

Legal, Compliance & Regulatory

Interstate Compact

**Leveraging the Filing Process for Products that
Serve Chronic Illness & LTC Needs**

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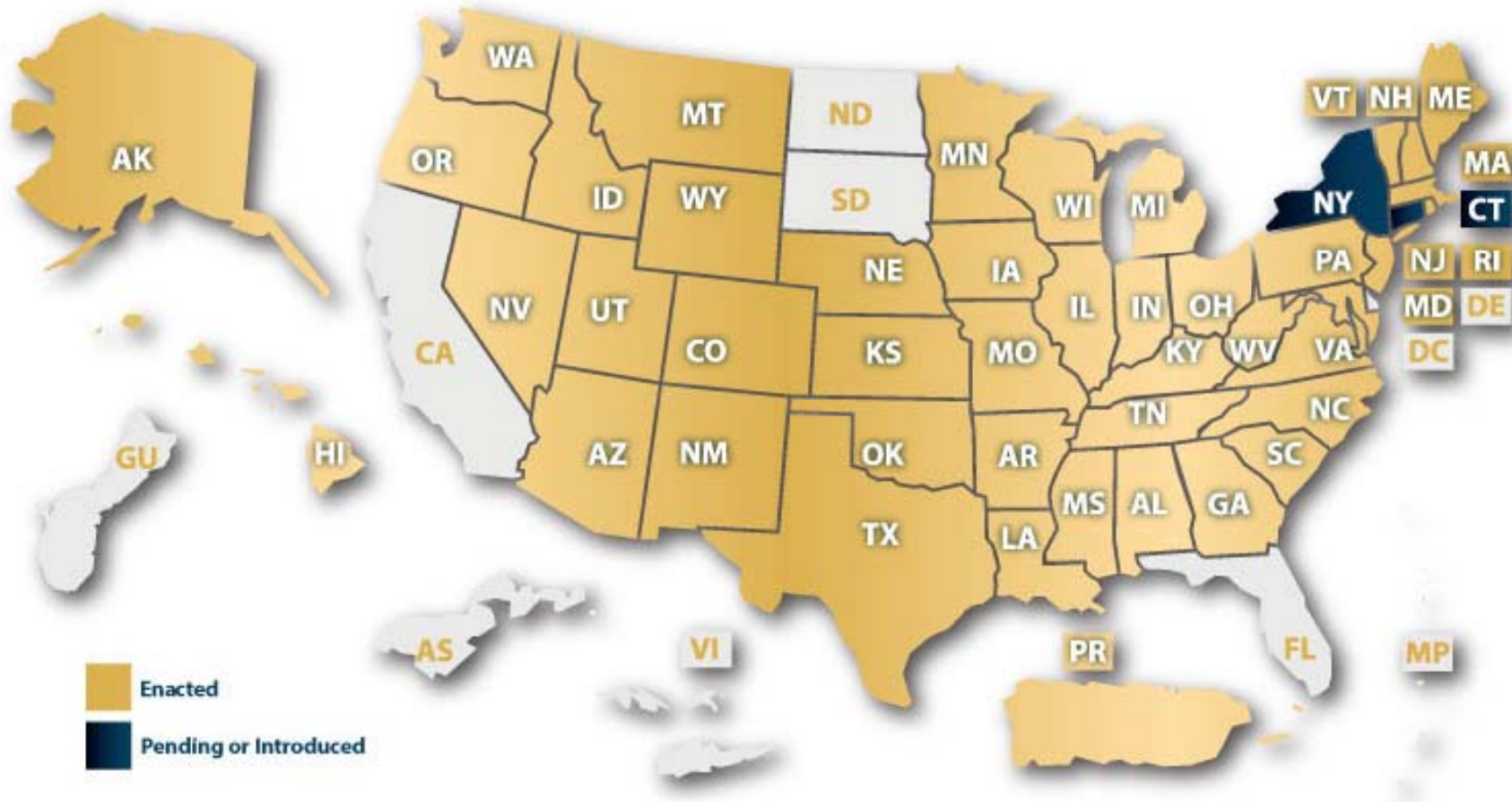
16th Annual Intercompany Long Term Care Insurance Conference

SESSION AGENDA



- Quick Compact Overview
- Non-LTC Products
 - *Accelerated Death Benefit Rider for Terminal Illness / Chronic Illness*
- LTC Products
 - *Traditional LTC product*
 - *Accelerated Death Benefit Rider for LTC*
 - *Enhanced LTC Benefits Rider*
- 5-year Review Process for iLTC Uniform Standards
- Perspectives of a Filing Company
- Interactive Q&A / Feedback

COMPACT OVERVIEW



Compact Overview



- Submit one filing to IIPRC vs. state-by-state
- Use one set of comprehensive Uniform Standards vs. multiple state variations
- Undergo one form & actuarial review vs. many reviews
- Reduce duplicative paperwork, processes, systems testing and implementation
- Receive IIPRC approval on behalf of 39 states
Compacting States for iLTC products (AZ, HI, IN, MT, NJ opted out)

Compact Overview



- Review the Uniform Standards & Operating Procedures on the Record
- Use Applicable Checklists (*including the Best Practice Checklist*)
- Review the TOI Link to see the variety of products that can be filed
- Initiate a Pre-filing Communication with the IIPRC Office
- Review the Filing Information Notices & Weekly Tips (*See FIN 2013-2: Individual Long-Term Care Filings*)
- General Instructions in SERFF

Accelerated Death Benefit for TI / CI



- Additional Standards for Accelerated Death Benefits (IIPRC-L-08-LB-I-AD-3)
- Scope – advance payment of some or all of the death proceeds payable under a life insurance policy upon the occurrence of a ***qualifying event***
- Cannot be described as long-term care insurance or as providing long-term care benefits (otherwise subject to LTC standards)

Accelerated Death Benefit for TI / CI



- Qualifying events:
 - Terminal Illness (must always be included)
 - Medical condition requiring extraordinary medical intervention
 - Condition reasonably expected to require continuous confinement in institution for rest of his or her life
 - Specified medical condition that would drastically limit life span
 - Chronic Illness

Accelerated Death Benefit for TI / CI



- **Chronic Illness (now two definitions allowed)**
 - Permanent inability to perform a specified number of ADLs (no more than 2) or permanent severe cognitive impairment and similar forms of dementia
- OR
- IRC Section 7702B & 101(g) definition
 - Inability to perform ADLs for a period of at least 90 days;
 - For periodic payments, requiring within the preceding 12-month benefit period, a licensed health care practitioner certified insured meets requirements of 7702B; and
 - For cognitive impairment, requiring substantial supervision
- **Only required to meet one qualifying event**

Accelerated Death Benefit for TI / CI



- Allows for present value calculation or lien on death benefit approach
- No restriction on the use of the proceeds
- Must provide option for lump sum
- May include option for periodic payments
- Allows per diem to avoid unfavorable tax consequences
- No waiting period but certain elimination periods allowed

Accelerated Death Benefit for TI / CI



- Premium or COI charge not allowed for TI qualifying event but allowed for other non-TI qualifying events
- Actuarial certification that the value and premium (including COI charge) of the accelerated death benefit is incidental to the life coverage is required
- The value of the accelerated death benefits (and premium) in relation to the value of the life benefits (and premium) on aggregated basis does not exceed 10%

Accelerated Death Benefit for TI / CI



- Appendix in Additional Standards for Accelerated Death Benefits for Life Insurance Policies provides guidance
- Requires comparison between NSP1 & NSP2
- NSP1 = net single premium for the base policy benefits assuming no accelerated death benefit
- NSP2 = the net single premium for the base policy benefits assuming full death benefit is paid at time of death or occurrence of qualifying event trigger
- The formula should utilize the payment amount at the time of the trigger

Accelerated Death Benefit for TI / CI



- The formula should utilize the payment amount at the time of the trigger
- Companies may have maximum limits on the amount of the accelerated benefit which will be paid - 50% of DB
- The calculations should assume payment of 100% of the face upon death and the maximum (e.g. 50% of the face) is paid upon the non-death trigger
- If the company makes adjustments such as paying the present value of the accelerated death benefit amount, the NSP2 calculations should take this into consideration when calculating the value of the benefit payable upon the non-death trigger

Long-Term Care Insurance Product



- Core Standards for Individual Long-Term Care Insurance (plus 9 other Uniform Standards covering all components of iLTC product)
- Scope - products advertised, marketed or offered to provide benefits for one or more of the following: nursing home care, assisted living care or home health care and adult day care
- Partnership - States must approve a Compact-approved policy for use in Partnership program

Long-Term Care Insurance Product



- 39 of 44 Compacting States Accept (AZ, HI, IN, MT, NJ Opted Out)
- Three Filing Submissions Per Product
 - Policy/Riders/Rates/Outline of Coverage
 - Self-Certified Forms
 - Suitability Forms
 - Potential Rate Increase Disclosure Form
 - Replacement Notice
 - HIPAA Medical Authorization
 - Advertising Forms

Long-Term Care Insurance Product



- Separate standards for Issue Age and Modified Rate Schedules
- Actuarial Memorandum, Rate Schedules, Pricing Assumptions (Sample on website)
- Annual actuarial certification is required to be filed by Dec. 31 of each year after approval
- Updated actuarial memorandum filed every three years

LTC Riders



- Comply with the applicable uniform standards for the life product
- Use the iLTC uniform standards to develop the rider, outline of coverage, and supporting documentation
- Base life insurance policy can be any type of life insurance, but generally we see UL, IUL, VUL, or whole

LTC Riders



- \$ for \$ Life LTC Benefit Rider exempt from rate filing standards (actuarial information must support exemption)
- For extension of benefit riders or riders that do not fit the dollar-for-dollar exemption, rate schedules and supporting actuarial information must be submitted

Filing Stats



- Over 4,000 product approvals since 2007
- 55% Life, 30% Annuities, 15% LTC
- High volume for Accelerated Death Benefit Riders (TI / CI riders)
- 25+ full iLTC Products
- 50+ iLTC Riders
- Use SERFF Filing Access to view and access approved product filings (some info may be redacted for trade secret)

Five-Year Review Process



- Section 119 of the Rulemaking Rule for Commission Review of Rules requires review of its rules (including Uniform Standards) every five years
- Scope of review – the need for continuation, repeal or amendment of the rule based primarily on whether circumstances or underlying assumptions have changed since the last time the rule was adopted, amended or reviewed

Five-Year Review Process



- Originally Effective December 1, 2010
- Notice & Comment period July 1, 2015 – December 1, 2015
- IIPRC Office internally working on its Report and Recommendation to PSC
- PSC will receive comments on IIPRC Office Report in March 2016
- PSC will make its own Report & Recommendation to Management Committee hopefully by August 2016

Five-Year Review Process



- Comments from States, Industry and Consumers are found on the [Docket](#) section of Compact website
- Several opportunities for comments and input
 - Get on distribution list for notices
 - Regularly check Events Calendar for public PSC calls
 - Review PSC Call summaries to stay abreast of discussion (About the IIPRC webpage)

Five-Year Review Process



- Compact statute requires LTC Uniform standards provide the same or greater consumer protections than protections set forth in the NAIC Long-Term Care Insurance Model Act and Model Regulation
- Consider amendments to the NAIC LTC Model Regulation during five-year review



- Industry Comments
 - Permit certain non-duplication/coordination of benefits provision
 - Allow insurer to terminate coverage for misstatement of age if correct age at time of issue is outside issue age ranges of policy
 - Changes in response to NAIC changes made to Model as well as Model Bulletin as applicable

Five-Year Review Process



- Actuarial and rate changes due to NAIC Model Changes
- Margin to claims
- Reserve sample calculation
- Requested rate increases
- Addressing regulator concerns with combination products especially UL / LTC combinations

Company Perspective



- How many different versions of one form must be prepared if filed state-by-state for the Compacting States versus filing with the IIPRC?

TYPE	FILING THROUGH IIPRC	BEFORE IIPRC STATE-BY-STATE
iLTC (Base policy sold in 50 states and D.C.)	14 versions (One IIPRC filing for 38 states)	48 state versions
Life (Base UL policy sold in 50 states and D.C.)	5 versions (One IIPRC filing for 43 states)	38 state versions
Annuity (Base SPDA sold in 50 states and D.C.)	6 versions (One IIPRC filing for 43 states)	21 state versions

Company Perspective



- How many submissions must be made if filed state-by-state and how many state reviews must be managed for the Compacting States versus filing with the IIPRC?

TYPE	FILING THROUGH IIPRC	BEFORE IIPRC STATE-BY-STATE
iLTC	1 IIPRC Filing + 13 state filings	51 separate submissions
Life	1 IIPRC Filing + 8 state filings	51 separate submissions
Annuity	1 IIPRC Filing + 8 state filings	51 separate submissions

Company Perspective



- How long does it take to get a product fully approved if filed state-by-state in the Compacting States versus filing with the IIPRC?

TYPE	FILING THROUGH IIPRC	BEFORE IIPRC STATE-BY-STATE
iLTC	3 mos – IIPRC (38) 6 mos – 44 approvals (including 34 partnership certifications) 18 mos to 2 years – all 51 approvals	1 year – 40 approvals 13 to 18 mos – 49 approvals 2 years – 51 approvals
Life and Annuity	3 mos – IIPRC + 5 states (48) 4 to 6 mos – all 51 approvals	3 mos – 40 approvals 4 to 6 mos – all 51 approvals

Company Perspective



- How many variations must be programmed and tested in our policy print and fulfillment systems to deploy all state-approved forms versus filing with the IIPRC?

TYPE	FILING THROUGH IIPRC	BEFORE IIPRC STATE-BY-STATE
iLTC	14 variations	48 variations
Life	5 variations	38 variations
Annuity	5 variations	21 variations

Company Perspective



- How many deployments or roll-outs does it take to fully implement a state-filed form/product in the Compacting States versus filing with the IIPRC?

TYPE	FILING THROUGH IIPRC	BEFORE IIPRC STATE-BY-STATE
iLTC	2 to 3 roll-outs (with one roll-out including all Compacting States)	4 roll-outs for all 51 jurisdictions
Life	2 roll-outs (with one roll-out including all Compacting States)	3 roll-outs for all 51 jurisdictions
Annuity	2 roll-outs (with one roll-out including all Compacting States)	3 roll-outs for all 51 jurisdictions

Company Perspective



- How many different versions of one form must be prepared if filed state-by-state for the Compacting States versus filing with the IIPRC?
- How many submissions must be made if filed state-by-state and how many state reviews must be managed for the Compacting States versus filing with the IIPRC?
- How long does it take to get a product fully approved if filed state-by-state in the Compacting States versus filing with the IIPRC?
- How many variations must be programmed and tested to deploy all state-approved forms versus filing with the IIPRC?
- How many deployments or roll-outs does it take to fully implement a state-filed form/product in the Compacting States versus filing with the IIPRC?



Questions and Discussion