

**MSA INFORMATION CHECKLIST**  
**APPENDIX B OF THE**  
**LONG-TERM CARE INSURANCE MULTISTATE RATE REVIEW FRAMEWORK**

**Information Required for an MSA Review of a Rate Proposal**

An insurer submitting a rate proposal to the MSA Review should include the following checklist of information necessary for a complete the MSA Review.

1. Identify all states for which the product associated with the rate proposal is or has been issued.
2. 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.
  - 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.
  - b. Provide the cumulative rate change since inception, after the requested rate increase, for each of the rating scenarios.
3. Rate increase history that reflects the filed increase.
  - a. Provide the month, year, and percentage amount of all previous rate revisions.
  - b. Provide the SERFF MSA numbers associated with all previous rate revisions.
4. 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.
    - ii. Provide the count of covered lives and count of claims incurred by year.
    - iii. 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 that should be provided.
    - iv. Provide a comparison of state versus national mix of business. In addition, a state may request separate state and national data and projections. The insurer should accompany any state-specific information with commentary on credibility, materiality, and the impact on requested rate increase.
5. Reasons for the rate increase, including which pricing assumptions were not realized and why.
  - a. Attribution analysis - presents the portion of the rate increase allocated to and the impact on the lifetime loss ratio from each change in assumption.
  - b. 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.
  - c. Provide the original loss ratio target to allow for comparison of initially assumed premiums and claims and actual and projected premiums and claims.
  - d. Provide commentary and analysis on how credibility of experience contributed to the development of the rate proposal.
6. Statement that policy design, underwriting, and claims handling practices were considered.
  - a. 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.
  - b. 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.

- c. 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.
7. A demonstration that actual and projected costs exceed anticipated costs and the margin.
  8. The method and assumptions used in determining projected values should be reviewed considering reported experience and compared to the original pricing assumptions and current assumptions.
    - a. Provide applicable actual-to-expected ratios regarding key assumptions.
    - b. Provide justification for any change in assumptions.
  9. Combined morbidity experience from different forms with similar benefits, whether from inside or outside the insurer, where appropriate to result in more credible historical claims as the basis for future claim costs.
    - a. Explain the relevance of any data sources and resulting adjustments made relevant to the current rate proposal, particularly regarding the morbidity assumption.
    - b. A comparison of the population or industry study to the in force related to the rate proposal should be performed, if applicable.
    - c. Explain how claims cost expectations at older ages and later durations are developed if data is not fully credible at those ages and durations.
    - d. Provide the year of the most recent morbidity experience study.
  10. Information from the Guidance Manual Question and Answer (Q&A): Morbidity, Lapse, Mortality, Interest.
    - a. Comparison with asset adequacy testing reserve assumptions.
      - i. Explain the consistency regarding actuarial assumptions between the rate proposal and the most recent asset adequacy (reserve) testing.
      - ii. Additional reserves that the insurer is holding above Health Insurance Reserves Model Regulation (#10) formula reserves should be provided, (such as premium deficiency reserves and *LI—The Application of Asset Adequacy Testing to Long-Term Care Insurance Reserves* (AG 51) reserves.
    - b. Assumptions Template in Appendix 6 of the Guidance Manual for policies issued after 2017, where applicable.
    - c. Provide actuarial assumptions from original pricing and most recent rate increase proposal and have the original actuarial memorandum available upon request.
  11. Provide the following calendar year projections, including totals, for current premium paying nationwide policyholders only, prior to the rate increase, all discounted at the maximum valuation interest rate\*:
    - a. Present value of future benefits (PVFB) under current assumptions
    - b. PVFB under prior assumptions (from prior rate increase filing, or if no prior increase, from original pricing).
    - c. Present value of future premiums (PVFP) under current assumptions.
    - d. PVFP under prior assumptions (from prior rate increase filing, or if no prior increase, from original pricing).

\*To emphasize, these projections should include only active nationwide policyholders currently paying premium, and they should not include any policyholders not paying premium, regardless of the reason. Projections under current actuarial assumptions must not include policyholder behavior as a result of the proposed premium rate increase, such as a shock lapse assumption or benefit reduction assumption.

- b. Also, please identify the maximum valuation interest rate and ensure that it is the same for all four projections.

12. The Guidance Manual checklist items: 1) summaries (including past rate adjustments); 2) average premium; 3) distribution of business, including rate increases by state; 4) underwriting; 5) policy design

and margins; 6) actuarial assumptions; 7) experience data; 8) loss ratios; 9) rationale for increase; and 10) reserve description.

13. Assert that analysis complies with Actuarial Standards of Practice (ASOPs), including 18 and 41.
14. Numerical exhibits should be provided in Microsoft Excel spreadsheets with active formulas maintained, where possible.
15. Rate Comparison Statement of renewal premiums with new business premiums, if applicable.
16. 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.
  - 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?
17. Actuarial certification and rate stabilization information, as described in the Guidance Manual, and contingent benefit upon lapse information, including reserve treatment.

#### **Supplemental Information**

The following supplemental information has been identified as beneficial for the completion of an MSA Review and may be requested by the MSA Team, if not already provided with the rate proposal.

1. Benefit utilization:
  - a. Provide current, prior rate increase, and original assumptions, including first-projection year through ultimate utilization percentages for 5% compound inflation, lesser inflation, and zero inflation cells.
  - b. Explain how benefit utilization assumptions vary by maximum daily benefit.
  - c. Provide the cost of care inflation assumption implied in the benefit utilization assumption.
2. Attribution of rate increase:
  - a. Provide the attribution of rate increase by factor: morbidity, mortality, lapse, investment, and other.
  - b. For the morbidity factor, break down the attribution by incidence, claim length, benefit utilization, and other.
  - c. Provide information on the assumptions that are especially sensitive to small changes in assumptions.
3. RBOs:
  - a. Provide the history of RBOs offered and accepted for the block.
  - b. Provide a reasonability analysis of the value of each significant type of offered RBO.
4. Investment returns:
  - a. Provide original and updated / average investment return assumptions underlying the pricing.
  - b. Explain how the updated assumption reflects experience.
5. Expected loss ratio:
  - a. With respect to the initial rate filing and each subsequent rate increase filing, provide the target loss ratio.
  - b. Provide separate ratios for lifetime premium periods and non-lifetime premium periods and for inflation-protected and non-inflation-protected blocks.
6. Shock lapse history:
  - a. Provide shock lapse data related to prior rate increases on this block.

7. Waiver of premium handling:
  - a. Explain how policies with premiums waived are handled in the exhibits of premiums and incurred claims.
  - b. Explain how counting is appropriate (as opposed to double counting or undercounting).
8. Actual-to-expected differences:
  - a. Explain how differences between actual and expected counts or percentages (in the provided exhibits) are reflected or not reflected in assumptions.
9. Assumption consistency with the most recent asset adequacy testing:
  - a. Explain the consistency or any significant differences between assumptions underlying the rate increase proposal and those included in Actuarial Guideline 51 testing.