

COMMONWEALTH OF VIRGINIA

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STATE CORPORATION COMMISSION BUREAU OF INSURANCE

May 3, 1993

**Administrative Letter
1993-12**

TO: All Companies Licensed to Write Accident and Sickness Insurance in Virginia

RE: Long-Term Care Insurance Reporting Requirements

The purpose of this Administrative Letter is to remind all companies issuing long-term care insurance policies in the Commonwealth of Virginia, of the reports required to be filed annually with the Commission. A review of our records shows that many companies have failed to file these reports.

Virginia Insurance Regulation No. 40, Section 9.E., requires that every insurer selling or issuing long-term care insurance benefits shall maintain a record of all policy or certificate rescissions, both state and countrywide, except those which the insured voluntarily effectuated, and shall furnish this information to the Virginia State Corporation Commission's Bureau of Insurance in the format prescribed by the National Association of Insurance Commissioners (NAIC).

Section 13, Subsections B., D., and E. of the same regulation requires that each insurer shall report to the Commission, annually by June 30, the following information:

1. The ten percent (10%) of its agents with the greatest percentages of lapses and replacements as measured by Section 13.A.;
2. the number of lapsed policies as a percent of its total annual sales and as a percent of its total number of policies in force as of the end of the preceding calendar year; and
3. the number of replacement policies sold as a percent of its total annual sales and as a percent of its total number of policies in force as of the preceding year.

The above requirements apply to any insurance company, health services plan, fraternal benefit society, health maintenance organization, cooperative non-profit life benefit company or mutual assessment life, accident and sickness insurer that delivered or issued for delivery long-term care insurance policies on or after January 1, 1992.

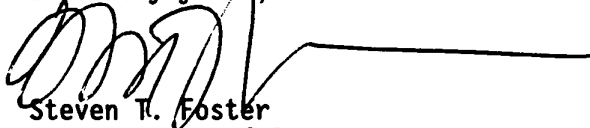
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Attached is a copy of the sections of Virginia Insurance Regulation No. 40 which were previously cited. If you have any questions, please contact in writing:

Ms. Althelia P. Battle
Senior Insurance Market Examiner
Bureau of Insurance
Life and Health Division
P. O. Box 1157
Richmond, Virginia 23209

Thank you for your anticipated cooperation in seeing that these reports are filed with us in an accurate and timely manner so that the Bureau of Insurance does not need to invest its resources in following up to ensure compliance in this matter.

Sincerely yours,



Steven T. Foster
Commissioner of Insurance

STF/ds
Attachments

Section 9. Prohibition of Post-Claims Underwriting.

- E. Every insurer selling or issuing long-term care insurance benefits shall maintain a record of all policy or certificate rescissions, both state and countrywide, except those which the insured voluntarily effectuated, and shall annually furnish this information to the Commission in the format prescribed by the National Association of Insurance Commissioners.

Section 13. Reporting Requirements

- A. Every insurer shall maintain records for each agent of that agent's amount of replacement sales as a percent of the agent's total annual sales and the amount of lapses of long-term care insurance policies sold by the agent as a percent of the agent's total annual sales.
- B. Each insurer shall report annually by June 30 the ten percent (10%) of its agents with the greatest percentages of lapses and replacements as measured by Subsection A above.
- C. Reported replacement and lapse rates do not alone constitute a violation of the insurance laws or necessarily imply wrongdoing. The reports are for the purpose of reviewing more closely agent activities regarding the sale of long-term care insurance.
- D. Every insurer shall report annually by June 30 the number of lapsed policies as a percent of its total annual sales and as a percent of its total number of policies in force as of the end of the preceding calendar year.
- E. Every insurer shall report annually by June 30 the number of replacement policies sold as a percent of its total annual sales and as a percent of its total number of policies in force as of the preceding calendar year.
- F. For purposes of this section, "policy" shall mean only long-term care insurance and "report" means on a statewide basis.