Article from:

Long Term Care Newsletter

September 1999 – Issue No. 1

NAIC Summary of LTCI Issues

by Bill Weller

Long-term care insurance (LTCI)was a topic at several meetings during the National Association of Insurance Commissioners (NAIC) June 4 to 9 Regular Meeting. Issues related to (i) rate increases and potential regulatory changes that could mitigate future rate increases and (ii) changes to bring the NAIC models in line with HIPAA.

Rate Stability

The regulatory actuaries have stated their desire to include additional provisions (beyond the Contingent Benefit of Lapse provision) that will further encourage companies to seek to avoid rate increases on in force LTC policies. Tom Foley noted his concern that there are two types of companies.

- The first has a "non-cancelable mentality" where the premiums are built with margins to avoid the need for rate increases even though the product is guaranteed renewable.
- The second has a "beat-the-market mentality" where the concern is the competitiveness of the premiums and less concern with the potential that the assumptions cannot be realized or that rate increases will be needed.

During the June meeting other regulators raised concerns. There was a review of the ongoing legislative actions in California dealing with LTCI policies and limits on rate increases.

The regulators requested industry input to draft changes which were exposed with a date of 5/26/99.

An Interim Meeting was scheduled for August 23-24 in Kansas City, MO, to continue these discussions.

HIPAA Changes

During several prior Regular Meetings of the NAIC changes have been proposed and reviewed so that the NAIC models will address issues created by HIPAA, e.g. tax qualified vs. non-tax qualified LTCI policies and 90-day certification requirements. It appears that most issues have been resolved, although the specifics for calculating and reporting claim denial ratios have not been worked out.

"The regulatory actuaries have stated their desire to include additonal provisions...that will further encourage companies to seek to avoid rate increases on in force LTC policies....there are two types of companies. The first has a 'noncancelable mentality' and the second has 'beat-the-market mentality.'"

Interim Meeting

The Health Insurance Association of America (HIAA) and the American Council of Life Insurance (ACLI) have prepared a joint response to the regulators' request for comments on rate stability. The response supports the inclusion of many of the elements first developed in the NAIC's Filing of Rates For Additional Benefit Individual and Group Health Insurance Forms Model Regulation. The principal elements are:

- to remove regulatory review of initial rates based on loss ratio standards in favor of increased disclosure (including a history of rate increases on similar products); but
- to increase the amount of regulatory review and to apply loss ratio standards if a rate increase is filed.

It is also expected that some regulators will propose additional items, including some elements of California Senate Bill 898, e.g., pooling of experience if a rate increase is requested and review of rate increases and assumptions by an independent (uniquely qualified) actuary.

Bill Weller, FSA, is assistant vice-president and chief actuary at Health Insurance Association of America in Washington, D.C. He is also a member of the Long-Term Care Insurance Section Council and can be reached at **bweller@ hiaa.org.**