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This letter, sent on behalf of the state of Kentucky Department of Insurance, is in response to the request for comments under the Five-Year Review for Uniform Standards (Standards) regarding Long-Term Care. Our comments are in favor of an amendment and, in particular, pertain to the fact that no specific rate standards currently apply to life insurance policies and annuity contracts with a $1.00 for $1.00 Long-Term Care ($for$LTC) insurance benefit.

The following Standards apply to initial rate filings and subsequent filings to increase premium rate schedules for individual long-term care insurance except for $for$LTC insurance.

a) IIPRC-LTC-I-3-RATEI Rate Filing Standards for Individual Long Term Care - Issue Age Rate Schedules Only: Scope Section (1) and (2)
b) IIPRC-LTC-I-3-RATEM Rate Filing Standards for Individual Long Term Care Modified Rate Schedules: Scope Section (1) and (2)

In contrast to the Standards’ requirements, the NAIC Long-Term Care Insurance Model Regulation #641 (Model Regulation) requires an Actuarial Certification and Memorandum for the initial rate filing (Model Regulation Section 10.) of $for$LTC insurance. Further, the Model Regulation requires an Actuarial Memorandum for subsequent filings for premium rate schedule increases on incidental long-term care benefits (Model Regulation Section 20. Subsection J. and Section 20.1 Subsection J.). Similar initial filing requirements are found in Kentucky Regulation 806 KAR 17:081 Section 7. and subsequent filing requirements in 806 KAR 17:081 Section 17. Subsection 10.

In our opinion circumstances have changed since the above IIPRC Standards were adopted and these changes cause concern over the exemption for $for$LTC insurance from Actuarial Submission Requirements. These changes in circumstances include:

- The availability of $for$LTC insurance which utilizes 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.
• The need for rate increases to sustain LTC insurance coverage has become more and more the reality.
• $for$LTC insurance is being increasingly purchased as a lower cost alternative to stand-alone LTC coverage.
• An extended low interest rate environment has caused lower policy crediting rates and hence lower policy values thereby increasing the policyowners’ cost above that which was anticipated at the time of issue.

This last change in circumstances is evidenced by the problem we have experienced on Universal Life (UL) insurance products. There have been a number of complaints about UL to our consumer protection division. Even though the policyowner made the planned premium payments, when interest rates declined the policies that were sold based on minimum or underfunded premium patterns began to lapse and policyowners lost valuable life Insurance protection. We have found thinly funded ULs to be very typical in the marketplace. By the time the policy enters the grace period, the required premiums to keep the policy in force are typically out of reach for most policyowners. This situation can be exacerbated by inadequate initial $for$LTC insurance rates. Whether the $for$LTC insurance rates are explicit or implicit (i.e. embedded within the COI rates), if such rates need to be increased on in-force policies due to an underestimation of the utilization of this form of acceleration of the death benefit, these policies will lapse earlier and possibly at a time when the coverage is needed most.

No consumer buys insurance with an expectation that the rates being charged are unsustainable. It is therefore important to have Standards in place that promote rate sustainability. We believe the rates for $for$LTC coverage will be more sustainable when they are subject to the same Actuarial Submission Requirements as the Standards that apply to the rates for other Long-Term Care insurance. It is this belief that drives our need to request this amendment to no longer exempt $for$LTC insurance from IIPRC Standards.

We ask that you take our comments into consideration as the IIPRC performs the Five-Year Review of these Standards.

Sincerely,

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