



February 12, 2014

Steve Ostlund, Chair
NAIC Health Actuarial Task Force
Alabama Department of Insurance
201 Monroe Street, Suite 1700
Montgomery, AL 36130-3351

Comments: Proposed Changes to Section 20 C, Revisions to MO 641

Dear Mr. Ostlund:

California Health Advocates, often in partnership with United Policyholders, has for the last several years repeatedly offered comments and made recommendations to the Senior Issues Task Force (SITF) on the extreme premium increases plaguing long term care insurance policyholders and regulators. None of our recommendations are reflected in the work of the Health Actuarial Task Force (HATF) subgroups recommendations. However, we greatly appreciate the time, effort and hard work the subgroups have devoted to developing recommendations that they believe over time may make a difference in the frequency and amount of premium increases that will occur in the future.

We are dismayed that almost all of the recommendations would only apply prospectively, and then not until up to a year after adoption by a state. Since these proposed changes won't apply to current or even near term premium increase requests, we think it will take at least a decade or longer to determine if this newest generation of changes to the Model will actually affect the size and frequency of premium rate increases in future products, or whether the end result will be to create oversized reserves in the future that benefit an insurer's bottom line. In the meantime, states will continue to be faced with requests to increase premiums for previously under-priced policies, and policyholders will continue to be faced with paying for those pricing errors.

The proposed change to Section 20C(2)(b) and (d) of the Model appears to prevent companies from profiting from a rate increase. We would support an even greater percentage than 100 to encourage more accurate pricing. In addition we think that companies should be required to pool all of their long term care business before calculating the need for a premium increase. We also think that a company's own claims experience on their entire block of business should be the basis for any premium increase calculation, and not third party trend information we understand some companies are using. State regulators should be prepared to thoroughly review each company's past and present experience and verify the reasonableness of future projections.

We support the application of Section 27H in MO 641, to all future rate increase notices as adopted by the LTC Pricing Subgroup on January 30. Consumers need the information required in these notices to make informed choices about their options when they are notified of a premium increase.

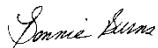
Premium increases on pre and post stabilized business will continue to be a serious challenge for state regulators and consumers for decades to come, as current blocks of business continue unaffected by these proposed changes to the Model. Whether these premium increases come in one very large insurmountable amount, are staggered over several years, or become a steady drip of smaller increases every few years, consumers will be forced to make hard choices about the protection they bought, often at the urging of state officials and others who were promoting a vision of personal responsibility.

We don't think policyholders should pay the cost of pricing errors when insurers failed to use proper assumptions and appropriate margins when setting their premiums. We think state regulators have a responsibility to consumers to carefully scrutinize the initial pricing of these policies, ensure that insurers have made realistic assumptions, and take whatever steps are necessary to help consumers maintain the protection they purchased when companies discover errors in their pricing calculations.

We request that the Health Actuarial Task Force recommend to SITF that standards be adopted for disclosure notices required as a result of a premium increase, and that some required notice language be included to help consumers sort out their options and decide which of those options are most suitable for their individual situation. The emphasis we have seen by insurers in recent notices has been on reducing or eliminating inflation protection; often the least desirable of all the possibilities an insured might exercise. The loss or change in Partnership status is an equally important issue for which some mandatory language should be considered by SITF.

Thank you for the opportunity to comment on these proposed changes, and we will continue to participate in the calls of the pricing subgroup as it moves forward on discussions of revisions to the Guidance Manual.

Sincerely



Bonnie Burns, California Health Advocates



Amy Bach, Executive Director
United Policyholders

CC: Commissioner Scott Kipper, Chair Senior Issues Task Force