

MEMORANDUM

**TO: Product Standards Committee
Interstate Insurance Product Regulation Commission (IIPRC)**

**FROM: Tashia Sizemore, Life and Health Program Manager
Oregon Division of Financial Regulation**

**RE: Responses to questions regarding: Proposal to reduce or eliminate the
15 percent threshold for Compact approval of LTC rate increases**

- 1. What are regulatory, operational, and other considerations for Compacting States with respect to changing the current threshold for Compact approval authority of in-force rate increase requests for Compact-approved individual long-term care insurance products?*

Operationally the Compact does an excellent job working with the actuarial team to share information and give state regulators an opportunity to ask questions or make comments on rate filings under 15 percent. We have limited experience with advisory rate filings – with only one filing coming to mind in the past few years.

In Oregon we must also consider the public policy impact this delegation of authority may have. The number of “on market” products in the LTCI market is quickly shrinking. Insurers who entered the LTCI market early experienced rating inadequacies and resulted in market consolidation and the liquidation of some companies. This led to market shifts including higher rates, lower benefit amounts, and fewer insurers in the market. Those that do offer new products tend to file through the Compact. We also know life and annuity insurers offer more “long-term-care-type riders” or “benefit buy-ups”, these riders may be filed with the Compact or state regulators.

With the Compact reviewing rate increases under 15 percent state regulators often feel less prepared to discuss the full market. Insurers can also solicit multiple 15 percent rate increases from the Compact – increasing rates rapidly early in the product’s life. Insurer may be using this as a loophole to reduce state intervention in rate increases – this may be a loophole worth closing.

As state regulators face more guaranty-fund reliance by pre-IIPRC products the number of filings we review should not decrease. Regulators answering consumer and legislative complaints about LTC insurance costs need the market wide information. The consumer calls and complaints cannot be delegated to the Compact, leaving the division answering tough questions about the Compact’s review decision. At this time the division does not support an expansion of Compact authority.

2. *What are market, operational, and other considerations for companies with Compact-approved individual long-term care insurance rate schedules with respect to changing the current threshold for Compact approval authority of in-force rate increase requests?*

See above.

3. *Have the annual and triennial rate certification requirements in the [Rate Filing Standard for Individual Long-Term Insurance Policies](#) been effective in terms of following the sustainability of initial rate schedules for Compact-approved individual long-term care insurance products and when a company may need an in-force rate increase?*

Oregon currently requires LTCI to contemplate similar information, these tools serve as good practice for the insurers. Division actuaries and leadership may have additional questions or considerations that are important for the company answer. This process would still take place – though the division would now not be part of the annual or triennial product review, once again imposing a barrier to our market knowledge. I would caution the Compact against considering only front-end regulatory impact, such as speed to market and staffing. Additional consideration should be given to the post-approval/in-force product and the regulatory mechanisms impacted.