

Agenda Item 2. Continue discussion of the IIPRC Office Report and Recommendation to the Product Standards Committee (PSC) for Uniform Standards Subject to Phase 6 of the 5-Year review (Long-term Care Insurance)

(a) Discuss Substantive Change Item #3 Rate Requirements For Dollar-For-Dollar Long-Term Care Benefits. Representatives from the Kentucky Department of Insurance and Actuarial Resources Corporation, Kentucky's actuarial consultants, briefed the PSC on the reasons they are requesting consideration for removing the exemption from rate review for dollar-for-dollar long-term care benefits. After summarizing their October 13, 2015 letter, Lorne Schinbein of Actuarial Resources Corporation noted that they worked with Industry representatives to draft separate rate standards for dollar-for-dollar long-term care benefits for the PSC's consideration.

Karen Schutter, Executive Director, IIPRC, provided background on the original exemption from the scope of the Long-term Care rate standards and noted that the IIPRC does see several products of this type filed with the Insurance Compact. She noted that Kentucky has presented several key points to consider, but questioned whether it might be less confusing to add a section to the existing rate standards to address the concerns. She suggested seeking input from the Actuarial Working Group as well.

Tomasz Serbinowski, Utah commented that in his view rate regulation will not solve the underlying issue that providing long-term care benefits through a universal life rider is an inherently bad idea, since as Kentucky pointed out by the time the policy enters the grace period, the required premiums to keep the policy in force can be out of reach for policy owners. He stated that he felt bundling long-term care with single premium and fixed premium products was not a problem since appropriate level funding can be assured. He expressed the view that generally it is not a good idea to allow bundling of coverages where one coverage has no rate regulation while the other is subject to rate regulation. He asked Kentucky if it was their intention to regulate the rates of the base universal life policy to which the long-term care rider is attached. Mr. Schinbein responded that the issue is addressed in their proposal through transparency requirements. At initial filing, the company can certify that any changes in the universal life cost of insurance (COI) rate would not be as a result of the long-term care experience. If they do not, they would be subject to the requirements in the Additional Submission Requirements for Rate Schedule Increase Filings in their proposed draft.

Mary Mealer, MO, Chair of the PSC said that the Chair and Vice Chair will discuss next steps on this item with the IIPRC staff and coordinate with the AWG as needed.

(b) Finalize questions/comment for Public call regarding Substantive Change Item #2 – Allowance for Non-Duplication of Benefits.

IIPRC staff provided a summary of the discussion on the last PSC call on this item. The Chair noted that the goal was to finalize questions to pose for the Public Call scheduled for June 21st.

Following discussion, in addition to the questions from the May 24th member call, the Committee agreed to seek more specific detail about how benefits are coordinated as well as answers to the following questions:

1. Does the suggested non-duplication provision apply to both indemnity and reimbursement (expense incurred) policies? If indemnity is included, why would it be appropriate?
2. Can Industry provide more specific, non-anecdotal data/information on the frequency of policyholders having more than one LTC policy? How often are there two or more reimbursement policies?
3. Do companies require the insured to submit the claim to all insurers or does the insured have a choice?
4. Why can't the concern with excessive coverage be addressed via application questions, suitability requirements and underwriting review?
5. What feedback does the IAC have regarding the suggested language from the Consumer Advisory Committee dated April 7, 2016?

The Chair noted that the initial draft report had one additional substantive item regarding partnership policies. However, Oregon has since reviewed their internal processes and determined that there is no need for revision to the Uniform Standards, so they wish no further action on their submitted comments. The PSC had no questions or concerns with pursuing no further action on this request.

Agenda Item 3. Any other matters.

The Chair reminded the members to review the Clarification Items in the report and be prepared to discuss them on the next member call. She noted that the next PSC call would be a Public Call on June 21st.

Ms. Mealer also noted that members were asked to review the sections on the Conforming Amendments and Technical changes in the report and let Anne Marie Narcini know if there were any issues to be discussed on a PSC call. The deadline for that was the end of May. No comments were received so these sections of the report and recommendations appear to be ready. She stated if that is not the case, to please let Anne Marie know this week.