STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

INSURANCE BULLETIN 08-04:
Long-Term Care, Medicare Supplement and Health Insurance Issues

ISSUED February 7, 2008 (REVISED October 24, 2008)

To: All Health and Long-Term Care Insurers
From: Linda Bohrer, Director, Insurance Market Regulation Division
Fred Heese, Director, Insurance Company Regulation Division
Re: Long-Term Care, Medicare Supplement and Health Insurance Issues

The purpose of this bulletin is to clarify and remind insurers that Missouri has strict standards and laws affecting long-term care insurance issued in the State of Missouri. This bulletin is intended to specifically remind insurers that rate increase requests on long term care insurance will be fully evaluated for compliance with the laws and regulations of the State of Missouri.

1) Long Term Care Regulations - Premiums

For policies issued on or after January 1, 2004, insurers are required to develop initial premium rates that contain provisions for moderately adverse conditions. The intent of this standard is to reduce the possibility of future rate increases, and in the event that a rate increase is necessary (assuming that the insurer can show that experience exceeds moderately adverse conditions) and approved by the department the resulting premium rates must not only meet the moderately adverse condition requirement but all other of the other requirements in (8) and (18) of the regulation.

The Director may take significant corrective action against companies that fail to comply with these regulations. Actions that the Director may take include but are not limited to premium rate schedule adjustments or other measures designed to reduce the difference between projected and actual experience, a plan to improve an insurers administrative or claims processing, a plan where insureds can exchange existing coverage for new coverage, or the Director may prohibit the insurer from issuing new coverage for a period of 5 years.

For policies issued prior to January 1, 2004, insurers are required to demonstrate that the expected loss ratio is at least 60% calculated in a manner that provides for adequate reserving of the long term care risk. Insurers requesting rate increases on business written prior to January 1, 2004 should review Missouri Insurance Regulations 20 CSR 400-4.100 (17). Any rate increase filings for policies issued under these regulations must comply with the entire regulation.

Finally, insurers are reminded that a number of factors go into the development of premiums and reserves. In reviewing a rate increase request the Director may ask the insurer to demonstrate that actual results are different than the expected results. The Director may ask the insurer to demonstrate lapse rates (persistency), claim utilization, interest rates and/or any other factors that may be affecting the rate increase request.

2) Long Term Care Regulations – Contract Reserves

Missouri requires companies with issue age rated products (including long term care insurance) to hold adequate contract reserves in accordance with NAIC accounting requirements. Companies should test the adequacy of their reserves and premiums, looking at the combined results of all of the assumptions.

To summarize, the State of Missouri has strict standards and laws affecting long term care insurance and the Director expects insurers to comply with all of applicable regulations and laws.

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