

Summary of key Guidance Manual requirements, plus key aspects of states' requirements, in bold:

1. New premium rate schedule, percentage increase for each issue age from the existing and original rates.
  - A. **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. Rate increase history that reflects the filed increase.
  - A. **Provide the month, year, and percentage amount of all previous rate revisions.**
3. Actuarial Memorandum justifying the new rate schedule, which includes:
  - A. Lifetime loss ratio projection, with earned premiums and incurred claims discounted at the maximum valuation interest rate.
    - i. **The projection should be by year and include active life reserves held in support of the LTC block, by year.**
    - ii. **Provide the policy count and count of claims incurred by year.**
  - B. Reasons for the rate increase, including which pricing assumptions were not realized & why.
    - i. **Attribution analysis - present the portion of the rate increase allocated to and impact on the lifetime loss ratio from each change in assumption.**
    - ii. **Explain how the requested rate increase covers a policyholder's own past premium deficiencies and/or subsidizes other policyholders' past claims.**
    - iii. **Provide the original loss ratio target to allow for comparison of initially assumed premiums and claims and actual and projected premiums and claims.**
  - C. Statement that policy design, underwriting, and claims handling practices were considered.
    - i. **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.**
    - ii. **Provide separate experience summaries and projections for subsets of policies with substantially different benefit and premium features.**
    - iii. **Specify whether waived premiums are included in earned premiums and incurred claims; provide the waived premium amounts and impact on requested increase.**
    - iv. **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.**
  - D. A demonstration that actual and projected costs exceed anticipated costs and the margin.
    - i. **Provide commentary and analysis on how credibility of experience contributed to the development of the rate increase request.**
  - E. The method and assumptions used in determining projected values should be reviewed in light of reported experience and compared to the original pricing assumptions.
    - i. **Provide applicable actual-to-expected ratios regarding key assumptions.**
  - F. Justification for any change in assumptions.
  - G. Combined morbidity experience from different forms with similar benefits, where appropriate to result in more credible historical claims as the basis for future claim costs.
    - i. **Explain the relevance of outside data sources and resulting adjustments made, particularly regarding the morbidity assumption.**
  - H. Information (from Guidance Manual Q&A): Morbidity, Lapse, Mortality, Interest
    - i. Comparison with AAT reserve assumptions
      - a) **Explain the consistency regarding actuarial assumptions between the rate increase filing and the most recent asset adequacy (reserve) testing filing.**
      - b) **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).**

- ii. Separate projections of costs for paid-up and premium-paying policies
    - iii. Assumptions Template (for policies issued after 2017)
    - iv. **Provide actuarial assumptions from original pricing and most recent rate increase filing, and have the original actuarial memorandum available upon request.**
  - I. GM 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
    - i. **When a state's data is a significant portion of total data or when a state's data significantly differs from national data, then state-specific historical data and projections should be provided and impact on the requested increase explained.**
  - J. **Assert that analysis complies with actuarial standards of practice, including 18 & 41.**
  - K. **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.
  5. Policyholder notification letter – should be clear and accurate.
    - A. **Provide a description of options for policyholders in lieu of or to reduce the increase.**
    - B. **If inflation protection is removed or reduced, is accumulated inflation protection vested?**
    - C. **Explain the comparison of value between the rate increase and policyholder options. Is actuarial equivalence a goal?**
    - D. **Are future rate increases expected if the rate increase is approved in full? If so, how is this communicated to policyholders?**
    - E. **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.
    - A. **How many policyholders are eligible for contingent nonforfeiture benefits due to the proposed increase?**

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Note regarding this draft:

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.

I have reviewed the NAIC Guidance Manual and discussed checklists developed by several other states to create a first draft of this “single checklist” (see above). 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.

It is possible that the December 7, 2017 LTC Pricing Subgroup discussion will lead to exposure of the checklist for public comment. The Commissioners on the LTC B/E Task Force will likely expect this project to be finalized prior to the March 2018 national meeting.