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**Subject:** Utah comments regarding Phase In Rate Increases and 15% threshold  
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I'd like to offer the following comments regarding proposed changes to the IIPRC's LTC Standards.

1. The proposal to permit phase-in of approved rate increases includes the requirement that "the phase in is actuarially equivalent to the approved increase."

It is unclear what is meant by this. Some people may interpret it to say that the phase in should result in a final rate (following completion of the phase in) equal to the approved rate increase. For example, 12% rate increase could be implemented as 6% rate increase in year 1, followed by 5.66% in year 2 (because  $1.06 \times 1.0566 = 1.12$ ). I would observe that there is not much of "actuarial science" in this approach.

However, an argument could be made that a total premium collected under the above scenario (6% increase in year 1, and 5.66% increase in year 2) is less than under 12% rate increase, because there is less premium collected in the first year.

Therefore, one might argue that actuarial equivalence should mean that the present value of expected future premiums is the same under phase in as under the approved rate increase.

2. With respect to 15% threshold, member call summary states that "several members expressed concerns about whether implementing less than actuarially justified rate increases would promote frequent requests for further rate changes."

In many cases, IIPRC solicited members' input on practices in place in individual member states. I believe that a similar effort would be warranted in this case. It is my experience that insurers routinely request rate increases that are less than what would be required to provide certification. It would be instructive to know how many member states (if any) require the companies to increase the requests to the levels that could be certified.

3. The proposed draft language under 4A(1) uses the phrase "rate schedule increase less than what is required under this section."

I would suggest that the section does not require any specific rate increase. Consistent with other parts of the Standards, it may be better to use the phrase "rate schedule increase lower than the increase necessary to make the certification required under C(1)(a)."

4. If the additional underline language ultimately is added to 4(A)(1), I would suggest breaking 4(A)(1) into two parts (a) and (b), with (a) being the current language (dealing with the 15% threshold) and (b) being the new language (dealing with the rate increases lower than can be certified).

This is solely to avoid any impression that "rate increase less than" refers in any way to 15% threshold.

5. Finally, while supporting IIPRC's authority to review and approve all rate increases under the 15% threshold, I question the need for additional flexibility (ability to allow rate increase less than can be certified, and ability to phase in rate increases) if the IIPRC's authority is limited to rate increases, where the rate increases that can be certified does not exceed 15%.

The flexibility was added to the Model to deal with large rate increases. To the extent that the filed rate increases are under 15% and can be certified, there seem to be no reason not to implement them in full.

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