



BRIEFING SHEET ON LTC OPTIONS

Prepared by the Compact Office

- 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 proposed 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 [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](#).