DATE: March 9, 2010

TO: IIPRC Management Committee

FROM: Industry Advisory Committee

SUBJECT: Maryland Comments Regarding LTC Rate Caps For Rate Increase Filings

The proposed IIPRC standards with respect to initial rate filing and filings for rate increases for LTC policies are consistent with Section 20 of the NAIC Long Term Care Insurance Model Regulation. The intent of both is that there not be "hidden" assumptions of future rate increases. To do that, both standards require long-term care insurers to provide an actuarial certification that their premiums at the time the policy is issued will be adequate under "moderately adverse" circumstances and that "the premium rate schedule is reasonably expected to be sustainable over the life of the [policy] form with no future rate increases anticipated." Both also require carriers to provide a similar actuarial certification if they request a rate increase. Thus, multiple rate increases are not anticipated.

Insurers are required to submit to the IIPRC all information about where they expect "adverse experience" under the policy, or where that adverse experience has already occurred in order to justify any increase in the premium rates. The certification noted above would not always be possible if there were a limit on the percentage increase and the company fully recognizes the anticipated future adverse experience. For this reason, the NAIC, with its adoption of the 'rate stability' provisions eliminated the mandatory limits on rate increases. The IIPRC has, correctly, taken the same position. We believe that the only way a series of rate increases could be allowed by the IIPRC is if the entire series is approved as an increasing premium rate schedule. It is our understanding that Maryland does not allow increasing rate schedules.

In addition, the proposed standards require insurers to disclose to prospective buyers any prior rate increases that they have implemented, make it difficult for insurers to obtain a rate increase, and include imposing penalties under certain circumstances.

The rate stability provisions of the proposed IIPRC standards and the Model Regulation are already a significant fact in encouraging companies to use more conservative assumptions in initial pricing.

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