INSURANCE COMPACT COMMISSION

REPORT ON COMPACT-APPROVED INDIVIDUAL LONG-TERM CARE INSURANCE RATE SCHEDULE CERTIFICATIONS

REPORTING YEAR 2022 CERTIFICATIONS DUE MAY 1, 2023

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ANNUAL REPORT ON COMPACT-APPROVED INDIVIDUAL LONG-TERM CARE INSURANCE RATE SCHEDULE CERTIFICATIONS

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EXECUTIVE SUMMARY

The Interstate Insurance Product Regulation Commission Office (Compact Office) provides a report of the review of the Reporting Year 2022 certifications for Compact-approved individual long-term care insurance rate schedules. Companies have been submitting annual rate certifications since 2012 and triennial supporting actuarial memorandums since 2014. This is the fourth year this annual report has been published.[1]

This report provides a general overview of the number and status of rate schedules approved by the Compact Office in conjunction with Compact-approved individual long-term care insurance products,[2] along with details regarding the review process completed for this year's annual rate certifications. The Reporting Year 2022 certification review included 95 initial and new business rate schedule certifications, 31 of which were accompanied by triennial supporting actuarial memorandums. Each Compacting State will also receive a separate member-only report listing the long-term care insurance products approved on the Compacting State's behalf by the Compact Office and detailed information about the associated rate schedule certifications.

TABLE 1	
Reporting Year 2022 Overview	
Annual/Triennial Certification Submissions Reviewed	**95**
Number of Companies	27
Number of Filings	72
Post-Rate Increase Projection Submissions Reviewed	**3**
Number of Companies	2
Number of Filings	2
Total	**98**

The Compact Office reviewed a total of 98 rate schedule submissions as summarized in Table 1 above. The 98 rate schedules break out as follows:

- 67 annual rate certifications for initial rate schedules
- 28 annual rate certifications for new rate schedules for new business (known as "rate refresh"), and
- Three submissions for new rate schedules for in-force rate increases created through a Compact-approved rate increase.[3]

[1] A report was not published last year because the Compact Office did not complete its review of Reporting Year 2021 annual certifications by the end of 2022 due to transition in actuarial resources and competing workload.
[2] The Insurance Compact Office does not accept group long-term care insurance products as Uniform Standards for group long-term care insurance have not been developed to date.
[3] See Table 3 on p. 6 for an overview of rate increase filings reviewed by the Compact Office.

These filings were submitted by 27 companies in 74 filings in SERFF. Of these, 42 rate schedules (43%) are currently marketed while the remaining 56 (57%) are no longer marketed or not yet marketed.

The Compact Office reviewed 20 additional submissions for Reporting Year 2022 compared to Reporting Year 2020 (98 vs. 78). The 2023 reviews covered 25 additional rate schedules from 14 companies that became subject to the annual certification requirement for this reporting year. The report excluded five rate schedules for five companies that were included in Reporting Year 2020, for the following reasons:

- One company with one rate schedule had the reporting requirements suspended as the product has not been marketed and there is no plan to market it.
- Another company with one rate schedule had the reporting requirements suspended as there were only 13 policies in force under the rate schedule as of December 31, 2021, and the company documented it will never pursue a rate increase for this block.
- Two companies, for one rate schedule each, submitted rate increase requests greater than 15%, which became rate schedules subject to state approval and oversight following the Compact Office's advisory review.[4]
- One company had a rate increase of less than 15% approved by the Compact in December 2022 and does not have any reporting requirements for Reporting Year 2022.

Furthermore, as of year-end 2022, 14 rate schedules for nine companies had stopped being marketed. This changed the nature of the required certification due, without changing the annual/triennial certification schedule.

If you have any questions about this report, please contact the Compact Office at 202-471-3962 or comments@insurancecompact.org.

UNIFORM STANDARD REQUIREMENTS FOR CERTIFICATIONS

Section 3 of the Uniform Standard IIPRC-LTC-I-3-RATEI, *Rate Filing Standards for Individual Long-Term Care Insurance* ("*Rate Filing Standards*") requires a company with a Compact-approved rate schedule (whether currently marketed or no longer marketed) to submit an annual certification signed by a member of the American Academy of Actuaries with respect to the sufficiency of the rate schedule. Please see Appendix I for background information on the Insurance Compact and the Individual Long-Term Care Insurance Uniform Standards. The relevant section of the *Rate Filing Standards* is provided in Appendix II.[5]

In brief, the certification is submitted by the company and prepared and signed by a member of the American Academy of Actuaries. The certification statement has different requirements for premium rate schedules that are currently marketed versus no longer marketed. Currently marketed rate schedules require a more comprehensive certification to be considered sufficient. Each year's certification must include a brief summary of the review that was performed to support the certification. A company must file a plan of action if its certification states the rate schedule may no longer be sufficient.

[4] See Section 1(6)-(7) of the Standards for Filing Revisions to In-Force Rate Filing Schedules for Individual Long-Term Care Insurance.
[5] See Rate Filing Standards for Individual Long-Term Care Insurance-Issue Age Rate Schedules.

Every three years, the company is required to accompany the certification with a supporting actuarial memorandum describing the assumptions used in the analysis and how they compare to the original pricing assumptions. The annual certification is due May 1st of each year starting in the year after the first full year in which the initial rate schedule was approved. The triennial memorandum is due May 1st of the reporting year starting in the third year (and every third year thereafter) after the first full year in which the rate schedule was approved. Each certification is based on cumulative data pertaining to the rate schedule through December 31st of the calendar year preceding the May 1st submission deadline.

Rate schedules with a Compact-approved rate increase for in-force policies, i.e. a requested (or needed) rate increase under 15% for a Compact-approved product, are subject to the requirements in Section 4 of the Uniform Standards IIPRC-LTC-I-3-RATEINC, *Standards for Filing Revisions to In-Force Rate Filing Schedules for Individual Long-Term Care Insurance* ("*Rate Revision Standards*"). The key requirement is a comparison of actual results to projected results for at least the first three years subsequent to the rate increase. This type of submission was also due May 1st and included in the 2023 review. Three submissions for rate schedules following a Compact-approved in-force rate increase (under 15%) were submitted. The relevant section of the *Rate Revision Standards* is provided in Appendix III.[6]

Each annual rate certification and triennial memorandum is reviewed by a Compact Office actuary for compliance with the requirements in Section 3 of the *Rate Filing Standards* or Section 4 of the *Rate Revision Standards*, as applicable.

Certifications and supporting memorandums, if applicable, for cumulative data through calendar year 2022 were due to the Compact Office by May 1, 2023, for premium rate schedules approved by the Compact Office prior to December 31, 2021. Triennial memorandums were due for premium rate schedules approved in 2010, 2013, 2016 and 2019, respectively. The triennial memorandum submissions reflect some adjustments for companies with multiple approved rate schedules to align their triennial periods, provided that no more than three years pass before a triennial memorandum is provided.

The Commission's Uniform Standards and Operating Procedures permit combination products of individual life or individual annuity with individual long-term care insurance benefit features either built-in to the policy or by rider. Generally, these product filings are individual life or annuity policies with a rider for individual long-term care insurance coverage. The individual long-term care insurance forms, provisions and supporting documentation are reviewed for compliance with the applicable Uniform Standards for individual long-term care insurance including the *Rate Filing Standards*, as applicable.

As defined in the *Rate Filing Standards*, dollar-for-dollar long-term care insurance riders are subject to actuarial requirements and prior review under the *Rate Filing Standards*, but do not have associated rate certifications, because dollar-for-dollar long-term care insurance is specifically excluded from Section 3 certification requirements. Dollar-for-dollar riders are defined in the *Rate Filing Standards* as riders to life insurance policies that permit payment of $1.00 of death benefit

[6] See Standards for Filing Revisions to In-Force Rate Filing Schedules for Individual Long-Term Care Insurance.

to pay for $1.00 of long-term care services or to annuity contracts that permit waiver of $1.00 in surrender or withdrawal charges or payment of $1.00 of account value to pay for $1.00 of long-term care services.

Riders to life insurance policies or annuity contracts that are a continuation or extension of individual long-term care benefits are required to submit rate schedules for prior review and approval under the *Rate Filing Standards* and are subject to Section 3 certification requirements.

OVERVIEW OF 2022 ANNUAL AND TRIENNIAL RATE CERTIFICATIONS

For calendar year 2022, there were a total of 95 long-term care premium rate schedules subject to the yearly certification requirements in Section 3 of the *Rate Filing Standards*. Of these, 31 rate schedules were subject to the triennial requirement to submit the supporting memorandum described in Section 3B(2) for the certification year 2022. All certifications were submitted via the System for Electronic Rate & Forms Filing (SERFF). An additional three premium rate schedules were filed to comply with Section 4 of the *Rate Revision Standards*.

The 98 total rate schedules were submitted by 27 companies in 74 filings in SERFF. Some filings include multiple policy forms and rate schedules, such as for gender-distinct and unisex forms. Additionally, some filings include more than one rate schedule for the same form, since the *Rate Filing Standards* allow the filing of new business rate refresh schedules for future new business issues on a given form. Before 2017, these new business refresh rate schedules were included in the same product filing within SERFF as the original rate schedule. Since 2017, new business rate refresh schedules are required to be filed in a separate filing and associated with the approved product filing using the Associated Filing feature in SERFF for Compact-approved filings. These new business rate refresh schedules are specifically defined in the *Rate Filing Standards* to be subject to compliance with initial rate filing requirements rather than the *Rate Revision Standards*.

TABLE 2	
Reporting Year 2022 Annual Rate Certification Overview	
Rate Schedules Currently Marketed	42
Sufficient	38
Insufficient	4
Rate Schedules No Longer Marketed	54
Sufficient	44
Insufficient	10
Rate Schedules Not Yet Marketed (No review needed)	2
Total	**98**

The specific status of the 98 initial and rate refresh schedules may be summarized as follows as of December 31, 2022:

- 42 rate schedules were currently marketed. The certification for currently marketed rate schedules is based on sufficiency to cover anticipated costs under moderately adverse experience, and that there are no increases anticipated over the life of the form if the assumptions hold. Of these currently marketed rates:

  - With respect to 38 of these rate schedules, the certifications indicated the respective rate schedule was sufficient using language substantively similar to that in the *Rate Filing Standards*. [7]
  - With respect to 4 of these rate schedules, the certifications indicated that margins may no longer be sufficient.
    - The four rate schedules are associated with one company. The company has ceased actively marketing the forms and rate schedules though will continue to accept non-solicited applications and issue under the existing forms and associated rate schedules.
- 54 rate schedules were no longer marketed. The certification for rate schedules that are no longer marketed is based on sufficiency to cover anticipated costs under best estimate assumptions. Of these rate schedules no longer marketed:
  - With respect to 44 rate schedules, the certifications indicated the respective rate schedule was sufficient using language substantively similar to that in the *Rate Filing Standards*.
  - With respect to 10 of these rate schedules, the certifications indicated the respective rate schedules may no longer be sufficient.
    - For four rate schedules associated with one company, the company anticipates performing a deeper dive on their assumptions by year-end 2023 and informing the Compact Office of rate increase plans at that time. This includes one rate schedule that has had a previous Compact-approved rate increase.
    - For three schedules associated with another company, the company anticipates performing a deeper dive on their rate schedules using their 2023 best-estimate assumptions to determine if a rate increase is justified.
    - For one rate schedule associated with one company, the company has requested a rate increase. The filing is pending an advisory review.
    - For another rate schedule associated with same company in the previous bullet, the company is evaluating whether a rate increase is justified. The company has committed to informing the Compact Office when its analysis is complete.
    - For one rate schedule associated with one company, the rate schedule is non-cancellable; no rate action on in-force policies is possible. This rate schedule applies to an extension of long-term care benefits rider that is no longer being sold, which 876 policyholders had purchased.
- Two rate schedules associated with two companies were not yet marketed as of December 31, 2022, and as such the certification regarding premium sufficiency is not required. The

[7] In Table 2, the terms "sufficient" and "insufficient" have the meanings in the certification statements in Section 3B(1)(a) of the *Rate Filing Standards* as follows:

- "Sufficient" for rate schedules currently marketed refers to "the premium rate schedule continues to be sufficient to cover anticipated costs under moderately adverse experience and that the premium rate schedule is reasonably expected to be sustainable over the life of the form with no future premium increases anticipated;"
- "Insufficient" for rate schedules currently marketed refers to "margins for moderately adverse experience may no longer be sufficient;"
- "Sufficient" for rate schedules no longer marketed refers to "premium rate schedule continues to be sufficient to cover anticipated costs under best estimate assumptions;" and
- "Insufficient" for rate schedules no longer marketed refers to "premium rate schedule may no longer be sufficient.

companies have acknowledged the certification requirement will commence for the calendar year in which the forms are first marketed.

Some approved rate schedules are not subject to the rate certification requirement, for two possible reasons. The first reason is the company has certified in the filing that the product was never issued and there are no plans to market the product. The second reason is the rate schedule has been subject to an in-force rate increase request. Pursuant to Section 1 of the *Rate Revision Standards*, once a rate schedule for a Compact-approved product becomes subject to review and approval under state law due to a requested (or needed) increase exceeding 15%, the initial rate schedule is no longer subject to the rate certification requirements in the *Rate Filing Standards*.[8] A requested (or needed) in-force rate schedule increase of 15% or less is subject to Compact review and approval, subsequent to which the requirements of Section 4 of the *Rate Revision Standards*, calling for the annual submission of updated projections, actual results and other information for the first three years following approval of the in-force rate increase.[9]

The following table summarizes the advisory reviews or rate increase approvals by the Compact through the 2022 Reporting Period.

TABLE 3		
Compact Office Action for In-Force Rate Increases As of 12/31/22		
Reporting Year	**Rate Schedules Subject to Advisory Review (Increase ≥15%)**	**Rate Schedules Subject to Compact Approval (Increase <15%)**
2017	1	0
2018	1	0
2020	0	3
2022	2	1
Total	**4**	**4**

COMPACT OFFICE REVIEW PROCESS FOR CERTIFICATIONS

Each certification submitted for reporting year 2022, except six submitted by one company, was reviewed by Kent Holbrook, an actuary who is a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries. Naomi Kloeppersmith, who organized the overall review process and is in her third cycle of annual certification reviews, reviewed the remaining six. She is also a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries.

[8] Since 2017, the Compact Office has concluded review of four in-force rate increase requests exceeding 15% and has issued advisory opinions for each. One additional in-force rate increase request is currently pending disposition.

[9] In 2020, two in-force rate increase requests under 15% were filed, covering three rate schedules. After careful review and with participating state input, and after providing informational webinars for participating states, two companies received approval for in-force rate increase requests under 15%. In 2021, following the same procedure, another company received approval for a 15% in-force rate increase which was approved in 2022. No projection filing was required for this year for this rate schedule as it was not approved for an entire year by year-end 2022.

Each certification and supporting memorandum, if applicable, was reviewed for compliance with Section 3 of the *Rate Filing Standards* or Section 4 *of the Rate Revision Standards* as appropriate. For any required items not addressed, or for any questions the reviewing actuary had concerning the certification, comments were sent as objections/correspondence in SERFF. The company then responded, with possible updates to the certification documents as needed, to meet requirements. Sometimes, multiple iterations of the objection and response process were needed for the reviewing actuary to determine the certification met the Uniform Standard requirements.

COMMON CERTIFICATION & TRIENNIAL MEMORANDUM COMPLIANCE ISSUES

An informational webinar for company filers and actuaries was held via Webex in April 2023 to review the annual and triennial submission requirements and provide an overview of common compliance issues with prior filings. The recorded webinar was also made available on demand. The most common compliance issues noticed in review of the Reporting Year 2022 certifications and triennial memorandums are briefly described below.

Start or End Issue Dates Not Specified or Inconsistent with Prior Documentation

The Uniform Standard requires that the policy form, the issue start date, and the issue end date, if applicable, be clearly stated in the certification document. Several certifications did not include all the requisite information, or they provided different information than documented in prior years' certifications.

None or Insufficient Description of Experience Data Source and/or Credibility

The standard requires that the triennial memorandum supporting the certification include a detailed explanation of the data sources and review performed by the actuary prior to making the certification and requires a description of the credibility of the experience data. This information must be provided for all data the actuary uses to support the certification. Obtaining this level of detail required follow-up from the reviewing actuary in several cases.

CONCLUSION

The Compact Office provides its fourth report on the annual and triennial certifications received for Reporting Year 2022 for Compact-approved individual long-term care insurance rate schedules. The Compact Office welcomes input from member regulators, including regulatory actuaries, regarding additional information to include in future reporting regarding the individual long-term care insurance annual rate submissions.

APPENDIX I BACKGROUND ON THE INSURANCE COMPACT AND INDIVIDUAL LONG-TERM CARE INSURANCE UNIFORM STANDARDS

The Insurance Compact

The Insurance Compact, known formally as the Interstate Insurance Product Regulation Compact, is an agreement between Compacting States to accept products approved by the Compact Office as an instrumentality of the Compacting States pursuant to detailed Uniform Standards, which have the force and effect of law and are binding in Compacting States. Uniform Standards must be adopted by a minimum of two-thirds of the Compacting States, i.e., Commission members, and each Compacting State has a sovereign right to opt out of an adopted Uniform Standard. For these reasons, the Uniform Standards are detailed and comprehensive, reflecting stringent form and actuarial requirements. Product filings undergo a thorough form and actuarial review for compliance with the relevant Uniform Standard(s).

Long-Term Care Uniform Standards

Requirements for filing an LTC product with the Compact are codified in several Uniform Standards, as applicable to the annual and triennial certifications for the 2022 reporting period:

- IIPRC-LTC-I-3-CORE, *Core Standards for Individual Long-Term Care Insurance Policies*
- IIPRC-LTC-I-3-APP *Individual Long-Term Care Insurance Application Standards*
- IIPRC-LTC-I-3-OC, *Individual Long-Term Care Insurance Standards for the Outline of Coverage*
- IIPRC-LTC-I-3-RATEI, *Rate Filing Standards for Individual Long-Term Care Insurance–Issue Age Rate Schedules Only*
- IIPRC-LTC-I-3-RATEM, *Rate Filing Standards for Individual Long-Term Care Insurance–Modified Rate Schedules*
- IIPRC-LTC-I-3-RATEINC, *Standards for Filing Revisions to In-Force Rate Filing Schedules for Individual Long-Term Care Insurance*
- IIPRC-LTC-I-3-ADV, *Standards for Individual Long-Term Care Insurance Advertising Material*
- IIPRC-LTC-I-3-BEN, *Standards for Long-Term Care Insurance Benefit Features*
- IIPRC-LTC-I-3-AMEND, *Standards for Riders, Endorsements or Amendments used to Effect Individual Long-Term Care Insurance Policy Change*

The annual certification requirements forming the basis of this report are codified in Section 3 of the Uniform Standard IIPRC-LTC-I-3-RATEI, *Rate Filing Standards for Individual Long-Term Care Insurance (Rate Filing Standards)*, which is excerpted in Appendix II. The *Rate Filing Standards* were originally adopted on August 13, 2010, and effective December 1, 2010. Amendments were adopted in 2011, 2017 and 2021, with the current version taking effect April 4, 2022. There are no substantive changes to the requirements for annual and triennial certifications from the latest update.

Annual and Triennial Submission Requirements

Section 3 of the *Rate Filing Standards* requires an annual submission subsequent to the initial rate filings for individual long-term care insurance policies. These requirements apply to any revised rate schedules that increase premium rates only with respect to new business, but they do not apply after the approval of rate schedule increase filings for in-force business.

Beginning for the first full year after which a rate schedule has been approved, *the Rate Filing Standards* require an annual certification as to premium sufficiency be prepared and signed by a Member of the American Academy of Actuaries on behalf of the company.

To be considered sufficient, the required certification varies by whether the premium rate schedule is currently marketed or is no longer marketed. For a currently marketed rate schedule, the actuary must certify that the premium rate schedule continues to be sufficient to cover anticipated costs under moderately adverse experience and that the premium rate schedule is reasonably expected to be sustainable over the life of the form with no future premium increases anticipated. For a rate schedule that is no longer marketed, the actuary must only certify that the premium rate schedule continues to be sufficient to cover anticipated costs under best estimate assumptions.

If such a certification cannot be made, the actuary must state that the premium rate schedule or the margins for adverse experience may no longer be sufficient. The company must then submit to the Compact Office a plan of action, including a time frame, for the re-establishment of adequate margins.

In addition to the appropriate certification, the certification must include a brief description of the review performed in support of the certification. There is no prescribed approach to reviewing the premiums for sufficiency. Some common approaches are:

- Updating model assumptions to current best estimates and projecting cash flows over the life of the business.
- Sensitivity testing (shock different assumptions to measure impact) to see if premiums are still sufficient under moderately adverse scenarios.
- Review updated experience and compare with thresholds for moderately adverse; if updated experience is more favorable than moderately adverse, premiums could be considered sufficient.

A more detailed description of the review process must be included in a supporting memorandum. This information should include a detailed description of the review performed by the actuary in support of the statement made in the certification, as well as a description of any data sources and experience studies used in the development of assumptions, how the updated assumptions compare to those used in the original pricing of the product, a discussion of the credibility of any experience studies, and an explanation of any testing performed to determine current margins. Every three years, as the triennial submission requirement, this memorandum must be submitted for review by the Compact Office with the annual certification. In all other years, the memorandum must be available upon request.

Certifications and supporting memorandums, if applicable, are due to the Compact Office no later than May 1st of the year following the calendar year for which the certification applies.

APPENDIX II EXCERPT FROM *RATE FILING STANDARDS* FOR 2022 REPORTING PERIOD

§ 3 ANNUAL SUBMISSION REQUIREMENTS SUBSEQUENT TO INITIAL RATE FILINGS AND PRIOR TO APPROVAL OF RATE SCHEDULE INCREASES FOR OTHER THAN DOLLAR-FOR-DOLLAR LONG-TERM CARE INSURANCE

The following annual submission requirements apply subsequent to initial rate filings for individual long-term care insurance policies. These requirements do not apply after the approval of rate schedule increase filings, at which time the requirements of the Standards for Filing Revisions to Rate filing Schedules for Individual Long-Term Care Insurance.

Drafting Note: In accordance with § 2A (2), these submission requirements apply to rate schedules initially filed with the Interstate Insurance Product Regulation Commission, including revised rate schedules that increase premium rates only with respect to new business issued under a policy form.

A. GENERAL

(1) If the items are being submitted on behalf of the company, include a letter of authorization from the insurance company.

B. ACTUARIAL SUBMISSION REQUIREMENTS

(1) An actuarial certification prepared, dated and signed by a member of the American Academy of Actuaries who provides the information shall be included and shall provide at least the following information:

(a) A statement of the sufficiency of the premium rate schedule approved by the Interstate Insurance Product Regulation Commission including the policy form to which the statement applies, including the start and, if applicable, end date of issue, and:

(i) For the rate schedules currently marketed,

a. The premium rate schedule continues to be sufficient to cover anticipated costs under moderately adverse experience and that the premium rate schedule is reasonably expected to be sustainable over the life of the form with no future premium increases anticipated; or

b. If the above statement cannot be made, a statement that margins for moderately adverse experience may no longer be sufficient. In this situation, the company shall provide to the IIPRC, within 60 days of the date the actuarial certification is submitted to the IIPRC, a plan of action, including a time frame, for the re-establishment of adequate margins for moderately adverse experience. Failure to submit a plan of action to the IIPRC within 60 days or to comply with the time frame stated in the plan of action constitutes grounds for the IIPRC to withdraw or modify its approval of the Product Filing pursuant to Section 108 of the Operating Procedure for the Filing and Approval of Product Filings.

Drafting Note: When a company files a statement that margins for moderately adverse experience may no longer be sufficient, the IIPRC will immediately notify each Compacting State where the premium rate schedule applies.

(ii) For the rate schedules that are no longer marketed,

a. That the premium rate schedule continues to be sufficient to cover anticipated costs under best estimate assumptions; or

b. That the premium rate schedule may no longer be sufficient. In this situation, the company shall provide to the IIPRC, within 60 days of the date the actuarial certification is submitted to the IIPRC, a plan of action, including a time frame, for the re-establishment of adequate margins for moderately adverse experience.

Drafting Note: When a company files a statement that the premium rate schedule may no longer be sufficient, the IIPRC will immediately notify each Compacting State where the premium rate schedule applies.

(b) A description of the review performed that led to the statement and disclosure of any planned management action relating to this statement.

(2) An actuarial memorandum dated and signed by a member of the American Academy of Actuaries who prepares the information shall be prepared to support the actuarial certification and shall comply with ASOP 18 and provide at least the following information:

(a) A detailed explanation of the data sources and review performed by the actuary prior to making the statement in § 3.B(1)(a).

(b) A complete description of experience assumptions and their relationship to the initial pricing assumptions.

Drafting Note: ASOP No. 18, the NAIC *Guidance Manual for the Rating Aspects of the Long-Term Care Insurance Model Regulation* and the Academy of Actuaries Practice Note "Long-Term Care Insurance, Compliance with the NAIC Long-Term Care Insurance Model Regulation Relating to Rate Stability" all provide details concerning the key pricing assumptions, underlying actuarial judgments and the manner in which experience should be monitored.

(c) A description of the credibility of the experience data.

(d) An explanation of the analysis and testing performed in determining the current presence of margins.

(3) The actuarial certification required pursuant to § 3.B(1) must be submitted annually no later than May1st of each year starting in the year after the first full year in which the initial rate schedule was approved by the Interstate Insurance Product Regulation Commission. The actuarial memorandum required pursuant to § 3.B(2) must be submitted every three years no later than May 1st of the reporting year starting in the third full year after the first full year in which the initial rate schedule was approved by the Interstate Insurance Product Regulation Commission.

Drafting Note: The Product Standards Committee is comfortable with requiring the filing of the actuarial memorandum on a triennial basis only with the company performing analysis and monitoring experience annually. The company must be able to provide the actuarial memorandum supporting the actuarial certification upon request by any member state included in the filing.

APPENDIX III EXCERPT FROM *RATE REVISION STANDARDS* FOR 2022 REPORTING PERIOD

§ 4. REQUIREMENTS SUBSEQUENT TO APPROVAL OF A RATE SCHEDULE INCREASE FILING APPROVED BY THE INTERSTATE INSURANCE PRODUCT REGULATION COMMISSION FOR OTHER THAN DOLLAR-FOR-DOLLAR LONG-TERM CARE INSURANCE

A. For each rate schedule increase that is implemented, the company shall file with the Interstate Insurance Product Regulation Commission for review updated projections, as defined in § 3B(2)(a) above, annually for the next three (3) years and include a comparison of actual results to projected values. The Interstate Insurance Product Regulation Commission may extend the period to greater than three years if actual results are not consistent with projected values from prior projections.

B. If any premium rate in an implemented rate schedule increase is greater than 200% of the comparable rate in the initial premium schedule, lifetime projections, as defined in § 3B(2)(a) above, shall be filed with the Interstate Insurance Product Regulation Commission for review every five (5) years following the end of the required period in § 4.A, above.

C. If the Interstate Insurance Product Regulation Commission determines that the actual experience following a rate schedule increase does not adequately match the projected experience and that the current projections under moderately adverse conditions demonstrate that incurred claims will not exceed the proportions of premiums specified in § 3B(3) or 3B(4) above as applicable, the Interstate Insurance Product Regulation Commission may require the company to implement either of the following:

(1) Premium rate schedule adjustments; or

(2) Other measures to reduce the difference between the projected and actual experience.

Drafting Note: It is expected that actual experience will not exactly match projected. During the period when projections are monitored as indicated in Items (1) and (2) above, the Interstate Insurance Product Regulation Commission shall determine that there is not an adequate match if the differences in earned premiums and incurred claims are not in the same direction or the difference as a percentage of the projected is not of the same order.

D. If the majority of policies to which the rate schedule increase filing is applicable are eligible for the contingent benefit on lapse, as defined in the policy, the company shall file:

(1) A plan, subject to Interstate Insurance Product Regulation Commission approval, for improved administration or claims processing procedures, or both, designed to eliminate the potential for a further deterioration of experience that would require future rate schedule increases (or demonstrate that appropriate administrative and claims processing procedures have been implemented); otherwise the Interstate Insurance Product Regulation Commission may impose the condition in E below; and

(2) The original anticipated lifetime loss ratio, and the rate schedule increase that would have been calculated according to § 3B(3) or 3B(4), above as applicable, had the greater of the original anticipated lifetime loss ratio or fifty-eight percent (58%) been used in the calculation in § 3B(3)(b)(i) and (iii) or 3B(4)(b)(I) and (ii), above as applicable.

E. For a rate schedule increase filing that meets the following criteria, the Interstate Insurance Product Regulation Commission shall review, for all policies subject to the filing, the projected lapse rates and past lapse rates during the twelve (12) months following each rate schedule increase to determine if significant adverse lapsation has occurred or is anticipated:

(1) The rate schedule increase is not the first rate schedule increase requested for the subject policy form(s);

(2) The rate schedule increase is not an exceptional rate schedule increase; and

(3) The majority of the policies to which the rate schedule increase is applicable are eligible for the contingent benefit on lapse, as defined in the policy.

F. In the event that significant adverse lapse experience has occurred, is anticipated in the rate schedule increase filing, or is evidenced in the actual results as presented in the updated projections provided by the company following the requested rate schedule increase, the Interstate Insurance Product Regulation Commission may determine that a rate spiral exists. Following the determination that a rate spiral exists, the Interstate Insurance Product Regulation Commission may require the company to offer, without underwriting, to all in force insureds subject to the rate schedule increase, the option to replace existing coverage with one or more reasonably comparable products being offered by the company or its affiliates.

(1) The offer shall:

(a) Be subject to the approval of the Interstate Insurance Product Regulation Commission;

(b) Be based on sound actuarial principles and be based on an issue age rate schedule; and

(c) Provide that the maximum benefits payable under any new policy accepted by an insured shall be reduced by comparable benefits already paid under the existing policy; and

(2) The company shall maintain the experience of all the replacement insureds separate from the experience of insureds originally issued the policy forms. In the event of a request for a rate schedule increase on the policy form, the rate schedule increase shall be limited to the lesser of:

(a) The maximum rate schedule increase determined based on the combined experience; and

(b) The maximum rate increase determined based only on the experience of the insureds originally issued the form plus ten percent (10%).