



Fiscal Impact Statement

DATE SUBMITTED:	JANUARY 6, 2020
NAME OF INITIATIVE:	LONG-TERM CARE INFORMATION DATA CALL
REGULATOR/BUSINESS SPONSOR:	LONG-TERM CARE INSURANCE (EX) TASK FORCE
NAIC STAFF SUPPORT:	DAN DAVELINE, DIRECTOR OF FINANCIAL REGULATORY SERVICES
REQUESTED INITIATIVE START DATE:	FEBRUARY 1, 2020
ANTICIPATED COMPLETION DATE:	JUNE 30, 2020
TOTAL REVENUE EXPECTED (2020):	\$0
(2021):	\$0
TOTAL EXPENSE REQUESTED (2020):	\$110,000
(2021):	\$0
TOTAL CAPITAL REQUESTED (2020):	\$0
(2021):	\$0

I. Executive Summary:

The Long-Term Care Insurance (EX) Task Force is charged with developing a consistent national approach for reviewing long-term care insurance rates that results in actuarially appropriate increases being granted by the states in a timely manner and eliminate cross-state rate subsidization. To assist the Task Force in achieving this objective, this fiscal requests funding in the NAIC's 2020 Budget of \$110,000 to hire a consulting firm to conduct a data call of 19 insurers selected by the regulators from the seven (7) states responsible for this workstream. The selected firm will be asked to review, analyze, and offer suggested improvements to the draft data call and instructions developed by the regulators. The consulting firm will then conduct the data call and accumulate, analyze, and describe to the NAIC Members the current level of rate inequity among states' policyholders.

In order to select the consulting firm, the NAIC issued a Request for Proposals (RFP) in November 2019. The RFP was sent directly to 12 firms and posted on the NAIC's website. A committee of state insurance regulators and NAIC staff reviewed the eight proposals that were received in mid-December. A selection was made based on the firm's experience with similar projects and understanding of the scope of work; ability to meet the project schedule; professional reputation of the firm; proposed costs; and the completeness of the proposal. The selected firm is expected

to begin work by late February 2020 and complete the data call by the end of June 2020. The report to the Task Force will be made no later than the Summer 2020 National Meeting.

II. Key Deliverables:

The selected consulting firm will be required to provide the following:

- Review the Regulators' draft data call in order to learn of the data call's elements and the intent of each in achieving the objective. From the review, determine if improvements can be made to the data call to better achieve the objective, and once approved by regulators, incorporate the changes and finalize the data call.
- Prepare the data call by distributing documentation stating the approach and timeline, including how the results will be used.
- Deliver the data call and corresponding instructions to selected insurers, gather feedback, and clarify calculation requirements to the data call as needed.
- Collect the results and review for plausibility and consistency. Ensure the assembly of a data call fact base can support the learnings of the project.
- Analyze and evaluate the data call on a state-by-state basis for each insurer.
- Present a report to the Task Force summarizing the data such that it describes the current depth of inequity amount states' policyholders.

III. Financial and Organizational Impact:

Requested expenses are \$110,000 for the selected consulting firm (see Attachment I). NAIC staff will assist the firm as needed with the setup of conference calls and will provide any necessary assistance to the selected consulting firm to complete the project in a timely, appropriate manner. Otherwise, the impact to the organization will be minimal.

IV. Risk Management Plan:

The primary risk associated with the project is that insurance companies will be unable to provide the data requested. This risk of insurance companies being unable to complete the data call has been mitigated by the design and testing of the data call. Specifically, the state regulators designed the data call based upon the knowledge of existing data points insurance companies possess and then tested it on one company, who was able to provide the requested data within three weeks. While all companies may not be able to complete as quickly, the timeline does allow for more time and delivery of the product to the Task Force by the end of June should be feasible.

V. Security Impact:

The selected consulting firm will be responsible for the detail data collection and analysis process and as such, there will not be a security impact to the NAIC for the data call.

Fiscal Impact Statement Project Cost Analysis

LTC Data Call
Project Cost Analysis

Anticipated Start Date: February 1, 2020
Anticipated Completion Date: June 30, 2020

Description	2020 Total	2021 Budget	2022 Budget
Expenses:			
Professional Services-Consulting	\$110,000		
Total Expenses	110,000		
Revenues Over (Under) Expenses	<u>(\$110,000)</u>	<u>\$0</u>	<u>\$0</u>