

Agenda Item 2. Review the Actuarial Working Group recommendations for the referred Model Regulation/Bulletin Change Items (Items 1, 2, 4, 5, 6, 8 and 9) in the Report and Recommendation of the IIPRC Office for the Uniform Standards Currently Subject to Five-Year Review (Phase 6 Long-Term Care Insurance).

The Product Standards Committee (PSC) received an overview of the work of the Actuarial Working Group (AWG) on the Model Regulation and Bulletin Change Item recommendations and discussed final recommendations on the following items:

(a) Model Regulation/Bulletin Change Item 1 - Right to Reduce Coverage and Lower Premium. The PSC agreed with the AWG recommendation supporting the IIPRC Office recommendation in the draft report.

(b) Model Regulation/Bulletin Change Item 2 - Nonforfeiture Benefits – Contingent Benefit on Lapse. IIPRC staff noted that the Industry Advisory Committee suggested in their June 16th comment letter that §4(a) and 4(b) should reference contingent benefit on lapse for “an insured (owner if there is one designated under the policy)” for consistency with other sections of the uniform standards and to also make those changes in several areas of the standards. The PSC agreed with the recommended revision as suggested by the AWG as well as including changing the language in 4(a) and 4(b) to “an insured (owner if there is one designated under the policy).”

(c) Model Regulation/Bulletin Change Item 4 –Phased In Rate Schedule Increase. In reference to the drafting note permitting phased in rate increases, the PSC added a provision specifying that the phase in is permitted if it is actuarially equivalent to the approved increase.

Drafting Note: The company will be permitted to file a rate schedule increase for a specified individual long-term care insurance policy form on a phased in basis over a specified period of time (such as 5% for the next three years) if the phase in is actuarially equivalent to the approved increase.

Members of the PSC expressed reservations that the proposed language allowing companies to request rate changes less than what is actuarially justified could undermine the explicit 15% threshold for when rate increase requests would be subject to the review and approval or disapproval of Compacting States. Several members expressed concerns about whether implementing less than actuarially justified rate increases would promote frequent requests for further rate changes and noted that the proposed amendment appears to eliminate the requirement in the certification that no future rate schedule increases are anticipated. The members agreed to update the report to reflect their reservations and seek public comment on the August 11th call before finalizing a recommendation on this item.

(d) Model Regulation/Bulletin Change Item 5 - Actuarial Memorandum Requirements for Rate Schedule Increase Filings. The PSC agreed with the AWG recommendation supporting the IIPRC Office recommendation in the draft report.

(e) Model Regulation/Bulletin Change Item 6 - Rate Schedule Increases – Requirements for Portion of Business to Which the Increase Applies. IIPRC staff noted that the Industry Advisory Committee suggested that (4)(b) should say “the accumulated value of historic expected claims” since otherwise it would say that a company takes the lesser of actual claims and historic claims, and both of these are the same. Staff reviewed the revisions to Model Regulation #641 and suggested the following changes to be consistent with the Model language:

4 (b) Rate schedule increases shall be calculated such that the sum of the lesser of (i) accumulated value of actual incurred claims, excluding active life reserves, and or (ii) the accumulated value of historic ~~incurred~~ **expected** claims, excluding active life reserves, plus the present value of future ~~projected~~ **expected** incurred claims, excluding active life reserves, will not be less than the sum of:

The PSC agreed with the AWG recommendation as well as the revisions suggested above.

(f) Model Regulation/Bulletin Change Item 8 - Actuarial Certification Requirements – Composite Margins and Reserves. The PSC agreed with the AWG recommendation supporting the IIPRC Office recommendation in the draft report.

(g) Model Regulation/Bulletin Change Item 9 - Actuarial Memorandum Requirements. The PSC agreed with the AWG recommendation supporting the IIPRC Office recommendation in the draft report.

Agenda Item 3. Receive an update on Substantive Change Item #3 - Rate Requirements for Dollar-For-Dollar Long-Term Care Benefits.

IIPRC staff advised the PSC that the AWG reviewed the Kentucky Department of Insurance request to add some rate standards for dollar-for-dollar benefits. The PSC was reminded that these products are not currently subject to rate review, based on decisions made by the AWG and PSC when the long-term care rate standards were amended in April of 2011. The AWG had discussions with representatives of the Kentucky department to review a draft of revisions to the Rate Filing Standards for Individual Long-Term Care Insurance to include requirements for dollar-for-dollar benefits. The AWG suggested obtaining feedback on the draft during the August 11th public call before reviewing this matter further and finalizing a recommendation. The Chair asked members to review the draft when it is distributed with the materials for the public call and to be prepared for discussions and any questions or concerns regarding the request. In response to a question from Oregon asking where the description of dollar-for-dollar benefits came from and whether this is in the Model Regulation, IIPRC staff explained that the reference to dollar-for-dollar benefits is in the current Scope language of the Rate Filing Standards for Individual Long-Term Care Insurance—Issue Age Rate Schedules Only and Rate Filing Standards for Individual Long-Term Care Insurance (Modified Rate Schedules) as amended in April of 2011. She noted that the Scope states that the standards do not apply to these products.

Agenda Item 4. Any other matters.

The Chair reminded members that the PSC will have a Public Call on Thursday August 11th at 2:00 PM ET, 1:00 PM CT. Following the Public Call, the PSC will have a member call on Tuesday August 16th at which point they will finalize their recommendations to the Management Committee for the August 25th in person meeting. She noted that if the two outstanding items (rate requests less than actuarially justified and dollar-for-dollar benefit rate requirements) are not ready for a final recommendation following the August 16th member call, the rate standard recommendations will be deferred until September.