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March 18, 2010

Interstate Insurance Product Regulation Commission
444 North Capitol Street, NW
Hall of the States, Suite 701
Washington, D.C. 20001

Re: LTC Insurance Policy Standards

Dear Members of the Committee:

As one of the initial members of the IIPRC, Hawaii supports uniformity in insurance regulation. After review of the proposed long-term care (LTC) standards, we have identified two issues which are causing us the concern that we express to you in this letter today. The first is the combination of LTC form and rate standards which members must vote on as a package. The second is the LTC rate standards which are less favorable to Hawaii than afforded to us by current state statutes.

When Hawaii joined the compact, we understood that it was our prerogative to opt-out of each standard when absolutely necessary. However, the ten LTC standards before us today are packaged together as a single standard which members must accept as a whole or not at all. Like many of our compact members, we welcome and support the move toward uniformity of LTC forms where it doesn't conflict with state statutes.

Hawaii's concern with the LTC rate standards are specifically regarding the Modified Rate Schedules, and not the Issue-Age Rate Schedules. We feel that ceding our authority to negotiate modified rates to the IIPRC will dis-proportionately impact Hawaii to our detriment in two significant ways.

First, we will no longer benefit from our state's historically favorable LTC claims data which is said to be due to our state's demographic and sociological makeup. Hawaii's cultural traditions are unique among its peers and our population's tendency toward generational care-giving is still the norm. Hawaii seniors are shown to be more active, healthier, happier and live longer as compared to other states' seniors. Insurers appear to include all states' claims data when modifying rates for member states. States with historically high LTC claims data, such as Florida, New York and California, are used to

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justify national rates. We have no guarantee that insurers will carve out these states when setting Hawaii rates, which by experience should be 10-20% lower than national rates according to our consulting actuaries.

Second, we see the ceding of our rate-making authority as being directly counter to our public policy initiative which seeks to promote the purchase of LTC insurance by its residents. Hawaii has recognized that the longevity of our seniors -- combined with the reality of their fixed-income budgets and inflationary pressures on their medical and basic living expenses -- is a challenge to the individual and to the state.

Hawaii appreciates the outreach by the Committee to discuss the issue of LTC standards. For the record, our position regarding LTC standards is not a new one. In 2004, we proactively sought to opt out of LTC standards by introducing legislation for the same reasons described above. The proposed legislation was amended over our objections and the LTC opt-out language was removed. Presently, there is a bill in our Legislature which again contains language to opt-out of LTC insurance standards. We feel pursuit of this course of action is still in the best interest of the residents of Hawaii.

At this time, we recommend that the proposed LTC standards package be separated to individual standards to allow member states to adopt them individually, in keeping with the past practice of the IIPRC. As an alternative, we respectfully request the current LTC standards package be separated into Form and Rate standards to be adopted separately.

We look forward to participating in the March 25, 2010 hearing on the LTC standards package and hearing commentary from other member states.

Sincerely,



J. P. SCHMIDT
Insurance Commissioner