

Members

Sen. James Smith, Chairperson
Sen. Travis Holdman
Sen. Greg Taylor
Sen. Vi Simpson
Rep. Matthew Lehman, Vice-Chairperson
Rep. Robert Heaton
Rep. Charlie Brown
Rep. Phil GiaQuinta



INTERIM STUDY COMMITTEE ON INSURANCE

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Authority: IC 2-5-33.3

MEETING MINUTES¹

Meeting Date: October 24, 2011
Meeting Time: 10:00 A.M.
Meeting Place: State House, 200 W. Washington St., Room 233
Meeting City: Indianapolis, Indiana
Meeting Number: 3

Members Present: Sen. James Smith, Chairperson; Sen. Travis Holdman; Sen. Greg Taylor; Sen. Vi Simpson; Rep. Matthew Lehman, Vice-Chairperson; Rep. Robert Heaton.

Members Absent: Rep. Charlie Brown; Rep. Phil GiaQuinta.

Sen. Smith called the meeting to order at 10:05 a.m. and asked the members to introduce themselves. He explained that the Committee would hear testimony concerning long term care insurance and then consider the final report.

Long term care insurance

John Gerni, American Council of Life Insurers and also representing America's Health Insurance Plans and the Association of Indiana Life Insurance Companies, introduced Miriam Krol, American Council of Life Insurers, to provide information about long term care insurance. Mr. Gerni stated that he and Ms. Krol would provide a summary² of their testimony.

¹ These minutes, exhibits, and other materials referenced in the minutes can be viewed electronically at <http://www.in.gov/legislative> Hard copies can be obtained in the Legislative Information Center in Room 230 of the State House in Indianapolis, Indiana. Requests for hard copies may be mailed to the Legislative Information Center, Legislative Services Agency, West Washington Street, Indianapolis, IN 46204-2789. A fee of \$0.15 per page and mailing costs will be charged for hard copies.

²Attachment 1.

Ms. Krol began by defining long term care insurance and discussed the history of regulation of long-term care insurance. She provided two handouts³ and described:

- (1) different types of premium rate regulation that have been used since long term care insurance became available in the 1990s;
- (2) long term care insurance versus long term care insurance partnership coverage; and
- (3) the Interstate Insurance Product Regulation Compact (Compact) and standards for long term care insurance regulation, including Indiana's decision to opt out of these standards.

Ms. Krol discussed the use of the Compact standards by the Interstate Insurance Product Regulation Commission (Commission) for: (1) rate filing; (2) policy forms; and (3) advertising material. She expressed her belief that the interests of Indiana consumers and long term care insurance companies doing business in Indiana would be best served by regulation under the Compact standards.

In response to questions from Sen. Holdman, Rep. Lehman, Sen. Simpson, Sen. Smith, and Sen. Taylor, Ms. Krol stated that:

- (1) 42 states have adopted the Compact standards;
- (2) some of the eight states that have not adopted the Compact standards use the Compact's rate stability standard;
- (3) Indiana uses the older 60% loss ratio standard, rather than the rate stability standard;
- (4) long term care coverage may be purchased with an unlimited benefit or a lesser benefit;
- (5) the average nursing home stay for men and women is 2.1 years;
- (6) spouses may purchase shared benefits through which one spouse may, after exhausting his or her own benefit, use the other spouse's benefit;
- (7) Indiana's long term care insurance partnership program was established prior to the deficit reduction act of 2005 and is different from other states' partnership programs;
- (8) rate filing approval under the Compact averages 45 days, as compared to four months to one year for rate filing approval in Indiana;
- (9) she does not believe that Indiana has better standards, just different standards, for rate review;
- (10) Indiana joined the Compact in 2005 and the Indiana Department of Insurance (Department) has recently opted out of the Compact's long term care standards;
- (11) the Compact's use of national rating experience, rather than state specific rating experience, is helpful when a long term care policyholder moves to a different state that may have a higher cost of long term care than the state in which the policy is issued;
- (12) consumers determine their benefit amount and are able to increase their daily benefit every three years;
- (13) she does not have statistics about long term care policyholders that actually leave Indiana and make use of the portability of their policy;
- (14) there is no long term care insurance partnership program reciprocity among grandfathered states, however, Indiana has reciprocity with states that have enacted long term care insurance partnership programs under the Deficit Reduction Act; and

³Attachments 2 and 3.

(15) she believes that opting out of the Compact's long term care standards is not advantageous to anyone.

Logan Harrison, Indiana Department of Insurance, introduced Anita Strauss of the Department. Ms. Strauss stated that long term care insurance is considered to be a health product in Indiana. She stated that health products must undergo stringent rate review by the Department due to the volatility of those insurance products. She clarified that, in addition to the 60% loss ratio evaluation actuarial standard, administrative standards are also used in Indiana's rate review process. Ms. Strauss explained that under the Compact, Indiana would receive no information concerning a rate filing unless the rate filing requested an increase of 15% or more, in which case the Commission would forward the rate filing to the state and the state would be responsible for the rate filing review process.

In response to questions from Sen. Taylor, Rep. Lehman, Sen. Holdman, Sen. Simpson, and Rep. Heaton, Ms. Strauss stated that:

- (1) under the Compact, there is no state rate review unless the request is for at least a 15% rate increase;
- (2) a state cannot overrule a Commission decision concerning a rate filing;
- (3) the rate stabilization standard has not stabilized rates in states that have adopted the standard;
- (4) the Department, by reviewing the long term care insurance rates itself, has the ability to address issues from the beginning of the process and do a very careful review;
- (5) Indiana determined in September, 2010, that the state had not already opted out of the Compact's long term care insurance standards, Indiana then did opt out of the standards in September, 2010, and the standards were finalized by the Commission in December, 2010;
- (6) six long term care insurance companies have issued long term care insurance policies which are currently in force in Indiana, but fewer than six are actively doing long term care insurance business in Indiana;
- (7) Indiana has opted out of the Compact standards for long term care insurance because long term care insurance is considered a health insurance product in Indiana and Indiana does not allow compacts to regulate any health insurance product issued in Indiana because the health product market is too volatile;
- (8) it is possible that some long term care insurance companies choose not to do business in Indiana due to the state-specific regulation; and
- (9) a large number of long term care insurance rate filings were recently declined by the Department because the rate increases requested in the filings were determined not to be warranted.

Ms. Krol stated that finalization of Compact standards requires a two thirds majority of the compacting states. She noted that the Compact standards are reviewed every five years with input from any state that participates in the review process, not just the compacting states.

Consideration of final report

After discussion by the Committee, the draft final report⁴ was amended to:

- (1) remove the recommendation on page 6 concerning worker's compensation and insert language to read "The Committee recommends continued discussion by the Committee concerning this issue."; and
- (2) reflect that the Committee made no findings or recommendations concerning long term care insurance.

The final report was approved, as amended, by a roll call vote of 6-0.

With no further business to discuss Sen. Smith adjourned the meeting at approximately 12:10 PM.

⁴Attachment 4.

***TESTIMONY BEFORE THE INTERIM STUDY COMMITTEE ON
INSURANCE***

October 24, 2011

PRESENTED BY:

MIRIAM KROL, VICE PRESIDENT
JOHN GERNI, REGIONAL VICE PRESIDENT
American Council of Life Insurers

REPRESENTING:

American Council of Life Insurers
America's Health Insurance Plans
Association of Indiana Life Insurance Companies

Let us begin with a brief summary of the long-term care insurance product and its regulatory history.

What Is Long-term Care Insurance?

Long-term care insurance means any policy or rider that provides coverage for not less than 12 consecutive months on an expense-incurred, indemnity or other basis, for one or more necessary diagnostic, preventive, therapeutic, rehabilitative maintenance or personal care services, in a setting other than an acute care unit of a hospital. Care can range from skilled care to custodial care.

When the product was first marketed, it provided nursing home only coverage. But, as the care providing industry evolved and with the influences of technology, products began to provide consumers with alternatives as to "where" the care could be provided, such as at home, at assisted living facilities, and day care facilities. Today, the most commonly sold product is "comprehensive", providing benefits

for care in a nursing home, at home, at an assisted living facility or at day care facilities.

How is Long-Term Care Insurance Regulated?

Companies wishing to sell long-term care products must file the forms, rates and advertising for prior approval with the state where the product would be sold. While not all the states require the filing of rates and advertising, most companies file these anyway. The National Association of Insurance Commissioners (NAIC) Long-Term Care Model Regulation #641 (“the Model”) prescribes the standards required for the forms, rates and advertising.

For decades prior to August 2000, the rate section of the Model required a 60% Loss Ratio as a method to determine that a specific set of initial premium was reasonable. This method was designed to check that premium rates are not too high.

A 60% Loss Ratio requirement means that if claims are expected to be \$600, then the premium cannot be greater than \$1,000. A significant consequence of this method is that if the company believes that the insured is better served by charging a premium higher than \$1,000 (as per the example above), to ensure the long-term stability of premiums, it would be prohibited from doing so.

Over time, a pattern developed of cases where premiums were proven to be inadequate which caused large rate increases leading to significant loss of long-term care coverage. Since long-term care insurance has been purchased primarily by consumers who are in their 60s and 70s, most of whom are on a fixed income, and claims typically begin to occur when the insureds reach their late 70s, such insureds are less likely to afford the increase and let the policy lapse. Since they have lost their “insurability”, they cannot purchase another policy.

Regulators and industry representatives began looking for a better rating method. The idea was to change the company’s incentives and increase the probability that premiums will remain unchanged for the life of the policy.

The August 2000 changes, known as “*rate stability*” included the following:

- The initial loss ratio requirement of 60% was eliminated as the test that initial premiums are not excessive. It was replaced by a determination that initial premiums are not excessive because of market competition and that they are not inadequate because of the actuarial certification that the company is required to make.
- The economic value to the company of an increase in renewal premiums was significantly reduced. To justify the increase, a company must now show that the lifetime claims are expected to equal 58% of the lifetime initial premiums PLUS 85% of the increased portion of the premium, thus limiting the increase to an expense load of 15%. Before, the expense load was allowed to be the same for initial premiums and increased premiums. Also, for increased premiums, for every dollar of premium 85 cents has to be provided in benefits. Before, only 60 cents of every dollar of premium had to be provided in benefits.
- A required disclosure of rate increases in the past 10 years made the rate increase option less desirable to companies and provided meaningful disclosure to potential insureds. To avoid damaging their marketing efforts, companies are incented to seek alternatives to rate increases.
- Regulatory oversight increased when a premium increase was requested. After a rate increase, a company has to annually provide regulators with the developing experience. If this shows that a rate increase was not needed, then a portion of it must be undone.
- Companies that persistently offer coverage at inadequate rates can be prohibited from issuing new policies.

In the past 11 years, the rate stability changes did have some impact on the number of rate increase requests, but in the past few years some companies are requesting rate increases for plans issued under the rate stability guidelines. This has been a major concern to regulators and industry representatives and both are working on

some new proposals, some of which were included in the IIPRC LTC standards that became operational last December.

Indiana did not adopt the 2000 rate stability guidelines and believes that the previous guidelines are better. One of the Department's comment letters admitted to the "volatility and increasing LTC rate increase requests". Interestingly, the fact that Indiana has not adopted the rate stability guidelines did not insulate Indiana from such requests.

What is Long-term Care Insurance Partnership Coverage?

In the late 1980s, the federal government authorized Long-Term Care Partnership Programs. Only 5 states (Indiana, California, Connecticut, New York and Iowa) implemented these programs before federal funding was eliminated. We wish to commend Indiana for having the vision to become one of the first states to recognize the value that Long-Term Care Partnership Programs can provide to consumers. In fact, Senator Simpson was a sponsor of legislation that created the Indiana Partnership Program in the early 1990s.

In 2005, the Deficit Reduction Act ("DRA") once again authorized Partnership programs. The previous 5 states became "grandfathered", although Iowa has since elected to implement a DRA Partnership Program.

The purpose of all Partnership Programs is to encourage more people to buy long-term care insurance and minimize the financial burdens on the Medicaid systems.

The grandfathered Partnership Programs are set up differently in the 4 states.

The DRA Partnership Program requires a tax-qualified long-term care insurance policy that meets all of the specified consumer protections included in the Model, as well as requiring a specified level of inflation protection depending on the age of the applicant. The "partnership" refers to the feature whereby Medicaid would allow an asset disregard in an amount equal to the amount of benefits paid under the long-term care Partnership policy. The asset disregard would allow a Partnership policyholder to protect assets in meeting eligibility requirements for Medicaid.

Today, there are 34 operational DRA Partnership States, with one state awaiting final approval and one other state interested and beginning the implementation process.

Introduction to the Interstate Insurance Product Regulation Commission(IIPRC)

In 2000, state regulators agreed to implement significant and substantial regulatory reforms to modernize state insurance regulation, the “speed to market” agenda. The objective was to address regulatory efficiency issues as companies facing direct competition from financial institutions and security firms sought a more effective filing and review process. Regulators recommended the following solutions:

- the development of a system featuring a single point of filing and review;
- the development of national standards for insurance products;
- a more efficient state-based procedure for processing filings.

As state regulators discussed options to achieve a uniform process and standards, it was suggested that a compact approach may be the ideal way of addressing the “speed to market” issues.

In 2003, an Interstate Insurance Compact Model was finalized by collaboration between state regulators, the National Conference of Insurance Legislators (NCOIL), the National Conference of State Legislators (NCSL), the National Association of Attorneys General (NAAG) and the ACLI.

The IIPRC would have jurisdiction to accept, review and approve filings for individual and group life insurance, annuity, disability income and long-term care insurance products. For life insurance and annuity products, only forms are required to be filed. For the disability income products, rate filings are required in addition to form filings. For long-term care insurance products, rate and advertising filings are required in addition to form filings.

As early as 2003, state regulators began to develop the required national standards for the products that would be filed with the IIPRC. This process was and continues to be open to all state regulators, not just those that would eventually join the IIPRC. However, only IIPRC members can vote to adopt or change the standards.

A company would submit its product filing to the IIPRC and identify for which member states the filing applies. The IIPRC reviews the filing on behalf of the designated member states, applying the national standards applicable for the particular product. The IIPRC member states are not involved with the filing review process. If the IIPRC approves the filing, the respective filing record becomes the record of the IIPRC member state.

In May 2006, the IIPRC was brought into existence upon meeting the threshold requirements of 26 states or 40% of the premium volume nationwide. Indiana had joined the IIPRC in May of 2005.

In mid-2007, the IIPRC began to receive and review filings.

To date, 41 jurisdictions, including Indiana, have joined the IIPRC and these represent just over 70% of the premium volume nationwide. There are 83 uniform standards in operation, of which 10 are long-term care. In the past 5 years, over 1,000 filings have been made with the IIPRC.

Long-Term Care Insurance Standards of the IIPRC

Regulators and industry representatives spent 3 years developing the standards, and in December 2010 they became operational.

At the time that the IIPRC states were developing the rate filing standards for long-term care insurance products, rate increase filings continued to be made. In recognition of this, the IIPRC standards went beyond the Model's rate stabilization guidelines and mandated an annual rate certification requirement after an initial rate filing so that both the company and the IIPRC could monitor the assumptions made in the initial rate filings and initiate an action plan to remedy situations as

soon as the assumptions were no longer valid. In recognition that each state wanted to have a role in the review and approval of significant rate increases, it was agreed by the IIPRC states that all rate increase requests that are 15% or greater would be reviewed and approved by the states.

In recognition that each state preferred to maintain some control over their Partnership Programs, the IIPRC standards specifically state that the IIPRC does not have the jurisdiction to approve forms for use with any state's Partnership program. The IIPRC will approve long-term care forms for general use. If a company wants to use these forms under a state's Partnership Program, the company has to follow the state procedures for doing so.

Indiana's Reasons For Opting Out of the IIPRC's Long-Term Care Standards

Indiana joined the IIPRC in May of 2005 without an opt out for long-term care insurance standards, which implied that the legislature did not believe that an opt out was necessary.

The Indiana Department of Insurance, however, recently decided that an opt out was necessary. The Department has repeatedly stated that it needs to opt out to protect Indiana consumers from potential harm should the IIPRC review and approve long-term care insurance forms and rates for Indiana residents. The Department's position is focused on rate filing and Partnership issues.

- ***Rate Filing Issues***

The Department believes that it can do a better job of regulating rates by continuing to rely on the original Model rate guidelines, thus electing to enforce the 60% Loss Ratio requirements and refusing to adopt the rate stability guidelines. As we have discussed earlier, regulators themselves initiated the 2000 Model changes which provide better consumer protections. As the Department has admitted, the reliance on the older guidelines has not insulated them from rate increase requests.

During the IIPRC standards drafting and discussion process, evidence was not presented to justify geographic or state-specific differences of initial rates or rate increases for the same or similar long-term care policy coverage or benefit. A 2008 Government Accountability Office report concluded that “*Consumers may face more risk of a rate increase depending on [among other things] which state is reviewing a proposed rate increase on their policy.*”¹

It is important to understand that long-term care insurance is an asset-based product. A person purchasing long-term care insurance in Indiana, may move to another state, months or even years later, and the benefits of the policy bought in Indiana may be applied to pay for the cost of services provided outside of Indiana. In fact, an Indiana resident is free to choose a service provider in any geographical area, and many Indiana insureds may choose a service provider located in another state where their grown children live. Therefore, one could say that the cost of coverage purchased in Indiana is unrelated to the cost of services in Indiana or any other particular geographical area. Rather, the differences in cost would reflect overall health, presence of the immediate and extended family, personal traits and societal culture.

The reality of “benefits without borders” and its impact on the rate filing process was further documented in a 50 state survey² conducted by the National Association of Insurance Commissioners (“NAIC”) during the IIPRC deliberation process. The survey data showed that some states allowed the use of nationwide experience and some required state specific experience, and yet some of these “state-specific” states did not have enough experience to make their state data credible. Consequently, there was a very strong indication that the current 50-state review process is not the most equitable approach for consumers nationwide. Both large and small states involved in the survey agreed to have rate filings reviewed against nationwide experience and not based solely on state specific data which often times does not provide sufficient

¹ IIPRC Memorandum to IIPRC Management Committee from its Product Standards Committee; p 2; May 7, 2010. <http://www.gao.gov/new.items/d081016t.pdf>

² Long Term Care Survey conducted by the NAIC National Standards (EX) Working Group; July 2010

credible experience to adequately evaluate whether a rate increase is actuarially justified.³

Additionally, since other states are using the Model rate stability guidelines and Compacting States will be using the IIPRC guidelines, it is likely that long-term care insurance benefits will be paid in Indiana for policies issued in other states which were initially priced under the Model rate stability guidelines or the IIPRC guidelines, and whose rate increases will also be based on the respective guidelines.

- ***Grandfathered Partnership Issues***

The Department has also relied on the Grandfathered Partnership status as a reason not to allow the IIPRC to approve forms and rates for LTC products. The Department has a process in place where non-Partnership products are compared to Partnership products and the former is not allowed to provide better benefits than the latter in an effort to boost Partnership sales, and to accomplish this balance the Department needs to keep the “one review methodology” for all LTC products.

We do not believe that the comparability process is a necessary one. Per the Department’s website, only 6 companies participate in the Indiana Partnership Program. There are other companies that for various reasons do not participate in the Indiana Partnership Program but still sell long-term care products in Indiana, so a comparability process for them is not appropriate. If the Department is worried that a company will file products with the IIPRC with the intention of undercutting the Indiana Partnership Program, it need not – we believe that the Indiana Partnership Program has been one of the best and most progressive grandfathered states allowing state of the arts benefit features and designs. There is no reason why the IIPRC could not approve long-term care forms and rates on a general basis and if a company wants to sell these in the Indiana Partnership Program it can pursue this with the Department.

³ IIPRC Memorandum to IIPRC Management Committee from its Product Standards Committee; p 2; May 7, 2010

In a move that probably reflected the “benefits without borders” reality, Indiana changed its law a few years ago to provide reciprocity for its Grandfathered Partnership Program with the DRA Partnership Programs in other states. This means that on the date someone applies for Indiana Medicaid, if they previously purchased a DRA Partnership policy in another state, that person would be eligible for Indiana Partnership benefits; similarly, if a person had purchased an Indiana Partnership policy and then applied for Medicaid benefits in a DRA Partnership state, that person would be eligible for that state’s DRA Partnership Program. The fact that Indiana’s Partnership Program is “significantly different” may eventually be a non-issue to some consumers.

In summary, the long-term care product is an asset based product which is portable – a policyholder can move around the country and under the reciprocity agreements between the 34 operational DRA Partnership states and the two Grandfathered Partnership states (Indiana and Connecticut), receive the benefits provided in their policy regardless of where the policy was issued. Consumers can be Indiana residents when they buy the policy or when they later apply for Medicaid benefits after having lived in another state, and so the Department would not have the ability to protect all potential Indiana consumers at the time forms are filed. However, by use of its long-term care standards, the IIPRC is well positioned to protect more consumers since 29 of the 34 Partnership operational states (DRA and Indiana Grandfathered) are member states.

Long-term care insurance, in essence, is a “benefit without borders”. The IIPRC is the appropriate mechanism to review and approve forms and rates on behalf of its member states on an expedited basis and has developed standards that are robust and include significant consumer protections beyond the current NAIC LTC Model Regulation requirements, as follows:

For Policy Forms:

- Exclusions based on mental and nervous disorders are not permitted.
- Exclusions based due to a preexisting condition or disease are limited to loss occurring within 6 months.

- There are minimum readability requirements for policy forms.
- Only post-dispute, voluntary, binding arbitration is permitted.

For Rate Filings:

- There are highly detailed standards for modified rate schedule and rate schedule increase filings. (Modified rates can only be used in those states that allow such rates.)
- For consumers to be able to make a more informed decision, companies offering a product with rates that are scheduled to increase up to age 65 must simultaneously offer a product with issue age rates.
- A rate increase filing may not introduce a rating characteristic that was not relied on in the initial rate filing. For example, if a company uses unisex rates in the initial filing, it may not request gender-distinct rates in a rate increase filing.
- All initial rate and rate increase filings are subject to prior approval, which is currently not the case for all states.
- The insured must receive 60-days notice of a rate increase, rather than 30 or 45 days.
- There are specific requirements for premium schedules other than level premium that can be offered.
- After an initial rate filing, the company is required to annually certify that the assumptions included with the initial rate filing continue to be valid. If a company cannot make such a certification, the company is required to file an action plan.

For Advertising Material:

- There are highly detailed standards for advertising material.
- All advertising filings are subject to prior approval, which is currently not the case for all states.
- Consumers must be alerted in advertisements that, unlike other products, the time period for late premium payments is 65 days.
- Mandatory disclosures in advertisements must be set out in close conjunction to the statement to which they relate.
- If company may increase rates on a policy, advertisements for the policy must state that fact.
- Advertising material may not require the consumer to opt out of receiving unsolicited material.
- Advertising that describes an inflation protection option must also describe the mandatory inflation protection option.
- Stricter requirements on sourcing of statistics used in advertising material are established.⁴

Accordingly, we disagree with the Department's assertion that Indiana consumers would be harmed if long-term care products were approved by the IIPRC. In fact, the IIPRC provides the following benefits to consumers, companies and other states:

- Provides speed to market for products (forms, rates and advertising).
- Maintains consistent actuarially justified rates across all member states.
- Maintains larger pool in IIPRC experience.
- Creates equity for consumers across the states.
- Implements actuarially justified rates.
- Promotes rate stabilization and company solvency.

⁴ IIPRC Memorandum to the IIPRC Management Committee from its Product Standards Committee; p 2; January 11, 2010

- Provides filing records to member states for market conduct examinations as well as responding to consumer inquiries.

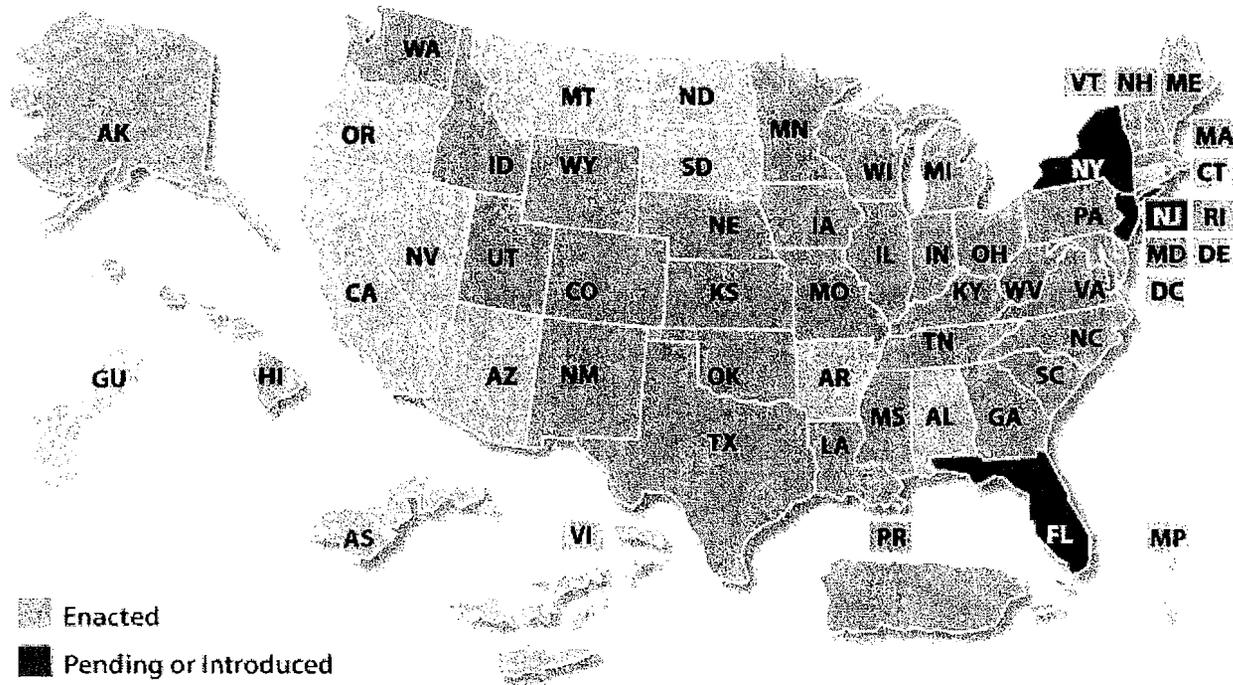
The IIPRC has demonstrated its value to both consumers and insurers by developing standards that protect consumers and allow the products to be approved in an expedited yet thorough manner. The IIPRC has also acknowledged the rate increase issues in mandating companies to annually certify that the assumptions included with the initial rate filing continue to be valid. If a company cannot make such a certification, the company is required to file an action plan.

We strongly believe that opting out of the IIPRC long-term care standards may not be in the best interest of Indiana consumers as well as the companies that market long-term care insurance in Indiana. Our preference is that Indiana fully participate in the IIPRC. We welcome the opportunity to further discuss this issue and provide additional information if necessary.

Again, thanks for the opportunity to share our issues and concerns regarding long term care insurance and the Interstate Insurance Product Regulation Compact.

Interstate Insurance Product Regulation Compact

As of December 31, 2010



Michael Bertrand
*Commissioner, Vermont
Division of Insurance*

Alfred W. Gross
*Commissioner, Commonwealth
of Virginia State Corporation
Commission, Bureau of
Insurance*

Mike Kreidler
*Commissioner, Washington
Office of the Insurance
Commissioner*

Jane Cline
*Commissioner, West Virginia
Offices of the Insurance
Commissioner*

Sean Dilweg
*Commissioner, Wisconsin
Office of the Commissioner of
Insurance*

Ken Vines
*Commissioner, Wyoming
Department of Insurance*

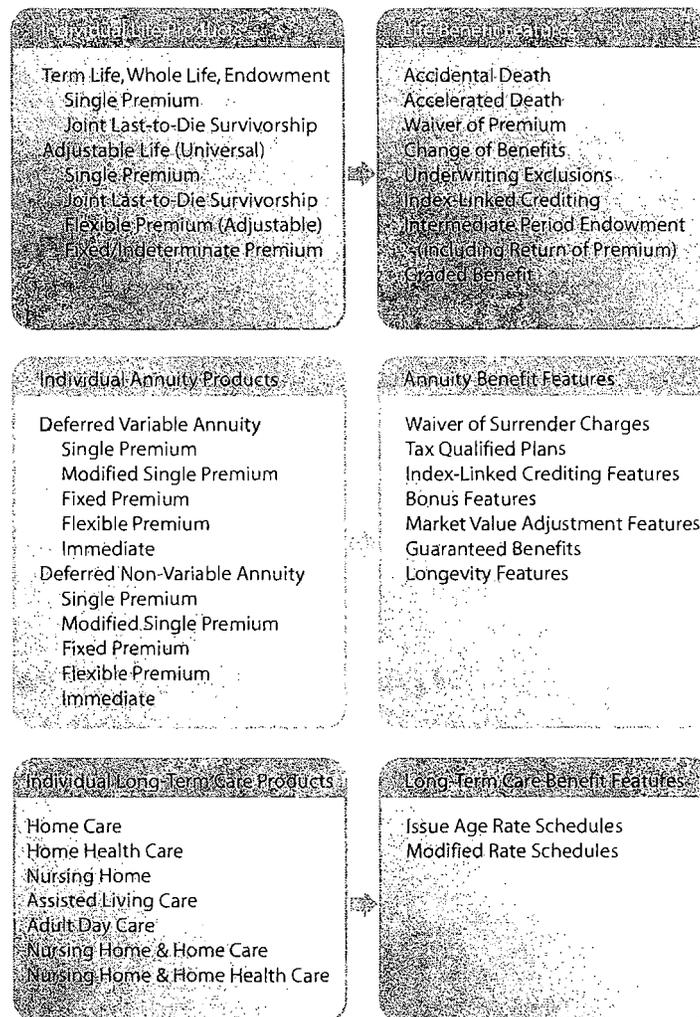
2010 Past Members who Served:

*Marcy Morrison, Colorado
Carol Cutter, Indiana
Ralph Tyler, Maryland
Ann Frohman, Nebraska
Mo Chavez, New Mexico
Joel Ario, Pennsylvania
D. Kent Michie, Utah
Paulette J. Thabault, Vermont*



UNIFORM STANDARDS

The IIPRC establishes Uniform Standards for asset-based products filed with the IIPRC. By the end of 2010, the IIPRC has adopted a total of 69 very detailed Uniform Standards including a full suite of individual life, annuity and long-term care products. The Uniform Standards drafting process is an extremely open and inclusive process that starts at the NAIC's National Standards (EX) Working Group, comprised of members from compact and non-compact states, and after transmittal to and review by the IIPRC's Product Standards Committee, the Management Committee exposes each draft uniform standard for a 60-day notice and comment period on the Docket located on the IIPRC website. Comments regarding the proposed uniform standards are received from all interested parties to include the members of the Legislative Committee and the Industry Advisory and Consumer Advisory Committees. Upon adoption by the IIPRC (a minimum two-thirds vote in favor is required), a Uniform Standard is effective 90 days after promulgation. The Uniform Standards are moved to the Record located on the IIPRC website upon promulgation. These Uniform Standards are used by companies to prepare and submit a product filing which then undergoes an extensive, detailed review by the IIPRC's product review team.

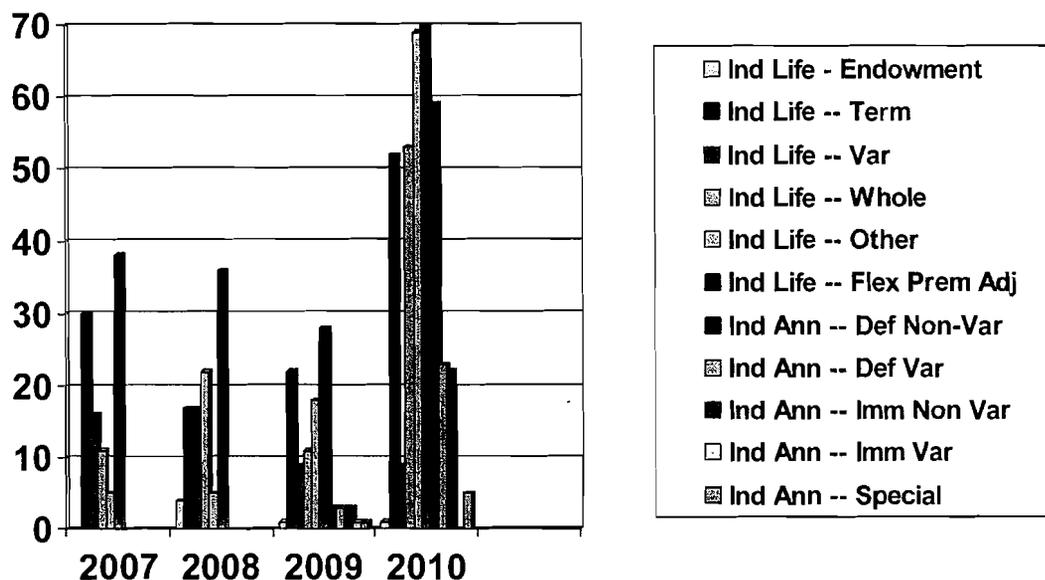


PRODUCT FILING STATISTICS

The tables below provide statistics on the product filings submitted to the IIPRC since first accepting product filings in June 2007 through December 31, 2010.

	2010	% of Growth (09/10)	2009	2008	2007
Companies Registered	113	153%	74	38	N/A
Filings received	368	151%	244	106	36
Forms Submitted	1,456	111%	1,314	395	113
Amended Filings	40	-	-	-	-
Products Approved	320	115%	279	126	29
Transactions *	8,446	113%	7,494	3,063	552
Approval Time (average) **	42	-	28	25	35
Average # of states/filing	26	-	28	25	25
Mix & Match %	63%	-	75%	75%	100%
State filing fees collected	\$ 735,683	147%	\$499,942	\$139,910	\$62,965
IIPRC filing fees	\$ 225,442	209%	\$107,900	\$68,730	\$18,050

Percentage of Filings Received Broken Down by TOI



* "Transactions" refers to the total number of SERFF transactions that have been made through the IIPRC.

** The time for product approval is calculated utilizing business days and excludes the company response time to objection letters, as defined in §105 of the "Product Filing Rule".

INTERSTATE INSURANCE
 PRODUCT REGULATION COMMISSION



States, Strength & Speed Aligned

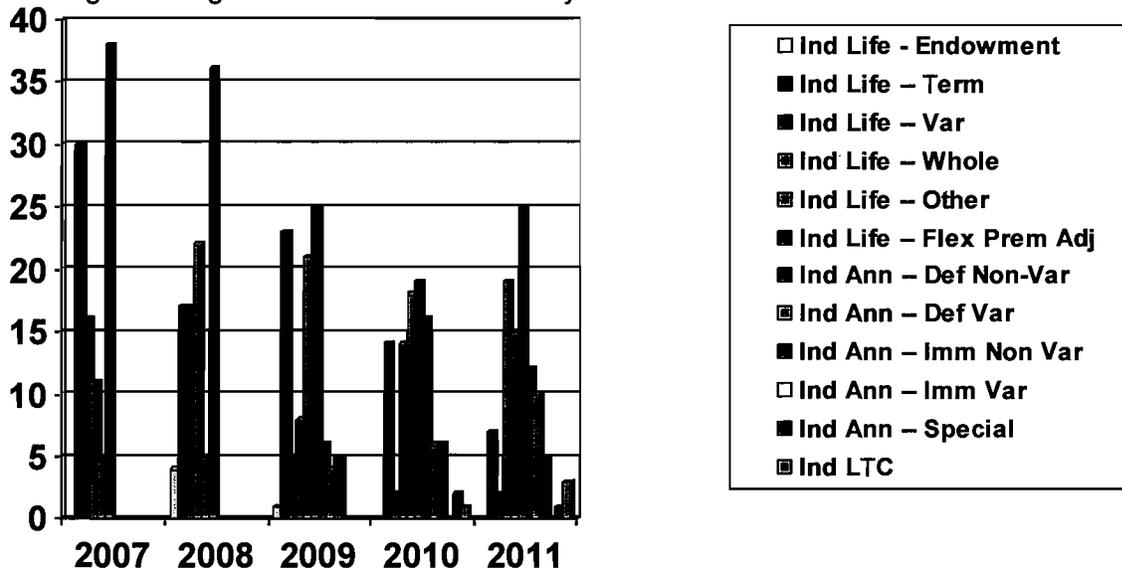
IIPRC Product Filing Statistics

As of August 1, 2011

The tables below provide statistics on the product filings submitted to the IIPRC since first accepting product filings in June 2007 through August 1, 2011.

	2011 YTD	2010	2009	2008	2007
Companies Registered	120	113	74	38	N/A
Filings received	204	368	244	106	36
Forms Submitted	842	1,456	1,314	395	113
Amended Filings	44	40	-	-	-
Products Approved	199	320	279	126	29
Transactions *	4,936	8,446	7,494	3,063	552
Approval Time (average) **	40	42	28	25	35
Average # of states/filing	26	26	28	25	25
Mix & Match %	63%	63%	75%	75%	100%
State filing fees collected	\$371,477	\$ 735,683	\$499,942	\$139,910	\$62,965
IIPRC filing fees	\$131,866	\$ 225,442	\$107,900	\$68,730	\$18,050

Percentage of Filings Received Broken Down by TOI



* "Transactions" refers to the total number of SERFF transactions that have been made through the IIPRC.

** The time for product approval is calculated utilizing business days and excludes the company response time to objection letters, as defined in §105 of the "Product Filing Rule".

INTERSTATE INSURANCE
PRODUCT REGULATION COMMISSION



States, Strength & Speed Aligned

2011 IIPRC PRODUCT FILING TRENDS

* AUGUST 1, 2011*

- ★ There are **20 TOIs available** for filing using the **75 adopted Uniform Standards** with **97 various sub-TOIs available**.
- ★ **953 products have been approved** by the IIPRC to date since June 2007; which equates to **25,444 SERFF transactions**.
- ★ The Types of Insurance (TOI) for the Product Filings submitted through SERFF for Compact Filings YTD:
 - LIFE (69% of all filings received):
 - 37 % have been Flexible Premium Adjustable
 - 28 % have been Whole Life Products
 - 20 % have been TOI – Other
 - 11 % have been Term Life Products
 - 3 % have been Variable Life Products
 - 1 % have been Endowment Life Products
 - ANNUITIES (28% of all filings received):
 - 42 % have been Deferred Non-Variable Annuity
 - 37 % have been Deferred Variable Annuity
 - 18 % have been Immediate Non-Variable Annuity
 - 3 % have been Annuity - Special
 - LONG-TERM CARE (3% of all filings received)
- ★ Of the 2011 Registered Companies who have submitted filings in 2011:
 - 7% have filed more than 5 times
 - 13% have filed more than 4-5 times
 - 37% have filed 2 to 3 times
 - 43% have filed one time
- ★ 82% of the current registered companies have re-registered.
- ★ The 120 companies who registered year-to-date in 2011 represent approximately 54% of the national premium volume. 81% of the registered companies have submitted filings year-to-date.
- ★ There have been 4,120 forms submitted with product filing submissions. The average number of forms per filing is 4. In 2007, the most forms submitted in one product filing were 17; in 2010, the most forms submitted in a single submission were 63.

Interim Study Committee on I

Membership Roster

Senators

Representatives

PAM LANDWER WILL INSERT THESE NAMES

Legislative Services Agency Staff

PAM LANDWER WILL INSERT THESE NAMES

November 1, 2011

A copy of this report is available on the Internet. Reports, minutes, and notices are organized by committee. This report and other documents for this Committee can be accessed from the General Assembly Homepage at <http://www.in.gov/legislative/>.

FINAL REPORT

Interim Study Committee on Insurance

I. STATUTORY AND LEGISLATIVE COUNCIL DIRECTIVES

In 2011, the Indiana General Assembly enacted IC 2-5-33.3 establishing the Committee to "study insurance in Indiana as follows:

- (1) Issues determined by the chairperson of the committee.
- (2) Issues assigned by the legislative council.
- (3) Issues regulated under IC 27.
- (4) Worker's compensation insurance."

The Legislative Council assigned the following additional responsibilities to the Committee for the 2011 Interim:

- (1) Health plan access to health care providers (HB 1582-2011).
- (2) Health care service prices and information (HB 1582-2011).
- (3) Health care provider office billing in connection with hospital charges (HB 1582-2011).
- (4) The appropriate statute of limitations for making a claim for occupational disease compensation (SB 576-2011).

II. INTRODUCTION AND REASONS FOR STUDY

Current Indiana law contained in IC 27 governs regulation of insurance companies (including worker's compensation insurance companies) doing business in Indiana and insurance-related matters affecting Indiana residents. Additionally, IC 22 regulates Indiana's worker's compensation system.

The Committee was established to facilitate the study of insurance-related issues that require more extensive study than is feasible during a session of the General Assembly, and to annually report its findings and recommendations for any proposed legislation to the Legislative Council.

III. SUMMARY OF WORK PROGRAM

The Committee met three times during the 2011 interim.

First Meeting

The first meeting of the Committee was held on August 2, 2011. The Committee considered testimony concerning the following:

- (1) Determinations concerning patient referrals for health care services.
- (2) Worker's compensation insurance.
- (3) Medical provider reimbursement by worker's compensation insurance carriers.

Second Meeting

The second meeting of the Committee was held on August 24, 2011. The Committee considered testimony concerning the following:

- (1) History and benefits of worker's compensation in Indiana.
- (2) Worker's compensation databases.

Third Meeting

The third meeting of the Committee was held on October 24, 2011. The Committee considered the following:

- (1) Long term care insurance.
- (2) The final report of the Committee.

IV. SUMMARY OF TESTIMONY

The Committee heard testimony from representatives of the following groups:

- (1) Indiana Academy of Family Physicians.
- (2) Indiana Hospital Association.
- (3) Indiana State Medical Association.
- (4) Anthem.
- (5) Worker's Compensation Board of Indiana.
- (6) Insurance Institute of Indiana.
- (7) Indiana Manufacturers Association.
- (8) FAIRPAY Solutions.

- (9) Liberty Mutual Insurance.
- (10) Advanced Medical Imaging.
- (11) Indiana Compensation Rating Bureau.
- (12) Golitko and Daly.
- (13) Indiana Self-Insurers Association, Inc.
- (14) FAIR Health, Inc.
- (15)... LTC testimony???????????

Determinations concerning patient referrals for health care services

The Committee heard testimony concerning an increasing trend of hospital employment of physicians and related concerns about the freedom of those physicians to refer patients to independent health service providers. Also discussed was patient awareness that health services are available from independent health service providers. The members raised questions and received information concerning legal, quality, and cost concerns, referral practices, and efficiency issues related to this trend.

Worker's compensation insurance issues

The Committee heard testimony concerning: (1) employee dissatisfaction with Indiana's worker's compensation system; (2) medical provider payment practices among worker's compensation insurers; (3) difficulties with and proposed solutions for performance of the functions of the Worker's Compensation Board of Indiana (including determination of appropriate claim payment amounts under current law, a need for payment data, possible sources of data to make payment determinations, including the use of repricing services); and (4) recent trends in worker's compensation claims and payment.

History and benefits of worker's compensation in Indiana

The Committee heard testimony concerning: (1) the origin of worker's compensation; (2) types of benefits (including partial wage replacement, medical payment, permanent impairment compensation, and permanent disability benefits); (3) factors considered in calculation of payments; (4) the original intent of Indiana's worker's compensation law and changes in payment practices such that the original intent is no longer accomplished; and (5) proposed changes to current law and practices.

Worker's compensation databases

The Committee heard testimony concerning the history, components, and use of a worker's compensation database that provides information related to worker's compensation payments to payers and the public.

Long term care insurance

The Committee heard testimony concerning.....

Minutes and attachments containing more detailed information concerning the Committee's 2011 interim work may be found at <http://www.in.gov/legislative/interim/>

V. COMMITTEE FINDINGS AND RECOMMENDATIONS

The Committee made the following findings of fact and recommendations:

Determinations concerning patient referrals for health care services (HB 1582-2011)

The Committee finds that no legislative action is necessary concerning this issue.

The Committee recommends that no further legislative action be taken with regard to this issue.

Worker's compensation insurance - permanent partial impairment provisions (SEA 576-2011)

The Committee finds that the issue of updating of permanent partial impairment provisions requires additional investigation and study to resolve inconsistencies in the information received by the Committee.

The Committee recommends that the General Assembly continue to study the issue of updating permanent partial impairment provisions to determine whether legislative action is needed and, if so, the appropriate action to be taken.

Worker's compensation insurance - medical provider payments (SEA 576-2011)

The Committee finds that further discussion is necessary concerning this issue to determine the manner in which it should be legislatively addressed.

The Committee recommends continued discussion and drafting of legislation for introduction during the 2012 session of the General Assembly, including the following:

- (1) Clarification of the "80th percentile" payment methodology.
- (2) Encouragement of employers, insurers, and medical providers to enter into agreements concerning medical service payments.
- (3) Certification of a database of medical provider charge information on which to base payment determinations.
- (4) Payment of Worker's Compensation Board costs incurred in resolution of claim payment disputes.

Long term care insurance

The Committee finds.....

The Committee recommends.....

WITNESS LIST

Ray Agostinelli, FAIR Health
Charlie Burhan, Liberty Mutual Insurance
Ronald Cooper, Indiana Compensation Rating Bureau
Trevor Davis, FAIRPAY Solutions
Randy Devereaux, FAIR Health
Meredith Edwards, Indiana Academy of Family Physicians
Robert Fanning, Indiana Self-Insurers Association, Inc.
Robin Gelburd, FAIR Health
Matt Golitko, Golitko and Daly
Linda Hamilton, Worker's Compensation Board of Indiana
Ronald Hughes, interested party
Tim Kennedy, Indiana Hospital Association
Mike Rinebold, Indiana State Medical Association
Ed Roberts, Indiana Manufacturers Association
Indiana State Senator Karen Tallian
Keith Wexler, M.D., Advanced Medical Imaging
John Willey, Anthem
Marty Wood, Insurance Institute of Indiana

LTC witnesses.....