Maryland Insurance Administration
Long-Term Care (LTC) Briefing Follow Up: Policy Issues for Comment

On March 6, 2017, the MIA held a public briefing in Annapolis, Maryland to vet new policy proposals for LTC Insurance, among other things. As a follow up to that briefing, the MIA is soliciting written comments from stakeholders on the following policy proposals. **Written Comments should be sent to longtermcare.mia@maryland.gov by no later than 5pm on Thursday, April 6, 2017.** The MIA thanks you for your participation in this important discussion.

(1) Phased-in Rate Increases: Should the MIA grant actuarially justified "phased-in" rate increases to carriers, not to exceed 15% annually, if in doing so, carriers agree to provide more innovative alternatives to rate increases ("landing spots") for consumers? For example, should the MIA approve a proposed 75% increase over 4 years (15% compound increase per year) if it would incentivize a carrier to offer more consumer alternatives to the rate increase now (i.e., innovative benefit reduction options or reduced inflation protection benefit options)?

(2) 15% Cap, COMAR 31.14.01.04A(5): Current regulations provide for a 15% cap on annual rate increases. However, an increase can be in excess of 15% if the carrier demonstrates that the utilization of benefits is greatly in excess of the expected rate. The MIA is considering a technical change to this language to provide that a carrier may also justify an increase excess of 15% if it can demonstrate that its *claims experience* is greatly in excess of expected rate.

- The MIA has observed that it is not utilization, but rather claims experience, that is driving the actuarial need for LTC rate increases. This change would empower the MIA to address a carrier's actuarial need for a premium increase in excess of 15% when claims are in great excess of the expected and priced for rate.
- This change would retain the 15% cap as the default, but would give the MIA the flexibility to provide for higher increases if needed.

(3) Consumer Protection in Inflation Reduction: Inflation Protection reduction is a viable "landing spot" for many consumers who are unable to bear the cost of a full premium rate increase. In this scenario, the carrier offers the consumer the option to reduce or eliminate the consumer's inflation reduction benefit (if the consumer has such a benefit) in lieu of paying an approved rate increase. The MIA recently adopted regulations providing that for any policies issued on or after 3/1/18, **if a reduction in coverage involves the reduction or elimination of the inflation protection provision, the insurer shall allow the policyholders to continue the benefit in effect at the time of the reduction. See: COMAR 31.14.01.36(A)(3).** For example, for a consumer reducing an inflation protection benefit from compound to simple inflation, the new simple inflation provision would begin to accrue on the amount of benefit ALREADY accrued by compound inflation at the time the change is elected. This is a great consumer protection and is responsive to many complaints we have received. However, this new provision only extends to new policies issued after 3/1/18, and not to policies issued prior to that date.

- The MIA is considering amending the regulation again to extend this provision to "policies issued or renewed on or after a certain date." This will extend this consumer protection to existing policyholders upon policy renewal.

(4) Consumer Options Document: The MIA is considering a requirement that a written notice be sent by a carrier to impacted consumers each time a rate increase request has been **approved**. The notice would outline ALL CONSUMER OPTIONS, including the cost of the rate increase compared to all available rate mitigation options such as a reduction in benefits, reduction in inflation protection benefits, or nonforfeiture options (i.e., conversion to "paid up" status). This would give consumers an "apples to apples" comparison of all options at their disposal in the event of a substantial rate increase so that the consumer can make the best choice possible.

(5) Connecting Consumers with Producers: The MIA is studying formal outreach options to encourage consumers to consult a LTC insurance producer to discuss all options available in the face of an LTC rate increase. The MIA welcomes suggestions on how this might be accomplished.

(6) Study of Company Financial Data: The MIA will be studying how the financial solvency of a company as a whole is impacted by its LTC Rate Experience. Many LTC carriers are actuarially justifying rate increases on LTC products—but the MIA is interested in learning how that fits into the company's financial health as whole (i.e., on all lines of business), and is reviewing its regulatory authority in this area. The MIA welcomes comments from companies on how the vitality of LTC products interacts with the financial health of the company as a whole.

- For example, is a rate increase appropriate, even if actuarially justified, when a company is making significant profits in lines of business other than LTC, if the company as a whole is in good financial health, and there are no solvency concerns?

(7) Notice of Hearing: The MIA is considering a requirement that written notice be sent by LTC carriers to their customers directing consumers to the MIA's website for information on the corresponding public rate hearings. This would ensure that all consumer stakeholders impacted by a potential rate increase have the opportunity to engage in the public hearing process established by the Commissioner—what one legislator called ensuring "meaningful" public hearings.