



DRAFT FOR PUBLIC COMMENT

PRODUCT STANDARDS COMMITTEE

OPTIONS AND QUESTIONS FOR COMMENT
IN RESPONSE TO SOUTH CAROLINA'S REQUEST TO
CHANGE THE 15% THRESHOLD FOR APPROVAL OF IN-FORCE RATE
INCREASE REQUESTS ON COMPACT-APPROVED ILTC PRODUCTS

The Commission is considering [South Carolina's request](#) to reduce or eliminate the 15% threshold and subject more, or all, in-force rate increase requests on Compact-approved insurance products to state approval authority. The Product Standards Committee plans to propose options to the Management Committee and Commission for their discussion and determination.

The Product Standards Committee is soliciting written comments on the proposed options including suggestions for other pros and cons with respect to the options below. The Product Standards Committee is also soliciting written comments from regulators, LTC filers and interested parties on four questions. Written comments are due on or before Thursday, May 13, 2021 and can be submitted to comments@insurancecompact.org. The Product Standards Committee will hold a 60-minute public conference call on Tuesday, May 18, 2021 at 1:30 pm Eastern to receive further comments and discussion on these options and questions.

By way of background, the [Rate Filing Standards for Individual Long-Term Care Insurance Policies](#) provides the requirements for in-force rate increase request filing submissions for Compact-approved individual long-term care insurance products. Specifically, Section 4(A) provides the current requirements for how the 15% threshold is applied to in-force rate increase request submissions on Compact-approved products.

PROPOSED OPTIONS

The Product Standards Committee is soliciting comments on the following options:

- 1. Keep 15% threshold for Compact approval of in-force rate increases**

Pros: Allows Compacting States to rely on Compact review and approval for smaller rate increases and frees up state resources to review larger rate increases or multiple rate increases on legacy blocks.

Maintains uniformity among Compacting States in terms of amount and implementation of smaller in-force rate increases.

Cons: Does not address concern voiced by South Carolina that the department review and approve all in-force rate increases which may lead South Carolina (and possibly other states) to opt out of entire individual long-term care insurance product line.

2. Remove threshold and make all in-force rate reviews on Compact-approved products advisory¹

Pros: States that have opted out or considering opting out of the entire individual long-term care insurance product line due to Compact's current approval authority may reconsider and participate or continue to participate.

Does not change the approach of the Compact review team in performing a thorough review of the in-force rate increase request under the Uniform Standards.

States have the flexibility to approve the rate increase request based on the Compact advisory review.

A significant portion of Compacting States may embrace and approve the Compact advisory review based on efficient use of state resources.

Cons: Opens up possibility of continued non-uniformity in state-approved rate increases especially for smaller rate increases, which if not approved as requested could result in larger rate increases long-term.

Promotes duplicative work for companies and increased workload for states.

Removes uniformity on the timing of the rate increase approval.

NOTE: If the Commission decides to remove the threshold as provided in this Option, it could consider the following changes to the structure of the advisory review:

2(a). Provide a structure for 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.

¹ Please note the Product Standards Committee determined it would not be useful to include an option to lower, rather than eliminate, the threshold amount as the concern presented by South Carolina would likely not be fully addressed.

Pros: Provides flexibility to each Compacting State to determine what level of in-force increase percentage, if any, it wants the Compact to review and approve on its behalf and what level, if any, it wants for Compact advisory reviews.

Cons: May still not allow sufficient flexibility if the Compacting State has a concern in the future with its chosen threshold or the circumstances of a specific product or company.

May cause confusion for Compacting States, companies, and consumers as to whether an in-force rate request was approved by the Compact or the Compacting State.

May be difficult to administer.

2(b). Provide a structure for each Compacting State to indicate after an advisory review has been performed if the State wants the Compact Office to approve the filing on the Compacting State’s behalf, or to direct as a default, for all in-force rate increase requests to be filed with the Compacting State for state action following advisory review.

Pros: Provides flexibility to the Compacting State if upon review of the Compact Office’s advisory review, to choose to allow the Compact Office to approve the filing on their behalf.

Saves time, resources, and duplication if the Compacting State is comfortable with the advisory review.

Cons: Introduces uncertainty as to the final approving authority on a per-request basis.

May cause confusion for Compacting States, companies, and consumers as to whether an in-force rate request was approved by the Compact or the Compacting State.

May be difficult to administer.

PROPOSED QUESTIONS:

The Product Standards Committee is soliciting comments on the following questions:

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?
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?
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?

4. What is the value of the Insurance Compact Office performing advisory review of in-force rate increase requests on Compact-approved individual long-term care insurance products and rate schedules? What are areas for improvement? What are opportunities for increased collaboration for regulators? What are opportunities for increased efficiencies for companies?