



UPDATED BRIEFING SHEET ON LTC OPTIONS

Prepared by the Compact Office

Updated on October 12, 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 rate increases. The PSC developed options for the Commission to consider and documented them in its [Transmittal Memo](#) to the Management Committee on June 29, 2021.
- The options were circulated for public comment. During the public comment period Washington Commissioner Mike Kreidler submitted another option for consideration.
- The [Washington option](#), which would be in lieu of the current options already discussed, would split the requirements for initial rate schedules and requirements for in-force rate increases and revisions into two separate Uniform Standards, replacing the current rate filing Uniform Standards which combines both initial and in-force rate requirements.
- The separation into two Uniform Standards would not change the substantive requirements for these respective types of rate schedules. A separate stand-alone Uniform Standard for in-force rate schedule changes would include within its scope that compacting states could opt out of this single standard without affecting participation in the other Uniform Standards for the individual long-term care insurance product and initial rate schedules.
- This approach would allow compacting states, including ones currently not participating in the individual long-term care Uniform Standards, to have flexibility if the biggest concern is keeping approval authority over all in-force rate increase requests, even on Compact-approved products and even the smaller justified requests of 15% or below.
- At the request of the Washington Office of Insurance Commissioner, the Compact Office drafted the revised *Rate Filing Standards for Individual Long Term Care Insurance* and the new *Standards for Filing Revisions to Rate Filing Schedules for Individual Long-Term Care Insurance*.
- Please note the Washington 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 Donelon's request to allow Compacting States to affirmatively decline the receipt of all Compact advisory review reports on in-force rate increase filings.
- The options originally proposed by the Products Standards Committee are as follows:
 1. Keep the 15% threshold for Compact approval of in-force rate increases, or
 2. Remove the 15% threshold and make all in-force rate reviews on Compact-approved products advisory.

If the latter option is chosen, two other options are available under the PSC's proposal:

2a. Allow each Compacting State to establish its own threshold percentage at which the Compact Office either performs an advisory review or approves on its behalf in-force rate increase requests for Compact-approved products, or

2b. Allow each Compacting State to indicate to determine if the State wants the Compact Office to approve the filing on the Compacting State's behalf, or to direct all in-force rate increase requests to be filed with the Compacting State following advisory review.

- 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 approve 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 are not permitted to file a rate increase less than what is needed to comply with the standards simply to avoid filing directly with Compacting States. Nor do the Rate Filing Standards permit the Compact to approve or advise that a rate increase less than what is needed to comply with the standards is appropriate or acceptable.
- Furthermore, carriers must file an [Annual Certification](#) attesting the 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 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.
- If you have any questions about this request, please contact [Karen Schutter](#), [Becky McElduff](#) or [Sue Ezalarab](#).