**Consolidated, Most Commonly Asked Questions – States’ LTC Rate Increase Reviews**

1. New premium rate schedule, percentage increase for each rating scenario such as issue age, benefit period, elimination period, etc., from the existing and original rates.
   1. Provide rate increase percentages by policy form number and clear mapping of these numbers to any alternative terminology describing policies stated in the actuarial memorandum and other supporting documents.
   2. Provide the cumulative rate change since inception, after the requested rate increase, for each of the rating scenarios.
2. Rate increase history that reflects the filed increase.
   1. Provide the month, year, and percentage amount of all previous rate revisions.
   2. Provide the SERFF filing numbers associated with all previous rate revisions.
3. Actuarial Memorandum justifying the new rate schedule, which includes:
   1. Lifetime loss ratio projection, with earned premiums and incurred claims discounted at the maximum valuation interest rate.
      1. The projection should be by year.
      2. Provide the count of covered lives and count of claims incurred by year.
      3. Provide separate experience summaries and projections for significant subsets of policies with substantially different benefit and premium features. Separate projections of costs for significant blocks of paid-up and premium-paying policies should be provided.
      4. Provide a comparison of state versus national mix of business. In addition, a state may request separate state and national data and projections. The company should accompany any state-specific information with commentary on credibility, materiality, and impact on requested rate increase.
   2. Reasons for the rate increase, including which pricing assumptions were not realized & why.
      1. Attribution analysis - present the portion of the rate increase allocated to and impact on the lifetime loss ratio from each change in assumption.
      2. Related to the issue of past losses, explain how the requested rate increase covers a policyholder's own past premium deficiencies and/or subsidizes other policyholders' past claims.
      3. Provide the original loss ratio target to allow for comparison of initially assumed premiums and claims and actual and projected premiums and claims.
      4. Provide commentary and analysis on how credibility of experience contributed to the development of the rate increase request.
   3. Statement that policy design, underwriting, and claims handling practices were considered.
      1. Show how benefit features, e.g., inflation and length of benefit period, and premium features, e.g., limited pay and lifetime pay, impact requested increases.
      2. Specify whether waived premiums are included in earned premiums and incurred claims, including in the loss ratio target calculation; provide the waived premium amounts and impact on requested increase.
      3. Describe current practices with dates and quantification of the effect of any underwriting changes. Describe how adjustments to experience from policies with less restrictive underwriting are applied to claims expectations associated with policies with more restrictive underwriting.
   4. A demonstration that actual and projected costs exceed anticipated costs and the margin.
   5. The method and assumptions used in determining projected values should be reviewed in light of reported experience and compared to the original pricing assumptions and current assumptions.
      1. Provide applicable actual-to-expected ratios regarding key assumptions.
      2. Provide justification for any change in assumptions.
   6. Combined morbidity experience from different forms with similar benefits, whether from inside or outside the company, where appropriate to result in more credible historical claims as the basis for future claim costs.
      1. Explain the relevance of any data sources and resulting adjustments made relevant to the current filing, particularly regarding the morbidity assumption.
      2. A comparison of the population or industry study to the in-force related to the filing should be performed, if applicable.
      3. Explain how claims cost expectations at older ages and later durations are developed if data is not fully credible at those ages and durations.
      4. Provide the year of the most recent morbidity experience study.
   7. Information (from NAIC Guidance Manual for Rating Aspect of the Long-Term Care Insurance Model Regulation, “Guidance Manual” Q&A): Morbidity, Lapse, Mortality, Interest
      1. Comparison with asset adequacy testing reserve assumptions
         1. Explain the consistency regarding actuarial assumptions between the rate increase filing and the most recent asset adequacy (reserve) testing filing.
         2. Additional reserves that the company is holding above NAIC Model Reg 10 formula reserves should be provided, (such as premium deficiency reserves and Actuarial Guideline 51 reserves).
      2. Assumptions Template in Appendix 6 of the *NAIC Guidance Manual for Rating Aspect of the Long-Term Care Insurance Model Regulation* *(Guidance Manual)* (for policies issued after 2017, where applicable)
      3. Provide actuarial assumptions from original pricing and most recent rate increase filing, and have the original actuarial memorandum available upon request.
   8. Guidance Manual Checklist items: summaries (including past rate adjustments); average premium; distribution of business, including rate increases by state; underwriting; policy design and margins; actuarial assumptions; experience data; loss ratios; rationale for increase; reserve description
   9. Assert that analysis complies with actuarial standards of practice, including 18 & 41.
   10. Numerical exhibits should be provided in Excel spreadsheets with active formulas maintained, where possible.
4. Rate Comparison Statement of renewal premiums with new business premiums, if applicable.
5. Policyholder notification letter – should be clear and accurate.
   1. Provide a description of options for policyholders in lieu of or to reduce the increase.
   2. If inflation protection is removed or reduced, is accumulated inflation protection vested?
   3. Explain the comparison of value between the rate increase and policyholder options.
   4. Are future rate increases expected if the rate increase is approved in full? If so, how is this communicated to policyholders?
   5. How are partnership policies addressed?
6. Actuarial certification and rate stabilization information, as described in the Guidance Manual and Contingent benefit upon lapse information, including reserve treatment.

Note regarding this document:

Commissioners on the Long-Term Care Insurance (B/E) Task Force requested that the LTC Pricing Subgroup develop a single checklist that reflects significant aspects of LTC rate increase review inquiries from all of the states. In this context, “checklist” means the list of inquiries (often a template) that states typically send at the beginning of reviews of rate increase filings.

This document contains aspects of the NAIC Guidance Manual and checklists developed by several other states. This single checklist is not intended to prevent a state from asking for additional information. The intent is to take a step toward moving away from 50 states having 50 different checklists in order to have a more efficient process nationally to provide the most important information needed to determine an approvable rate increase. To keep the template at a manageable length, it is anticipated that this template will result in states attaining 90 to 100 percent of the information necessary to make a decision about determining approvable rate increases. State and block specifics will generate the other zero to 10 percent of requests.

This consolidated checklist can be presented to the LTC B/E Task Force prior to or at the March 2018 NAIC national meeting. As states apply this checklist, this checklist or an improved version may be considered for future addition to the *Guidance Manual*.

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