
ILLINOIS DEPARTMENT OF INSURANCE
CURRENT AND RECENTLY ADOPTED RULEMAKINGS

JULY 23, 2018

The following are summaries of administrative rules recently filed by IDOI; they are at various stages in the rulemaking process. The rules listed here have been or soon will be published by the Secretary of State in the Illinois Register. Links are provided to the issues of the Illinois Register in which these rule have been published. In addition, IDOI's adopted rules are available online (after publication in the Illinois Register) at the Illinois General Assembly's Joint Committee on Administrative Rules (JCAR) web page:

<http://ilga.gov/commission/jcar/admincode/050/050parts.html>

The proposed rules have no legal effect until after they have been through the first and second notice periods and are adopted by IDOI and filed with the Secretary of State's Office. The public may submit comments to IDOI during the 45-day first notice period that commences with a rule's initial publication in the Register. The adopted rules may differ from those originally published. JCAR's website contains additional information on the rulemaking process:

<http://ilga.gov/commission/jcar/default.htm>

DISCLAIMER: The Illinois Register is a weekly update of the Illinois Administrative Code (a compilation of the rules adopted by State agencies). The most recent edition of the Code, along with the Register, comprise the most current accounting of State agencies' rulemakings; however, the Illinois Department of Insurance neither warrants nor represents the accuracy or timeliness of the information contained in the Register, or on the IDOI website. The information and links provided on this site are intended solely for the convenience of interested persons; you are urged to consult the official documents or contact legal counsel of your choice. This site should not be cited as an official or authoritative source. Amendments, court decisions and other proceedings may affect the text, interpretation, validity and constitutionality of the laws and rules.

FIRST NOTICE:

50 Ill. Adm. Code 551, Illinois Insurance Exchange Annual Statement (Repealer): The statute implemented by the rule was repealed. Therefore, the rule is also being repealed.

Date Published: [July 6, 2018](#)

Illinois Register Citation: 42 Ill. Reg. 12376

Comment Period Ends: August 20, 2018

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50 Ill. Adm. Code 752, License and Documents Necessary to Engage in Activities and

Examinations: Currently, the Department's Property and Casualty Compliance Unit is responsible for the annual licensure of advisory organizations and joint underwriting associations. However, it was decided this function would more appropriately fit within the duties conducted by the Corporate Regulatory Section. To that end, the duties have been transferred within these Departmental units, and the proposed amendments reflect this work assignment change. Additionally, several portions of the rule that are no longer necessary are being removed.

Date Published: [July 6, 2018](#)

Illinois Register Citation: 42 Ill. Reg. 12382

Comment Period Ends: August 20, 2018

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50 Ill. Adm. Code 903, Uniform Accounting Instructions for Fire and Marine and Casualty and

Surety Insurers (Repealer): Part 903 was effective in 1958 and defines expenses of fire and marine and casualty and surety insurers for uniformity. The annual statement instructions and the NAIC Accounting Practices and Procedures Manual now provides direction and explanations for these expenses. This is an unnecessary Part and should be repealed in its entirety.

Date Published: [July 6, 2018](#)

Illinois Register Citation: 42 Ill. Reg. 12387

Comment Period Ends: August 20, 2018

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50 Ill. Adm. Code 904, Internal Security Standard and Fidelity Bonds: The changes are being made to adjust to the evolution of fidelity and surety bonds being written on a claims made basis rather than an occurrence basis. Also, the amounts of coverage are being transitioned to follow the NAIC examination guidelines.

The main issue has been that the rule requires a one year discovery period which was a common element when these bonds were written on an occurrence basis. Currently and for a number of years now these bonds have been written on a “discovery” or claims made basis which renders the “discovery period” language moot. With the change to a “discovery” basis any claim which comes in while the bond is in effect will be covered by the surety bond.

The changes to the deductibles and amounts of coverage have been repealed so that the NAIC examination guidance can be used instead. The self insurance provisions are being repealed as it is the DOI’s observation that most companies are obtaining these bonds from other companies and we believe best practice for risk management would be to place this risk with another insurance company.

Date Published: [January 5, 2018](#)

Illinois Register Citation: 42 Ill. Reg. 53

Comment Period Ended: February 19, 2018

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50 Ill. Adm. Code 936, Supplemental Reports for Property and Casualty Insurance Companies (Repealer): Part 936, effective 1998, required Property & Casualty companies to complete and submit the specified form if notified by the Department that supplemental reporting was required. This supplemental information can now be obtained through companies’ annual statements or during the Department’s routine review process. This Part is now unnecessary and should be repealed in its entirety.

Date Published: [July 6, 2018](#)

Illinois Register Citation: 42 Ill. Reg. 12442

Comment Period Ends: August 20, 2018

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50 Ill. Adm. Code 940, Mid-Term Cancellations: The proposed amendments remove a requirement to file any amendments purporting to omit reinsurance coverage. This requirement is redundant because those amendments would already be included in the reinsurance contract that is required to be filed. The amendments also add a definition for "Code" as "Illinois Insurance Code" to simplify language, and they include grammatical and technical corrections and clarifications.

Date Published: [July 6, 2018](#)

Illinois Register Citation: 42 Ill. Reg. 12449

Comment Period Ends: August 20, 2018

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50 Ill. Adm. Code 945, Admitted Assets (Repealer): This rule was a stop gap measure for defining "admitted assets" in 2000 until the NAIC Accounting Practices and Procedures were adopted in 2001. The rule is no longer needed and is being repealed. Additionally, Section 2-7 of the Health Maintenance Organization Act [215 ILCS 125/2-7] was repealed by PA 97-486, Section 30, effective January 1, 2012.

Date Published: [July 6, 2018](#)

Illinois Register Citation: 42 Ill. Reg. 12454

Comment Period Ends: August 20, 2018

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50 Ill. Adm. Code 2008, Minimum Standards for Individual and Group Medicare Supplement

Insurance: The proposed amendments to Sections 2008.67(f)(7), 2008.APPENDIX W, 2008.APPENDIX EE, and 2008.APPENDIX FF, as well as the proposed new Section 2008.63, are designed to bring Illinois in compliance with new federal mandates under the Medicare Access and CHIP Reauthorization Act of 2015 (“MACRA”). MACRA prohibits the sale of Medicare supplement policies that cover Part B deductibles to “newly eligible” Medicare beneficiaries, defined as those individuals who: (a) have attained age 65 on or after January 1, 2020; or (b) first become eligible for Medicare due to age, disability, or end-stage renal disease, on or after January 1, 2020. This prohibition applies in all states. Issuers selling such policies to “newly eligible” Medicare beneficiaries on or after January 1, 2020 are subject to fines, and/or imprisonment of not more than five years, and/or civil monetary penalties of not more than \$25,000 for each prohibited act. For “newly eligible” individuals, references in the law to Medicare supplement Plans C, F, and F with High Deductible are deemed as references to Plans D, G, and G with High Deductible.

To facilitate states’ compliance with MACRA, the National Association of Insurance Commissioners (“NAIC”) revised its Model Regulation to Implement the NAIC Medicare Supplement Insurance Minimum Standards Model Act, MDL-651 (the “Model Regulation”) as of 3rd Quarter 2016. The Centers for Medicare and Medicaid Services (“CMS”) published a notice in the Federal Register [82 Fed. Reg. 41,684 (Sept. 1, 2017)] that recognizes this version of the new Model Regulation as setting forth the standards and requirements for Medicare supplement policies under Section 1882 of the Social Security Act [42 U.S.C. § 1395ss], subject to CMS’ clarifications. Any state failing to come into alignment with the CMS-designated revisions to the Model Regulation could receive an accreditation censure from the NAIC and/or lose certification from the Secretary of the U.S. Department of Health and Human Services to regulate Medicare supplement insurance.

Other proposed changes to this Part: a company has proposed an attained-age premium structure for Medicare supplement policies which includes a dip in premium rates for several ages after age 65 (this has been referred to as a “ladle-shaped” premium structure by other regulators). Our proposed amendment to Section 2008.81 is necessary to clarify to industry that this premium structure is not allowed as it would constitute open enrollment discrimination as described in Section 2008.74.

The “ladle-shaped” structure would destabilize the Medicare supplement market by encouraging healthy 67 or 68 year olds with coverage from other companies to submit to medical underwriting and switch coverage, leaving companies that do not adopt this structure with unhealthy insureds at insufficient premium rates. These other companies would then be forced to copy the “ladle-shaped” rate structure, and rates for 65 year olds could become unaffordable. The clear intent of the open enrollment discrimination rule is to spread the additional costs of the open enrollment population over all policyholders.

Additionally, the “ladle-shaped” structure could be exploited by raising age 65 open enrollment premiums to astronomical levels followed by dramatically lower premiums in ages subsequent to 65 in order to prevent or otherwise discourage potential applicants from enrolling during the open enrollment period.

Our proposed language is similar to Option 2 for Section 15G of the Medicare Supplement Model Regulation 651, but the language we employed eliminates ambiguity and includes definitive instructions.

In the course of working on the above amendments, we also found a need for technical corrections to this Part in Sections 2008.30, 2008.40, 2008.45, 2008.50, the introductory paragraphs of Sections 2008.64 and 2008.67, and 2008.80.

Date Published: [July 6, 2018](#)

Illinois Register Citation: 42 Ill. Reg. 12464

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50 Ill. Adm. Code 2015, Infertility Coverage: Consistent with Public Act 99-421, Part 2015 will be amended to require that insurers offering accident and health insurance to groups of more than 25 employees provide coverage for infertility treatments to covered individuals unable to attain a viable pregnancy or maintain a viable pregnancy (previously covered just those unable to sustain a successful pregnancy). The amendments will also expand the definition of infertility to include individuals unable to conceive after one year of attempting to produce conception and those unable to conceive after diagnosis with a condition affecting fertility.

Date Published: [December 26, 2017](#)

Illinois Register Citation: 41 Ill. Reg. 15176

Comment Period Ended: February 9, 2018

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50 Ill. Adm. Code 2403, Producer Felony Review: SB1688, now Public Act 100-286, effective January 1, 2018, sets forth mitigating factors to be considered when determining whether someone with a felony conviction should be granted a producer license. See 215 ILCS 5/500-76(b) (eff. 1-1-18). Part 2403,

which also sets forth mitigating factors to be considered, is effectively redundant, and is being repealed. The factors are similar, and the PA, as a statutory law, preempts Part 2403, the administrative rule.

Date Published: [December 29, 2017](#)

Illinois Register Citation: 41 Ill. Reg. 15480

Comment Period Ends: February 12, 2018

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50 Ill. Adm. Code 2905, Registration of Workers' Compensation Utilization Review Organizations:

Consistent with Public Act 99-111, Parts 2905 and 4520 will be amended to recognize the Accreditation Association for Ambulatory Health Care (AAAHC) among the list of accreditors from which utilization organizations may receive accreditation and qualify for reduced registration and renewal fees.

Date Published: [December 26, 2017](#)

Illinois Register Citation: 41 Ill. Reg. 15182

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50 Ill. Adm. Code 4203, Insurance Data Reporting Requirements: The proposed amendments update data collection procedures dealing with mailing reports to the Department to conform to the current electronic submission methods. The definition of several data elements is also revised to improve the consistency and clarity of the data by various insurers. The amendments also make technical corrections and remove redundancies and superfluous language.

Date Published: [December 29, 2017](#)

Illinois Register Citation: 41 Ill. Reg. 15485

Comment Period Ended: February 12, 2018

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50 Ill. Adm. Code 4520, Managed Care Reform & Patient Rights: Consistent with PA 99-111, Part 4520 will be amended to recognize the Accreditation Association for Ambulatory Health Care (AAAHC) among the list of accreditors from which utilization organizations may receive accreditation and qualify for reduced registration and renewal fees. Also, consistent with PA 99-761, Part 4520 will be amended to apply the medical exemptions process to all insurers licensed in the State to sell policy of group or individual accident and health insurance or health benefits plan, and provide that certain provisions upon which a step therapy requirement exception request shall be approved.

Date Published: [July 6, 2018](#)

Illinois Register Citation: 42 Ill. Reg. 12511

Comment Period Ends: August 20, 2018

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50 Ill. Adm. Code 4530, Health Carrier External Review

Date Published: [July 6, 2018](#)

Illinois Register Citation: 42 Ill. Reg. 12520

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SECOND NOTICE:

The Department does not currently have any rulemakings in the Second Notice period.

RULEMAKINGS ADOPTED DURING 2018:

50 Ill. Adm. Code 206, Domestic Insurers Service of Process Requirements: The rule provides the method and procedure to designate either a registered agent with an Illinois address and/or any Officer or Director of the insurance company at the home office address to accept service of process on behalf of domestic insurance companies. Specifically, the rule allows domestic insurance companies to amend their Articles of Incorporation to designate a registered agent's name and/or any Officer or Director of the insurance company at the home office address who will accept service on behalf of the domestic insurance company. The rule will also provide for the public dissemination of this information via the Department's website.

Effective Date: June 4, 2018

Date Published: [June 15, 2018](#)

Illinois Register Citation: 42 Ill. Reg. 10406

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50 Ill. Adm. Code 914, Life and Accident and Health Policy Forms; Dividends: The rule has been repealed as it is not applicable to any oversight the Department currently undertakes; it is no longer used to define policyholder dividends.

Effective Date: April 30, 2018

Date Published: [May 11, 2018](#)

Illinois Register Citation: 42 Ill. Reg. 7914

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50 Ill. Adm. Code 935, The Minimum Mortality Standard for Valuation of Annuity and Pure Endowment Contracts: The amendments terminate Part 935's applicability to annuity and pure endowment contracts issued on or after January 1, 2017 to avoid a statutory conflict. 215 ILCS 5/223 was

recently amended to establish the NAIC Valuation Manual as the source for actuarial valuation standards regarding such contracts. Mortality, interest and methodology standards are maintained in the Valuation Manual beginning January 1, 2017, but the Manual does not provide such standards for contracts issued before that date. Accordingly, Part 935 needed to be amended so that it does not apply to contracts issued on or after January 1, 2017 but continues to provide standards for contracts not covered by the Valuation Manual.

Effective Date: July 12, 2018

Date scheduled to be published: July 27, 2018

Illinois Register Citation: 42 Ill. Reg. 14216

Date of JCAR Meeting: June 12, 2018

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50 Ill. Adm. Code 1403, Family Group Life Insurance Policy Forms: This rule concerned policy forms for family group life insurance, which is an individual policy offered to family groups. This type of policy is no longer commonly issued by companies, and it has been some time since any applicable forms have been submitted to the Department for review. There are no requirements unique to this type of insurance policy in the Insurance Code, and Section 281 of the Code has been repealed. Since this is an individual policy, any necessary protections are still afforded by 215 ILCS 5/224 and 225. The rule is no longer needed, and therefore it has been repealed.

Effective Date: April 30, 2018

Date Published: [May 11, 2018](#)

Illinois Register Citation: 42 Ill. Reg. 7916

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50 Ill. Adm. Code 1407, Accelerated Life Benefit/ Terminal Illness/ Qualified Conditions: The amendment removes an inconsistency caused by recent statutory changes. 215 ILCS 5/223 was recently amended to establish the NAIC Valuation Manual as the source for actuarial opinion and memorandum standards regarding legal reserve life insurance. Part 1408 has been repealed as of the operative date of the Valuation Manual because the Manual has been established as the source for the actuarial opinion and memorandum requirements rather than Part 1408. Part 1407 contained a citation to Part 1408 needed to be removed and replaced with the appropriate reference to 215 ILCS 5/223.

Effective Date: July 12, 2018
Date scheduled to be published: July 27, 2018
Illinois Register Citation: 42 Ill. Reg. 14221
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50 Ill. Adm. Code 1409, Valuation of Life Insurance Policies Including the Use of Select Mortality Factors: The amendments negate Part 1409's applicability to companies that are statutorily required to use a principle-based valuation. 215 ILCS 5/223 was recently amended to establish the NAIC Valuation Manual as the source for valuation standards for life insurance policies effective January 1, 2017. Section 223(8)(d)(ii) now provides that the Valuation Manual shall determine which policies are subject to the requirements of a principle-based valuation. Because Part 1409 provides standards that do not apply when a company uses a principle-based valuation, Part 1409 needed to be amended so as not to apply when Section 223 requires a principle-based valuation through the Valuation Manual. Part 1409 will continue to apply when a principle-based valuation is not required, lest there be no standards in place at all under those circumstances. Additionally, because we have repealed 50 Ill. Adm. Code 1408 for obsolescence based on the adoption of the Valuation Manual in 215 ILCS 5/223(1b), we needed to revise references to Part 1408 that are contained in Part 1409 so that they continue to perform a similar function as before.

Effective Date: July 12, 2018
Date scheduled to be published: July 27, 2018
Illinois Register Citation: 42 Ill. Reg. 14225
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50 Ill. Adm. Code 1410, Modified Guaranteed Annuity (MGA) Contracts: The amendments remove inconsistencies caused by recent statutory changes. 215 ILCS 5/223 was recently amended to establish the NAIC Valuation Manual as the source for actuarial opinion and memorandum standards. Part 1410 contained a reference to Part 1408, which had been the source for actuarial opinion and memorandum

requirements, but the Department repealed Part 1408 as of the operative date of the Valuation Manual. The changes to Part 1410 delete the obsolete reference to Part 1408.

Additionally, the amendments substitute the term “Modified Guaranteed Annuity” with “General Account Modified Guaranteed Annuity” to distinguish the insurance product regulated by Part 1410 from the “Modified Guaranteed Annuity” addressed in the Valuation Manual, which is a substantively different product. This includes a change to the titles of Part 1410 and Section 1410.60.

Finally, the Department discovered that references to 215 ILCS 5/229.4 in Part 1410 became obsolete when that statute was repealed and replaced with 215 ILCS 5/229.4a. The changes to Part 1410 replace references to 215 ILCS 5/229.4 with the appropriate references to the corresponding provisions of 215 ILCS 5/229.4a. They also incorporate the definitions of “appointed actuary” and “qualified actuary” from the recently amended statute at 215 ILCS 5/223(13).

Effective Date: July 12, 2018

Date scheduled to be published: July 27, 2018

Illinois Register Citation: 42 Ill. Reg. 14239

Date of JCAR Meeting: June 12, 2018

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50 Ill. Adm. Code 1411, Universal Life Insurance: The proposed amendment terminates Part 1411's applicability to life insurance policies issued on or after January 1, 2017 to avoid a statutory conflict. 215 ILCS 5/223 was recently amended to establish the NAIC Valuation Manual as the source for valuation standards effective January 1, 2017. Valuation standards will be maintained in the Valuation Manual for universal life insurance policies and group certificates issued from that date onward. Part 1411 currently provides valuation standards of its own for policies and group certificates of universal life insurance, so it must be amended to cease applicability to policies issued from January 1, 2017 onward while continuing to provide standards for policies not covered by the Valuation Manual.

Effective Date: July 23, 2018

Date Scheduled to be Published: August 3, 2018

Illinois Register Citation: To be determined

Date of JCAR Meeting: July 17, 2018

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50 Ill. Adm. Code 1412, Recognition of the 2001 CSO Mortality Table for Use in Determining Minimum Reserve Liabilities and Nonforfeiture Benefits: The amendments terminate Part 1412's applicability to life insurance policies issued on or after January 1, 2017 to avoid a statutory conflict. 215 ILCS 5/223 was recently amended to establish the NAIC Valuation Manual as the source for actuarial valuation standards regarding legal reserve life insurance. Mortality, interest and methodology standards are maintained in the Valuation Manual beginning January 1, 2017. 215 ILCS 5/229.2(4c)(h)(vi) was also amended to have the Valuation Manual provide the applicable mortality table to determine minimum nonforfeiture benefit standards for policies issued on or after January 1, 2017. Because Part 1412 prescribes the standards for the use of mortality tables, this Part has been amended to cease applicability to policies issued on or after January 1, 2017 while continuing to provide standards for policies not covered by the Valuation Manual.

Effective Date: July 12, 2018
Date scheduled to be published: July 27, 2018
Illinois Register Citation: 42 Ill. Reg. 14246
Date of JCAR Meeting: June 12, 2018
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50 Ill. Adm. Code 1413, Recognition of 2001 CSO Preferred Class Structure Mortality Tables for Use in Determining Minimum Reserve Liabilities: The amendment terminates Part 1413's applicability to life insurance policies issued on or after January 1, 2017 to avoid a statutory conflict. 215 ILCS 5/223 was recently amended to establish the NAIC Valuation Manual as the source for actuarial valuation standards regarding legal reserve life insurance. Mortality, interest and methodology standards will be maintained in the Valuation Manual beginning January 1, 2017. Because Part 1413 prescribes certain standards for the use of mortality tables, this Part was amended to cease applicability to policies issued on or after January 1, 2017 while continuing to provide standards for policies not covered by the Valuation Manual.

Effective Date: July 12, 2018
Date scheduled to be published: July 27, 2018
Illinois Register Citation: 42 Ill. Reg. 14254
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50 Ill. Adm. Code 1414, Preneed Life Insurance Minimum Standards for Determining Reserve Liabilities and Nonforfeiture Values: The amendments terminate Part 1414's applicability to preneed life insurance policies issued on or after January 1, 2017 to avoid a statutory conflict. 215 ILCS 5/223 was recently amended to establish the NAIC Valuation Manual as the source for actuarial valuation standards regarding legal reserve life insurance. Mortality, interest and methodology standards will be maintained in the Valuation Manual beginning January 1, 2017. Because Part 1414 prescribes minimum valuation mortality standards for preneed insurance contracts, this Part has been amended to cease applicability to contracts issued on or after January 1, 2017 while continuing to provide standards for contracts not covered by the Valuation Manual.

Effective Date: July 12, 2018

Date scheduled to be published: July 27, 2018

Illinois Register Citation: 42 Ill. Reg. 14257

Date of JCAR Meeting: June 12, 2018

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50 Ill. Adm. Code 2006, Required Benefits for Mental, Emotional or Nervous Disorders: Part 2006 was adopted in 1977 to provide a definition of "registered clinical psychologist" (now "licensed clinical psychologist") following the enactment of provisions now codified in Section 370(c)(2) of the Insurance Code. Because it is no longer necessary to provide this definition in the Department's rules, Part 2006 has been repealed.

Effective Date: April 30, 2018

Date Published: [May 11, 2018](#)

Illinois Register Citation: 42 Ill. Reg. 7918

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50 Ill. Adm. Code 2012, Long-Term Care Insurance: The revisions to 50 Ill. Adm. Code 2012 reflect changes that have been made by the National Association of Insurance Commissioners (NAIC) to the Long Term Care Model Regulation and a model bulletin adopted by the NAIC's Senior Issues Task Force. These changes include greater specification of the margin for adverse deviation that company actuaries should consider in initial rates; a new annual rate certification requirement which will help rate stability; additional information that companies should provide in the event of a rate increase request; specific language to allow rate increases less than the full amount that would be required for the actuary to certify that no future rate increases are anticipated under moderately adverse conditions if, in the opinion of the Director, it is in the best interest of policyholders; and some minor changes to the triggers for the contingent non-forfeiture benefit.

The revisions contain no provision allowing for certification language that the requested premium rate schedule does not include adequate margins for moderately adverse conditions. The Department believes that such a certification option would weaken the principle of rate stabilization by lowering the bar for future rate increases in cases where the "certified" increase would be considered excessive by the 58/85 demonstration.

Additionally, the Model Bulletin adopted by the Senior Issues Task Force on August 9, 2013 contains numerous items that were incorporated into this Part, in particular, those related to extending protections to pre-rate-stability policies and provisions to allow large rate increases to be implemented as a series of smaller rate increases.

Some revisions are intended to improve the current regulation as well as to clarify that the future projected incurred claims used in the loss ratio compliance demonstration should be calculated on a best-estimate basis.

Finally, certain definitions were deleted that duplicate definitions already provided in the article of the Illinois Insurance Code pertaining to long-term care insurance (215 ILCS 5/Art. XIXA).

Effective Date: February 27, 2018

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50 Ill. Adm. Code 4001, Privacy of Personal Information: Part 4001 duplicated Part 4002, with the exception of effective date information, and is no longer needed. Therefore, it has been repealed.

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