

Actuaries' Club of Boston and Actuaries' Club of Hartford and Springfield Joint Meeting 2009

Current Issues in Life and Health Insurance Regulation

**Julia T. Philips, FSA, MAAA
Life and Health Actuary
Minnesota Department of Commerce**

Interstate Insurance Product Regulatory Commission

(IIPRC or Interstate Compact)

As of October 27, 2009, the Interstate Compact has 266 total filings from 57 different companies.

- Life insurance 242, annuity 24, long-term care not yet available
- 36 states participating
- Electronic filing only
- Limited access to filings by the public—must go to state location
- Small staff and consulting actuary, limited income
- Advisory groups from participating states develop review standards
- Standards are based on NAIC model laws

National Health Care Reform

The NAIC is monitoring Federal proposals, and lobbying for retention of state regulatory structure.

- Individual mandate for coverage very likely
- Insurers will have to guarantee issue of coverage at standard rate
- Penalties for not having coverage will be weak
- Those who buy coverage will be higher cost than those who don't
- Most people will stay with their existing coverage
- Feds will delegate some enforcement to the states, as with HIPAA
- Costs will remain a problem, need subsidies to low-income

Principle Based Reserving for Life Insurance and Annuities

The NAIC has passed a revised Model Standard Valuation Law for life insurance and annuities.

- No required minimum seriatim tabular reserves
- Reserves based on a review of entire company's risks
- No changes yet for health insurance reserving
- NAIC will publish a Valuation Manual to provide guidance
- New Actuarial Standards of Practice will be developed
- Actuaries' work will be more closely scrutinized
- Applies only to policies issued after the effective date

Long-Term Care Insurance Rate and Reserve Inadequacies

Both interest rates and lapse rates dropped dramatically in the 1990s, leading to nearly universal rate increases, and to many contract reserve increases.

- Most companies have raised the rates on existing business
- Many companies have left the market
- Conseco created a spin-off company to isolate its LTC business
- New business rates are around double what they were in the 1990s
- Federal legislation allows "Partnership" policies to shelter assets
- Federal and state government has incentive to increase enrollment
- No cash values, but recently an Extended Term nonforfeiture benefit