To: Long-Term Care Actuarial (B) Working Group Members, Interested Regulators, and Interested Parties

The Health Risk-Based Capital (E) Working Group established the Health Test Ad Hoc Group in 2018 to review the health test language within the Annual Statement Instructions due to inconsistencies in reporting of health business across the different blanks, as well as a significant amount of health business reported on the life and fraternal blank. Through the evaluation and discussion of changes to the health test, there was a question brought up as to whether an entity would still be required to comply with Actuarial Guideline LI—The Application of Asset Adequacy Testing to Long-Term Care Insurance Reserves (AG 51) requirements for long-term care insurance (LTCI) business if the entity moved from the life blank to the health blank. In consideration of the Health Risk-Based Capital (E) Working Group’s request for a sentence to be added to AG 51 to clarify the applicability to insurers filing health blanks, the Long-term Care Actuarial (B) Working Group is considering the following wording that would indicate that regardless of the blank the entity files, AG 51 filing is required by the entity if the criteria stated in the Guideline are met.

Please review the proposed addition to Section 3 of AG 51 below and provide comments to eking@naic.org by Wednesday, October 18:

3. Scope
This Guideline shall apply to a company with over 10,000 inforce lives covered by long-term care insurance contracts as of the valuation date, regardless of which Annual Statement blank (Health, Life/Accident/Health & Fraternal, or Property/Casualty) the company files with its domiciliary state’s insurance regulatory authority. All long-term care insurance contracts, whether directly written or assumed through reinsurance are included. Accelerated death benefit products or other combination products where the substantial risk of the product is associated with life insurance or annuity are not subject to this Guideline.