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<td>2</td>
<td>Long-Term Care Actuarial (B) Working Group Agenda</td>
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<td>Long-Term Care Actuarial (B) Working Group Oct. 24, 2019 Conference Call Minutes</td>
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<td>Attachment A – Long-Term Care (LTC) Experience Reporting Forms (ERF) Sample Changes</td>
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<td>Attachment B – LTC ERF Revisions Draft Instructions</td>
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<td>Long-Term Care Actuarial (B) Working Group Sept. 24, 2019 Conference Call Minutes</td>
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<td>Attachment A – LTC ERF Sample Changes</td>
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<td>Attachment B – LTC ERF Revisions Draft Instructions</td>
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<td>32</td>
<td>Attachment C – ACLI Comments</td>
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<td>36</td>
<td>Long-Term Care Actuarial (B) Working Group Aug. 28, 2019 Conference Call Minutes</td>
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<td>37</td>
<td>Attachment A – Academy and SOA LTC Valuation Work Group Presentation</td>
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<td>46</td>
<td>Long-Term Care Actuarial (B) Working Group Aug. 20, 2019 Conference Call Minutes</td>
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<td>Attachment A – LTC ERF Sample Changes</td>
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<td>Long-Term Care Actuarial (B) Working Group Aug. 2, 2019 Meeting Minutes</td>
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<td>53</td>
<td>Hear an Update from the Academy on LTCI Working Group Activities</td>
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<td>Hear an Update form SOA on LTCI Experience Study</td>
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<td>57</td>
<td>Long-Term Care Pricing (B) Subgroup Sept. 12, 2019 Conference Call Minutes</td>
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<td>59</td>
<td>Health Actuarial (B) Task Force Agenda</td>
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<td>Health Actuarial (B) Task Force Sept. 17, 2019 Conference Call Minutes</td>
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<td>Attachment A – 2020 Proposed Charges</td>
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<td>63</td>
<td>Health Actuarial (B) Task Force Aug. 27, 2019 Conference Call Minutes</td>
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<td>64</td>
<td>Attachment A – Update on Academy and SOA Group Life Waiver Valuation Table Work Group</td>
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<td>66</td>
<td>Health Actuarial (B) Task Force Aug. 2, 2019 Meeting Minutes</td>
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<td>68</td>
<td>Hear an Update from SOA on Health Research</td>
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ROLL CALL

Perry Kupferman, Chair California
Steven Ostlund, Deputy Chair Alabama
Paul Lombardo Connecticut
Craig Wright Florida
Weston Trexler Idaho
Nicole Boyd Kansas
Marti Hooper Maine
Kristi Bohn Minnesota
Rhonda Ahrens Nebraska
Anna Krylova New Mexico
Bill Carmello New York
Laura Miller Ohio
Andrew Schallhorn Oklahoma
Tracie Gray Pennsylvania
Andrew Dvorine South Carolina
Mike Boerner Texas
Tomasz Serbinowski Utah

NAIC Support Staff: Eric King

AGENDA

1:00 – 1:05 p.m. 1. Call to Order/Roll Call—Steve Ostlund (AL)

1:05 – 1:10 p.m. 2. Consider Adoption of its Oct. 24, Sept. 24, Aug. 28, Aug. 20, and Summer National Meeting Minutes—Steve Ostlund (AL)

1:10 – 1:40 p.m. 3. Hear an Update from the American Academy of Actuaries (Academy) on Long-Term Care Insurance (LTCI) Working Group Activities—Warren Jones (Academy)

1:40 – 2:00 p.m. 4. Hear an Update from the Society of Actuaries (SOA) on LTCI Research—Dale Hall (SOA)

2:00 – 2:25 p.m. 5. Consider Adoption of the Long-Term Care Pricing (B) Subgroup Report—Paul Lombardo (CT)

2:25 – 2:50 p.m. 6. Consider Adoption of the Long-Term Care Valuation (B) Subgroup Report—Fred Andersen (MN)

2:50 – 3:00 p.m. 7. Discuss Any Other Matters Brought Before the Working Group—Steve Ostlund (AL)

8. Adjournment
The Long-Term Care Actuarial (B) Working Group of the Health Actuarial (B) Task Force met via conference call Oct. 24, 2019. The following Working Group members participated: Perry Kupferman, Chair (CA); Steve Ostlund (AL); Paul Lombardo (CT); Benjamin Ben (FL); Marti Hooper (ME); Fred Andersen (MN); Rhonda Ahrens (NE); Anna Krylova (NM); Bill Carmello (NY); Chuck Sha (TX); and Jaakob Sundberg (UT).

1. Discussed a Draft of Revisions to the Forms

Mr. Kupferman presented draft of revisions (Attachment A) to the Long-Term Care Experience Reporting Forms (Forms) found in the annual financial statement and instructions (Attachment B) for the revised forms. He said the draft was produced as a response to a referral from the Financial Analysis (E) Working Group that requests assistance from the Long-Term Care Actuarial (B) Working Group with long-term care insurance (LTCI) total reserve reporting in the Forms and the annual financial statement.

Mr. Kupferman said Form 1 has been modified to make a distinction between direct, assumed and ceded amounts. He said the column to report net reserve has been removed. He said reporting in Form 1 is no longer at the policy form level. Paul Graham (American Council of Life Insurers—ACLI) said column 9, column 10 and column 11 of Form 1 are duplicates of information that is reported in the recently revised Exhibit 6 of the annual financial statement, and he suggested these three columns be eliminated from Form 1. Mr. Kupferman said he will compare Exhibit 6 and the draft Form 1 for duplicate information. He said Form 1 is structured in a way that will show that insurers are responsible for the reserves associated with ceded business. Mr. Graham said he thinks for total inception to date rows, column 1 and column 2 the only columns where this category is applicable. Mr. Kupferman said he will review Form 1 given this suggestion.

Mr. Kupferman asked if Form 1 should, as proposed, be split between individual and group business. Mr. Andersen said this distinction is helpful due to the differences between individual and group business. Mr. Graham said Exhibit 6 of the annual financial does not separate individual and group business.

Mr. Andersen asked why Form 2 reports incurred claims but not earned premium. He said he thinks reporting percent of male lives insured is not necessary, as this number is fairly consistent among insurers. Ms. Ahrens said many insurers offered unisex rates, and reporting percent of male lives insured could help identify companies whose block is disproportionately weighted in subsidized cells. Mr. Ben said that the percent of male lives insured is useful for rate review and that he supports reporting earned premium in Form 2. Ray Nelson (America’s Health Insurance Plans—AHIP) said it will not be burdensome for companies to provide percent of male lives insured for current in-force policies, but this may not be true for total inception-to-date.

Mr. Kupferman said the draft of revisions to the Forms does not propose any changes to the current Form 3.

Mr. Andersen and Mr. Lombardo suggested the addition of earned premium to the draft revisions to Form 4. Mr. Graham said that he does not understand how reporting third-party funding percentages in Form 4 is useful and that reporting an accurate figure for this category will be difficult.

Mr. Kupferman said the draft of revisions to the Forms removes reserve reporting from Form 5. Mr. Graham said the rate increase pending column may be misleading to users of Form 5 and may not be easy for companies to accurately report. He said state insurance regulators can obtain this information directly from rate increase requests received by states. Ms. Ahrens said she does not find it useful to include this in Form 5, as the information can be obtained elsewhere.

Having no further business, the Long-Term Care Actuarial (B) Working Group adjourned.
### LTC Experience Reporting Form 1 ($000's)

#### Reserves

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<tr>
<th>Line</th>
<th>$ Earned Premiums</th>
<th>$ Incurred Claims</th>
<th># New Claims During Year</th>
<th># Claims Closed During Year</th>
<th># Open Claims</th>
<th># Terminations</th>
<th># Policies In-force Year End</th>
<th># Lives In-force Year End</th>
<th>$ Active Life Reserves</th>
<th>$ Claim Reserves</th>
<th>$ Other Reserves</th>
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**Individual**

**Direct**
- Current
- Total Inception-to-date

**Assumed**
- Current
- Total Inception-to-date

**Ceded**
- Current
- Total Inception-to-date

**Net (Direct + Assumed - Ceded)**
- Current
- Total Inception-to-date

### Group

#### Direct
- Current
- Total Inception-to-date

#### Assumed
- Current
- Total Inception-to-date

#### Ceded
- Current
- Total Inception-to-date

#### Net (Direct + Assumed - Ceded)
- Current
- Total Inception-to-date
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<th>Line</th>
<th>Calendar Year of Peak Issues</th>
<th>% Male Lives Insured</th>
<th>Average Attained Age</th>
<th>$ Incurred Claims</th>
<th># Lives In-force End of Year</th>
<th># Terminations</th>
<th># New Lives Insured</th>
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<td>Calendar Year of Peak Issues</td>
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<td># Lives In-force End of Year</td>
<td># Terminations</td>
<td># New Lives Insured</td>
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## LTC Experience Reporting Form S ($000's)
### State Reporting (Net of Reinsurance)

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<th>Line</th>
<th>State Code</th>
<th>$ Earned Premiums</th>
<th># New Lives During Year</th>
<th>Average Attained Age</th>
<th>$ Incurred LTC Claims</th>
<th>$ Incurred Extended Benefits Claims</th>
<th># Open Claims End of Year</th>
<th># New Claims During the Year</th>
<th># New Extended Benefits Claims</th>
<th>$ Accelerated Benefits Available</th>
<th>$ Extended Benefits Available</th>
<th>Rate Increase(s) Pending (Y/N)?</th>
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### Stand-alone LTC
- Current
- Total Inception-to-Date

### Life/LTC Hybrid Policies and Riders
- Current (Acceleration only)
- Total Inception-to-Date (Acceleration only)
- Current (Extended Benefits Policies)
- Total Inception-to-Date (Extended Benefits)
Form 1

Definitions and Formulas

Current
Current calendar year of reporting.

Total Inception-to-Date
Aggregate experience data since issuance of policies.

Assumed /Ceded Rows
Does not include YRT reinsurance transactions. For columns that are designated with a # rather than a $, assumed/ceded business is only recorded here if the business is 100% coinsured.

Column 1 – Earned Premiums
Collected Premiums + Change in Due Premiums – Change in Advanced Premiums – Change in Unearned Premium Reserves.

Life, Accident & Health, Fraternal and Property/Casualty Only
Total earned premiums should equal direct earned premiums for LTC business from Schedule H, Part 1, Line 2.

Column 2 - Incurred Claims
Developed claims incurred during the calendar year. Equal to the present value of all claim payments and any outstanding claim reserves. The discount rate is the statutory valuation interest rate for case reserves.

☐ Paid claims in the year of incurral are discounted one-quarter year.
☐ Paid claims subsequent to the year of incurral are assumed to be paid mid-year and discounted back to the midpoint of the incurred year.
☐ Outstanding claim reserves for a given incurred year plus transferred reserves from Form 3, Part 3 are discounted from the valuation date to the midpoint of the incurred year.
☐ Negative results are possible for acquired business only. Negative results indicate downward development of ultimate claims.

Column 3 – New Claims During the Year
The number of claims that have at least one benefit payment made during the year after the elimination period but have no payments in previous years. If a claimant has prior claims, he or she should be counted if the current claim is considered a new claim. For the purpose of including a claim in this count, payments that do not require satisfaction of the elimination period are excluded. A claim that has terminated by the end of the year should be included in the count.

Column 4 - Claims Closed During Year
Number of claims that were closed during the year due to recovery, exhaustion of benefits, or death.

Column 5 – Open Claims

Open claims are all claims that have not been closed. Include IBNR as well as claims in course of settlement.

Column 6 – Terminations

Total number of policyholders whose coverage ended during the year for any reason, including death, lapse, or benefit exhaustion.

Column 7 – Policies In-force at Year End

Total number of policies or certificates in force at the end of the year.

Column 8 – Lives In-force at Year End

Total number of lives in force at the end of the year. Joint policies are to be counted as two lives.

Column 9 – Active Life Reserves

Total amount of reserves held for policyholders who are not currently on claim.

Column 10 – Claim Reserves

Total amount of reserves held for payment of claims that have been incurred but not yet paid.

Column 11 – Other Reserves

Total amount of other reserves associated with long-term care policies, including premium deficiency reserves, unearned premium reserves, and additional actuarial reserves. For the additional actuarial reserve, use the lesser of the aggregate additional reserve and a reserve calculated specifically for LTC business.

The amount reported in annual statement Exhibit 6, Line 2 for life, accident & health, and fraternal only.

A reserve must be carried for any block of contracts for which future gross premiums when reduced by expenses for administration, commissions, and taxes will be insufficient to cover future claims or services.
Form 2

Definitions and Formulas

Current
Current calendar year of reporting.

Total Inception-to-Date
Aggregate experience data since issuance of policies.

Comprehensive
Policy forms that provide a combination of institutional or facility and non-institutional coverage. These include institutional only policies with non-institutional riders.

Institutional Only
Policy forms that provide institutional coverage only.

Non-Institutional Only
Policy forms that provide only non-institutional coverage.
<table>
<thead>
<tr>
<th>Column 1 – Calendar Year of Peak Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calendar year in which the largest number of policies in the block were sold. When reporting figures for inception-to-date, include all policies ever sold in the block. For the current year, include only those policies that remain in force as of 12/31.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Column 2 – Male/Female Mix % Male Lives Insured</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of males / females within the block of policyholders. For example, a block consisting of 60% males would be reported as 60/40.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Column 3 – Average Attained Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unweighted average of the attained ages of all in force policyholders in the block.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Column 4 – Annual Net Premium</th>
</tr>
</thead>
</table>
| \[
\text{Annual Net Premium} = \sum (\text{annual valuation net premiums for policies issued in calendar year } n \text{ at the start of calendar duration } t). \text{ Companies may report zero } (0) \text{ for the net premiums during the Preliminary Term period. For calendar duration } 0, \text{ the annual net premiums at issue should be reported.}
\]

<table>
<thead>
<tr>
<th>Column 5 – Annual Gross Premium</th>
</tr>
</thead>
</table>
| \[
\text{Annual Gross Premium} = \sum (\text{Annualized Premium In Force, including mode loadings for policies issued in calendar year } n \text{ at the start of calendar duration } t). \text{ For calendar duration } 0, \text{ the annual gross premiums collected at issue should be reported.}
\]

<table>
<thead>
<tr>
<th>Column 6 – Net/Gross Premium Ratio</th>
</tr>
</thead>
</table>
| \[
\frac{\text{Column 4}}{\text{Column 5}}
\]

<table>
<thead>
<tr>
<th>Column 7 – Incurred Claims</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed claims incurred during the calendar year. Equal to the present value of all claim payments and any outstanding claim reserves. The discount rate is the statutory valuation interest rate for case reserves</td>
</tr>
</tbody>
</table>

- Paid claims in the year of incurrence are discounted one-quarter year.
- Paid claims subsequent to the year of incurrence are assumed to be paid mid-year and discounted back to the midpoint of the incurred year.
- Outstanding claim reserves for a given incurred year are discounted from the valuation date to the midpoint of the incurred year.
- Negative results are possible for acquired business only. Negative results indicate downward development of ultimate claims.

<table>
<thead>
<tr>
<th>Column 8 – Lives In-force at End of Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of lives in force at the end of the year. Joint policies are to be counted as two lives.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Column 9 – Terminations</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

© 2019 National Association of Insurance Commissioners
Total number of policyholders whose coverage ended during the year for any reason including death, lapse, or benefit exhaustion.

Column 711 – New Lives InsuredIssues
Total number of new LTC policies issued during the year.
**Current calendar year of reporting.**

**Total Inception-to-Date**
- Aggregate experience data since issuance of policies.

**Comprehensive**
- Policy forms that provide a combination of institutional or facility and non-institutional coverage.
  - These include institutional only policies with non-institutional riders.

**Institutional Only**
- Policy forms that provide institutional coverage only.

**Non-Institutional Only**
- Policy forms that provide only non-institutional coverage.

| Column 1 – Calendar Year of Peak Issues |  |
| Column 2 – Third Party Funding |  |
| Column 3 – Average Attained Age |  |
| Column 4 – Annual Net Premium |  |
| Column 5 – Annual Gross Premium |  |
| Column 6 – Net/Gross Premium Ratio |  |

**Column 4 – Annual Net Premium**
- \( \text{Annual Net Premium} = \frac{\text{Annual valuation net premiums for policies issued in calendar year } n \text{ at the start of calendar duration } t}{\text{Premium In Force, including mode loadings for policies issued in calendar year } n} \) for calendar duration 0, the annual net premiums at issue should be reported.

**Column 5 – Annual Gross Premium**
- \( \text{Annual Gross Premium} = \frac{\text{Annual valuation gross premiums for policies issued in calendar year } n \text{ at the start of calendar duration } t}{\text{Premium In Force, including mode loadings for policies issued in calendar year } n} \) for calendar duration 0, the annual gross premiums collected at issue should be reported.

**Column 6 – Net/Gross Premium Ratio**
- \( \frac{\text{Column 4}}{\text{Column 5}} \)
Developed claim amounts for claims incurred during the calendar year. Equal to the present value of all claim payments and any outstanding claim reserve. The discount rate is the statutory valuation interest rate for case reserve.

- Paid claims in the year of incurrence are discounted one-quarter of a year.
- Paid claims subsequent to the year of incurrence are assumed to be paid mid-year and discounted back to the midpoint of the incurred year.
- Outstanding claim reserves for a given incurred year are discounted from the valuation date to the midpoint of the incurred year.
- Negative results are possible for acquired business only. Negative results indicate downward development of ultimate claims.

**Column 58 – Lives In-force at End of Year**

Total number of lives in force at the end of the year. Joint policies are to be counted as two lives.

**Column 69 – Terminations**

Total number of policyholders whose coverage ended during the year for any reason including death, lapse, or benefit exhaustion.

**Column 710 – New Lives Insured Issues**

Total number of new LTC certificate policies issued during the year.
Form 5

Definitions and Formulas

Current

Current calendar year of reporting.

Total Inception-to-Date

Aggregate experience data since issuance of policies.

Stand-alone LTC

An LTC product that is sold by itself, not as a rider on another type of insurance.

Life/LTC Accelerated Benefits Riders

Riders attached to life insurance or annuity products that allow for a benefit to be claimed upon the occurrence of a long-term care need at the cost of reduction in the death benefit or annuity payout benefit.

LTC Extension of Benefit Riders

Riders attached to life insurance or annuity products that allow for a benefit to be claimed above and beyond the initial benefit amount in the event that all accelerated benefits have been claimed and the insured is still in need of long-term care services.

Column 1 – State Code

The state for which data is being reported. Example: CA for California

Column 2 – Earned Premiums

Collected Premiums + Change in Due Premiums – Change in Advanced Premiums – Change in
Unearned Premium Reserves.

**Life, Accident & Health, Fraternal and Property/Casualty Only**

Total earned premiums should equal direct earned premiums for LTC business from Schedule H, Part 1, Line 2.

<table>
<thead>
<tr>
<th>Column 3 – New Lives During Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of new lives that entered the block during the year. Joint policies are to be counted as multiple lives.</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Column 4 – Lives In-force at End of Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total number of lives in force at the end of the year. Joint policies are to be counted as two lives.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Column 5 – Average Attained Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unweighted average of the attained ages of all inforce policyholders associated with the in the block.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Column 6 – Incurred LTC Claims</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed claim amounts for LTC claims incurred during the calendar year including accelerated claims, but not including payments due to extension of benefits. Equal to the present value of all claim payments and any outstanding claim reserves. The discount rate is the statutory valuation interest rate for case reserves.</td>
</tr>
</tbody>
</table>

- Paid claims in the year of incurral are discounted one-quarter year.
- Paid claims subsequent to the year of incurral are assumed to be paid mid-year and discounted back to the midpoint of the incurred year.
- Outstanding claim reserves for a given incurred year are discounted from the valuation date to the midpoint of the incurred year.
- Negative results are possible for acquired business only. Negative results indicate downward development of ultimate claims.

<table>
<thead>
<tr>
<th>Column 7 – Incurred Extended Benefits Claims</th>
</tr>
</thead>
<tbody>
<tr>
<td>Developed claim amounts for LTC claims incurred during the calendar year due to extension of benefits after exhaustion of accelerated benefits. Equal to the present value of all claim payments and any outstanding claim reserves. The discount rate is the statutory valuation interest rate for case reserves.</td>
</tr>
</tbody>
</table>

- Paid claims in the year of incurral are discounted one-quarter year.
- Paid claims subsequent to the year of incurral are assumed to be paid mid-year and discounted back to the midpoint of the incurred year.
- Outstanding claim reserves for a given incurred year are discounted from the valuation date to the midpoint of the incurred year.
- Negative results are possible for acquired business only. Negative results indicate downward development of ultimate claims.
Column 8 – Open Claims End of Year

Open claims are all claims that have not been closed. Include IBNR as well as claims in course of settlement.

Column 9 – New Claims During the Year

The number of claims that have at least one LTC benefit payment made during the year after the elimination period but have no payments in previous years. If a claimant has prior claims, he or she should be counted if the current claim is considered as a new claim. For the purpose of including a claim in this count, payments that do not require satisfaction of the elimination period are excluded. A claim that has terminated by the end of the year should be included in the count.

Column 10 - New Extended Benefits Claims

The number of claims that have at least one benefit payment made during the year resulting from extension of benefits, but have no extension of benefits payments in previous years. If a claimant has prior claims, he or she should be counted if the current claim is considered as a new claim. A claim that has terminated by the end of the year should be included in the count.

Column 11 – Accelerated Benefits Available

Maximum amount of remaining death benefit available to be paid on an accelerated basis due to LTC Acceleration of Benefits riders.

Column 12 – Extended Benefits Available

Maximum amount of remaining extended benefits available to policyholders with extension of benefit riders.

Column 13 – Rate Increases

Indicate whether the company has any rate increase requests pending in that state.
Long-Term Care Actuarial (B) Working Group
Conference Call
September 24, 2019

The Long-Term Care Actuarial (B) Working Group of the Health Actuarial (B) Task Force met via conference call Sept. 24, 2019. The following Working Group members participated: Perry Kupferman, Chair (CA); Steve Ostlund (AL); Paul Lombardo (CT); Benjamin Ben (FL); Nicole Boyd (KS); Marti Hooper (ME); Kristi Bohn (MN); Rhonda Ahrens (NE); Anna Krylova (NM); William Carmello (NY); Laura Miller (OH); Andrew Schallhorn (OK); Andrew Dvorine (SC); Raja Malkani (TX); and Tomasz Serbinowski (UT). Also participating was: William Leung (MO).

1. Discussed a Draft of Revisions to the Forms

Mr. Kupferman presented draft of revisions (Attachment A) to the Long-Term Care Experience Reporting Forms (Forms) found in the annual financial statement, and instructions (Attachment B) for the revised forms. He said the draft was produced as a response to a referral from the Financial Analysis (E) Working Group that requests assistance from the Long-Term Care Actuarial (B) Working Group with long-term care insurance (LTCI) total reserve reporting in the Forms and the annual financial statement. He presented comments (Attachment C) from the American Council of Life Insurers (ACLI) on the proposed revisions to the Forms.

Mr. Lombardo suggested that the instructions for completing Form 1 or the exhibit should make a distinction between direct, assumed, and ceded amounts. Mr. Leung suggested that yearly renewable term (YRT) reinsurance amounts be excluded from reporting. Bob Yee (PricewaterhouseCoopers LLP) said YRT amounts should not be excluded. Ms. Ahrens said the definition of the amount to be reported in the Other Reserve column of Form 1 needs to be very clear.

Jan Graeber (American Council of Life Insurers—ACLI) asked to what extent the proposed forms report information that is also reported in revised Form 6 of the annual financial statement. She asked if it is necessary to request duplicate information. Mr. Kupferman said he will compare the revised Form 6 to the proposed forms to identify any duplicate requests.

Mr. Serbinowski suggested changing the Male/Female Mix (%) column in Form 2 to be reported as percentage male or female.

Ray Nelson (America’s Health Insurance Plans—AHIP) suggested the Annual Net Premium and Net/Gross Premium Ratio columns be removed from Form 2, as this information is reported in Actuarial Guideline LI—The Application of Asset Adequacy Testing to Long-Term Care Insurance Reserves (AG 51) filings. Mr. Serbinowski agreed.

Having no further business, the Long-Term Care Actuarial (B) Working Group adjourned.
## LTC Experience Reporting Form 1 ($000's)

### Reserves

<table>
<thead>
<tr>
<th>Line</th>
<th>$ Earned Premiums</th>
<th>$ Incurred Claims</th>
<th># New Claims During Year</th>
<th># Claims Closed During Year</th>
<th># Open Claims</th>
<th># Terminations</th>
<th># Policies In-force Year End</th>
<th># Lives In-force Year End</th>
<th>$ Active Life Reserves</th>
<th>$ Claim Reserves</th>
<th>$ Other Reserves</th>
</tr>
</thead>
</table>

| **Individual** |  |  |  |  |  |  |  |  |  |  |  |  |
| **Direct** |  |  |  |  |  |  |  |  |  |  |  |  |
| Current |  |  |  |  |  |  |  |  |  |  |  |  |
| Total Inception-to-date |  |  |  |  |  |  |  |  |  |  |  |  |

| **Assumed** |  |  |  |  |  |  |  |  |  |  |  |  |
| Current |  |  |  |  |  |  |  |  |  |  |  |  |
| Total Inception-to-date |  |  |  |  |  |  |  |  |  |  |  |  |

| **Ceded** |  |  |  |  |  |  |  |  |  |  |  |  |
| Current |  |  |  |  |  |  |  |  |  |  |  |  |
| Total Inception-to-date |  |  |  |  |  |  |  |  |  |  |  |  |

| **Net (Direct + Assumed - Ceded)** |  |  |  |  |  |  |  |  |  |  |  |  |
| Current |  |  |  |  |  |  |  |  |  |  |  |  |
| Total Inception-to-date |  |  |  |  |  |  |  |  |  |  |  |  |

### Group

<table>
<thead>
<tr>
<th>Line</th>
<th>$ Earned Premiums</th>
<th>$ Incurred Claims</th>
<th># New Claims During Year</th>
<th># Claims Closed During Year</th>
<th># Open Claims</th>
<th># Terminations</th>
<th># Policies In-force Year End</th>
<th># Lives In-force Year End</th>
<th>$ Active Life Reserves</th>
<th>$ Claim Reserves</th>
<th>$ Other Reserves</th>
</tr>
</thead>
</table>

| **Direct** |  |  |  |  |  |  |  |  |  |  |  |  |
| Current |  |  |  |  |  |  |  |  |  |  |  |  |
| Total Inception-to-date |  |  |  |  |  |  |  |  |  |  |  |  |

| **Assumed** |  |  |  |  |  |  |  |  |  |  |  |  |
| Current |  |  |  |  |  |  |  |  |  |  |  |  |
| Total Inception-to-date |  |  |  |  |  |  |  |  |  |  |  |  |

| **Ceded** |  |  |  |  |  |  |  |  |  |  |  |  |
| Current |  |  |  |  |  |  |  |  |  |  |  |  |
| Total Inception-to-date |  |  |  |  |  |  |  |  |  |  |  |  |

| **Net (Direct + Assumed - Ceded)** |  |  |  |  |  |  |  |  |  |  |  |  |
| Current |  |  |  |  |  |  |  |  |  |  |  |  |
| Total Inception-to-date |  |  |  |  |  |  |  |  |  |  |  |  |

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### LTC Experience Reporting Form 2 ($000's)

**Direct Individual Experience**

<table>
<thead>
<tr>
<th>Line</th>
<th>Year of Peak Issues</th>
<th>Male/Female Mix (%)</th>
<th>Average Attained Age</th>
<th>$ Annual Net Premium</th>
<th>$ Annual Gross Premium</th>
<th>Net/Gross Premium Ratio</th>
<th>$ Incurred Claims</th>
<th># Lives In-force End of Year</th>
<th># Terminations</th>
<th># New Issues</th>
</tr>
</thead>
<tbody>
<tr>
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</tbody>
</table>

#### Primarily 2002 and Prior Issue Years

- Current (Comprehensive)
- Total Inception-to-date (Comprehensive)
- Current (Institutional only)
- Total Inception-to-date (Institutional only)
- Current (Non-Institutional only)
- Total Inception-to-date (Non-Institutional only)
- Current (Grand Total)
- Total Inception-to-date (Grand Total)

#### Primarily 2003 to 2009 Issue Years

- Current (Comprehensive)
- Total Inception-to-date (Comprehensive)
- Current (Institutional only)
- Total Inception-to-date (Institutional only)
- Current (Non-Institutional only)
- Total Inception-to-date (Non-Institutional only)
- Current (Grand Total)
- Total Inception-to-date (Grand Total)

#### Primarily 2010 and Later Issue Years

- Current (Comprehensive)
- Total Inception-to-date (Comprehensive)
- Current (Institutional only)
- Total Inception-to-date (Institutional only)
- Current (Non-Institutional only)
- Total Inception-to-date (Non-Institutional only)
- Current (Grand Total)
- Total Inception-to-date (Grand Total)
<table>
<thead>
<tr>
<th>Line</th>
<th>1</th>
<th>2</th>
<th>3</th>
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<th>9</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>Third Party Funding (%)</td>
<td>Year of Peak Issues</td>
<td>Average Attained Age</td>
<td>$ Annual Net Premium</td>
<td>$ Annual Gross Premium</td>
<td>Net/Gross Premium Ratio</td>
<td>$ Incurred Claims</td>
<td># Lives In-force End of Year</td>
<td># Terminations</td>
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<tr>
<td>Current (Comprehensive)</td>
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<td>Total Inception-to-date (Comprehensive)</td>
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<td>Total Inception-to-date (Institutional only)</td>
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<td>Current (Non-Institutional only)</td>
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<td>Total Inception-to-date (Grand Total)</td>
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<tr>
<td>Line</td>
<td>State Code</td>
<td>$ Earned Premiums</td>
<td># New Lives During Year</td>
<td>Average Attained Age</td>
<td>$ Incurred LTC Claims</td>
<td>$ Incurred Extended Benefits Claims</td>
<td># Open Claims End of Year</td>
<td># New Claims During the Year</td>
<td># New Extended Benefits Claims</td>
<td>$ Accelerated Benefits Available</td>
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<td>Stand-alone LTC</td>
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<tr>
<td>Life/LTC Hybrid Policies and Riders</td>
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<td>Current (Acceleration only)</td>
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<tr>
<td>Total Inception-to-Date (Acceleration only)</td>
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<td>Current (Extended Benefits Policies)</td>
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<tr>
<td>Total Inception-to-Date (Extended Benefits)</td>
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</tr>
</tbody>
</table>
Form 1

Definitions and Formulas

**Current**
Current calendar year of reporting.

**Total Inception-to-Date**
Aggregate experience data since issuance of policies.

**Column 1 – Earned Premiums**

Collected Premiums + Change in Due Premiums – Change in Advanced Premiums – Change in Unearned Premium Reserves.

*Life, Accident & Health, Fraternal and Property/Casualty Only*
Total earned premiums should equal direct earned premiums for LTC business from Schedule H, Part 1, Line 2.

**Column 2 - Incurred Claims**

Developed claims incurred during the calendar year. Equal to the present value of all claim payments and any outstanding claim reserves. The discount rate is the statutory valuation interest rate for case reserves.

- Paid claims in the year of incurral are discounted one-quarter year.
- Paid claims subsequent to the year of incurral are assumed to be paid mid-year and discounted back to the midpoint of the incurred year.
- Outstanding claim reserves for a given incurred year plus transferred reserves from Form 3, Part 3 are discounted from the valuation date to the midpoint of the incurred year.
- Negative results are possible for acquired business only. Negative results indicate downward development of ultimate claims.

**Column 3 – New Claims During the Year**

The number of claims that have at least one benefit payment made during the year after the elimination period but have no payments in previous years. If a claimant has prior claims, he or she should be counted if the current claim is considered as a new claim. For the purpose of including a claim in this count, payments that do not require satisfaction of the elimination period are excluded. A claim that has terminated by the end of the year should be included in the count.

**Column 4 - Claims Closed During Year**

Number of claims that were closed during the year due to recovery, exhaustion of benefits, or death.

**Column 5 – Open Claims**

Open claims are all claims that have not been closed. Include IBNR as well as claims in course of settlement.

**Column 6 – Terminations**
Total number of policyholders whose coverage ended during the year for any reason, including death, lapse, or benefit exhaustion.

Column 7 – Policies In-force at Year End

Total number of policies or certificates in force at the end of the year.

Column 8 – Lives In-force at Year End

Total number of lives in force at the end of the year. Joint policies are to be counted as two lives.

Column 9 – Active Life Reserves

Total amount of reserves held for policyholders who are not currently on claim.

Column 10 – Claim Reserves

Total amount of reserves held for payment of claims that have been incurred but not yet paid.

Column 11 – Other Reserves

Total amount of other reserves associated with long-term care policies, including premium deficiency reserves, unearned premium reserves, and additional actuarial reserves.

The amount reported in annual statement Exhibit 6, Line 2 for life, accident & health, and fraternal only.

A reserve must be carried for any block of contracts for which future gross premiums when reduced by expenses for administration, commissions, and taxes will be insufficient to cover future claims or services.
Form 2

Definitions and Formulas

Current
Current calendar year of reporting.

Total Inception-to-Date
Aggregate experience data since issuance of policies.

Comprehensive
Policy forms that provide a combination of institutional or facility and non-institutional coverage. These include institutional only policies with non-institutional riders.

Institutional Only
Policy forms that provide institutional coverage only.

Non-Institutional Only
Policy forms that provide only non-institutional coverage.

Column 1 – Year of Peak Issues
Year in which the largest number of policies in the block were sold. When reporting figures for inception-to-date, include all policies ever sold in the block. For the current year, include only those policies that remain in force as of 12/31.

Column 2 – Male/Female Mix
Percentage of males/females within the block of policyholders. For example, a block consisting of 60% males and 40% females would be reported as 60/40.

Column 3 – Average Attained Age
Unweighted average of the attained ages of all in force policyholders in the block.

Column 4 – Annual Net Premium
Annual Net Premium = \( \Sigma \) (annual valuation net premiums for policies issued in calendar year n at the start of calendar duration t). Companies may report zero (0) for the net premiums during the Preliminary Term period. For calendar duration 0, the annual net premiums at issue should be reported.

Column 5 – Annual Gross Premium
Annual Gross Premium = \( \Sigma \) (Annualized Premium In Force, including mode loadings for policies issued in calendar year n at the start of calendar duration t). For calendar duration 0, the annual gross premiums collected at issue should be reported.
Column 6 – Net/Gross Premium Ratio

= [Column 4] / [Column 5]

Column 7 – Incurred Claims

Developed claims incurred during the calendar year. Equal to the present value of all claim payments and any outstanding claim reserves. The discount rate is the statutory valuation interest rate for case reserves

- Paid claims in the year of incurrence are discounted one-quarter year.
- Paid claims subsequent to the year of incurrence are assumed to be paid mid-year and discounted back to the midpoint of the incurred year.
- Outstanding claim reserves for a given incurred year are discounted from the valuation date to the midpoint of the incurred year.
- Negative results are possible for acquired business only. Negative results indicate downward development of ultimate claims.

Column 8 – Lives In-force at End of Year

Total number of lives in force at the end of the year. Joint policies are to be counted as two lives.

Column 9 – Terminations

Total number of policyholders whose coverage ended during the year for any reason including death, lapse, or benefit exhaustion.

Column 10 – New Issues

Total number of new LTC policies issued during the year.
Form 4

Definitions and Formulas

Current
Current calendar year of reporting.

Total Inception-to-Date
Aggregate experience data since issuance of policies.

Comprehensive
Policy forms that provide a combination of institutional or facility and non-institutional coverage. These include institutional only policies with non-institutional riders.

Institutional Only
Policy forms that provide institutional coverage only.

Non-Institutional Only
Policy forms that provide only non-institutional coverage.

Column 1 – Year of Peak Issues
Year in which the largest number of policies in the block were sold.

Column 2 – Third Party Funding
Indicate whether premiums are paid in whole or in part by a third party such as an employer.
Example: If the level of third party funding is 25%, enter “25” in this column.

Column 3 – Average Attained Age
Unweighted average of the attained ages of all inforce policyholders in the block.

Column 4 – Annual Net Premium

Annual Net Premium = Σ (annual valuation net premiums for policies issued in calendar year n
at the start of calendar duration t). Companies may report zero (0) for the net premiums during the
Preliminary Term period. For calendar duration 0, the annual net premiums at issue should be reported.

Column 5 – Annual Gross Premium

Annual Gross Premium = Σ (Annualized Premium In Force, including mode loadings for policies
issued in calendar year n at the start of calendar duration t). For calendar duration 0, the annual gross
premiums collected at issue should be reported.

Column 6 – Net/Gross Premium Ratio
Column 7 – Incurred Claims

Developed claim amounts for claims incurred during the calendar year. Equal to the present value of all claim payments and any outstanding claim reserve. The discount rate is the statutory valuation interest rate for case reserve.

- Paid claims in the year of incurreal are discounted one-quarter year.
- Paid claims subsequent to the year of incurreal are assumed to be paid mid-year and discounted back to the midpoint of the incurreal year.
- Outstanding claim reserves for a given incurreal year are discounted from the valuation date to the midpoint of the incurreal year.
- Negative results are possible for acquired business only. Negative results indicate downward development of ultimate claims.

Column 8 – Lives In-force at End of Year

Total number of lives in force at the end of the year. Joint policies are to be counted as two lives.

Column 9 – Terminations

Total number of policyholders whose coverage ended during the year for any reason including death, lapse, or benefit exhaustion.

Column 10 – New Issues

Total number of new LTC policies issued during the year.
Form 5
Definitions and Formulas

Current

Current calendar year of reporting.

Total Inception-to-Date

Aggregate experience data since issuance of policies.

Stand-alone LTC

An LTC product that is sold by itself, not as a rider on another type of insurance.

Life/LTC Accelerated Benefits Riders

Riders attached to life insurance or annuity products that allow for a benefit to be claimed upon the occurrence of a long-term care need at the cost of reduction in the death benefit or annuity payout benefit.

LTC Extension of Benefit Riders

Riders attached to life insurance or annuity products that allow for a benefit to be claimed above and beyond the initial benefit amount in the event that all accelerated benefits have been claimed and the insured is still in need of long-term care services.

Column 1 – State Code

The state for which data is being reported. Example: CA for California

Column 2 – Earned Premiums

Collected Premiums + Change in Due Premiums – Change in Advanced Premiums – Change in Unearned Premium Reserves.

Life, Accident & Health, Fraternal and Property/Casualty Only

Total earned premiums should equal direct earned premiums for LTC business from Schedule H, Part 1, Line 2.

Column 3 – New Lives During Year

Total number of new lives that entered the block during the year. Joint policies are to be counted as multiple lives.

Column 4 – Lives In-force at End of Year

Total number of lives in force at the end of the year. Joint policies are to be counted as two lives.
Column 5 – Average Attained Age

Unweighted average of the attained ages of all inforce policyholders associated with the in the block.

Column 6 – Incurred LTC Claims

Developed claim amounts for LTC claims incurred during the calendar year including accelerated claims, but not including payments due to extension of benefits. Equal to the present value of all claim payments and any outstanding claim reserves. The discount rate is the statutory valuation interest rate for case reserves.

- Paid claims in the year of incurral are discounted one-quarter year.
- Paid claims subsequent to the year of incurral are assumed to be paid mid-year and discounted back to the midpoint of the incurred year.
- Outstanding claim reserves for a given incurred year are discounted from the valuation date to the midpoint of the incurred year.
- Negative results are possible for acquired business only. Negative results indicate downward development of ultimate claims.

Column 7 – Incurred Extended Benefits Claims

Developed claim amounts for LTC claims incurred during the calendar year due to extension of benefits after exhaustion of accelerated benefits. Equal to the present value of all claim payments and any outstanding claim reserves. The discount rate is the statutory valuation interest rate for case reserves.

- Paid claims in the year of incurral are discounted one-quarter year.
- Paid claims subsequent to the year of incurral are assumed to be paid mid-year and discounted back to the midpoint of the incurred year.
- Outstanding claim reserves for a given incurred year are discounted from the valuation date to the midpoint of the incurred year.
- Negative results are possible for acquired business only. Negative results indicate downward development of ultimate claims.

Column 8 – Open Claims End of Year

Open claims are all claims that have not been closed. Include IBNR as well as claims in course of settlement.

Column 9 – New Claims During the Year

The number of claims that have at least one LTC benefit payment made during the year after the elimination period but have no payments in previous years. If a claimant has prior claims, he or she should be counted if the current claim is considered as a new claim. For the purpose of including a claim in this count, payments that do not require satisfaction of the elimination period are excluded. A claim that has terminated by the end of the year should be included in the count.
Column 10 - New Extended Benefits Claims

The number of claims that have at least one benefit payment made during the year resulting from extension of benefits, but have no extension of benefits payments in previous years. If a claimant has prior claims, he or she should be counted if the current claim is considered as a new claim. A claim that has terminated by the end of the year should be included in the count.

Column 11 – Accelerated Benefits Available

Maximum amount of remaining death benefit available to be paid on an accelerated basis due to LTC Acceleration of Benefits riders.

Column 12 – Extended Benefits Available

Maximum amount of remaining extended benefits available to policyholders with extension of benefit riders.

Column 13 – Rate Increases

Indicate whether the company has any rate increase requests pending in that state.
September 20, 2019

Perry Kupferman  
Chair, NAIC Long-Term Care Actuarial Working Group (LTCAWG)  

Re: LTC Experience Reporting Forms

Dear Mr. Kupferman,

Thank you for the time you and other regulators have spent on the proposed revisions to the NAIC Long-Term Care Experience Exhibits. AHIP and ACLI appreciate the opportunity to provide suggestions/comments regarding potential changes to the current LTC Experience Exhibits in the NAIC Annual Statements.

First and foremost, we want to ensure that regulators have the information they need to do their job. We also want to ensure that regulators have the information they need to assess the entire market, including data on hybrid products.

We agree with your statements on the recent Long-Term Care Actuarial Working Group call that the intent of the revisions to the experience exhibits should not be to:

- disclose confidential information,
- disclose information that is better suited for submission through an alternative channel such as an AG51 report or a rate filing, or
- create meaningless work for companies.

While we can provide general comments on the current draft of proposed revision, we ask that you consider approaching this project as outlined below. You mentioned that you receive regular requests from both your commissioner and outside parties, such as the media, for information that you are unable to adequately answer in a timely way because the data is not readily available or currently reported. It would be very helpful to know the specific nature and focus of those questions. With that information, we could then work together to compile a list of common questions that are routinely asked, or could be asked, to better understand the LTC market. Some initial questions that come to mind are:

**Individual Stand-Alone Long-Term Care Market**

- How many carriers are actively marketing (nationwide and in each state)?
- What products are carriers marketing?
- How many policyholders are covered?
- What percentage of policies are marketed through an employer or association relationship?
- What’s the distribution of business by:
  - Inflation vs non-inflation
  - Issue age
  - Attained age
  - Benefit period
Long-Term Care Hybrid Market
Identify the various types of hybrid/combo products currently marketed.
Which companies sell each type?
How many policyholders are covered?
What’s the average face amount?
How many claims were death claims?
How many claims were LTC claims?

Group Long-Term Care Market
How many carriers currently market group business?
What’s the average issue age?
What’s the average attained age?
What’s the average daily benefit?
What’s the average benefit period?

If the working group prefers to continue moving forward with the current draft, below are some initial comments.

- Due to the low volume of business in many states, a state by state view of (1) Average Age, (2) Claim Counts, and (3) Reserve Balances will not generate meaningful insights or credible conclusions. In fact, it could be counter-productive, potentially provoking cross-state subsidization concerns as have already arisen, and possibly triggering misplaced objections or analysis from individuals who may tie rate increase need (and state rate increase approvals) to state by state claims experience.

- Encouraging focus on single state experience is inconsistent with the fact that LTC products were generally marketed on a nationwide basis and were priced, designed and sold consistent with NAIC models, so coverage features and initial pricing were consistent across states. State by state focus also seems inconsistent with one of the primary charges of the recently formed NAIC LTC EX Task Force, which is to “[develop] a consistent national approach for reviewing long-term care insurance rates that result in actuarially appropriate increases being granted by the states in a timely manner, and eliminates cross-state rate subsidization.”

Form Specific Comments:

Form 1.
- Is Form 1 necessary? The Form appears to be designed to address the FAWG request to measure total liabilities. Is this information now adequately captured in the recently changed Exhibit 6 (Aggregate Reserves for Accident and Health Contracts) in the Annual Statement that will take effect in 2019?

- We support the change made in the latest draft to combine the counts for Deaths and Lapses into one data point called Terminations on Forms 1, 2 and 4. The split data would have been problematic to collect and was generally unreliable.
Form 2.
- Question: What is the expected value or intended use of collecting the “Year of Peak Issues”?
- Are the Net Premium and Net/Gross Ratios needed/useful? What is the thinking behind these? Will these continue to be calculated as proxy’s based on current Valuation data?

Form 4.
- Same comments/questions as for Form 2 apply to Form 4.
- Group cases may have different levels of 3rd party funding. It is not clear how this entry should be calculated when this is the case.

Form 5.
- Due to the low volume of business in many states, a state by state view of (1) Average Age, (2) Claim Counts, and (3) Reserve Balances will not generate meaningful insights or credible conclusions. As noted above, it could needlessly provoke cross-state subsidization concerns, and could trigger misplaced objections or analysis from individuals who may tie rate increase need (and state rate increase approvals) to state by state claims experience.
- As also noted above, encouraging focus on single state experience is inconsistent with the fact that LTC products were generally marketed on a nationwide basis and were priced, designed and sold consistent with NAIC models, with coverage features and initial pricing typically consistent across states. State by state focus is also inconsistent with the charge of the recently formed NAIC LTC EX Task Force to “[develop] a consistent national approach for reviewing long-term care insurance rates that result in actuarially appropriate increases being granted by the states in a timely manner, and eliminates cross-state rate subsidization.”
- Similarly, “Average Attained Age,” “# Open Claims End of Year,” and “# New Claims” can be significantly misleading. We believe those items should be removed from Form 5. Company experience can vary, for example across ages and in group versus individual business. Recent examples where commentators have misinterpreted narrow data points (e.g., morbidity improvement) or published flawed conclusions reached by applying their own home grown modeling techniques to select data points, have caused distractions to regulators and companies alike. If regulators consider those data points to be essential, we request that those data points be included in AG 51 filings and that reserves, if required on a state by state basis, be aggregated as “Total Reserves<” not divided between “ALR,” “Claim” and “Other” reserves.

Thank you for the opportunity to comment. Please note that we have not had an opportunity to fully discuss changes made to the forms that were released on September 17, 2019, with our respective
member companies. As a result, the above comments should be considered as preliminary. We would be happy to answer any questions your working group has with these recommendations.

Sincerely,

Raymond Nelson
Consultant to AHIP

Jan Graeber
ACLI
1. **Heard an Academy Long-Term Care Valuation Work Group Update**

Bob Yee (PricewaterhouseCoopers) gave an update on the American Academy of Actuaries (Academy) Long-Term Care Valuation Work Group’s development of long-term care insurance (LTCI) mortality and lapse valuation tables (Attachment A).

Having no further business, the Long-Term Care Actuarial (B) Working Group adjourned.
Charges to the LTC Valuation Work Group

- Develop a replacement mortality table for LTC active life reserves
  - Based on the 2012 Annuitant Mortality Table
  - Recommend a margin for conservatism
- Develop a replacement lapse table
  - Recommend a margin for conservatism
- Consider developing tables for valuation on total lives basis as well as active lives basis
Progress to Date

- Reviewed and selected data from SOA 2000–2011 Intercompany Study
- Develop raw rates
- Smooth rates
- Determined proposed adjustment factors for tables
- Develop adjustment factors
- Compare actual lapses to expected determined from preliminary proposed rates

Proposed Adjustment Factors for Tables

<table>
<thead>
<tr>
<th>Factor</th>
<th>Mortality Individual &amp; Group</th>
<th>Lapse Individual</th>
<th>Lapse Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issue Age</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Policy Duration</td>
<td>✓</td>
<td>✓</td>
<td>✓</td>
</tr>
<tr>
<td>Gender</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marital Status</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Risk Class</td>
<td>✓</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Factors are applied to the base mortality and lapse rates to reflect the profile of the policyholder.

Base Mortality Rates

- Developed from 48,000 deaths among companies with reasonable data ("DEFN 2" companies*) during policy years 15 and beyond for experience period 2008–2011.

* 10 companies’ data were deemed to be reasonably reliable:
  - Identified deaths from lapses, and
  - Less than 25% unknown terminations.
Base Mortality Rates

- Use 2012 IAM as a guide when data is sparse.
- Generally higher than corresponding 2012 IAM rates.

Data for ages 95 & over is fairly credible with 2,878 and 1,278 deaths for female and male respectively.

Base Mortality Rates

- LTC mortality rates are generally higher than corresponding 2012 IAM Basic and 2015 VBT Unismoker except for female ages past 100.

Durational Factors—Younger Issue Ages

- Durational selection effects extend beyond 20 years.
- Greater selection than aggregate for all issue ages.

Durational Factors—Older Issue Ages

- Durational selection effects shorter than 20 years at issue ages 75 and over.
Risk Class Factors—Preferred

- Permanent selection for issue ages under 60.

![Preferred Risk Class Factors by Issue Age Group](image)

Policy Duration

- Under 60
- 60-64
- 65-69
- 70-74
- 75-79
- 80 & Over

Risk Class Factors—Standard (including Substandard)

- Permanent selection for issue ages under 60.

![Standard Risk Class Factors by Issue Age Group](image)

Policy Duration

- Under 60
- 60-64
- 65-74
- 75-79
- 80 & Over

Married Factors

- Permanent selection for issue ages under 70.
- Less selection than corresponding preferred class factors.

![Married Factors by Issue Age Group](image)

Policy Duration

- Under 60
- 60-64
- 65-69
- 70-74
- 75-79
- 80 & Over

Not Married Factors

- Permanent selection for issue ages under 70.

![Not Married Factors by Issue Age Group](image)

Policy Duration

- Under 60
- 60-64
- 65-69
- 70-74
- 75-79
- 80 & Over
### Background on Data

- Source of data is the 2000-2011 LTC Intercompany Study.
- Select data for DEFN 2 companies and experience years 2008–2011 only.

#### Exposure Years and Number of Lapses

<table>
<thead>
<tr>
<th>Type</th>
<th>Exposure Years</th>
<th>Number of Lapses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Individual</td>
<td>9.4 million</td>
<td>197,000</td>
</tr>
<tr>
<td>Group</td>
<td>4.9 million</td>
<td>302,000</td>
</tr>
</tbody>
</table>

- Minimum 240 lapses in any rate-cell (minimum 50% partial credibility).

### Select Factors for Lapse

- Key lapse factors were identified using a logistic regression method.
Select Factors for Lapse

- To be consistent with the factors selected for Mortality Table, Work Group selected the following factors for lapse:

<table>
<thead>
<tr>
<th>Factors for Lapse in Order of Significance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Policy Duration</td>
</tr>
<tr>
<td>Premium Paying Status</td>
</tr>
<tr>
<td>Issue Age</td>
</tr>
<tr>
<td>Underwriting Class</td>
</tr>
<tr>
<td>Periodic Premium Level</td>
</tr>
<tr>
<td>Marital Status</td>
</tr>
<tr>
<td>Premium Mode</td>
</tr>
<tr>
<td>Rate Increase Indicator</td>
</tr>
</tbody>
</table>

Raw Lapse Rates—Individual

- Raw rates were capped by prior year’s rates to remove increasing patterns.

Smoothed Lapse Rates—Individual

- Capped raw rates for each issue age group were fitted by either an exponential (Expon.) or a power trend line.

Preliminary Proposed Risk Class Factors—Individual

- Unsmoothed adjustment factors were used due to unevenness at the tails.
Preliminary Proposed Marital Factors—Individual

- Raw adjustment factors converted to smoothed factors using 2nd polynomial (Poly.) trend lines.

\[
y = 0.0011x^2 - 0.0122x + 0.9019
\]
\[
y = -0.0023x^2 + 0.0332x + 1.4385
\]

60% 80% 100% 120% 140% 160%

Raw and Smoothed Factors for Marital Status

Actual Lapse to Expected—Individual

- As A/E varies by within 20% by policy duration, a decision has not yet been made to make further adjustments.

Rate Increase Status Ignored

- 48% of total exposures have unknown rate increase status.

0.0% 5.0% 10.0% 15.0% 20.0%

Rate Increase and No Increase Lapse Rates as % of Total and Exposures

Raw Lapse Rates—Group

- Raw rates were not capped since there are only a few instances where the rates are higher than the prior year’s rates.
Smoothed Lapse Rates—Group

- Raw rates for each issue age group were fitted by either an exponential (Expon.) or a 2nd degree polynomial (Poly.) trend line.
- A/E adjustments by policy year needed for proposed rates.

No Other Factors for Preliminary Proposed Group Lapse Table

- Marital status data for Group was minimal.
- Underwriting risk class was deemed to be unreliable (under further review).
- Covered person (employee, spouse, family members, etc.) is not a significant lapse factor.
- Occupational class data is not available.

Actual Lapse to Expected—Group

- The high A/E at policy durations 11–15 was the result of keeping the proposed rates non-increasing.

Next Steps

- Develop proposed active lives tables
- Review reasonableness of total terminations
- Recommend margins
- Update NAIC LTC Actuarial Working Group on any new issues
- Produce report
### Preliminary Proposed Lapse Table—Individual

<table>
<thead>
<tr>
<th>Issue Age</th>
<th>Policy Year</th>
<th>Under 35</th>
<th>35-39</th>
<th>40-44</th>
<th>45-49</th>
<th>50-54</th>
<th>55-59</th>
<th>60 &amp; Over</th>
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<tbody>
<tr>
<td>Under 15</td>
<td>1</td>
<td>25.4%</td>
<td>18.1%</td>
<td>14.7%</td>
<td>11.9%</td>
<td>10.2%</td>
<td>10.5%</td>
<td>9.1%</td>
</tr>
<tr>
<td>16-19</td>
<td>2</td>
<td>18.4%</td>
<td>12.6%</td>
<td>10.3%</td>
<td>8.4%</td>
<td>7.2%</td>
<td>7.1%</td>
<td>6.1%</td>
</tr>
<tr>
<td>20-24</td>
<td>3</td>
<td>15.3%</td>
<td>10.2%</td>
<td>8.4%</td>
<td>6.9%</td>
<td>5.8%</td>
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<td>25-29</td>
<td>4</td>
<td>11.8%</td>
<td>7.7%</td>
<td>6.4%</td>
<td>5.3%</td>
<td>4.4%</td>
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<td>3.6%</td>
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<td>30-34</td>
<td>5</td>
<td>8.0%</td>
<td>5.2%</td>
<td>4.4%</td>
<td>3.7%</td>
<td>3.0%</td>
<td>2.8%</td>
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<td>4.6%</td>
<td>3.9%</td>
<td>3.3%</td>
<td>2.7%</td>
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<td>1.9%</td>
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<tr>
<td>45-49</td>
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<td>3.1%</td>
<td>2.7%</td>
<td>2.1%</td>
<td>1.8%</td>
<td>1.5%</td>
</tr>
<tr>
<td>50-54</td>
<td>9</td>
<td>4.8%</td>
<td>3.6%</td>
<td>3.1%</td>
<td>2.7%</td>
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<td>1.8%</td>
<td>1.5%</td>
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<td>55-59</td>
<td>10</td>
<td>3.3%</td>
<td>2.7%</td>
<td>2.3%</td>
<td>2.0%</td>
<td>1.6%</td>
<td>1.3%</td>
<td>1.0%</td>
</tr>
<tr>
<td>60 &amp; Over</td>
<td>11</td>
<td>3.3%</td>
<td>2.7%</td>
<td>2.3%</td>
<td>2.0%</td>
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<td>61-64</td>
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<td>2.7%</td>
<td>2.3%</td>
<td>2.0%</td>
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</tr>
<tr>
<td>65-69</td>
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<td>3.3%</td>
<td>2.7%</td>
<td>2.3%</td>
<td>2.0%</td>
<td>1.6%</td>
<td>1.3%</td>
<td>1.0%</td>
</tr>
<tr>
<td>70-74</td>
<td>14</td>
<td>3.3%</td>
<td>2.7%</td>
<td>2.3%</td>
<td>2.0%</td>
<td>1.6%</td>
<td>1.3%</td>
<td>1.0%</td>
</tr>
<tr>
<td>75 &amp; Over</td>
<td>15</td>
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<td>2.7%</td>
<td>2.3%</td>
<td>2.0%</td>
<td>1.6%</td>
<td>1.3%</td>
<td>1.0%</td>
</tr>
</tbody>
</table>

### Preliminary Proposed Lapse Table—Group

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### Additional Information

Questions?

David Linn  
Senior Health Policy Analyst  
American Academy of Actuaries  
Linn@actuary.org  
202-785-6931
The Long-Term Care Actuarial (B) Working Group of the Health Actuarial (B) Task Force met via conference call Aug. 20, 2019. The following Working Group members participated: Perry Kupferman, Chair (CA); Benjamin Ben (FL); Nicole Boyd (KS); Marti Hooper (ME); Fred Andersen (MN); Rhonda Ahrens and Michael Muldoon (NE); Anna Krylova (NM); Bill Carmello (NY); Laura Miller (OH); Andrew Schallhorn (OK); Jim Laverty (PA); Andrew Dvorine (SC); Chuck Sha (TX); and Tomasz Serbinowski (UT).

1. Discussed a Draft of Revisions to the Forms

Mr. Kupferman presented a draft (Attachment A) of revisions to the Long-Term Care Experience Reporting Forms (Forms) found in the annual financial statement. He said the draft was produced as a response to a referral from the Financial Analysis (E) Working Group that requests assistance from the Long-Term Care Actuarial (B) Working Group with long-term care insurance (LTCI) total reserve reporting in the Forms and the annual financial statement.

Mr. Andersen asked if the draft contains completely new versions of forms 2 and 4, or if the draft represents suggested edits to the current forms 2 and 4. Mr. Kupferman said forms 1, 2, 4 and 5 in the draft are unrelated to the current respective form numbers, and are all new proposed forms.

Mr. Schallhorn asked if the information requested on draft form 1 is only for stand-alone LTCI policies, or if it also includes LTCI riders on life insurance or annuity policies. Mr. Kupferman said the intention is to collect information only on stand-alone policies. Mr. Schallhorn suggested adding a category for similar information on LTCI riders. Mr. Andersen said a clear definition of “stand-alone policy” and “rider” should be added to the instructions for completing the forms. He said “rider” should be defined as having a specific premium associated with the coverage, as the LTCI component of combination or hybrid life or annuity products with LTCI benefits comingle do not have a specific portion of their total premium clearly allocated to providing LTCI coverage. Mr. Serbinowski said combination or hybrid policies should not be excluded from information gathered in the forms.

Mr. Sha said actual-to-expected calculations should not be deleted from any future versions of the forms.

Jan Graeber (American Council of Life Insurers—ACLI) said a clear understanding of what information state insurance regulators need from the forms will help the ACLI to comment on the development of revisions to the forms. She suggested caveats may need to be included with the forms to prevent information contained in them from being used or applied incorrectly. She said conclusions drawn from state-level information from the forms could be incorrectly extrapolated to a nationwide basis. She said the instructions for completing the forms and what they represent need to be very clear to avoid misuse of the information or invalid conclusions being reached. Mr. Kupferman asked if the forms should be separated into individual and group business. Ms. Graeber said this would be helpful. She said distinctions among types of group business, such as employer-paid versus employee-paid, should be made for reporting group information.

Having no further business, the Long-Term Care Actuarial (B) Working Group adjourned.
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<th>Line</th>
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<th># Open Claims</th>
<th># New Claims</th>
<th># In Force Year End</th>
<th># Deaths</th>
<th># Lapses</th>
<th>$ Active Life Reserves</th>
<th>$ Claim Reserves</th>
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# LTC Experience Reporting Form 2 ($000's)

**Direct Individual Experience**

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<th>Net/Gross Premium Ratio</th>
<th>$ Incurred Claims</th>
<th># Lives in Force End of Year</th>
<th># Deaths</th>
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© 2019 National Association of Insurance Commissioners
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<th>Net/Gross Premium Ratio</th>
<th>$ Incurred Claims</th>
<th># Lives in Force End of Year</th>
<th># Deaths</th>
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The Long-Term Care Actuarial (B) Working Group met July 9 and April 5. During its July 9 meeting, the Working Group discussed a referral letter from the Financial Analysis (E) Working Group that requested assistance with long-term care insurance (LTCI) total reserve reporting in the Long-Term Care Insurance Experience Reporting Forms and other schedules of the annual financial statement.

Mr. Lombardo made a motion, seconded by Mr. Boerner, to adopt the Working Group’s July 9 (Attachment One-A) and April 5 (see NAIC Proceedings – Spring 2019, Health Actuarial (B) Task Force, Attachment Four) minutes. The motion passed unanimously.

2. Heard an Update from the Academy on LTC Work Group Activities

Warren Jones (PricewaterhouseCoopers LLP) gave an update (Attachment One-B) on recent long-term care (LTC) activities of the American Academy of Actuaries (Academy).

Mr. Jones gave an update (Attachment One-C) on the Academy’s LTC Combo Valuations Work Group work on the LTC Combination Product Valuation Practice Note draft (Attachment One-D). He said the draft has been exposed for comment by members of the Academy.

Bob Yee (PricewaterhouseCoopers LLP) gave an update (Attachment One-E) on the Academy’s Valuation Work Group development of mortality and lapse valuation tables.

Mr. Kupferman said the Working Group will schedule a conference call to further discuss with the Academy Valuation Work Group the details of its work.

3. Heard an Update on SOA LTCI Research and the Hybrid/Combination LTCI Product Market

Dale Hall (Society of Actuaries—SOA) said the SOA continues to research solutions to LTCI consumer needs. He said a life stage protection product concept developed by the SOA Long-Term Care Think Tank (Think Tank), which begins as term life insurance coverage during an individual’s working years and converts to LTCI during later years, is continuing to be discussed in different venues. He said the Think Tank is also discussing a concept for a retirement savings program that converts to LTCI in later years.

Steve Schoonveld (Lincoln Financial Group), Robert Eaton (Milliman) and Matthew Winegar (Pacific Life Insurance Company) gave a presentation (Attachment One-F) on actuarial considerations for the hybrid/combination LTCI product market.

4. Adopted the Report of the Long-Term Care Pricing (B) Subgroup

Mr. Lombardo said the Long-Term Care Pricing (B) Subgroup met July 11, June 13 and May 9 and took the following action: 1) discussed combining LTCI policy form experience for rate increase requests; 2) discussed group LTCI rate increase request
considerations; 3) discussed justification for rate increase requests that vary by rating cell; 4) discussed single premium, limited pay and paid-up experience in rate increase filings; and 5) discussed nationwide versus state-specific experience credibility.

Mr. Lombardo made a motion, seconded by Mr. Ostlund, to adopt the report of the Long-Term Care Pricing (B) Subgroup, including its July 11 (Attachment One-G), June 13 (Attachment One-H) and May 9 (Attachment One-I) minutes. The motion passed unanimously.

5. **Adopted the Report of the Long-Term Care Valuation (B) Subgroup**

Mr. Andersen said a review group composed of Subgroup members has reviewed *Actuarial Guideline LI—The Application of Asset Adequacy Testing to Long-Term Care Insurance Reserves* (AG 51) year-end 2018 filings for the 50 largest, based on policyholder exposure, LTCI companies. He said it appears that companies have added conservatism to assumptions for mortality, lapse and interest rates as compared to last year’s filings. He said most companies are using the recommended 2012 Individual Annuity Reserving Mortality Table for their mortality assumptions.

Mr. Andersen said the review group’s focus for year-end 2018 filings is to examine assumptions used for morbidity, particularly those used for older ages. He said a high degree of uncertainty in morbidity assumptions used for older ages has been identified, and these assumptions have large impacts on reserves. He said a series of requests for information about morbidity assumptions has been made of companies, and the review group can now implement an action plan to evaluate the range of morbidity assumptions used in the AG 51 filings.

Mr. Andersen said the review group found a general trend indicating that length of claim has proven to be longer than initially assumed. He said incidence rates have shown to be higher than, lower than or the same as initially assumed. He said the slope of incidence rates is generally lower at younger ages and higher at older ages than initially assumed. He said benefit utilization assumptions will be analyzed.

Mr. Andersen said the review group has examined the relationship between company morbidity assumptions and the most recent SOA LTC experience study. He said the SOA study uses data from 2000 to 2011. He said the review group found most companies are assuming morbidity that is more conservative than that indicated by the SOA study.

Mr. Andersen said in the upcoming quarter, the review group will identify reasons for the range in morbidity assumptions companies are using. He said the review group has found companies that use an aggressive morbidity improvement assumption, but because of very conservative initial morbidity assumptions, these companies may have an overall more conservative morbidity assumption than other companies that use little or no morbidity improvement in their reserving. He said the review group will continue to study morbidity assumptions.

Mr. Andersen said an AG 51 guidance document was developed to be used for year-end 2018 AG 51 filings. He said the guidance requires companies to submit additional information on in-force statistics, reinsurance, morbidity and sensitivity tests. He said the review group will begin drafting a guidance document for year-end 2019 AG 51 filings this quarter.

Mr. Andersen made a motion, seconded by Mr. Malkani, to adopt the report of the Long-Term Care Valuation (B) Subgroup. The motion passed unanimously.

Having no further business, the Long-Term Care Actuarial (B) Working Group adjourned.
Charges to the LTC Valuation Work Group

- Develop a replacement mortality table for LTC active life reserves
  - Based on the 2012 Annuitant Mortality Table
  - Recommend a margin for conservatism
- Develop a replacement lapse table
  - Recommend a margin for conservatism
- Consider developing tables for valuation on total lives basis as well as active lives basis

Progress Since Summer Meeting

- Graduated lapse rates on total lives basis
- Started review of actual-to-expected lapse on total lives basis
- Started review of reasonableness of total terminations on total lives basis
- Developed exposures for active life mortality

Remaining Tasks

- Complete review of actual-to-expected lapse on total lives basis
- Complete review of reasonableness of total terminations on total lives basis
- Develop mortality improvement from mid-point of exposure period, 2008 – 2011, to 2020
- Recommend margins for lapse and mortality
- Develop lapse and mortality on an active lives basis
- Complete Report
**Expected Timeline**

- Complete development of lapse and mortality on total and active lives bases including margins by Spring 2020 meeting
- Publish Report by Summer 2020 meeting

**Additional Information**

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[Linn@actuary.org](mailto:Linn@actuary.org)  
202-785-6931
Presentation Disclaimer

The material and information contained in this presentation is for general information only. It does not replace independent professional judgment and should not be used as the basis for making any business, legal or other decisions. The Society of Actuaries assumes no responsibility for the content, accuracy or completeness of the information presented.

Data

• Data collected on policies exposed between 1/1/2000 and 12/31/2016
• 19 companies submitted data >>> 80% of all 2016 LTC Earned Premium
• Data requested was expanded from the previous study. New data collected:
  • Additional underwriting information
  • Expanded benefit information
  • ICD-9-CM/ICD-10-CM claim information

Status Update

• Completed steps
  • Validation and logic checks defined and programmed
  • Exposure calculations defined and implemented
  • Initial validation reports sent out to contributing companies
• To be completed
  • Contributing companies review data validation reports and resubmit data, if necessary
  • SOA staff and LTC experience committee review of aggregated results
Deliverables

- A database of termination and incidence data including:
  - Data dictionary
  - Summary of data collected
  - High level results
- Data will be HIPAA compliant and follow safe harbor reporting rules
  - Results for ages 90+ grouped
  - Similar level of detail as the prior study
- Expected completion date: May 31, 2020
  - Four year lag between latest data collected and publication
  - Comparable to past LTC studies

Challenges of the current study

- Heightened awareness of HIPAA compliance by participating companies resulted in:
  - Additional contracting between data compiler and contributors
  - Additional research into HIPAA compliance options

>>>> Resulted in delays in data collection phase
Long-Term Care Pricing (B) Subgroup
Conference Call
September 12, 2019

The Long-Term Care Pricing (B) Subgroup of the Long-Term Care Actuarial (B) Working Group of the Health Actuarial (B) Task Force met via conference call Sept. 12, 2019. The following Subgroup members participated: Paul Lombardo, Chair (CT); Jacob Lauten (AK); Steve Ostlund (AL); Benjamin Ben (FL); Marti Hooper (ME); Fred Andersen (MN); Anna Krylova (NM); Bill Carmello (NY); David Yetter (NC): Andrew Dvorine (SC); Raja Malkani (TX); and Jaakob Sundberg (UT).

1. Discussed Group LTCI Pricing

Mr. Lombardo said the Subgroup will continue its discussion of group long-term care insurance (LTCI) pricing considerations from its July 11 conference call.

Jan Graeber (American Council of Life Insurers—ACLI) said group LTCI can be classified as either true group or multi-life. She said true group LTCI uses a master policy that is issued to the group sponsor or employer, and certificates of coverage are issued to the employees or members of the group. She said true group premiums can be funded entirely by the employer, partially by the employer, or entirely by the employee, but, typically, there is at least partial funding by the employer. She said there is no master policy issued for multi-life LTCI, and individual policies are issued to each member of the multi-life group. She said true group plans that are at least partially employer-funded typically are lower risk than ones with no employer funding. She said the lower risk associated with employer-funded plans is primarily due to the risk being spread over a broader base of insured members. She said lapse rates for employees that leave the employer are higher for employer-funded plans, as the terminating employee will have to pay the portion of premium previously paid by the employer to continue coverage. She said lapse rates for terminating employees associated with plans entirely funded by the employee are similar to those seen for individual LTCI.

Ms. Graeber said employer-funded true group plans typically offer a base plan of benefits and give employees the option of purchasing increased coverage, such as a greater daily benefit. She said the average base plan daily benefit is typically lower than that for individual LTCI policies. She said most group base plans do not include inflation protection, and only a very small percentage have lifetime benefits. She said there are generally not gender-distinct rates or underwriting classes, and the base coverage is guaranteed issue. She said employees that decline coverage during open enrollment can enroll at a later date but will have to submit evidence of insurability. She said members that are not full-time employees or are not actively at work are usually subject to full underwriting. She said the average issue age for true group LTCI is lower than that for individual LTCI. She said the combination of lesser benefits and lower issue ages results in lower average premiums for true group compared to individual LTCI.

Ms. Graeber said rate increases for group LTCI may be lower than those in the individual market due to absence of inflation protection and lifetime benefits in group coverage. She said the lower average issue age for group affords more time for a rate increase to offset ultimate claims experience, resulting in lower rate increases for group.

Ms. Graeber said multi-life LTCI uses individual policies that are issued to members, and there is no contract between the insurer and the plan sponsor. She said the plan sponsor can be an employer or an association, such as the AARP. She said multi-life plan coverage and assumptions are more similar to individual market offerings than true group. She said if the plan sponsor is an employer where the member’s actively-at-work status can be verified, underwriting may be less stringent than that seen in the individual market. She said underwriting for an association plan is similar to individual underwriting. She said multi-life plan premiums reflect a discount from similar individual premiums, due to group administrative efficiencies.

Mr. Lombardo asked if, in a true group setting, an employee applies for enhanced benefits, is the application fully underwritten. Ms. Graeber said the increase is typically fully underwritten. Mr. Lombardo asked what percentage of employees purchase enhanced benefits, and for employees that do purchase enhanced benefits, is the total set of benefits comparable to individual market benefits. Ms. Graeber said she can ask ACLI members for percentages of employees selecting enhanced benefits. She said the richness of total benefit packages available to employees varies by employer.

Mr. Lombardo asked if there is any concern that group policies that use simplified underwriting may present an actual risk profile that differs from that assumed in initial pricing. Ms. Graeber said in the case of true group that uses an actively-at-work
underwriting provision, the limited nature of the underwriting is accounted for in initial pricing. She said that multi-life plans, where there is no actively-at-work provision, use underwriting that is similar in intensity to that for individual market plans. Dave Plumb (John Hancock) said insurers typically assume higher claims costs for true group plans, given the limited underwriting in place. He said the risk profile for a true group member at a later attained age is similar to that of a fully-underwritten individual policyholder of the same attained age.

Mr. Lombardo asked if the experience associated with true group or multi-life group members that leave the employer or association, but elect coverage under a continuation or portability policy, stays with the original true group or multi-life block, or if this experience is transferred to the insurer’s individual pool. Ms. Graeber said for true group where the employer pays at least part of the premium, terminating employees that continue with the same coverage by paying the entirety of the premium are treated as any other member of the group for experience purposes. Mr. Plumb said he agrees with this. Ms. Graeber said for associations, the policy is already an individual policy, so the policy is completely portable. She said if the association dissolves, association members may be given the option to convert to a new individual policy, and the new policy experience may be placed in a new pool. Mr. Lombardo asked if insurers anticipate that employees who terminate from their employer, but elect to continue coverage, present a different risk profile than an insured who is still working for the employer. Ms. Graeber said she does not think insurers distinguish between the two classes of certificate holders in their pricing but rather consider the group’s experience as a whole when setting rates.

Mr. Lombardo said during the Subgroup’s July 11 conference call, Bonnie Burns (California Health Advocates—CHA) said she was told by a group LTCI company that it has a high percentage of claims that last less than one year. She said the explanation given was the low average age of the company’s block of insureds. Mr. Lombardo asked what reasons there could be that explain this difference. Ms. Graeber said that if there is such a difference, it is likely due to the event that triggered the claim, such as a car accident where long-term care (LTC) is needed during recovery from the accident, rather than conditions more prevalent in older age groups that result in longer-duration claims. Mr. Plumb said he thinks that recovery rates for younger attained ages will be higher than older attained ages for both individual and group coverage. Mr. Lombardo asked if group insurers have enough claims experience for older attained ages to accurately predict claims at older ages, or if they assume that incidence, morbidity and claim continuance for group insureds are the same as for individual insureds at older ages. Mr. Plumb said some group policies allow for family members of the employee to also be insured, which can create differences in group experience.

Mr. Lombardo said allowing family members of the employee to also be insured may increase the average age of group contracts. He asked about the prevalence of insurers offering coverage to family members of employees and if there are estimates of how frequently family members of employees enroll for LTCI when this is an option. Mr. Plumb said his experience has been that the volume of family members insured is low and has little impact on the average age of an insurer’s block. Ms. Graeber said ACLI members have reported that in only 5% to 6% of cases do employers offer coverage to family members, and of these 5% to 6%, roughly only 1% of employees add coverage for a family member.

Mr. Lombardo asked Mr. Plumb if he thinks group pricing should be similar to individual pricing. Mr. Plumb said this is true for older ages but not necessarily for younger ages. Mr. Plumb said for a given younger age, group lapse rates are higher than individual, and group morbidity is lower. He said that these assumptions generally converge at older ages.

Having no further business, the Long-Term Care Pricing (B) Subgroup adjourned.
2019 Fall National Meeting
Austin, Texas

HEALTH ACTUARIAL (B) TASK FORCE
Friday, December 6, 2019
3:00 – 5:00 p.m.
JW Marriott Austin—Grand Ballroom 1-4—Level 4

ROLL CALL

AGENDA

1. Call to Order/Roll Call—Kevin Dyke (MI)

2. Consider Adoption of its Sept. 17, Aug. 27, and Summer National Meeting Minutes—Kevin Dyke (MI)

3. Hear an Update from the Society of Actuaries (SOA) on Health Research—Dale Hall (SOA)

4. Consider Adoption of the Report of the Long-Term Care Actuarial (B) Working Group
   —Steve Ostlund (AL)

5. Consider Adoption of the Report of the Health Care Reform Actuarial (B) Working Group
   —David Shea (VA)

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a. Hear an Update from the Federal Center for Consumer Information and Insurance Oversight (CCIIO)  
   —Allison Yadsko (CCIIO)

6. Hear an Update from the American Academy of Actuaries (Academy) Council on Professionalism—Academy

7. Hear an Update from the Academy Health Practice Council—Academy

8. Discuss Any Other Matters Brought Before the Task Force—Kevin Dyke (MI)

9. Adjournment
The Health Actuarial (B) Task Force met via conference call Sept. 17, 2019. The following Task Force members participated: Anita G. Fox, Chair, represented by Kevin Dyke (MI); Jim L. Ridling, Vice Chair, represented by Steve Ostlund (AL); Lori K. Wing-Heier represented by Jacob Lauten (AK); Ricardo Lara represented by Perry Kupferman (CA); Andrew N. Mais represented by Paul Lombardo (CT); Dean L. Cameron represented by Weston Trexler (ID); Stephen W. Robertson represented by Karl Knable (IN); Vicki Schmidt represented by Nicole Boyd (KS); Eric A. Cioppa represented by Marti Hooper (ME); Mike Causey represented by David Yetter (NC); John G. Franchini represented by Anna Krylova (NM); Barbara D. Richardson represented by Jack Childress (NV); Jillian Froment represented by Laura Miller (OH); Jessica Altman represented by Tracie Gray (PA); Kent Sullivan represented by Mike Boerner (TX); Todd E. Kiser represented by Jaakob Sundberg (UT); Scott A. White represented by David Shea (VA); Mike Kreidler represented by Lichiou Lee (WA); and James A. Dodrill represented by Joylynn Fix (WV).

1. **Adopted its 2020 Proposed Charges**

Mr. Ostlund made a motion, seconded by Mr. Boerner, to adopt the Task Force’s 2020 proposed charges (Attachment A). The motion passed unanimously.

Having no further business, the Health Actuarial (B) Task Force adjourned.
2020 PROPOSED CHARGES

HEALTH ACTUARIAL (B) TASK FORCE

The mission of the Health Actuarial (B) Task Force is to identify, investigate and develop solutions to actuarial problems in the health insurance industry.

Ongoing Support of NAIC Programs, Products or Services

1. The Health Actuarial (B) Task Force will:
   A. Provide recommendations, as appropriate, to address issues and provide actuarial assistance and commentary with respect to model requirements for appropriate long-term care insurance (LTCI) rates, rating practices and rate changes.
   B. Provide support for issues related to implementation of, and/or changes to, the federal Affordable Care Act (ACA).
   C. Continue to develop health insurance reserving requirements (VM-25, Health Insurance Reserves Minimum Reserve Requirements) using a principle-based reserving (PBR) framework.
   D. Develop LTCI experience reporting requirements in VM-50, Experience Reporting Requirements, and VM-51, Experience Reporting Formats, of the Valuation Manual.
   E. Provide recommendations, as appropriate, to address issues and provide actuarial assistance and commentary to other NAIC groups relative to their work on health actuarial matters.

2. The Health Care Reform Actuarial (B) Working Group will:
   A. Assist the Health Actuarial (B) Task Force in completing its charge to provide support for issues related to implementation of, and/or changes to, the federal Affordable Care Act (ACA).

3. The Long-Term Care Actuarial (B) Working Group will:
   A. Assist the Health Actuarial (B) Task Force in completing the following charges:
      1. Provide recommendations, as appropriate, to address issues and provide actuarial assistance and commentary with respect to model requirements for appropriate long-term care insurance (LTCI) rates, rating practices and rate changes.
      2. Continue to develop health insurance reserving requirements (VM-25, Health Insurance Reserves Minimum Reserve Requirements) using a principle-based reserving (PBR) framework.

4. The Health Reserves (B) Subgroup will:
   A. Assist the Health Actuarial (B) Task Force in completing its charge to continue to develop health insurance reserving requirements (VM-25, Health Insurance Reserves Minimum Reserve Requirements) using a principle-based reserving (PBR) framework.

NAIC Support Staff: Eric King

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Health Actuarial (B) Task Force
Conference Call
August 27, 2019

The Health Actuarial (B) Task Force met via conference call Aug. 27, 2019. The following Task Force members participated: Jim L. Ridling, Vice Chair, represented by Steve Ostlund (AL); Lori K. Wing-Heier represented by Jacob Lauten (AK); Ricardo Lara represented by Perry Kupferman (CA); Andrew N. Mais represented by Paul Lombardo and Wanchin Chou (CT); Eric A. Cioppa represented by Marti Hooper (ME); Marlene Caride represented by Seong-min Eom (NJ); John G. Franchini represented by Anna Krylova (NM); Barbara D. Richardson represented by Annette James (NV); Kent Sullivan represented by Raja Malkani (TX); Todd E. Kiser represented by Jaakob Sundberg (UT); Mike Kreidler represented by Lichiou Lee (WA); and James A. Dodrill represented by Joylynn Fix (WV).

1. Heard a Presentation on a Replacement for the 2005 Tables from Willis Towers Watson

Sue Sames (Willis Towers Watson) gave an update (Attachment A) on work by the joint American Academy of Actuaries (Academy) and Society of Actuaries (SOA) Group Life Waiver Valuation Table Work Group on a replacement for the 2005 Group Term Life Waiver Mortality and Recovery Tables (2005 Tables).

Mr. Chou asked what credibility standard will be used for blending company experience with the proposed replacement tables. Ms. Sames said the Work Group will review the credibility standards used for the 2012 Group Long-Term Disability Valuation Table in Actuarial Guideline XLVII—The Application of Company Experience in the Calculation of Claim Reserves Under the 2012 Group Long-Term Disability Valuation Table (AG 47) and for the 2013 Individual Disability Income Valuation Table in Actuarial Guideline L—2013 Individual Disability Income Valuation Table Actuarial Guideline (AG 50) to inform its decision. She said the Work Group will also consider other credibility standards for use with the replacement tables.

Having no further business, the Health Actuarial (B) Task Force adjourned.

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Update

- We are an Academy work group and SOA group collaborating on this project
- Volunteer recruiting is complete
- Work group structures and planning is set
- Work is off to a good start
- We are on target for timing

Plans for 2019–2020

- Data analysis
  - This is a double decrement table (mortality/recovery)
  - Using new techniques to determine appropriate additional dimensions
- Company experience
  - Enhancing approach to Credibility and use of company experience

Plans for 2021

- Address margins and financial impact
- Develop documentation
- Develop proposed update to AG XLIV
Questions?
Draft Pending Adoption

Draft: 8/7/19

Health Actuarial (B) Task Force
New York, NY
August 2, 2019

The Health Actuarial (B) Task Force met in New York, NY, Aug. 2, 2019. The following Task Force members participated: Anita G. Fox, Chair, represented by Kevin Dyke (MI); Jim L. Ridling, Vice Chair, represented by Steve Ostlund (AL); Lori K. Wing-Heier represented by Jake Lauten (AK); Ricardo Lara represented by Perry Kupferman (CA); Michael Conway represented by Rolf Kaumann (CO); Andrew N. Mais represented by Paul Lombardo (CT); Stephen C. Taylor represented by Efren Tanhehco (DC); Dean L. Cameron represented by Wes Trexler (ID); Stephen W. Robertson represented by Karl Knable (IN); Vicki Schmidt represented by Nicole Boyd (KS); Eric A. Cioppa represented by Marti Hooper (ME); Bruce R. Ramge represented by Rhonda Ahrens (NE); Marlene Caride represented by Seong-min Eom (NJ); John G. Franchini represented by Anna Krylova (NM); Barbara D. Richardson represented by David Cassetty (NV); Jillian Froment represented by Laura Miller (OH); Jessica Altman represented by Shannen Logue (PA); Kent Sullivan represented by Mike Boerner (TX); Todd E. Kiser represented by Jaakob Sundberg (UT); Mike Kreidler represented by Lichiou Lee (WA); and James A. Dodrill represented by Joylynn Fix (WV).

1. Adopted its Spring National Meeting Minutes

Mr. Dyke said the Task Force met June 18, May 8 and April 26 in regulator-to-regulator session, pursuant to paragraph 6 (consultations with NAIC staff members related to NAIC technical guidance) of the NAIC Policy Statement on Open Meetings, in response to a request from the Financial Examiners Handbook (E) Technical Group to assist in updating its reserves/claims handling examination repositories. The Task Force sent its recommendations to the Technical Group on June 26.

Mr. Lombardo made a motion, seconded by Mr. Ostlund, to adopt the Task force’s April 5 minutes (see NAIC Proceedings – Spring 2019, Health Actuarial (B) Task Force). The motion passed unanimously.

2. Adopted the Report of the Health Care Reform Actuarial (B) Working Group

Mr. Dyke said the Health Care Reform Actuarial (B) Working Group has not met since the Spring National Meeting.

Samara Lorenz (federal Center for Consumer Information and Insurance Oversight—CCIIO), Erin Sutton (CCIIO) and Jaya Ghildiyal (CCIIO) gave updates on federal Affordable Care Act (ACA) issues.

Ms. Lorenz said the CCIIO published preliminary rate change requests from all ACA policy issuers in the individual and small group markets. She said these requests are for 2020 plan years, both on and off the health insurance exchanges. She said all on-exchange rates must be finalized by insurers by Aug. 21, and all off-exchange rates must be finalized by Oct. 15. She said all final rates will be posted on the federal Centers for Medicare & Medicaid Services (CMS) website on or around Nov. 1.

Ms. Sutton said the CCIIO released a risk adjustment data validation (RADV) report for the 2017 benefit year on Aug. 1. She said this is the first year the report contains the payment adjustment amounts to insurers’ risk adjustment (RA) receipts or collections that resulted from RADV audits. She said the prior two years of the RADV program did not actually implement the adjustments that resulted from audits; 2019 is the first year insurers will be subject to adjustments identified through the audits. She said since the RADV program is budget neutral, RADV results at the state and market level should not affect premiums at a state and market level.

Ms. Ghildiyal said the results of the 2017 benefit year RADV audits will affect RA transfers for the 2018 benefit year. She said 18 states’ individual market RA transfer amounts will be affected by the 2017 benefit year RADV audits, and 31 states’ small group markets will be affected. She said the CCIIO has heard concerns voiced about reflecting RADV adjustments in premium pricing due to uncertainties associated with a new program. In response, the CCIIO said in its last payment notice final rule that insurers have the option of deferring RADV adjustment impacts to pricing until the 2021 benefit year. Ms. Ghildiyal said the CCIIO intends to collect and distribute RADV adjustment amounts identified in the 2017 benefit year during the 2021 benefit year. She said the CCIIO has scheduled listening sessions Aug. 14 and Aug. 28 to hear concerns and questions about the RADV program, and an RADV white paper will also be developed.

Mr. Boerner made a motion, seconded by Mr. Kupferman, to adopt the report of the Health Care Reform Actuarial (B) Working Group. The motion passed unanimously.
3. **Adopted the Report of the Long-Term Care Actuarial (B) Working Group**

Mr. Kupferman said the Long-Term Care Actuarial (B) Working Group met Aug. 2 and took the following action: 1) adopted the reports of the Long-Term Care Pricing (B) Subgroup and the Long-Term Care Valuation (B) Subgroup; and 2) heard an update from the American Academy of Actuaries (Academy) regarding its activities related to long-term care insurance (LTCI).

Mr. Kupferman made a motion, seconded by Mr. Ostlund, to adopt the report of the Long-Term Care Actuarial (B) Working Group (Attachment One). The motion passed unanimously.

4. **Heard an Update from the Academy Council on Professionalism**

Kathleen Riley (Actuarial Standards Board—ASB) said the ASB continues work on the proposed *Modeling* and *Setting Assumptions* Actuarial Standard of Practice (ASOP) drafts. She said work on the proposed *Modeling* ASOP began in 2010, and the first exposure draft was released in 2013. She said the fourth exposure draft was released earlier this year. The ASB will consider whether the fourth draft will become a final ASOP at its December meeting.

Ms. Riley said the first exposure of the proposed *Setting Assumptions* ASOP was released in 2017, and the comment period for the second exposure draft recently closed. She said the ASB will not revisit the draft until 2020.

Ms. Riley said the ASB has formed task forces to work on revisions to three current ASOPs. She said the review of ASOP No. 28, *Statements of Actuarial Opinion Regarding Health Insurance Liabilities and Assets* is scheduled to occur in September. She said ASOP No. 3, *Continuing Care Retirement Communities* will be reviewed in December. She said ASOP No. 18, *Long-Term Care Insurance* will be reviewed soon.

Godfrey Perrott (Actuarial Board for Counseling and Discipline—ABCD) said the ABCD surveyed state insurance regulators who have attended Academy professionalism breakfast forums for topics they would like to be discussed at future forums. State insurance regulators said they would like to hear about new and upcoming ASOPs and ABCD discipline. Mr. Perrott said if the ABCD recommends disciplinary action to be taken and the Academy imposes the recommendation, the action becomes a matter of public record. He said records of imposed discipline can be found on the Academy’s website.

Mr. Perrott said since the Spring National Meeting, the ABCD has received requests for guidance pertaining to qualification standards, mental health parity, whether work performed is to be considered an actuarial communication, and what an author of an actuarial report should do concerning the unauthorized modification of the wording in the report by another party.

5. **Heard an Update from the Academy Health Practice Council**

Barb Klever (Blue Cross Blue Shield Association—BCBSA) gave an update (Attachment Two) on recent Academy Health Practice Council activities and publications.

6. **Heard an Update from the SOA Regarding Health Insurance Research**

Dale Hall (Society of Actuaries—SOA) gave an update (Attachment Three) on recent SOA health insurance research. He said the SOA had planned to provide an update on group life waiver of premium mortality and recovery tables work, but it is unable to do so. He said the SOA will provide the update during a Task Force conference call to be scheduled sometime in August.

Having no further business, the Health Actuarial (B) Task Force adjourned.
Presentation Disclaimer

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Economic Impact of Non-Medical Opioid Use

Economic Cost of the Opioid Crisis


Economic Cost Estimates By Year

Economic Costs by Component

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### Economic Costs by Component

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*Note: Data for 2018 and 2017 are preliminary.*