



**COMMONWEALTH OF MASSACHUSETTS**  
**Office of Consumer Affairs and Business Regulation**  
**DIVISION OF INSURANCE**

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**Accident & Sickness Insurance**  
**Filing Guidance Notice 2009 – C Revised**

TO: Insurers Making Long-Term Care Insurance Rate Filings

FROM: Kevin P. Beagan, Director, State Rating Bureau  
*KPB*

DATE: February 22, 2011

RE: Materials to Submit with All Long-Term Care Insurance Rate Filings

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This Filing Guidance Notice is to notify long-term care insurance companies about filing materials that should be submitted with any rate filings to the Division of Insurance (Division). The Division will consider a long-term care insurance rate filing to be incomplete unless it includes the following:

**Initial Rate Filings**

- All formulas used to derive rates, expected claim costs, assumptions regarding mortality, morbidity and lapse rates, detailed commission schedule, anticipated administrative expenses associated with the policy, investment income, losses, expenses, and provisions for reserves specific to that policy form; and
- An actuarial memorandum signed by an actuary for the company that includes the following:
  - Comprehensive documentation of all assumptions used in developing the initial rate filing and the basis on which the long-term care insurance rates were determined;
  - A description of the basis for the reserves on the policy;
  - A summary of the type of policy, benefits, renewability, general marketing method, and limits on ages of insurance;
  - A description and a table of each actuarial assumption used, and for expense, this should include percent of premium dollars per policy and dollars per unit of benefits, if any;

- A description and a table of the anticipated policy reserves and additional reserves to be held in each future year for active lives;
- The estimated average annual premium per policy and the average issue age;
- A statement that the actuary has reviewed and considered the policy design and benefits, as well as the company's underwriting and claims adjudication processes, when developing the filed rates;
- A statement that the net valuation premium for renewal years does not increase except for attained age rated policies;
- 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; and
- A statement that "based on the underlying assumptions in this filing, which reflect moderately adverse conditions, I believe that this initial rate schedule is sufficient to cover anticipated costs, no premium rate schedule increases are anticipated."

### **Rate Increase Filings**

- All formulas used to derive rates, expected claim costs, assumptions regarding mortality, morbidity and lapse rates, detailed commission schedules, anticipated administrative expenses associated with the policy, investment income, losses, expenses, and provisions for reserves specific to that policy form;
- An explanation of the company's criteria used to evaluate the credibility of Massachusetts specific experience in calculating the need to increase Massachusetts rates;
- The experience of all other long-term care insurance policies that the company and all its affiliated companies have written. The experience should be presented separately for each policy form and then pooled together with the form for which the company has submitted a rate increase filing. Individual and Group policies should not be pooled. All similar Individual policies should be pooled.
- A list of all long-term care insurance rate increase requests filed with other states/jurisdictions for each comparable form listing the following by state/jurisdiction:
  - the date the request was filed;
  - the increase requested;
  - the status of the filed request; and
  - the reason that a state/jurisdiction identified as the basis for any disapproval of a submitted request;
- A comprehensive set of all letters and other communications that your company has had with policyholders since policy inception that may have been used to explain the nature of long-term care insurance and the possibility that rates may increase;
- An actuarial memorandum signed by an actuary for the company that includes the following:
  - Comprehensive documentation of all assumptions used in developing the initial rate filing and all the assumptions that are being changed in the submitted filing, as well as the actuarial basis for changing any of the noted assumptions and all sensitivity analyses that have been performed to evaluate the ranges that may apply under different economic and demographic conditions;

- All formulas used to derive rates, expected claim costs, assumptions regarding mortality, morbidity and lapse rates, detailed commission schedule, anticipated administrative expenses associated with the policy, investment income, losses, expenses, and provisions for reserves specific to that policy form;
- To the extent available, the form's year-by-year actual loss ratio since being offered in Massachusetts compared to the year-by-year projected loss ratios used in the initial filing;
- A statement that the actuary has reviewed and considered the policy design and benefits, as well as the company's underwriting and claims adjudication processes, when developing the filed rates;
- For policy forms with original rates approved under the Guidelines effective June 30, 2009, the following statements:
  - A statement that "if the requested premium rate schedule is implemented and the underlying assumptions which reflect moderately adverse conditions are realized, no further premium rate schedule increases are anticipated."
- For policy forms with original rates approved prior to June 30, 2009, the effective date of these Guidelines, one of the following statements:
  - A statement that "if the requested premium rate schedule increase is implemented and the underlying assumptions which reflect moderately adverse conditions are realized, no further premium rate schedule increases are anticipated;" or
  - A statement that "if the requested series of premium rate schedule increases are approved and implemented as scheduled and the underlying assumptions which reflect moderately adverse conditions are realized, no additional premium rate schedule increases are anticipated;" or
  - A statement that "the requested premium rate schedule increase is not considered sufficient to cover the adverse impact of the changes to the assumptions in this filing. If the rate schedule increase of X% were requested and implemented and the underlying assumptions which reflect moderately adverse conditions are realized no increase beyond X% would be anticipated.
- A draft letter that your company intends to use to explain the requested rate increase to affected policyholders, as well as all rights the policyholder may have and options that they should consider when evaluating the rate increase. The letter shall address this in a manner consistent with which of the above statements was provided to the department.

Please note that the Division of Insurance checklists I have been updated to include these materials for all long-term care insurance filings. If you have any questions regarding the filing procedures or fee requirements, please consider contacting Chet Lewandowski at (617) 521-7467 or via e-mail at [chet.lewandowski@state.ma.us](mailto:chet.lewandowski@state.ma.us).