IIPRC-LTC-I-3-RATEI
RATE FILING STANDARDS FOR INDIVIDUAL LONG-TERM CARE INSURANCE ISSUE AGE RATE SCHEDULES ONLY

1. Date Adopted: December 12, 2021

2. Purpose and Scope: These standards apply to products advertised, marketed or offered to provide benefits for one or more of the following: nursing home care, assisted living care or home health care and adult day care.

   Partnership**:** Approval by the Interstate Insurance Product Regulation Commission ("IIPRC") of long-term care insurance product filings in compliance with one or more of the Uniform Standards for Individual Long-Term Care Insurance shall not be deemed as approval to use or provide any component of the product filing pursuant to any federal or state Individual Long-Term Care Insurance Partnership Program ("Partnership").

3. Rules Repealed, Amended or Suspended by the Rule: This rule amends the *Rate Filing Standards for Individual Long-Term Care Insurance Issue Age Rate Schedules Only* originally adopted by the IIPRC on August 13, 2010 and amended on April 25, 2011.

   The rule was amended for the purpose of separating the initial rate filing standards and the rate increase standards into two separate uniform standards. The amendments apply only to new filings received after the effective date of the amendments. It is not necessary to resubmit previously approved forms to comply with these amendments, or to suspend use of previously approved forms that do not comply with these amendments. See the Transmittal Memo under the Standards History on the Record for a more detailed description of the amendments.

4. Statutory Authority: Among the IIPRC's primary purposes and powers is to establish reasonable uniform standards for the insurance products covered in the Interstate Insurance Product Regulation Compact ('Compact"), specifically pursuant to Article I §2, Article IV §2 and Article VII §1 of the Compact, as enacted into law by each IIPRC member state.

5. Required Findings: Except with respect to a rate revision request for a Compacting State that has opted out of these standards, these standards are not available to be used in combination with State Product Components as described in §111(b) of the Operating Procedure for the Filing and Approval of Product Filings. These standards are not available to be filed using the Rule for the Self Certification of Product Components Filed with the Interstate Insurance Product Regulation Commission.

6. Effective Date: April 4, 2022

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ISSUE AGE RATE SCHEDULES ONLY

Scope: These standards apply to initial premium rate schedules for individual long-term care insurance. Any product advertised, marketed or offered as long-term care insurance shall be subject to these standards when only issue age rate schedules are available. All dollar-for-dollar long-term care insurance rates are considered to be, for purposes of this standard, Issue Age Rate Schedules. Long-term care insurance shall provide benefits for one or more of the following: nursing home care, assisted living care or home health care and adult day care. These standards apply to all policies, riders, endorsements and amendments subject to the *Core Standards for Individual Long-Term Care Insurance Policies* adopted by the Interstate Insurance Product Regulation Commission.

Mix and Match: Except with respect to a rate revision request for a Compacting State that has opted out of these standards, these standards are not available to be used in combination with State Product Components as described in § 111(b) of the Operating Procedure for the Filing and Approval of Product Filings. For a Compacting State that has opted out of the *Standards for Filing Revisions to Rate Filing Schedules for Individual Long-Term Care Insurance* or for rate revision filings subject to approval by participating Compacting States pursuant to §1(2) of the *Standards for Filing Revisions to Rate Filing Schedules for Individual Long-Term Care Insurance* (i.e., advisory reviews), rate revision filings can be filed in and approved by the Compacting State for premium rate schedules approved by the Interstate Insurance Product Regulation Commission.

Self-Certification: These standards are not available to be filed using the Rule for the Self-Certification of Product Components Filed with the Interstate Insurance Product Regulation Commission.

All terms used in these standards shall have the same meaning as defined in the *Core Standards for Individual Long-Term Care Insurance Policies*.

As used in these standards the following definitions apply:

"Dollar-for-Dollar Long-Term Care Insurance" is long-term care insurance provided under:

(1) Life insurance policies that permit payment of all or part of the death benefit when specified activities of daily living or cognitive impairment triggers are met and the payment of benefits is contingent upon receipt of long-term care services, and such payment does not exceed $1.00 for each $1.00 of reduction in death benefits (for flexible premium adjustable life products, the death benefit may be one of the death benefit options described in the Interstate Insurance Product Regulation Commission standards for such products); and

(2) Annuity contracts that provide for the waiver of any applicable surrender or withdrawal charges upon payment of all or part of the account value when specified activities of daily living or cognitive impairment triggers are met and the payment of benefits is contingent upon receipt of long-term care services, and such payment does not exceed $1.00 for each $1.00 of permanent reduction in the account value.

"Issue age rate schedules" are rate schedules where premiums are based on issue age and where premiums are not expected to change during the premium-paying period due to attained age or duration since issue. Single premium and limited pay plans (e.g., 20-pay policy) are allowed under this definition. The addition of increases in the benefit level that require additional premium, based on the issue age rate schedule applied at an insured's current age at the time of each increase in the benefit level, are allowed under this definition.

"Exceptional rate schedule increase" means only those rate schedule increases where the Interstate Insurance Product Regulation Commission determines that the need for the rate schedule increase is justified, and may be applicable to only one or more states as determined by the Interstate Insurance Product Regulation Commission:

(1) Due to changes in laws or regulations applicable to individual long-term care coverage; or

(2) Due to increased and unexpected utilization that affects the majority of companies of similar products to that for which the rate schedule increase filing applies.

Drafting Note: As appropriate, the Interstate Insurance Product Regulation Commission may refer to the NAIC *Guidance Manual for the Rating Aspects of the Long-Term Care Insurance Model Regulation* in reviewing filings under these standards.

§ 1. CRITERIA FOR REVIEW FOR ALL RATE FILINGS

A. GENERAL

The Interstate Insurance Product Regulation Commission will review rate filings for individual long-term care insurance policies and may disapprove any rate filing for one or more of the following reasons:

(1) The premiums charged are unreasonable in relation to the benefits provided, excessive, inadequate, or unfairly discriminatory;

(2) The provisions permit the company to vary premiums for insureds, and the variances are not based upon sound underwriting and sound actuarial principles reasonably related to actual or reasonably anticipated loss experience or expenses;

(3) The premiums unfairly discriminate between individuals of the same actuarial risk class, or between risks of essentially the same degree of hazard;

(4) The premiums discriminate on the basis of race, color, creed, national origin, or sexual orientation;

(5) The premiums unfairly discriminate on the basis of marital status or civil union status in states where civil union relationships are recognized; however, this does not prohibit actuarially justified spousal, couple, partner, or civil union discounts; or

(6) The rate filing fails to comply with the standards.

§ 2. ADDITIONAL SUBMISSION REQUIREMENTS FOR INITIAL RATE FILINGS

The following additional submission requirements apply to initial rate filings for individual long-term care insurance policies:

A. GENERAL

(1) If the initial rate filing is being submitted on behalf of the company, include a letter of authorization from the insurance company submitted by the party authorized to submit the filing.

(2) A filing of a premium rate schedule for an existing policy form that increases one or more premium rates and does not decrease any premium rate and is to be applicable only to policies issued after a defined issue date is not considered an increase to a premium rate schedule but is considered a new initial rate schedule.

(3) For guaranteed renewable policies, if the company has guaranteed premiums that will not increase after the insured has attained a specified age, the company shall certify that the basis for future rate increases will not include adverse experience for such insureds. However, this certification does not preclude the company from utilizing the actual experience of the insureds beyond the specified age in projecting the experience of any other segments of the insured population for which rate increases are permitted.

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 that the initial premium rate schedule is 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;

(b) A statement that the policy design and coverage provided have been reviewed and taken into consideration;

(c) A statement that the underwriting and claims adjudication processes have been reviewed and taken into consideration;

(d) For other than dollar-for-dollar long-term care insurance, a statement that the premiums contain at least the minimum margin for moderately adverse experience defined in (i) or the specification and justification for a lower margin as required by (ii):

(i) A composite margin shall not be less than ten percent (10%) of lifetime claims.

(ii) A composite margin that is less than ten percent (10%) may be justified in uncommon circumstances. The proposed amount, full justification of the proposed amount and methods to monitor developing experience that would be the basis for withdrawal of approval for such lower margins must be submitted.

(iii) A composite margin lower than otherwise considered appropriate for the stand-alone long-term care policy may be justified for long-term care benefits provided through a life policy or an annuity contract. Such lower composite margin, if utilized, shall be justified by appropriate actuarial demonstration addressing margins and volatility when considering the entirety of the product.

Drafting Note: For the justification required in (iii) above, examples of such considerations, if applicable to the product and company, might be found in Society of Actuaries research studies entitled "Quantification of the Natural Hedge Characteristics of Combination Life or Annuity Products Linked to Long-Term Care Insurance" (2012) and "Understanding the Volatility of Experience and Pricing Assumptions in Long-Term Care Insurance Programs" (2014).

(iv) A greater margin may be appropriate in circumstances where the company has less credible experience to support its assumptions used to determine the premium rates.

Drafting Note: Actual margins may be included in several actuarial assumptions (e.g. mortality, lapse, underwriting selection wear-off, etc.) in addition to some of the margin in the morbidity assumption. The composite margin is the total of such margins over best-estimate assumptions.

(e) For other than dollar-for-dollar long-term care insurance, a statement that the premium rate schedule is not less than the premium rate schedule for existing similar policy forms with issue age rate schedules and comparable premium-paying periods also available from the company except for reasonable differences attributable to benefits; or, if there are situations where one or some rates in a premium rate schedule are less than those in the premium rate schedule for existing products having similar benefits, a statement to that effect. In either case, details of the differences and the comparison work performed should be provided as part of § 2B(3)(f).

(f) A statement that reserve requirements have been reviewed and considered. Support for this statement shall include:

(i) Sufficient detail or sample calculations provided so as to have a complete depiction of the reserve amounts to be held; and

(ii) A statement that the difference between the gross premium and the net valuation premium for renewal years is sufficient to cover expected renewal expenses; or if such a statement cannot be made, a complete description of the situations where this does not occur. An aggregate distribution of anticipated issues may be used as long as the underlying gross premiums maintain a reasonably consistent relationship.

(2) The document containing the premium rate schedules shall contain a statement that the premium rate schedules are those to which the information in the actuarial memorandum applies.

(3) An actuarial memorandum prepared, dated and signed by a member of the American Academy of Actuaries who provides the information shall be included and shall address and support each specific item required as part of the actuarial certification, comply with Actuarial Standard of Practice (ASOP) 18 and provide at least the following information:

(a) An explanation of the review performed by the actuary prior to making the statements in § 2B(1)(b) and § 2B(1)(c);

(b) A complete description of 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 premium rates are to be tested.

(c) Sources and levels of margins, incorporated into the gross premiums determined in § 2B(1)(d) above that are the basis for the statement in § 2B(1)(a) of the actuarial certification and an explanation of the analysis and testing performed in determining the sufficiency of the margins. Deviations in margins between ages, sexes, plans or states shall be clearly described. Deviations in margins are other than those produced utilizing generally accepted actuarial methods for smoothing and interpolating gross premium scales;

(d) For other than dollar-for-dollar long-term care insurance, a demonstration that the gross premiums include the minimum composite margin specified in § 2B(1)(d);

(e) (i) For other than dollar-for-dollar long-term care insurance, a complete description of those situations, if any, where the difference between the gross premium and the net valuation premium for renewal years is not sufficient to cover expected renewal expenses; and

(ii) For other than dollar-for-dollar long-term care insurance, a table of sample ages and coverages (including inflation and non-inflation) demonstrating the extent and the results of this review;

(f) A complete description of any morbidity improvement assumption used in pricing or reserves for the product together with the rationale for the assumption and its effect on premium and reserve levels; and

Drafting Note: At the time of drafting these standards, the Interstate Insurance Product Regulation Commission generally does not believe that sufficient credible data on insured experience is available to justify the use of morbidity improvements in pricing or reserve assumptions but cannot be sure that it cannot be produced in the future. As noted in the NAIC *Health Insurance Minimum Reserve Model*

Regulation (Model #10), "Morbidity improvement is a change, in the combined effect of claim frequency and the present value of future expected claim payments given that a claim has occurred, from the current morbidity tables or experience that will result in a reduction in [premiums or] reserves. It is not the intent of this provision to restrict the ability of the actuary to reflect the morbidity impact for a specific known event that has occurred, and that is able to be evaluated and quantified. This last sentence is intended to provide allowances for a known event, such as a new drug release, but at the time of this writing, there are no specific examples that could be pointed to in the recent past that would have met this standard. **This is intended to be an extremely rare event.**" [emphasis supplied]

(g) For other than dollar-for-dollar long-term care insurance, a comparison of the premium rates with issue age rate schedule rates, at a reasonable selection of ages, for similar policy forms and comparable premium-paying periods also available from the company. The actuary should describe the situations where the premium rate schedules are less than those for existing products and detail the differences and testing done by the actuary to determine that the filed premiums are not inadequate.

(h) Descriptions supporting the certification prepared, dated and signed by a member of the American Academy of Actuaries, required under § 1B(2) of the *Core Standards for Individual Long-term Care Insurance Policies*, that the nonforfeiture and contingent nonforfeiture benefits offered or provided under the policy are in compliance with the requirements of § 8, Nonforfeiture Benefits, of the Model Act and with § 28D and E, Nonforfeiture Benefit Requirement, of the Model Regulation or § 28K thereof. This requirement shall not apply to life insurance policies that provide long-term care benefits only in the form of an acceleration of the death benefit.

(i) Descriptions supporting the certification prepared, dated and signed by a member of the American Academy of Actuaries or a company officer required under § 1B(3) of the *Core Standards for Individual Long-term Care Insurance Policies*, that an inflation protection benefit offered or provided under the policy is in compliance with the requirements of § 13A and F, Requirement to Offer Inflation Protection, of the Model Regulation. This requirement does not apply to life insurance policies that provide long-term care benefits only in the form of an acceleration of the death benefit.

(4) After reviewing the initial rate filing, the Interstate Insurance Product Regulation Commission may request an actuarial demonstration that benefits are reasonable in relation to the premiums charged. The actuarial demonstration shall include either premium and claim experience on similar policy forms, adjusted for any premium or benefit differences, relevant and credible data from other sources, or both.

(5) For other than dollar-for-dollar long-term care insurance:

(a) Rate guarantee periods applicable to initial, new or additional long-term care coverage in excess of five years from the effective date of such coverage shall not be permitted. This provision does not preclude a noncancellable policy or a guaranteed renewable policy that guarantees premiums will not increase after an insured has attained a specified age as defined in the policy;

(b) A separate additional premium for rate guarantee periods applicable to initial, new or additional long-term care coverage shall not be permitted.

§ 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* apply.

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 Interstate Insurance Product Regulation Commission, within sixty (60) days of the date the actuarial certification is submitted to the Interstate Insurance Product Regulation Commission, 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 Interstate Insurance Product Regulation Commission within sixty (60) days or to comply with the time

frame stated in the plan of action constitutes grounds for the Interstate Insurance Product Regulation Commission to withdraw or modify its approval of the Product Filing pursuant to § 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 Interstate Insurance Product Regulation Commission 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 Interstate Insurance Product Regulation Commission, within sixty (60) days of the date the actuarial certification is submitted to the Interstate Insurance Product Regulation Commission, 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 Interstate Insurance Product Regulation Commission 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 § 3B(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 § 3B(1) must be based on calendar year data and submitted annually no later than May 1st 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 § 3B(2) must be submitted every three years no later than May 1st of the reporting year starting in the third 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.

§4. ADDITIONAL STANDARDS FOR DOLLAR-FOR-DOLLAR LONG-TERM CARE INSURANCE

Drafting Note: As used in these standards, "premium rate schedule" or premium rate" or "rate schedule" shall include but not be limited to the following:

(1) The separately identifiable premium charged for the dollar-for-dollar long-term care insurance, or

(2) Charges that are expressed as an amount per $1,000 of insurance (charges that are expressed as a per $1,000 net amount of insurance or as a percentage rate applied to the policy cost of insurance rates are included in this category), or

(3) Charges that are expressed as a percentage of the life policy or annuity contract account.

The following additional filing submission requirements shall apply:

A. GENERAL

(1) If a filing of a rate schedule for an existing policy form includes a decrease in any premium rate only on policies issued after a defined issue date, then sufficient information is required to justify not applying the decrease to earlier issues.

(2) For premium rate schedules where premiums are initially based on issue age and where premiums are scheduled to change during the premium-paying period according to a specified pattern due to attained age or duration since issue, the company shall certify that scheduled premium changes do not occur more than five (5) years from the most recent prior change, or issue date of the policy if no prior change has occurred and provide the following:

(a) A sample description of the manner in which scheduled premium rates will be explained to the applicant which need not show every scheduled premium rate; and

(b) A sample of the manner in which the policy will show each premium rate change in the schedule and the period for which the resulting premium is applicable.

Drafting Note: These requirements apply where premiums are determined by applying a percentage rate to the base policy cost of insurance rates and where either the base policy cost of insurance rates or the percentages applied change with attained age or duration since issue.

B. ACTUARIAL SUBMISSION REQUIREMENTS

(1) In addition to the requirements of the actuarial certification of § 2B(1), for noncancellable and guaranteed renewable Dollar-For-Dollar Long-Term Care Insurance coverages, the company may certify that the basis for future rate increases on the base policy will not include adverse experience for dollar-for-dollar long-term care insurance. This certification would then exempt the company from future filings under § 5 of the *Standards for Filing Revisions to Rate Filing Schedules for Individual Long-Term Care Insurance*, whenever rates are increased on the base policy.