Jan Graeber, Chair
Long-Term Care Pricing (B) Subgroup of the
Long-Term Care Actuarial (B) Working Group
National Association of Insurance Commissioners

March 24, 2015

Re: Appendix 6 Assumptions Template of NAIC Guidance Manual
   For Rating Aspects of the Long-Term Care Insurance Model Regulation

At the request of Steve Ostlund and with the support of its Actuarial Working Group, the Interstate Insurance Product Regulation Commission (“IIPRC”) Office submits the following comments regarding the Assumptions Template proposed as a new Appendix 6 to the NAIC Guidance Manual for Rating Aspects of the Long-Term Care Insurance Model Regulation (“NAIC Manual”). Thank you for the opportunity to provide input and suggestions as you update the Manual to correspond to the 2014 amendments to the Long-Term Care Model Regulation (#641). We believe our input would be valuable to the Subgroup as the IIPRC employs a Rate Assumption Template in conjunction with its review of long-term care rate schedules.

By way of background, the IIPRC has received and approved individual long-term care insurance products since December 2010 under highly detailed uniform standards that use the NAIC long-term care model law and regulation as a baseline. The IIPRC provides a legal mechanism for developing and applying product content uniform standards for individual and group life insurance, annuities, long-term care insurance and disability income insurance products allowing companies to submit these products to the IIPRC for review and approval on behalf of its member states. To date, forty-three states and Puerto Rico (“44 Compacting States”) have adopted the Compact. More than 200 companies have registered with the IIPRC and submitted more than 3700 product filings since July 2007 under one of the 90-plus uniform standards in place for asset-based insurance products. Thirty-nine of the Compacting States participate in the individual long-term care product line, IIPRC and the IIPRC Office continually works to maintain open and informative communication with the Compacting States about the work we perform on their behalf under the uniform standards they develop and adopt.

More specifically about the IIPRC’s review process for individual long-term care products, a full suite of ten uniform standards was adopted in August 2010 including standards for initial rate and rate increase filings.\(^1\) An Actuarial Memorandum is required to be filed, and must contain a complete description of pricing assumptions.\(^2\) A Drafting Note points the certifying actuary to the Actuarial Standards of Practice #18 as well as the NAIC Manual for additional guidance in fulfilling

---

\(^1\) Rate Filing Standards for Individual Long-Term Care Insurance--Issue Age Rate Schedules Only and Rate Filing Standards for Individual Long-Term Care Insurance—Modified Rate Schedules.

\(^2\) Section 2B(3) of Rate Filing Standards.
this requirement of the filing. In addition, the IIPRC staff, as a result of consultation with its member states, developed a “Rate Assumptions template” that is publicly available on its website, (http://www.insurancecompact.org/documents/industry_resources_rate_assumption_template.xls), which provides a checklist of key pricing assumptions, along with sample formats for providing details concerning morbidity, mortality, lapse rates and initial projected loss ratios.

The IIPRC actuarial reviewers have found the template to be useful in increasing the quality of initial filings (when the template is used) or the quality of responses to objection letters sent with regards to the documentation of assumptions in the actuarial memorandum (by referring the filer to the template). It is also our opinion that detailed assumption documentation in the initial rate filing is critical as the quality of the documentation in the initial rate filing will facilitate the review of the developing experience, as required to support the annual rate certification, and any future rate increase filings, should they occur.

Some limitations that have been encountered with the IIPRC rate assumption template, however, are a lack of uniformity in the level of detail provided by filers, especially with respect to morbidity assumptions. We have reviewed the proposed Appendix 6 of the NAIC Guidance Manual and agree with the level of detail and granularity of the data. This additional specificity and standardized format should promote filings with consistent detail assumptions in future submissions, and as a byproduct, facilitate future reviews and result in fewer objection letters, and therefore faster total review time of initial filings and annual certifications as well as rate increase filings.

Further, given that the IIPRC Rate Filing Standards provide for rate increase requests exceeding 15% to be subject to the review and approval of each affected Compacting State, uniformity in the data provided through the use of the Appendix 6 template would be expected to provide consistency in data elements for use in the rate increase process, regardless of whether the IIPRC or the Compacting State performs the final analysis and determination of a rate increase request.

The IIPRC Actuarial Working Group and IIPRC Office support the inclusion of the Appendix A template in the NAIC Manual. We appreciate the Subgroup’s interest in the IIPRC uniform standards and submission requirements, and your consideration of these comments. On behalf of the IIPRC Office, I am available to provide further support or background information as you consider this matter.

Sincerely,

Karen Z. Schutter
Executive Director

Cc: Eric King, NAIC Staff Support
    Pete Weber, Chair, IIPRC Actuarial Working Group

---

3 Section 4A(2) of the Rate Filing Standards.