

DATE: [Insert Date]

TO: All Licensed Insurers Writing Long-Term Care Insurance

FROM: [Insert Name & Title]

RE: Announcement of Alternative Filing Requirements for Long-Term Care Premium Rate Increases

Effective *[insert date three (3) months after issuance of this bulletin]*, the following guidelines will be used in the review of pre-rate-stability and post-rate-stability premium rate adjustment filings for long-term care insurance policies. The intent of this bulletin is to address rate increases for long-term care insurance policies currently in force, in particular pre-rate-stability

The assumptions will be consistent with the following:

1. All present and accumulated values used to determine rate increases shall use the maximum valuation interest rate for contract reserves. The actuary shall disclose as part of the actuarial memorandum the use of any averages.
2. All accumulated values used to determine rate increases shall use the actual experience of the product in as close a manner to that us

For pre-rate-stability policies, the [Department] will require the implementation of the contingent benefit upon lapse¹ as outlined below, as a condition of approval of a rate increase for a block of business for which the contingent benefit upon lapse is not otherwise required. The contingent benefit upon lapse is already required for post-rate-stability policies.

For both pre-rate-stability and post-rate-stability policies, if the rate increase is approved in a series of scheduled rate increases and the sum of all scheduled rate increases would ultimately trigger the offering of the contingent benefit upon lapse, the insurer will be required² to include contingent benefit upon lapse at the time of each scheduled increase.

For policies or certificates which have reached their twentieth duration, the [Department] may require the insurer to provide the contingent benefit upon lapse³ without reference to the taT0013 T--18.891.52 T

- the greater of 60% or the lifetime loss ratio used in the original pricing, applied to the current rate schedule on the effective date of these new requirements; plus
- 80% applied to any premium increase that is filed after that date on an individual policy form; or
- 75% applied to any premium increase that is filed on a group policy form.

For post-rate-stability policy forms, the current loss-ratio standards are unchanged.

At the request of the insurer, the [Department] may also consider other options which may be made available to insureds which may mitigate the impact of the rate increases on the insured population or alternative actuarial methodologies relating to the rate increase. The insurer shall provide an explanation and demonstration on how such methodology is actuarially justified and/or how such new mitigation option may reasonably benefit insureds. No alternative method/approach may be used until it has been accepted by the [Department].

(INSERT COMMISSIONER NAME)
(INSERT COMMISSIONER TITLE)
(INSERT STATE NAME)