IV, Section 2 of the Compact states that the Commission shall consider whether any subsequent amendments to the NAIC Long-Term Care Insurance Model Act or Long-Term Care Insurance Model Regulation adopted by the NAIC require amendments to the Uniform Standards for long-term care insurance products., the IIPRC Office also conducted a detailed review of the Model Long-Term Care Bulletin adopted by the NAIC in December of 2013 as well as the revisions to the Long-Term Care Insurance Model Regulation #641 adopted by the NAIC in August of 2014. The PSC requested public written comments

on the IIPRC Office Report and Recommendation and during its consideration process held three public conference calls to receive comments on the report and the PSC recommendations.

The final Product Standards Committee Report and Recommendation is divided into five parts: 1) Model Regulation/ Bulletin Change Items (proposed amendments based on revisions to the NAIC Long-Term Care Insurance Model Regulation #641 and the Model Long-Term Care Bulletin); 2) Substantive Changes (proposed amendments that would change or alter the meaning, application or interpretation of the provision); 3) Clarifications Changes (amendments to clarify the original or existing meaning, application, and/or intent of a provision); 4) Conforming Amendments (amendments to existing Uniform Standards where the substantive provisions of the amendments are included in other adopted Uniform Standards, and the amendments will have the same substantive effect on the application of the existing Uniform Standards as it does on in the other adopted Uniform Standard) and; 5) Technical Items (formatting, typographical, and/or drafting corrections). As part of the Five-Year Review process, the applicable changes adopted by the Commission in prior phases of the Five-Year Review process will be presented as conforming amendments to Uniform Standards subject to Phase 6.

As required by the Procedures, the PSC's recommendation to the Management Committee includes a summary of recommended changes and an explanation of the change in circumstances or underlying assumptions since the rule was last adopted, amended or reviewed, as well as comments raised but not recommended by the Committee with the reasons for not recommending these items. Since the conforming amendments were already summarized in prior phases of the Five-Year Review and since the technical changes are format and typographical corrections, these items are not detailed on the chart. The Summary of Five-Year Review Comments and PSC Recommendations for Uniform Standards in Phase 6 accompany this Transmittal Memo.

As was previously recommended in Phases 1 through 5, the PSC recommends that the proposed amendments apply only to new filings received after the effective date of the amendments. It is not necessary to resubmit previously approved forms to comply with these amendments, or to suspend use of previously approved forms that do not comply with these amendments.

This Summary will be posted to the Rulemaking Docket of the IIPRC Website (www.insurancecompact.org) and will have links to the applicable Uniform Standards showing the proposed Five-Year Review changes in redlined format. The PSC is available to respond to any questions to assist the Management Committee during its rulemaking process.

**Summary of Five-Year Review Comments and PSC Recommendations
For Uniform Standards in Phase 6 of the Five-Year Review
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	Uniform Standards Provision	5-Year Review Comment	PSC Recommendation
RECOMMENDED MODEL REGULATION/BULLETIN CHANGE ITEMS			
1.	Right To Reduce Coverage and Lower Premium provision in the CORE STANDARDS FOR INDIVIDUAL LONG-TERM CARE INSURANCE POLICIES (<i>Cross-Reference to IIPRC Office Report – Model Regulation/Bulletin Change Item #1</i>)	<i>IIPRC Office Comments/Observations:</i> The IIPRC Office noted that there were changes made to §27 Right to Reduce Coverage and Lower Premiums in NAIC Long-Term Care Model Regulation #641 that could impact the requirements in the corresponding provisions of the Uniform Standards and suggested revisions to reflect these Model Regulation amendments.	The Product Standards Committee (PSC) referred this request to the Actuarial Working Group (AWG) for review and recommendation. The AWG recommended, and the PSC agreed to add a provision to §3BB stating that if a reduction in coverage involves reduction or elimination of the inflation protection provision, the company shall allow the policyholder to continue the benefit amount in effect at the time of the reduction, and to require a provision that the premium for the reduced coverage shall be consistent with approved rate tables and based on the same age and underwriting class as the rates for the policy currently in force.
2.	Nonforfeiture Benefits provision of the CORE STANDARDS FOR INDIVIDUAL LONG-TERM CARE INSURANCE POLICIES (<i>Cross-Reference to IIPRC Office Report – Model Regulation/Bulletin Change Item #2</i>)	<i>Industry Comments:</i> The Industry Advisory Committee (IAC) notes that changes should be made to §3T.(4)(a) to reflect recent additions to § 28D.(7) of NAIC Long-Term Care Model Regulation #641. <i>IIPRC Office Comments/Observations:</i> The IIPRC Office noted that in addition to the changes noted by the IAC, there were also changes to §28D.(5) and (6) that could impact the nonforfeiture benefit provision.	The PSC referred this request to the AWG for review and recommendation. The AWG noted that the changes in the Model applied to new policy forms only and recommended revisions to the table of Triggers for a Substantial Premium Increase to be 100% for all age bands under age 55, and to note that if the policy was issued at least 20 years prior to the effective date of the increase, a value of 0% shall be used in place of all values in the table. The AWG also recommended revisions to existing language in this section to reflect that offers to reduce policy benefits shall be consistent with the standards found in §3BB of the Uniform Standards. The PSC agreed with the AWG recommendations.

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3.	Due Date for Annual Submission Requirements in the RATE FILING STANDARDS FOR INDIVIDUAL LONG-TERM CARE INSURANCE - ISSUE AGE RATE SCHEDULES ONLY and RATE FILING STANDARDS FOR INDIVIDUAL LONG-TERM CARE INSURANCE - MODIFIED RATE SCHEDULES <i>(Cross-Reference to IIPRC Office Report – Model Regulation/Bulletin Change Item #3)</i>	IIPRC Office Comments/Observations: The IIPRC Office noted that new Subsection 15 I.(2)(c) of NAIC Long-Term Care Model Regulation #641 requires that the actuarial certification required under the annual submission requirements subsequent to initial rate filings be based on calendar year data and submitted no later than May 1st.	The PSC agreed with the IIPRC Office recommendation to revise the provision in the standards to note that the actuarial certification is based on calendar year data and to change the due date for the actuarial certification and triennial actuarial memorandum from January 1st to May 1st.
4.	Actuarial Memorandum requirements in the RATE FILING STANDARDS FOR INDIVIDUAL LONG-TERM CARE INSURANCE - ISSUE AGE RATE SCHEDULES ONLY and RATE FILING STANDARDS FOR INDIVIDUAL LONG-TERM CARE INSURANCE - MODIFIED RATE SCHEDULES <i>(Cross-Reference to IIPRC Office Report – Model Regulation/Bulletin Change Item #5)</i>	<i>IIPRC Office Comments/Observations:</i> The IIPRC Office noted that revisions to §20B(3)(f) of NAIC Long-Term Care Model Regulation #641 add requirements related to demonstration that the actual and projected costs exceed anticipated costs and that the composite margin is projected to be exhausted.	The PSC referred this item to the AWG for review and recommendation. The AWG and the PSC agreed with the recommendation to add a new provision to §4C.(2) requiring a demonstration that actual and projected costs exceed costs anticipated at the time of initial pricing under moderately adverse experience and that the composite margin is projected to be exhausted.
5.	Requirements for the Portion of Business To Which Rate Schedule Increases Apply in the RATE FILING STANDARDS FOR INDIVIDUAL LONG-TERM CARE INSURANCE - ISSUE AGE RATE SCHEDULES ONLY and RATE FILING STANDARDS FOR INDIVIDUAL	<i>Industry Comments:</i> The IAC suggested amending §4C.(3) to apply to rate schedule increases for policy forms filed prior to six months after the adoption date of the amended uniform standards and adding a new subsection for rate schedule increases for policy forms filed on or after six months from the adoption date of the amended uniform standards to be consistent with the addition of §20.1 C of NAIC	The PSC referred this item to the AWG for review and recommendation. The AWG and the PSC agreed with the recommendation to revise §4C.(3) and (4) to be consistent with the revisions to §27 of the NAIC Long-Term Care Model Regulation.

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	LONG-TERM CARE INSURANCE - MODIFIED RATE SCHEDULES <i>(Cross-Reference to IIPRC Office Report – Model Regulation/Bulletin Change Item #6)</i>	Long-Term Care Model Regulation #641. <i>IIPRC Office Comments/Observations:</i> The IIPRC Office notes that there were additions to NAIC Long-Term Care Model Regulation #641 in §20.1 Premium Rate Schedule Increases for Policies Subject to Loss Ratio Limits Related to Original Filings that could impact the requirements in the corresponding provisions of these Uniform Standards.	
6.	Appendix A (Personal Worksheet) and Appendix C (Potential Rate Increase Disclosure) of the STANDARDS FOR FORMS REQUIRED TO BE USED WITH AN INDIVIDUAL LONG-TERM CARE INSURANCE APPLICATION (Cross-Reference to IIPRC Office Report – Model Regulation/Bulletin Change Item #7)	Industry Comments: The IAC suggested that Appendix A – Personal Worksheet and Appendix C – Potential Rate Increase Disclosure be replaced by Appendices B and F recently adopted by the NAIC.	The PSC agreed that Appendix A and C in the uniform standards should be replaced with the most recently adopted revisions in the NAIC Long-Term Care Insurance Model Regulation.
7.	Actuarial Certification requirements in the RATE FILING STANDARDS FOR INDIVIDUAL LONG-TERM CARE INSURANCE - ISSUE AGE RATE SCHEDULES ONLY and RATE FILING STANDARDS FOR INDIVIDUAL LONG-TERM CARE INSURANCE - MODIFIED RATE SCHEDULES <i>(Cross-Reference to IIPRC Office Report – Model Regulation/Bulletin Change Item #8)</i>	<i>IIPRC Office Comments/Observations:</i> The IIPRC Office noted that §2B.(1)(d) should be considered for amendment due to the revisions to §10B(2)(d) and (f) of NAIC #641. §2.B.(1)(d) of the Rate Filing Standards is similar to the referenced section of the Model, but does not include requirements to provide detail or sample calculations of reserve amounts or the new clarifying language with respect to the methodology of performing the net/gross ratios.	The PSC referred this item to the AWG for review and recommendation. The AWG and the PSC agreed with the IIPRC Office recommendation to amend §2B.(1)(d) to be consistent with the revisions to § 10B of the Long-Term Care Insurance Model Regulation.
8.	Actuarial Memorandum requirements	<i>IIPRC Office Comments/Observations:</i> The IIPRC	The PSC referred this item to the AWG for review

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	<p>in the RATE FILING STANDARDS FOR INDIVIDUAL LONG-TERM CARE INSURANCE - ISSUE AGE RATE SCHEDULES ONLY and RATE FILING STANDARDS FOR INDIVIDUAL LONG-TERM CARE INSURANCE - MODIFIED RATE SCHEDULES <i>(Cross-Reference to IIPRC Office Report – Model Regulation/Bulletin Change Item #9)</i></p>	<p>Office noted that §2B.(3) should be considered for amendment due to the revisions to §10B.(3)(c) and (d) of NAIC Long-Term Care Model Regulation #641. The revision in §10B.(3)(c) of the Model Regulation does not limit disclosure of deviations to “significant” deviations and Model provision (3)(d) is not currently listed in the standards.</p>	<p>and recommendation. The AWG and the PSC agreed with the IIPRC Office recommendation to amend §2B.(3)(c) so disclosures are for all deviations, not just significant deviations, and to add a new item (f) requiring a demonstration that the gross premiums include the minimum composite margin.</p>
RECOMMENDED SUBSTANTIVE CHANGE ITEMS			
1.	<p>Exemption for dollar-for-dollar benefit products in the RATE FILING STANDARDS FOR INDIVIDUAL LONG-TERM CARE INSURANCE - ISSUE AGE RATE SCHEDULES ONLY and RATE FILING STANDARDS FOR INDIVIDUAL LONG-TERM CARE INSURANCE - MODIFIED RATE SCHEDULES <i>(Cross-Reference to IIPRC Office Report – Substantive Change Item #3)</i></p>	<p><i>Kentucky Department of Insurance Comment:</i> The Kentucky Department of Insurance noted that in their opinion circumstances have changed since the IIPRC Standards were adopted and these changes cause concern over the exemption for dollar-for-dollar long-term care insurance from Actuarial Submission Requirements. They observed that dollar-for-dollar long-term care insurance is being increasingly purchased as a lower cost alternative to stand-alone long-term care coverage. These products utilize distinct maximum guaranteed rates that are subject to company discretion as opposed to falling under the maximum cost of insurance (COI) of the underlying insurance. Kentucky noted that the concern is particularly with universal life insurance products, reporting that they have received complaints when interest rates declined that the policies that were sold based on minimum or</p>	<p>The PSC referred this request to the AWG for review and recommendation. Representatives for the Kentucky Department of Insurance worked with Industry representatives to develop uniform standards for dollar-for-dollar long-term care insurance products. The PSC and the AWG discussed the draft and agreed that it would be less confusing and more consistent to incorporate the specific requirements for dollar-for-dollar long-term care insurance products into the existing standards. The PSC recommends exposing proposed revisions to the Rate Filing Standards For Individual Long-Term Care Insurance -Issue Age Rate Schedules Only to identify requirements in those rate standards that apply to dollar-for-dollar long-term care insurance products, and revising the Scope of the Rate Filing Standards For Individual Long-Term Care Insurance - Modified Rate Schedules to state that the Rate Filing Standards</p>

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		underfunded premium patterns began to lapse and policyowners lost valuable life insurance protection. The Kentucky department requested that the rates for dollar-for-dollar long-term care coverage be subject to the same Actuarial Submission Requirements as the standards that apply to the rates for other long-term care insurance.	for Individual Long-term Care Insurance Issue Age Rate Schedules Only apply to dollar-for-dollar long-term care insurance products.
RECOMMENDED CLARIFICATION ITEMS			
1.	Scope of the CORE STANDARDS FOR INDIVIDUAL LONG-TERM CARE INSURANCE POLICIES (Cross-Reference to IIPRC Office Report – Clarification Item #1)	<p><i>Industry Comment:</i> The IAC suggests adding a new paragraph following the first paragraph in the Scope of the Core Standards for Individual Long-Term Care Insurance Policies to clarify that for accelerated death benefits that are advertised, marketed, offered or designed as providing coverage for long-term care services, these standards apply but in addition Additional Standards for Accelerated Death Benefits will apply as applicable.</p> <p><i>IIPRC Office Comments/Observations:</i> The IIPRC Office notes that its practice is to review product filings using the specific applicable uniform standards. A long-term care accelerated death benefit rider is reviewed using the applicable long-term care uniform standards. The IIPRC Office suggested adding a sentence to the Scope noting that the Core Standards for Individual Long-term Care Insurance apply to accelerated death benefits that are advertised, marketed, offered or designed as providing coverage for long-term care services.</p>	The PSC recommends adding a sentence to the Scope stating that the Core Standards for Individual Long-term Care Insurance apply to accelerated death benefits that are advertised, marketed or offered as providing coverage for long-term care services. The PSC concluded that the Additional Standards for Accelerated Death Benefits do not apply to these products, including riders that fall within the scope of the Core Standards for Individual Long-Term Care Insurance Policies.
2.	Definitions in the CORE	<i>Industry Comment:</i> The IAC suggests that based on	The PSC recommends clarifying in the definition of

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	<p>STANDARDS FOR INDIVIDUAL LONG-TERM CARE INSURANCE POLICIES <i>(Cross-Reference to IIPRC Office Report – Clarification Item #2)</i></p>	<p>revisions made to the Additional Standards for Accelerated Death Benefits, the definition of individual long-term care insurance should be further refined to state that it does not include life insurance policies that accelerate the death benefit for chronic illness, with specific definitions of chronic illness taken from the accelerated death benefit uniform standard. They further suggest that the definition specify that for annuities, the term does not include guaranteed living benefits with guaranteed withdrawal increase for certain qualifying events, to reflect revisions to the Additional Standards for Guaranteed Living Benefits.</p> <p><i>IIPRC Office Comments/Observations:</i> The IIPRC Office notes that during Phase One of the five-year review process, amendments were adopted for the Additional Standards for Accelerated Death Benefits that incorporated current Internal Revenue Code provisions regarding chronic illness definitions for federally tax-qualified products. This type of chronic illness qualifying event was not listed in the exceptions to the definition of long-term care insurance. The amendments to the Additional Standards for Guaranteed Living Benefits as adopted June 29, 2016, include the qualifying events referenced in the IAC’s request.</p>	<p>individual long-term care insurance that long-term care insurance does not include life insurance policies that accelerate the death benefit for chronic illness or annuities with guaranteed living benefits when the guaranteed withdrawal increases for certain qualifying events.</p>
3.	<p>Preface to §4 Additional Submission Requirements for Rate Schedule Increase Filings of the RATE FILING STANDARDS FOR INDIVIDUAL</p>	<p><i>Industry Comment:</i> The IAC suggests adding a parenthetical to this provision clarifying what a rate schedule increase filing is.</p>	<p>The PSC recommends clarifying the preface with an explanation that a rate schedule increase filing is a change to an approved Issue Age Rate Schedule that results in a new, higher Issue Age Rate Schedule for</p>

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	LONG-TERM CARE INSURANCE - ISSUE AGE RATE SCHEDULES ONLY and RATE FILING STANDARDS FOR INDIVIDUAL LONG-TERM CARE INSURANCE - MODIFIED RATE SCHEDULES <i>(Cross-Reference to IIPRC Office Report – Clarification Item #3)</i>		in-force products.
4.	General provisions for review of rate filings for the RATE FILING STANDARDS FOR INDIVIDUAL LONG-TERM CARE INSURANCE - ISSUE AGE RATE SCHEDULES ONLY and RATE FILING STANDARDS FOR INDIVIDUAL LONG-TERM CARE INSURANCE - MODIFIED RATE SCHEDULES <i>(Cross-Reference to IIPRC Office Report – Clarification Item #4)</i>	<i>IIPRC Office Comments/Observations:</i> The IIPRC Office noted that generally, rates are not unfairly discriminatory if the rate differentials reflect differences in expected losses or expenses. The IIPRC Office has permitted discounts based on administrative savings and adding this to the general criteria for rate review would provide further clarity. This clarification was added to the recently adopted Group Disability Income Insurance Rate Uniform Standards.	The PSC recommends adding expenses to §1A.(2) to clarify that variances in premiums are based on sound underwriting and sound actuarial principles that are reasonably related to actual or reasonably anticipated loss experience or expenses.
5.	Actuarial Submission Requirements for the RATE FILING STANDARDS FOR INDIVIDUAL LONG-TERM CARE INSURANCE - ISSUE AGE RATE SCHEDULES ONLY <i>(Cross-Reference to IIPRC Office Report – Clarification Item #5)</i>	<i>IIPRC Office Comments/Observations:</i> The IIPRC Office noted that new filers frequently overlook the certifications that are required under the Core Standards for Individual Long-term Care Insurance Policies related to nonforfeiture and inflation protection requirements and this can delay the review process. These certifications, when received, are normally from the company actuary. It would clarify the requirements and speed review if the actuarial memorandum requirements include information related to these certifications.	The PSC recommends adding two new provisions to the actuarial memorandum requirements in § 2.B.(3) of the Rate Filing Standards for Individual Long-Term Care Insurance - Issue Age Rate Schedules Only to clarify the requirement for descriptions supporting the certifications related to nonforfeiture and inflation protection requirements found in the Core Standards for Individual Long-term Care Insurance Policies.
6.	Annual Actuarial Certification Requirements for the RATE FILING	<i>IIPRC Office Comments/Observations:</i> The IIPRC Office noted that it is difficult to identify and review	The PSC recommends adding a provision to the actuarial certification requirements in § 2.B.(3)

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	STANDARDS FOR INDIVIDUAL LONG-TERM CARE INSURANCE - ISSUE AGE RATE SCHEDULES ONLY and RATE FILING STANDARDS FOR INDIVIDUAL LONG-TERM CARE INSURANCE - MODIFIED RATE SCHEDULES (Cross-Reference to IIPRC Office Report – Clarification Item #6)	the annual rate certification and statement of sufficiency of the premium rate schedule if the policy form to which the statement applies, the start issue date and where applicable, the end issue dates are not identified. The period of sales is particularly important when rates have been refreshed since the initial filing, because separate certifications are required for currently marketed and previously marketed products.	clarifying that the statement of sufficiency of the premium rate schedule in the actuarial certification shall include identification of the policy form to which the statement applies as well as the start date and if applicable, end date of issue.
7.	References to the Shopper’s Guide To Long-Term Care Insurance in the INDIVIDUAL LONG-TERM CARE INSURANCE APPLICATION STANDARDS and Appendix A of the INDIVIDUAL LONG-TERM CARE INSURANCE STANDARDS FOR THE OUTLINE OF COVERAGE (Cross-Reference to IIPRC Office Report – Clarification Item #7)	<i>Industry Comment:</i> The IAC suggests that “NAIC” be added to the beginning of item (1)(a)(v) in the Individual Long-Term Care Insurance Application Standards and to Appendix A of the Outline of Coverage Standards for consistency with other IIPRC standards and to clarify that the reference is to the Shoppers Guide to Long-term Care Insurance that is Appendix C in the NAIC Long-Term Care Insurance Model Regulation #641.	The PSC recommends adding “NAIC” before the references to the Shoppers Guide to Long-Term Care Insurance in the noted uniform standards to clarify that the intent is to use the NAIC-adopted Shopper Guide and not state specific guides.
8.	The definition of “similar policy forms” in the STANDARDS FOR FORMS REQUIRED TO BE USED WITH AN INDIVIDUAL LONG-TERM CARE INSURANCE APPLICATION (Cross-Reference to IIPRC Office Report – Clarification Item #8)	<i>Industry Comment:</i> The IAC suggested that the reference to certificates in the definition is not appropriate for long-term care insurance. They noted that the long-term care benefit may be included as a rider attached to a life insurance policy or annuity, and such riders are subject to the long-term care standards, so referencing amendments, riders or endorsements would be more appropriate.	The PSC recommends amending the definition of “similar policy forms” so that it references all of the long-term care insurance policies and amendments, riders or endorsements issued by the company in the same long-term care benefit classification as the policy being considered.
9.	Adding definitions of policy and rider to the INDIVIDUAL LONG-TERM CARE INSURANCE STANDARDS	<i>Industry Comment:</i> The IAC suggested adding definitions of “Policy” and “Rider” so that it is clear that the requirements apply to a stand-alone long-	The PSC recommends amending the standards to add the definitions proposed by the IIPRC Office: “Policy” means a long-term care insurance policy or

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	FOR THE OUTLINE OF COVERAGE (<i>Cross-Reference to IIPRC Office Report – Clarification Item #9</i>)	<p>term care policy as well as a long-term care rider issued with a life policy or an annuity.</p> <p><i>IIPRC Office Comments/Observations:</i> The IIPRC Office agreed that the addition of the definitions would provide clarity, but provided suggested revisions to the IAC’s proposed definitions.</p>	<p>contract providing long-term care insurance. “Rider” means an endorsement, rider or amendment to a life insurance or annuity policy or contract which provides long-term care insurance.</p>
ITEM RAISED BUT NOT RECOMMENDED			
1.	<p>Additional Submission Requirements For Rate Schedule Increase Filings in the RATE FILING STANDARDS FOR INDIVIDUAL LONG-TERM CARE INSURANCE - ISSUE AGE RATE SCHEDULES ONLY and RATE FILING STANDARDS FOR INDIVIDUAL LONG-TERM CARE INSURANCE - MODIFIED RATE SCHEDULES (<i>Cross-Reference to IIPRC Office Report – Model Regulation/Bulletin Change Item #4</i>)</p>	<p><i>Industry Comment:</i> The IAC suggested language to allow companies to file rate schedule increases that are less than actuarially justified and that may be on a phased-in basis over a specified period of time, such as 5% for the next three years, as permitted by the NAIC Long-Term Care Insurance Model Regulation and Bulletin.</p> <p><i>IIPRC Office Comments/Observations:</i> The IIPRC Office noted that adding language suggested by the IAC would be consistent with revisions to § 20B.(2)(c) of the NAIC Long-Term Care Insurance Model Regulation and with the NAIC Long-Term Care Rate Increase Model Bulletin.</p>	<p>The PSC referred this request to the AWG for review and recommendation. The AWG noted that although there was no actuarial reason not to make this revision, there were policy issues to consider including concerns that the options added to the NAIC Long-Term Care Insurance Model Regulation allowing the ability to approve less than an actuarially justified rate increase and to phase in a rate increase were ones within the purview of the Commissioner and not the Insurance Compact. It was noted that although a phase-in approach is permitted in the Model, it seemed impractical when rate schedule increase filings with the IIPRC were limited to 15%. Additionally the AWG noted that these types of rate increases and phased-in rates may be difficult to communicate to consumers.</p> <p>The PSC discussed the policy issues noted by the AWG as well as committee member concerns that the proposed language could undermine the explicit 15% threshold for when rate increase requests would be subject to the review and approval or disapproval of</p>

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			<p>Compacting States. They noted that implementing less than actuarially justified rate increases could promote frequent requests for further rate changes since the proposed amendment appeared to eliminate the requirement in the certification that no future rate schedule increases are anticipated. Noting these concerns and concluding that the purpose of the amendments to the NAIC Long-Term Care Insurance Model Regulation was to provide states with flexibility and Commissioner discretion for large rate increase requests, the PSC concluded that no change should be recommended to the current provisions and that requests for premium rate schedule increases less than actuarially justified or for phased in rates should be filed directly with the states.</p>
2.	<p>Misstatement of Age or Sex provision in the CORE STANDARDS FOR INDIVIDUAL LONG-TERM CARE INSURANCE POLICIES (<i>Cross-Reference to IIPRC Office Report – Substantive Change Item #1</i>)</p>	<p><i>Industry Comment:</i> The IAC requested an amendment to the Misstatement of Age or Sex provision to provide that a company may terminate coverage and refund premiums if the correct issue age of the insured is misstated at the time the policy is issued and is outside the issue age ranges of the policy. The IAC stated that for long-term care insurance, rate schedules are based on issue age ranges and if the correct age is beyond that age range, there is no benefit available to associate with the corrected issue age. Companies establish issue age limits due to such factors as ages beyond the issue age range do not provide sufficient funding periods, increased claim exposure and greater probability of adverse health conditions.</p> <p><i>IIPRC Office Comments/Observations:</i> The IIPRC</p>	<p>During PSC discussions of this issue, members noted that as written, the provision allows for cancellation regardless of whether the age is incorrect due to a technical error, producer error or actual misrepresentation. The members also discussed whether there should be a time limit on when a company could cancel and refund premiums. Following a review of the IAC responses to specific PSC member questions, the PSC concluded that the request from the IAC appeared to address a concern that industry has not documented actually occurs with any frequency, that the provision as proposed by the IAC would hurt policyholders in situations where the insurer or agent was responsible for the error, and that the Incontestability provision in the Uniform Standards already allows the insurer to rescind coverage and deny an otherwise valid claim if, for a</p>

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		<p>Office noted that this issue was raised to the PSC in 2011 and some regulators expressed concern that adding this termination provision for misstatement of age could result in the insured losing coverage at the time when it is needed most – when long-term care services are rendered. The PSC did not take action at the time to allow for a period of time for the uniform standards to be in effect as adopted. The IIPRC Office observed that it has received inquiries from current and potential long-term care filers noting that this provision is different than what has been approved in individual long-term care insurance policies approved by states.</p>	<p>policy in effect for less than 6 months, they can demonstrate a misrepresentation that is material to the acceptance for coverage. For these reasons, the PSC is not recommending any change to the Misstatement of Age or Sex provision.</p> <p>Upon review of the PSC reasons for recommending no change, the IAC advised the PSC that it was withdrawing its request.</p>
3.	<p>Limitations and Exclusions in the CORE STANDARDS FOR INDIVIDUAL LONG-TERM CARE INSURANCE POLICIES (<i>Cross-Reference to IIPRC Office Report – Substantive Change Item #2</i>)</p>	<p><i>Industry Comment:</i> The IAC and Northwestern Mutual Life Insurance Company requested that a provision for non-duplication of benefits be added to the Limitations and Exclusions in the Core Standards for Individual Long-Term Care Insurance Policies. Industry noted that it is becoming increasingly common for consumers to own or purchase more than one stand-alone or combination long-term care product, particularly because consumers need to stage their purchases or combine different kinds of coverage to fit within limited budgets. Multiple policies are also common when employees wish to supplement employer-sponsored coverage. They noted that the growing need and increasing costs for long-term care and increased popularity of long-term care combination products may also make the practice of owning multiple long-term care products more prevalent. Industry noted that under the current standards, a</p>	<p>After reviewing responses from the IAC regarding why premiums are not adjusted to reflect non-duplication provisions, how often insureds have multiple policies, and specifically how such a provision would be implemented, the PSC reviewed alternative proposals that attempted to address regulator concerns by limiting the provision to the same insurer or its affiliates, requiring no reduction in the maximum total amount of benefits payable, and adding a provision that the company cannot require the use of long-term care benefits only in the form of an acceleration of the death benefit rider. Following extensive discussion on this issue, the PSC concluded that that there was insufficient documentation of the need for such a provision; the purpose of the non-duplication provision in the NAIC Model did not appear to be to coordinate benefits, rather to address HIPAA requirements related to Medicare Supplements; the request was more of a coordination</p>

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		<p>provision for coordination of benefits or non-duplication of benefit cannot currently be included in the policy and can lead to an insured being reimbursed in excess of expenses incurred, leaving less coverage available for future long-term care services. There could also be potential tax issues if insureds are receiving tax-free benefits from multiple tax qualified expense long-term care insurance reimbursement policies that exceed actual incurred expenses. Industry stated that multiple policy sales are not prohibited in the NAIC Long-term Care Insurance Model Regulation #641. §6B. Limitations and Exclusions of the Model allows for exclusion or limitation for “expenses for services or items available or paid under another long-term care insurance or health insurance policy.” Policy provisions allowing for some manner of coordination have been approved in the marketplace.</p> <p><i>Consumer Advisory Committee Comments:</i> The Consumer Advisory Committee (CAC) noted that unless properly constructed, a non-duplication of benefits provision would leave the claims of vulnerable consumers caught between insurers and also subject them to unsuitable sales. They noted that the NAIC Long-term Care Insurance Model Regulation is vague on this issue and that the matter should be fully vetted before the NAIC to allow the opportunity to explore the many questions surrounding how to coordinate among insurers. The CAC suggested that the NAIC Senior Issue Taskforce is best positioned to consider these issues</p>	<p>of benefits than a limitation or exclusion for duplicative benefits; the recommended language did not detail how benefits would be coordinated, and the issue of coordination of benefits for long-term care insurance has not been fully vetted through regulators and potential revisions to the NAIC Long-term Care Models at this point. For these reasons, the PSC is not recommending the requested revision.</p>

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		<p>and to develop a response that protects consumers and preserves an efficient and uniform long-term care insurance market.</p> <p><i>IIPRC Office Comments/Observations:</i> The IIPRC Office noted that the exclusion or limitation for expenses for services paid under another long-term care insurance policy was deleted from the Uniform Standards based on a comment from a Commission Member prior to initial adoption. At that time, the PSC noted that they believed that generally there was no need for a coordination of benefits between individual policies since the premiums paid were intended to be based on the benefits provided under that policy. The PSC noted at that time, that the application and underwriting processes provide means to address fraud.</p>	
4.	<p>Scope of the CORE STANDARDS FOR INDIVIDUAL LONG-TERM CARE INSURANCE POLICIES (Cross-Reference to IIPRC Office Report – Substantive Change Item #4)</p>	<p><i>Regulator Comment:</i> The State of Oregon Insurance Division stated that specific State partnership content requirements for Individual Long-term Care Partnership policies should apply to Individual Long-term Care Partnership policy forms submitted to the IIPRC for review and approval and policy review standards should align with the NAIC Model Act #640 and related Model Regulation #641.</p> <p><i>IIPRC Office Comments/Observations:</i> The IIPRC Office noted that during the initial drafting of the long-term care insurance Uniform Standards, there was considerable discussion about partnership policies as well as a survey of state practices in</p>	<p>Following publication of the initial report, the Oregon Insurance Division determined that the state has a process in place to address the matter and is not seeking a change to the partnership provisions in the Uniform Standards. For this reason, the PSC is not recommending any change.</p>

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		<p>approving Partnership policies. Ultimately the PSC concluded that the IIPRC is not authorized to approve a policy for use as a federal or state Partnership form, but will approve the product content. An IIPRC approved policy may be eligible for use as a Partnership form, provided that the policy meets the Partnership coverage requirements of each state where it is intended for use as a Partnership form. Filing companies use variability to conform an IIPRC-approved policy to state-specific Partnership requirements and continue to make all required single-state filings necessary to achieve Partnership status.</p>	
5.	<p>Adding use of the term “form” to the Outline of Coverage, Appendix A in the INDIVIDUAL LONG-TERM CARE INSURANCE STANDARDS FOR THE OUTLINE OF COVERAGE (<i>Cross-Reference to IIPRC Office Report – Clarification Item #10</i>)</p>	<p><i>Industry Comment:</i> The IAC noted that in Appendix A, there are numerous references to group master policy and certificate and that while these show up as options, this is not done consistently. The IAC suggested that the generic term “form” be used so that the Appendix is clearly applicable to stand-alone long-term care polies, group long-term care policies and certificates, and long-term care riders issued with life policies and annuity contracts. The IAC provided a suggested definition.</p> <p><i>IIPRC Office Comments/Observations:</i> The IIPRC Office noted that they were not aware of any questions from filers regarding these references, which is variable language. The Outline of Coverage in Appendix A follows the format prescribed in §33 of the NAIC Long-Term Care Insurance Model Regulation #641.</p>	<p>The PSC notes that the language in the Appendix comes directly from the format prescribed in §33 of the NAIC Long-term Care Insurance Model Regulation #641. The references are variable items, just as the reference to group and contracts are included because the Model provisions apply to more than these uniform standards. Since the use of the Model language has not resulted in any confusion by filers, and the addition of a new definition just to this Appendix could cause confusion, the PSC is not recommending any changes in this provision.</p>