

**Agenda Item 2. Discuss Model Regulation/Bulletin Change Items #1 Right to Reduce Coverage and Lower Premium (Page 2) and #2 Nonforfeiture Benefits – Contingent Benefit On Lapse (Page 5)**

Pete Weber, Ohio, Chair of the Actuarial Working Group (AWG), asked Alice Fontaine, IIPRC to go over the two items:

The Group then briefly discussed the additional Model language of the first item specifically discussing the meaning of “be consistent with the approved rate table.” The group understood this to not be the same as actuarially equivalent. It was also pointed out that this is a provision to be included in the policy form. Companies can make extra contractual offers, especially at time of rate increases. The Group agreed to recommend that the PSC accept the language proposed in the IIPRC report for this item.

Item #2 was discussed and it was clarified that amendments to the LTC Policy Core standards were anticipated to only apply to new forms filed with the IIPRC. As such it is appropriate for the standards to only include the new requirements with respect to Contingent benefit on Lapse. IIPRC staff will develop alternative language for the group to consider, and distribute prior to the next call.

**Agenda Item 3. Discuss Model Regulation/Bulletin Change #4 Phased In Rate Schedule Increase (Page 14) and Discussion Memo – Attachment A**

Alice Fontaine gave a brief outline of how the inclusion of the model language would change the IIPRC’s current understanding of the procedure surrounding a rate increase request.

The group discussed the Model’s allowance of approving a rate increase less than a “certified” (or actuarially justified) rate increase. No consensus developed. Some ideas that were discussed ranged from:

- IIPRC could review and approve all rate increases, especially if phased in such that cumulative rate increases over time didn’t exceed x% ( say 3 or 5%) a year;
- IIPRC could approve rate increases up to 15% even if less than actuarially justified, as long as the actuarially justified rate was less than say 25% or some other threshold;
- IIPRC could approve justified rate increases up to 15%; IIPRC could approve rate increases less than actuarially justified as long as a process to determine the final approved rate included the member states impacted;
- IIPRC could approve lower increases (up to 15%) as long as there had not been a previously implemented rate increase over the last 3 years (or some other number);
- IIPRC could approve lower increases (up to 15%) as long as the Company certified it would use this new Loss ratio as a benchmark for future rate filings.

It was noted that to date no rate increases on inforce policies have been submitted to the IIPRC for products it has approved.

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Actuarial Working Group  
Member Call Summary  
May 17, 2016

The Group was asked to think about a process that their state would be comfortable with (and similar to the existing allocation of authority to the IIPRC) with respect to handling rate increase requests that were less than “actuarially justified”. They were also encouraged to develop questions for industry input for the first public call.

Other points that were discussed included

- the interaction of rate increase disclosures with the approved vs. “actuarially justified” rate action;
- the interaction of the annual certification on closed blocks;

**Agenda Item 4. Any other matters.**

The next AWG meeting will be May 31, 2016. The AWG will meet every other week until further notice to finalize its recommendations to the PSC.

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