Section IV. DISCLOSURE TO CONSUMERS

The NAIC Long-Term Care Insurance Model Regulation includes several requirements intended to assist insurers in providing consumers with adequate information at the time of purchase. This section of the guidance manual is intended to address only the disclosures relating to rating.

A. CONSUMER DISCLOSURE FORMS RELATING TO RATING

The regulation includes two consumer disclosure forms designed to provide information about the insurer’s rating practices and to inform consumers about the rate increase potential of the LTCI that they are purchasing.

1. The Long-Term Care Insurance Personal Worksheet provides the consumer with information about the insurer’s rating practices. It also addresses suitability of purchase, sources of premium payments and the consumer’s ability to afford a rate increase. This form is found in Appendix B of the Model Regulation.

2. The Long-Term Care Insurance Potential Rate Increase Disclosure Form provides consumers with information about initial rates, potential for rate revisions and administrative practices for rate adjustments. It also informs the consumer about his or her rights in the event of a rate increase. This form is found in Appendix F of the Model Regulation. Appendix F was amended to recognize that an additional disclosure requirement for limited pay products is necessary to reflect the additional CBL option available from the changes to Section 28 of the Model Regulation.

Both forms are in a standardized format. In general, only the bracketed information should change. However, there may be instances where some deviation from the standard language and/or the bracketed language is necessary to avoid inconsistency, ambiguity or misrepresentation. The only time that deviations in the language should be allowed is when the information provided would be incorrect, ambiguous or inconsistent without such deviation. Examples of instances where the standard language should be modified are found below in Subsection D.

Insurers are required to file the disclosure forms with the initial rate filing, and whenever rates are modified. Insurers that decide to continue the use of an existing policy form after the effective date should file the disclosure documents with the Commissioner at least 30 days prior to their use.

The rate increase history section of the Long-Term Care Insurance Personal Worksheet is intended to provide the consumer with an unbiased look at an insurer’s rating practices. The rate increase history includes information about the policy form that the applicant is applying for and about any similar policy forms. Based on the date of the application, this will include history prior to adoption of the new Model Regulation for at least 10 years.

B. SIMILAR POLICY FORMS

Similar policy forms are defined in the regulation as all LTCI insurance policies and certificates issued by an insurer that have the same long-term care benefit classification as the policy being considered.

For this purpose, benefit classifications are: 1) institutional LTCI benefits only; 2) non-institutional LTCI benefits only; and 3) comprehensive LTCI benefits.

Group certificates that meet the definition in Section 4E(1) of the Model Act are only similar to other group certificates with the same LTCI benefit classification.

The classification into institutional only, non-institutional only, or comprehensive should be determined based on the total benefits contained in the product provided to the insured. The category should not be determined based
on policy format, such as whether the benefit was added via a rider or part of the basic policy. Below is a chart further explaining classification determination. As indicated in the prior paragraph, this chart should be applied separately for Specific Group Business (as defined in Section III B of the manual) and for all other business.

<table>
<thead>
<tr>
<th>Rider</th>
<th>Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Institutional</td>
</tr>
<tr>
<td>Institutional</td>
<td>Institutional</td>
</tr>
<tr>
<td>Non-Institutional</td>
<td>Comprehensive</td>
</tr>
<tr>
<td>Institutional &amp; Non-institutional</td>
<td>N/A</td>
</tr>
<tr>
<td>None</td>
<td>Institutional</td>
</tr>
</tbody>
</table>

C. RATE INCREASE HISTORY

When the rate increase history includes forms that have had a premium rate increase, the insurer can provide explanatory information. This information should be short, clear and readily understandable by consumers. The explanation should provide a fair representation of the reasons why rate increases occurred. Insurers should not be prohibited from providing information on the number of policies affected by premium rate increases. The regulator should consider whether such information would be useful to applicants. When provided, the information should represent the insurer’s in force policies at the time of the rate increase. Information that spans a number of years should not be allowed as it may understate the proportion of policies affected by the rate increase.

If the information presented is unclear or appears to be incomplete, the regulator should ask the insurer for additional information.

D. RATE INCREASE HISTORY EXAMPLES

Following are generalized examples of the Rate Increase History section of the Long-Term Care Insurance Personal Worksheet. These examples are not comprehensive, but are intended to give general guidance on the appearance and content of this section.

**Long-Term Care Insurance Personal Worksheet**

**Rate Increase History Section**

*Example 1 - Insurer has never increased rates.*

**Rate Increase History**

Insurer X has sold long-term care insurance since 1992 and has sold this policy since 1998. The insurer has never raised its rates for any long-term care policy it has sold in this state or any other state.

*Example 2 - Insurer has increased rates on a form more than 10 years ago.*

**Rate Increase History**

Insurer X has sold long-term care insurance since 1984 and has sold this policy since 1997. The insurer has not raised its rates for this policy form or similar policy forms in this state or any other state in the last 10 years.
Example 3 - Insurer has increased rates on a form in the last 10 years. One rate increase was a 10% increase for all cells. The other rate increase varied from 5 to 15%. The insurer may provide an explanation of the rate increase as long as the information is presented in a fair manner. Following are several examples showing explanations that may be acceptable or unacceptable, depending on the state statutory requirements.

Rate Increase History (Acceptable per Model Regulation)

Insurer X has sold long-term care insurance since 1993 and has sold this policy since 1997. The insurer has raised its premium rates on this policy form or similar policy forms in the last 10 years. Following is a summary of the rate increase(s).

<table>
<thead>
<tr>
<th>Years</th>
<th>Available Form for Purchase</th>
<th>Rate History</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993–1996</td>
<td>LTC300</td>
<td>5%–15% rate increase in 1996</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10% rate increase in 1998</td>
</tr>
</tbody>
</table>

The rate increase on form LTC300 was caused by home health care benefits often exceeding the amount that the policyholder was charged for the care. This caused claim experience to be higher than anticipated. This plan design is no longer available.

Below are alternative explanations that are equally acceptable and could be substituted for the last paragraph in the above Rate Increase History:

a) In 1996, form LTC300 had 50,000 policies in force out of 125,000 total long-term care policies in force. In 1998, form LTC300 had 43,000 policies in force out of 200,000 total long-term care policies in force.

b) The rate increase on form LTC300 was caused by higher than expected use of home health care benefits. In 1996, form LTC300 had $1,500,000 in annualized premium in force out of $5,000,000 total long-term care annualized premium in force. In 1998, form LTC300 had $1,300,000 annualized premium in force out of $12,200,000 total long-term care annualized premium in force.

c) In 1996, form LTC300 included 25% of our long-term care policies in force. In 1998, form LTC300 included 22% of our long-term care policies in force.

Rate Increase History (Unacceptable per Model Regulation)

Insurer X has sold long-term care insurance since 1993 and has sold this policy since 1997. The insurer has raised its premium rates on this policy form or similar policy forms in the last 10 years. Following is a summary of the rate increase(s).

<table>
<thead>
<tr>
<th>Years</th>
<th>Available Form for Purchase</th>
<th>Rate History</th>
</tr>
</thead>
<tbody>
<tr>
<td>1993–1996</td>
<td>LTC300</td>
<td>5%–15% rate increase in 1996</td>
</tr>
<tr>
<td></td>
<td></td>
<td>10% rate increase in 1998</td>
</tr>
</tbody>
</table>

The rate increase on form LTC300 was beyond the control of the insurer due to higher than anticipated use of home health care benefits. {Italics added.}
Below are examples of additional explanations that might not be acceptable to a state.

- The rate increase on form LTC300 was caused by higher than expected use of home health care benefits. In 1996, form LTC300 had $1,500,000 in annualized premium in force. Our insurer has sold $40,000,000 in annualized premium since 1996. In 1998, form LTC300 had $1,300,000 annualized premium in force out of $20,500,000 total long-term care annualized premium sold since 1998. (Italics added.)

- Form LTC300 represents only 3% of our insurance business. (Italics added.)

**Example 4** - Insurer has increased rates on more than one form in the last 10 years. On one form, the increase was on the home health care rider only. The insurer may note that the increase affected only the home health rider. The increase percentage should be determined by looking at the total policy premium (base policy plus home health rider).

### Rate Increase History

Insurer X has sold long-term care insurance since 1988 and has sold this policy since 1996. The insurer has raised its premium rates on this policy form or similar policy forms in the last 10 years. Following is a summary of the rate increase(s).

<table>
<thead>
<tr>
<th>Policy Form</th>
<th>Years Available for Purchase</th>
<th>Years Available Rate History</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTC001</td>
<td>1988–1996</td>
<td>20% rate increase in 1993</td>
</tr>
<tr>
<td></td>
<td></td>
<td>20% rate increase in 1997</td>
</tr>
<tr>
<td>LTC002</td>
<td>1995–present</td>
<td>0%–5% rate increase in 1998</td>
</tr>
</tbody>
</table>

On policy form LTC002, the base plan rates were not changed. Only rates on the home health care rider were increased. The rate increase amounts shown above for policy form LTC002 indicate the change in the total premium rate, not just the change in the premium rate attributable to the health care rider.

**Example 5** - Insurer has increased rates in five states in the last 10 years. This increase must be disclosed in all states.

### Rate Increase History

Insurer X has sold long-term care insurance since 1993 and has sold this policy since 1996. The insurer has raised its premium rates on this policy form or similar policy forms in the last 10 years. Following is a summary of the rate increase(s).

<table>
<thead>
<tr>
<th>Policy Form</th>
<th>Years Available for Purchase</th>
<th>Years Available Rate History</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTC00A</td>
<td>1996–present</td>
<td>15% rate increase in 1998</td>
</tr>
</tbody>
</table>

Policy form LTC00A is sold in 38 states. Rates were increased in 5 state(s).
Example 6 - Insurer increased rates on a form. After monitoring experience, the insurer decreased rates on the form.

Rate Increase History

Insurer X has sold long-term care insurance since 1988 and has sold this policy since 1996. The insurer has raised its premium rates on this policy form or similar policy forms in the last 10 years. Following is a summary of the rate increase(s).

<table>
<thead>
<tr>
<th>Years</th>
<th>Policy Form</th>
<th>Available Rate</th>
<th>History</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>LTC700</td>
<td>1988–1997</td>
<td>15% rate increase in 1993</td>
</tr>
<tr>
<td></td>
<td>LTC700</td>
<td>1988–1997</td>
<td>0%–10% rate decrease in 1997</td>
</tr>
</tbody>
</table>

After rates were increased on form LTC700, monitoring of experience showed that the increase brought some rates to a level that was higher than necessary. Rates were reduced to reflect this.

Example 7 - Insurer increased rates on a nursing home only form, but has never increased rates on a comprehensive policy or on a non-institutional policy. The disclosure for the comprehensive and non-institutional policies could use the language stating that they have had no increase. For an institutional policy, the increase would have to be disclosed.

Rate Increase History (Institutional Policy)

Insurer X has sold long-term care insurance since 1987 and has sold this policy since 1996. The insurer has raised its premium rates on this policy form or similar policy forms in the last 10 years. Following is a summary of the rate increase(s).

<table>
<thead>
<tr>
<th>Years</th>
<th>Policy Form</th>
<th>Available Rate</th>
<th>History</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>LTC001</td>
<td>1990–1995</td>
<td>25% rate increase in 1993</td>
</tr>
</tbody>
</table>

Rate Increase History (Non-Institutional or Comprehensive Policy)

Insurer X has sold long-term care insurance since 1987 and has sold this policy since 1997. The insurer has not raised its premium rates on this policy form or similar policy forms in the last 10 years.
Example 8 - Insurer increased rates on a home health rider, but has never increased rates on an institutional policy or on a comprehensive policy. The disclosure for institutional policy forms that cannot have home health riders could use the language stating that they have had no increase. For a non-institutional or an institutional policy form to which a non-institutional rider may be attached, the increase would have to be disclosed. Additionally, the increase would have to be disclosed for comprehensive policies because institutional policies that have a non-institutional rider attached would be similar to comprehensive policies (see chart in Section IV. B. of the manual).

<table>
<thead>
<tr>
<th>Rate Increase History (Non-Institutional Policy, Comprehensive Policy, or Institutional Policy with Non-Institutional Rider)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurer X has sold long-term care insurance since 1987 and has sold this policy since 1996. The insurer has raised its premium rates on this policy form or similar policy forms in the last 10 years. Following is a summary of the rate increase(s).</td>
</tr>
<tr>
<td>Policy Form</td>
</tr>
<tr>
<td>LTC100</td>
</tr>
</tbody>
</table>

The increase on form LTC100 was on a rider providing coverage for home health care. The rates on the base policy were not modified. The rate increase amounts shown above for policy form LTC100 indicate the change in the total premium rate, not just the change in the premium rate attributable to the home health care rider.

Rate Increase History (Institutional)

The insurer has sold long-term care insurance since 1987 and has sold this policy since 1997. The insurer has not raised its rates for this policy form or similar policy forms in this state or any other state in the last 10 years.
Examples 9 – 11 involve insurers where business has been acquired.

**Example 9** - Insurer A has not increased rates on any form except as follows. Insurer A acquired form LTC010 from Insurer B (non-affiliated) in 1999. Insurer B raised rates 30% in 1996. Insurer A raised rates on LTC010 20% in 2000.

Insurer A - Since the rate increase in 2000 was within 24 months of acquisition, Insurer A does not have to disclose it. However, they may if they choose. The insurer may use either of the types of disclosures below. Below are examples of acceptable disclosures for one of Insurer A’s existing policy forms.

<table>
<thead>
<tr>
<th>Rate Increase History (Insurer A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurer A has sold long-term care insurance since 1986 and has sold this policy since 1986. The insurer has never raised its rates for any long-term care policy it has sold in this state or any other state.</td>
</tr>
</tbody>
</table>

or

<table>
<thead>
<tr>
<th>Rate Increase History (Insurer A)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurer A has sold long-term care insurance since 1986 and has sold this policy since 1986. The insurer has raised its premium rates on this policy form or similar policy forms in the last 10 years. Following is a summary of the rate increase(s).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Years</th>
<th>Policy Form</th>
<th>Available for Purchase</th>
<th>Rate History</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995–1998</td>
<td>LTC010</td>
<td>2000 - 20% increase</td>
<td></td>
</tr>
</tbody>
</table>

Policy form LTC010 was originally issued by another insurer. The business was acquired by the insurer in 1999.

**Insurer B** - All increases must be disclosed, including increases on sold business that are made in the 24 months following acquisition. Below is an example of an acceptable rate increase history for one of Insurer B’s remaining policy forms.

<table>
<thead>
<tr>
<th>Rate Increase History (Insurer B)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurer B has sold long-term care insurance since 1988 and has sold this policy since 1998. The insurer has raised its premium rates on this policy form or similar policy forms in the last 10 years. Following is a summary of the rate increase(s).</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Years</th>
<th>Policy Form</th>
<th>Available for Purchase</th>
<th>Rate History</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995–1998</td>
<td>LTC010</td>
<td>1996 - 30% increase</td>
<td></td>
</tr>
<tr>
<td>2000 - 20% increase</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Policy form LTC010 had higher benefit utilization than expected. This business was sold to another insurer in 1999.

Insurer A - Since Insurer A raised the rates on the acquired business more than once, they must disclose all rate increases that they implemented. Below is an example of an acceptable rate history for one of Insurer A’s existing policy forms.

<table>
<thead>
<tr>
<th>Years</th>
<th>Policy Form</th>
<th>Available for Purchase</th>
<th>Rate History</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTC010</td>
<td>1995–1998</td>
<td>2000 - 20% increase</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2001 - 15% increase</td>
<td></td>
</tr>
</tbody>
</table>

Policy form LTC010 was originally issued by another insurer. The business was acquired by the insurer in 1999.

Insurer B - Must disclose all increases including increases on sold business that are made in the 24 months following acquisition. Does not have to disclose the second increase made by Insurer A. Below is an example of an acceptable rate increase history for one of Insurer B’s remaining policy forms.

<table>
<thead>
<tr>
<th>Years</th>
<th>Policy Form</th>
<th>Available for Purchase</th>
<th>Rate History</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTC010</td>
<td>1995–1998</td>
<td>1996 - 30% increase</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2000 - 20% increase</td>
<td></td>
</tr>
</tbody>
</table>

Policy form LTC010 had higher benefit utilization than expected. This business was sold to another insurer in 1999.
Example 11 – Same facts as example 9, except Insurer A had raised rates on one of their own forms more than 10 years ago. This is a case where the bracketed language from the regulation must be modified in order for the insurer to make a factually correct statement. The language “the insurer has not raised its rates for this policy form or similar policy forms in this state or any other state in the last 10 years” should be changed to read “The insurer has not raised its rates for this policy form or similar policy forms it has sold in this state or any other state in the last 10 years.” As in example 9, the insurer may choose to disclose the rate increase.

Rate Increase History (Insurer A)

Insurer A has sold long-term care insurance since 1987 and has sold this policy since 1997. The insurer has not raised its rates for this policy form or similar policy forms it has sold in this state or any other state in the last 10 years.

or

Rate Increase History (Insurer A)

Insurer A has sold long-term care insurance since 1986 and has sold this policy since 1986. The insurer has raised its premium rates on this policy form or similar policy forms it has sold in the last 10 years. Following is a summary of the rate increase(s).

<table>
<thead>
<tr>
<th>Years Available for Purchase</th>
<th>Rate History</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTC010 1995–1998</td>
<td>2000 - 20% increase</td>
</tr>
</tbody>
</table>

Policy form LTC010 was originally issued by another insurer. The business was acquired by the insurer in 1999.

Insurer B would have the same disclosure as in example 9.

Examples 12-14 involve combination products.

Example 12 – An insurer sells a disability income policy with a long-term care rider. The rates for the disability income base policy were increased by 20%. The insurer has never raised rates on long-term care. In this case, the insurer would not show any rate history since the increase was solely on the disability income policy. The insurer could modify the bracketed language as follows: “The insurer has sold long-term care insurance since 1996 and has sold this policy since 1996. The insurer has never raised its rates for any long-term care policy it has sold …” changes to “The insurer has sold long-term care insurance since 1996 and has sold this rider since 1996. The insurer has never raised its rates for any long-term care policy or rider it has sold.”

Rate Increase History

The insurer has sold long-term care insurance since 1996 and has sold this rider since 1996. The insurer has never raised its rates for any long-term care policy or rider it has sold in this state or any other state.


**Example 13** – An insurer sells a disability income policy with a long-term care rider. They sell no other long-term care coverage. The rates for the long-term care rider were increased by 30%. Because the increase was on the long-term care rider, the insurer must disclose the rate increase for any policy form or rider developed in the future having similar benefits. The insurer could modify the bracketed language as follows: “The insurer has sold long-term care insurance since 1996 and has sold this policy since 1996” changes to “The insurer has sold long-term care insurance since 1996 and has sold this **rider** since 1996.”

---

**Rate Increase History**

The insurer has sold long-term care insurance since 1996 and has sold this rider since 1996. The insurer has raised its premium rates on this policy form or similar policy forms in the last 10 years. Following is a summary of the rate increase(s).

<table>
<thead>
<tr>
<th>Years Available for Purchase</th>
<th>Rate History</th>
</tr>
</thead>
<tbody>
<tr>
<td>LTC010 1996–present</td>
<td>2000 - 30% increase on rider rates</td>
</tr>
</tbody>
</table>

Rider form LTC010 is a rider attached to disability income policies.

**Example 14** – An insurer sells a disability income policy that has long-term care benefits in the base policy. The policy is considered a long-term care policy under the regulation’s definition. The rates for the policy were increased by 25%. Regardless of the reason for the rate increase, the insurer must disclose the rate increase for any similar policy.

---

**Rate Increase History (this policy or any similar LTC policy)**

Insurer X has sold long-term care insurance since 1996 and has sold this rider since 1996. The insurer has raised its premium rates on this policy form or similar policy forms in the last 10 years. Following is a summary of the rate increase(s).

<table>
<thead>
<tr>
<th>Years Available for Purchase</th>
<th>Rate History</th>
</tr>
</thead>
<tbody>
<tr>
<td>DILTC1 1996–present</td>
<td>2000 - 25% increase</td>
</tr>
</tbody>
</table>

Policy form DILTC1 includes disability income benefits and long term care benefits.

---

**E. QUESTIONS AND ANSWERS**

1. **What is the difference between institutional and non-institutional long-term care benefits?**

   Generally, institutional benefits are based on each day that the insured is confined to a facility and is receiving services. Non-institutional benefits are usually based on specific services or visits, not days.

2. **When does the rate history start?**

   The rate history is shown for a period extending back 10 years from the date that an application is taken.
3. **Does the regulation require disclosure only of premium schedule increases that occur after the effective date of the regulation?**

No. All premium schedule increases in the last 10 years must be disclosed regardless of whether they occurred before or after the effective date of the regulation.

4. **Does the 10-year time frame date back to when the premium schedule increases were approved or when they were implemented?**

The time frame should be based on the date a premium schedule increase was implemented.

5. **When does an insurer have to file disclosure forms?**

The forms must be filed during the initial filing and any other time that rates are modified in this state or any other state. Where an insurer is filing for premium rate schedule increases in a number of states, it is expected that the disclosures will be updated at least every year. Insurers must also file disclosure forms for any plans that were approved prior to the effective date of this regulation but are going to be marketed after the effective date.

6. **When does an insurer have to provide disclosure forms to an applicant?**

The disclosure forms must be provided to the applicant at the time of application unless the method of application does not allow for it. Methods that do not allow for delivery at time of application include application by mail, electronic application, and interactive voice response (IVR) application. With these methods of application, the disclosure must be provided no later than when the policy or certificate is delivered.

7. **When does an insurer have to provide disclosure forms to a policyholder?**

Every policyholder affected by the premium rate increase must be given updated disclosure forms at the same time as the notification of the rate increase.

8. **Does an insurer have to list every plan code that had a rate increase?**

If an insurer has different plan codes under the same plan series (e.g. LTC001-01, LTC001-02, etc.), the insurer can show the rate increase under that plan series. However, if the rate increase varies by plan code, the insurer needs to disclose the full range of the premium increase. If the plans are substantially different, the insurer should show each plan separately.

9. **Can an insurer list all long-term care forms in its rate increase history including forms with no rate increase?**

No. The rate increase history should include only policy forms where rates were increased. Depending on the state, an insurer may be able to provide an explanation of the increase indicating how much of its long-term care business was affected by the premium schedule increase. However, any information concerning policies or premiums in force should be for the year that the rate increase was implemented.

10. **An insurer raised rates on a home health rider attached to a nursing home only policy. With what types of plans does this increase need to be disclosed?**

Comprehensive plans and other types of plans with non-institutional riders would be required to disclose the increase. For an applicant applying for a long-term care policy with a rider providing non-institutional care, the increase would need to be shown. For an applicant applying for an institutional-only policy with no non-institutional care, the insurer would not be required to disclose the increase.
11. If an insurer increases rates on a home health rider attached to an institutional only policy, how is the rate increase percentage calculated?

The rate increase would be calculated based on the total premium rate. If the average increase on the rider was 15% and the premium rate for the home health rider is 20% of the total premium rate, then a 3% (3% = 15% x 20%) rate increase would be disclosed.

12. If the state permits information relating to the number of policies affected by the rate increase, are there useful rules to apply?

To show what percentage of policies have received rate increases, an insurer may show annualized premium in force or policies in force for both the portion of its LTCI business subject to the rate increase and its total LTCI business. However, the amounts should be only for the insurer’s long-term care business. An insurer cannot express percentages or other numbers that incorporate all of the insurer’s business including policies that provide no long-term care coverage. The numbers for policies in force or annualized premium in force should be shown for the year of the rate increase only. Annualized premiums for a specific rate increase should be based on the in force premiums immediately preceding implementation of the rate increase and should not include the relevant rate increase. An insurer may not show numbers that reflect a span of years. The intention is to provide the consumer with a picture of how much of the insurer’s long-term care business was affected at the time of the rate revision.
The regulator should determine whether the information presented in filings is consistent with the guidance in this manual to the extent appropriate. Your state may not have adopted all sections of the model. Therefore, reviewing the insurer’s initial filing should be consistent with your state’s statutes and regulations. Each of the items in the filing should meet or exceed minimum standards contained in your state’s statutes and regulations related to LTCI.

A. MATERIALS THAT ACCOMPANY A FILING

In most situations, the filing will include the following, provided in accordance with state filing requirements:

- Policy Form
- Disclosure Materials
- Premium Rate Schedule
- Actuarial Certification

An insurer may file a new set of premium rates to be used for new sales. If the sales will be of an existing policy form, the filing must also include disclosure materials and the Actuarial Certification. Because the state would have already received a copy of the form, the insurer may or may not be required to resubmit a copy of it.

The model provides no authority to require certifications on a retroactive basis for existing policy forms that have no change in premiums for new business. However, the regulator may request information and ultimately withdraw approval of forms and rates under the state’s general statutory authority if appropriate.

B. POLICY FORM

The policy form should be provided in the filing to enable the regulator to review the benefits provided by the policy form and any riders that may be attached. Depending on state laws relating to contracts, the policy form may or may not need to describe contingent benefits upon lapse (CBL). The Model Regulation does not require it. For those states that do, the policy will need to be amended or endorsed to describe the benefit. In either case, CBL is assumed to be available in the event of substantial rate increases, as it will have been disclosed in the Potential Rate Increase Disclosure Form.

C. DISCLOSURE MATERIALS

The LTCI Model Regulation sets out certain required disclosures that are to be provided to consumers at specified times. These disclosures are discussed in Section IV of this manual.

Based on the revised Model Regulation, the following disclosure materials associated with the initial rate filing will be required:

- History of the insurer’s rating practices to be provided in the Rate Increase History Section of the Long-Term Care Insurance Personal Worksheet (Appendix B of the NAIC LTCI Model Regulation; and

- The Potential Rate Increase Disclosure Form (Appendix F of the NAIC LTCI Model Regulation).

The disclosure materials should clearly state that the rates may be adjusted in the future for in force contracts, unless the policy form is noncancelable.
Section VI. RATE INCREASE FILING

The prior chapters of this manual have related to the initial filing of premium rates and disclosures to applicants for long-term care insurance policy forms under the new LTCI Model Regulation. It is anticipated that the new rules for developing premium rate schedules will allow insurers to include greater margins and reduce the potential need for rate increases. However, the Model Regulation does provide for the filing, review and approval of premium rate increases, as well as the monitoring of ongoing experience in the event of a rate increase for policy contracts issued subject to the new Model Regulation.

This chapter covers the information to be filed and the basis for the regulator’s review of premium rate increase submissions under the new Model Regulation. Later chapters provide information relating to monitoring, additional regulatory oversight and potential regulatory actions for significant rate increases.

A. MATERIALS THAT ACCOMPANY A RATE INCREASE FILING

The information to accompany a filing for a rate increase is defined in Section 20 of the Model Regulation. The information includes:

- **New Premium Rate Schedule**
- **New Disclosure of Rate Increase History** document that reflects the filed increase. The insurer should also provide a list of all similar policy forms that are available for sale in which applicants will be informed of this rate increase.
- **New Actuarial Certification**
- **Actuarial Memorandum** justifying the new rate schedule\(^1\) which includes:
  - Lifetime projection of earned premiums and incurred claims that illustrate the rate schedule’s compliance with the loss ratio standards;
  - Disclosure of how reserves have been accounted for if the rate increase triggers contingent benefit upon lapse;
  - Disclosure of why the rate increase is necessary, including which pricing assumptions were not realized and why; and
  - Statement that the policy design, underwriting, and claims adjudication practices have been taken into consideration.
- **Rate Comparison Statement** that “renewal premium rate schedules are not greater than new business premium rate schedules except for differences attributable to benefits, unless sufficient justification is provided to the commissioner…”

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\(^1\) There are different rules for “exceptional increases.” These are explained in a separate section at the end of this chapter.
1. New Premium Rate Schedule
The complete new rate schedule should be filed, including rates for all variations in elimination periods and benefit periods. The percentage increase for each issue age should be provided from both the existing rate (to review the changes to disclosure documents) and the original rate. These percentages should be compared to the levels that trigger Contingent Benefit upon Lapse (CBL). See below for additional issues if CBL is triggered.

2. New Disclosure of Rate Increase History
Section 9 of the Model Regulation outlines the disclosure documents that each insurer must provide to all applicants. One part of this is a history of any rate increase on similar policy forms that has occurred within the 10-year period prior to the application date. This disclosure will need to be updated to reflect the actual rate increase that results from the filing. The Commissioner should establish the time frame within which the insurer must change its disclosure documents after the approval of any rate.