Frank Dino (FL) was the primary discussion leader. Other committee members participating included Julia Philips (MN), John Hartnedy (AR), Gerald Lucht (IL), Katie Campbell (AK), Alan Elstein (CT), Dennis Lauzon (NY), and Tomasz Serbinowski (UT).

Most of the discussion pertained to non-forfeiture for limited pay contracts.

Summary of discussion:

1. Proposed changes to the NAIC Guidance Manual for Rating Aspects of the Long Term Care Insurance Model Regulation.

   This discussion focused on relatively minor wording issues, the most substantive of which was whether the manual should use the word "should" (current wording) or "may" (industry preference) in certain instances that relate to the regulators' duty to consult with the company actuary.

2. Non-forfeiture for limited pay long term care policies

   The most prevalent form of non-forfeiture currently available in the marketplace is a return of premium (ROP) benefit. Frank Dino (FL) believes this to be particularly inequitable for policyholders of limited pay contracts and has proposed a dual trigger mechanism, based on the percentage of total premiums paid at the date of lapse, that would require companies to offer extended term insurance if more than 40% of the total premium has been paid.

   The ACLI responded for the industry and offered the argument that ROP is simple to calculate and easy for consumers to understand. Mr. Dino reiterated his assertion that it is inequitable and was echoed by Julia Philips (MN).

   Mr. Elstein questioned the complications involved with products that offer cost of living adjustments (COLA). This discussion was tabled until the next meeting.

Though industry representatives continued to disagree with the proposal during the call, I learned, In subsequent discussion with a company actuary that is a participating member of the ACLI, that the ACLI is likely to drop their objection to the proposal, though with minor subject to some minor "tweaking."

John Heins, FSA, MAAA 10 November 2004