



States, Strength & Speed Aligned

MEMORANDUM

TO: IIPRC Management Committee

FROM: Product Standards Committee

DATE: August 10, 2010

SUBJECT: Response to Comments Received by Management Committee

The Product Standards Committee (“PSC”) of the Interstate Insurance Product Regulation Commission (“Commission”) provides this update of its efforts to address comments presented to the Management Committee regarding the slate of proposed uniform standards for individual long-term care insurance products.¹ The purpose of this memorandum is to describe the steps taken in developing the proposed revisions.

The specific revisions now being offered by the PSC are indicated in the respective proposed standards available on the Rulemaking Docket on the IIPRC website (www.insurancecompact.org) and are summarized in the advance materials for the joint Management Committee and Commission meeting scheduled for August 13.

Key Policy Issues

The key policy issues the PSC considered in developing the proposed revisions are generally consistent with the key issues reported to the Management Committee earlier this year, specifically rate filing standards and Partnership. Additional review of state-specific requirements was generated by questions and concerns expressed by Commission member states.

- **Rate Filing Standards**—To promote uniformity and rate stability, the PSC’s preferred approach continues to be for all rate filings to be subject to Commission review pursuant to the proposed uniform standards. However, in response to direction from the Management Committee, the PSC has developed proposed language implementing two major changes:
 1. Annual actuarial certification of the continuing appropriateness of rates subsequent to initial premium rate schedule approval, with triennial submission of the supporting actuarial memorandum; and

¹ The proposed uniform standards are: Core Standards for Individual Long-Term Care Insurance Policies; Individual Long-Term Care Insurance Application Standards; Standards for Forms Required to be Used with an Individual Long-Term Care Insurance Application; Individual Long-Term Care Insurance Standards for the Outline of Coverage; Rate Filing Standards for Individual Long-Term Care Insurance--Modified Rate Schedules; Rate Filing Standards for Individual Long-Term Care Insurance--Issue Age Rate Schedules Only; Standards for Individual Long-Term Care Insurance Benefit Features; Standards for Individual Long-Term Care Insurance Application Change Form; Standards for Riders, Endorsements or Amendments Used to Effect Individual Long-Term Care Insurance Policy Changes; and Standards for Individual Long-Term Care Insurance Advertising Material.

2. Percentage threshold over which rate increase filings would be transferred to the Compacting States for review pursuant to state law. All transferred rate increase requests would be accompanied by a non-binding advisory review pursuant to the uniform standard. The threshold level suggested by the Industry Advisory Committee is 25%; the PSC defers determination of the threshold level to the Management Committee.

Further information about the proposed revisions to the rate filing standards is provided by the report of the Commission's Actuarial Working Group and the results of a national survey on implementation of the rate stability provisions of the NAIC model. The report and survey results are provided with this memorandum.

- Partnership—New language has been incorporated to implement the PSC's continuing recommendation to accommodate Partnership forms. The language confirms that the IIPRC is not authorized to approve a policy for use as a federal or state Partnership form, but an IIPRC-approved policy may be eligible for use as Partnership form, provided that the policy meets the Partnership requirements of each state where it is intended for use as a Partnership form. The intent is for companies to use variability to conform an IIPRC-approved policy to state-specific Partnership requirement and to continue to make all required single-state filings necessary to achieve Partnership status.
- State-specific benefit limits—In response to comments from Compacting States, the PSC is recommending that state-specific rules pertaining to product sales, marketing and administration apply to a limited set of benefit requirements, specifically the minimum daily benefit, maximum elimination period and minimum benefit period. The IIPRC would maintain a listing of any state-specific limits in this area as confirmed by the Compacting States. In the absence of a state-specific limit, the proposed uniform standards do not specify any limits for these benefit elements.

The proposed uniform standards contain several other revisions proposed at and since the May 18 meeting, all of which are summarized in the chart provided with this memorandum.

Drafting Process

The PSC provides the following outline of the process underlying the recommended revisions to the proposed standards.

- January 21: Management Committee publishes the proposed standards.
- March 22: Written comments due.
- March 25: Management Committee public hearing to review oral and written comments.
- April 27: PSC public meeting to receive comments on key policy issues raised in comments.
- May 18: Joint Management Committee and Commission public meeting on key policy issues.
- June-July: NAIC National Standards (EX) Working Group conducts survey on rate stability and Partnership.
- July 20: PSC public meeting to receive comments on non-rate standards.
- July 27: PSC receives input from the Commission's Actuarial Working Group.
- August 3: PSC public meeting to receive comments on rate filing, advertising and required forms standards.