

Product Standards Committee
Call Summary
March 16, 2021

Agenda Item 2. Review comments on proposed recommended changes to the Uniform Standards as a result of the amendment to Section 4(B)(3) of NAIC Model Standard Nonforfeiture Law for Individual Deferred Annuities adopted by the NAIC Plenary on December 9, 2020 (“Model 805 Amendment”).

The Chair, Jason Lapham, said there was one written comment. ACLI asked for an edit to remove the reference to state statute as its members stated some states would make these changes by regulation. The Chair said that one option might be to replace the word “statute” with “law” in the definition. He asked the PSC members if they had any comments on the ACLI request or the suggestion. Maryland suggested “state statute or regulation”. New Mexico preferred to use “state law” because it could encompass regulations and other actions. Becky McElduff, Director of Product Operations & Chief Counsel for the Insurance Compact, said that there are other standards that use the term “state law”. The revised definition will read:

“Nonforfeiture rate” is the interest rate used in determining the minimum nonforfeiture amount in compliance with NAIC *Annuity Nonforfeiture Model Regulation*, model #806 and NAIC *Standard Nonforfeiture Law for Individual Deferred Annuities*, Model #805, except that the minimum nonforfeiture rate must be consistent with the minimum nonforfeiture interest rate prescribed in **the law of the state** in which the policy is delivered or issued for delivery.

The Chair, Jason Lapham, said the draft amendments will be forwarded to the Management Committee to discuss on the March 23 call.

Agenda Item 3. Discuss request from South Carolina DOI regarding 15% threshold for Compact Office approval of in-force LTC rate increases on Compact-approved products.

Michal Wise of the South Carolina DOI said that it is time to review the 15% threshold. South Carolina law has changed to require that the Director review rate increases so there is a conflict between the Uniform Standard and South Carolina law. A member asked South Carolina if they had a recommendation for reducing the threshold. Another member commented that a reduction might still conflict with South Carolina law. Gwen Fuller McGriff of South Carolina said they want more flexibility when state law changes. There was discussion about the request. A member asked if there was any alternative to making all reviews advisory.

Jason Lapham, the PSC Chair, suggested the PSC develop some options with pros and cons for review by the Management Committee. He agreed that an arbitrary lower threshold does not really address the concern. Utah said that lowering the threshold is not a practical solution. Michael Wise suggested that the change is more procedural. The Insurance Compact still reviews the filing, but the final approval is done by the state. Utah expressed concern as to how a state decision on a filing would affect other states. Gwen Fuller McGriff said that member states want to benefit from the Compact’s analysis. She said South Carolina is looking for

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administrative flexibility. Jason Lapham said that the purpose of today's meeting was begin the discussion and not to make a final decision.

Jason Lapham asked the Compact Office to provide an overview of the long term-care rate review process. Becky McElduff, Director of Product Operations & Chief Counsel, went over the process to review and approve filings under the 15% threshold and the advisory reviews for the filings over the 15% threshold.

Agenda Item 4. Any Other Matters

The Chair, Jason Lapham, asked members to identify options and to submit them to the Compact Office. The next call of the PSC will be on April 6 to discuss options to address the South Carolina request. There were no other matters.

Insurance Compact Overview of LTC Rate Review

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LTC Rate Review Overview

- Controlled by NAIC LTC model act and regulation
 - Compact Statute ties LTC Uniform Standards to NAIC Model Law & Regulation: Standards shall provide “same or greater protections for consumers as, but shall not provide less than” the NAIC long-term care models, including subsequent amendments

LTC Rate Review Overview

- LTC Uniform Standards adopted in 2010, amended 2017
- 10 Uniform Standards
 - Rate Filing Standards are self-contained—initial rates, annual rate certification, new rates for new business and rate increase on in-force business are in the same text
- Six Compacting States currently opted out of LTC Uniform Standards (AZ, CT, DC, IN, MT, NJ)

LTC Rate Review Overview

- Single SERFF filing for product forms and initial rates
 - Rate exhibits and actuarial documentation on Rate/Rule Schedule
- New rates for new business or rate increase for in-force policies are now submitted in a separate SERFF filing with Supporting Documentation Update filing type
- Annual rate certification/triennial memo added to Rate/Rule Schedule of existing rate filings each year

LTC Rate Review Overview

- What is the purpose of the annual LTC rate certification requirement?
- Company required to provide plan of action proactively when rates may not be sufficient/sustainable
 - Rate deficiencies may be identified sooner than for legacy state-approved products
 - May lead to more frequent, smaller increases to re-establish loss ratio under moderately adverse experience

LTC Rate Review Overview

- From 2010 summary of decisions during standards drafting:

Standards Provision	Comment	Product Standards Committee (PSC) Response to Comments
1. NEW PROVISION: ANNUAL SUBMISSION REQUIREMENTS SUBSEQUENT TO INITIAL RATE FILINGS AND PRIOR TO APPROVAL OF RATE SCHEDULE INCREASES Section 3	At the May 18 th in-person meeting, Commission members discussed concerns that states do not generally require companies to report on performance of original assumption underlying approved rate schedules until a rate increase request is filed.	<p>The PSC suggested the addition of a new § 3 to promote active monitoring and communication on rate adequacy. Taken with the threshold on IIPRC approval of rate increases described below, this provision is intended to provide incentive for companies that need rate schedule increases to keep increases more manageable for consumers.</p> <p>The PSC, with input from the IIPRC Actuarial Working Group, suggested an actuarial certification be submitted annually starting in the first full year following approval of the initial rate schedule. The annual actuarial certification includes a detailed statement of the sufficiency of the premium rate schedule and a description of the review performed.</p>

LTC Rate Review Overview

- As with other products approved by the Compact, policy form and rate schedule are uniform across Compact States
- Likewise, an in-force rate increase subject to Compact approval is uniform across Compacting States
- Compact reviews rates for Compact-approved products only—
No mix and match

LTC Rate Review Overview

- Compact has approval authority if requested increase or appropriate increase does not exceed 15%
- Over that amount, the increase is subject to advisory review by Compact and formal state review/action
- Compact performs review for compliance with Uniform Standards regardless of requested rate increase

LTC Rate Review Overview

Section 4A, Rate Filing Standards for Individual LTC Insurance:

- (1) When a rate schedule increase for a specified individual long-term care insurance policy form does not exceed a rate increase of fifteen percent (15%), the filing shall be subject to the review and approval or disapproval of the Interstate Insurance Product Regulation Commission.
- (2) When a rate schedule increase filing request exceeds a rate increase of fifteen percent (15%), the filing shall be subject to the review and approval of each Compacting State. If a rate schedule increase filing does not request a rate increase above fifteen percent (15%), but the Interstate Insurance Product Regulation Commission determines that a rate increase exceeding fifteen percent (15%) is necessary in order to comply with the Rate Filing Standards for Individual Long-Term Care Insurance, the filing shall be subject to the review and approval or disapproval of each Compacting State.
- (3) When a rate schedule increase filing is subject to the approval of the Interstate Insurance Product Regulation Commission, as provided in § 4A(1), the Rate Filing Standards for Individual Long-Term Care Insurance and other applicable Rules, Uniform Standards and Operating Procedures apply. When a rate schedule increase filing is subject to the approval of each Compacting State as provided in § 4A(2), each Compacting State's applicable state laws and regulations apply to the entire rate schedule increase filing.
- (4) For rate schedule increase filings subject to the approval of each Compacting State as provided in § 4A(2), the Interstate Insurance Product Regulation Commission shall review the rate schedule increase filing, including corresponding with the filer to address objections, and provide to each applicable Compacting State an advisory finding regarding compliance with the Rate Filing Standards for Individual Long-Term Care Insurance and other applicable Uniform Standards. Such review and advisory finding shall not be considered an approval of the rate schedule increase filing nor shall it be binding on the Compacting States or the filing company.

LTC Rate Increase Review History

- Prior Compact advisory reviews:
 - MULF-130894492: John Hancock Life Ins. Co. Custom Care III, 19.4% rate increase advisory review completed June 2017
 - AEGB-131318857: Transamerica Life Ins. Co. TransCare, 42.33% rate increase advisory review completed October 2018
- Pending Compact advisory review: AOIC-132658203, Auto-Owners Life Ins. Co., 2013 policy form, 15% rate increase requested
- Advisory Report by Compact actuaries attached to Reviewer Note on Correspondence tab

LTC Rate Increase Review History

- Prior Compact-approved in-force LTC rate increase reviews:
 - LFSC-132184657: LifeSecure Ins. Co. 2013 policy form, 14.4% gender distinct / 10.7% unisex rate increase approved October 2020
 - AEGB-132276205: Transamerica Life Ins. Co. TransCare 3, 12.36% rate increase approved December 2020
- Completed actuarial checklists attached to Reviewer Note on Correspondence tab

LTC Rate Review Outreach Steps

- Notify all states when rate increase request submitted
- Notify interested regulators of substantive correspondence
- Notify all states when approaching disposition
- Regulator webinars addressing key points in review
- Advisory report / reviewer checklist attached to filing
- Monthly digest updates to all members
- Consult with NAIC Multi-State Actuaries on ongoing basis for under and over 15% rate increase requests

LTC Rate Review Outreach Goals

- Ensure member state awareness and understanding of Uniform Standards requirements as applied to in-force LTC rate increases
- Prepare member state regulators for addressing rate increase filings for state disposition, as well as policyholder and other stakeholder interest

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