Speed to Market Tools for Long Term Care Rate Filings

**Purpose:** Speed to Market (STM) Tools provide guidance for preparing a filing. Although using the information in this document does not guarantee that your filing will be approved, it will expedite the review of your filing.

**Applicable TOIs:** LTC02G, LTC02I, LTC03G, LTC03I, LTC04G, LTC04I, LTC05G, LTC05I, and LTC06.

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# **Does the top section of the Rate/Rule Schedule tab in SERFF reflect all information about the prior rate filing, if applicable?**

If not, please add that now.

# **Long Term Care (LTC) Combination (Combo) products paired with life or annuities.**

* 1. Combo products with acceleration of benefit only.
     1. These products must be filed under the appropriate life or annuity Type of Insurance (TOI).
  2. Combo products with LTC benefits in addition to benefit acceleration (aka acceleration of benefits).
     1. The LTC rider for these products must be filed under an LTC TOI with separate, stand-alone rate and form filings.
     2. The LTC rider must be filed as noncancellable to be consistent with the corresponding life or annuity policies. Noncancellable means that renewals cannot be declined, nor can rates be revised by the insurance company [see WAC 284-60-030(9)(b)].

# **Out of state situs groups.**

1. Rates for group long term care policies offered to a Washington resident by an out of state discretionary group would need to be filed with our office under RCW 48.83.030 and RCW 48.83.020(6)(d).
2. Rates for group long term care offered to a Washington resident through a permissible group (see RCW 48.83.020(6)(a)-(c)) would not need to be filed with our office.

# **Have you specified the type of rate filing and when the policies were issued?**

Include the applicable information in the actuarial memorandum. Note: Rate filings should only cover policies issued in the state of Washington, regardless of the policyholder’s current residence.

* 1. Rate filings for policies issued prior to 2009:

1. Subject to RCW 48.84 as well as WAC 284-54 & 284-60.
2. Note: For group policies issued prior to 2009, the provisions under WAC 284-83-035 apply on the first group policy anniversary following January 1, 2009 [WAC 284-83-035(1)(b)].
   1. Rate filings for policies issued in 2009 or later:
3. Subject to RCW 48.83 and WAC 284-83.
4. Updated experience report filings as required under WAC 284-83-090(4) and (5). Experience reports must be filed under the same TOI as the corresponding rate filing.
   1. Filings submitted under TOI LTC06 Long Term Care – Other:
5. Revised rate filings must be submitted under the same TOI as the prior filings. If the prior filings were submitted under TOI LTC06, include the reasons for this TOI selection in the introduction or scope section of the memorandum.

# **Is the rate filing for Compact LTC policies with an increase greater than 15%?**

1. If yes, please clarify this in the rate filing.
2. The Compact allows for new rate manuals to be filed for the same policy forms. The policy issue date appears to be the defining characteristic of determining the applicable manual to quote. Consequently, multiple rate manuals may migrate to state-based filings when policy forms need an increase greater than 15%. Issues to review and possibly change include:
3. Each rate manual must clearly indicate the process for identifying relevant policyholders. This includes identifying the applicable rate manual submitted in the Compact filing.
4. Different rate manuals for the same policy forms must be pooled in a single rate filing.
5. Include an exhibit, as Supporting Documentation, comparing the rate manuals in this filing and the tracking number of any other Washington state rate filings for the same set of policy forms. We would like to understand the magnitude of rate and factor differences to merge, as much as is feasible, the rating into a common set of rate and factor tables that apply to all policyholders.
6. For applicable individual rate filings, include an exhibit showing the distribution of Washington policyholders who have various group, worksite, and association discount factors. We would like to get an idea of the extent of group rate adjustments that have been applied to these individual policies.
7. All underwriting adjustments, class factors, and discount factors must be clearly defined in the rate manual.
8. All future rate changes must be submitted to the Washington State Office of the Insurance Commissioner rather than the Compact.
9. Submit a copy of the applicable forms previously approved by the Compact as Supporting Documentation in SERFF in the initial Washington State rate filing. This is only for documentation of the policy information for our state systems. Compact-approved forms will not be re-reviewed. Note: all applicable Compact-approved forms should be submitted.
10. Any subsequent or revised forms must be filed in Washington State in a separate form filing.

# **Can the final billed premium rates be determined from the rate manual?**

RCW 48.19.010(2) requires that the manual of classification, manual of rules and rates, and any modifications must be filed BEFORE use. To determine this, the filing must:

1. Exclude all ambiguous rating descriptions and ranges from the rate filing.
2. In the rate manual, include all rates, factors (including premium modalization factors), and the rules and formulas for applying them (including rounding rules).
3. Note: rates must be filed before use per RCW 48.19.010(2). Therefore, the rate manual must account for every rating variation the company uses to calculate the premium charged. Any premium amount that cannot be duplicated exactly using only the rate manual is not considered to be filed and violates RCW 48.19.010(2).
4. Provide a comprehensive illustrative example of a premium calculation based on the rate manual. The example should be consistent with the rate manual and include all applicable policy variables, calculation steps and rate manual references [RCW 48.19.010(2)].

If policies offer a Cost-of-Living Adjustment (COLA) benefit increase, include an example illustrating the impact of a reduction or termination of the COLA benefit increase. Consider the following:

1. Indicate the assumed policy duration at the time the COLA reduction is implemented.
2. Does the policyholder have the option to retain the accumulated benefit or reduce the benefit to the original benefit amount? Reducing to the original benefit amount indicates a partial premium refund is warranted due to eliminating the accumulated benefit.
3. Do you allow a downgrade from compound to simple interest? If so, demonstrate how the post-downgrade benefit amount is determined.
4. Group specific experience rating is not applicable to this type of coverage [RCW 48.19.010(2) and WAC 284-60-040(1)]. Remove all group specific experience rating references from the rate manual and actuarial memorandum.
5. Qualified large groups (group size 100+ when the group/employer pays more than 50% of the premium [WAC 284-60-060(2) & (3)]) rated using experience and/or non-standard rates and factors, including non-standard commission loads and other allowable adjustment, are filed separately, as single case/employer filings.
   * + 1. Provide the specific rate for the group, not just the experience formula.
       2. Confirm, in the actuarial memorandum, that the group meets the required conditions for a single employer rate filing.
6. Clearly demonstrate and/or explain the premium calculations of any Benefit Reduction Options (BRO). For example, address the removal or reduction of the benefit increase option (BIO).
7. Clearly specify if the accumulated benefits are retained or lost.
8. Indicate how the premium calculation incorporates the retention or loss of the accumulated benefits.

# **If applicable, is sufficient information provided for an experience report filing [WAC 284-83-090(4) & (5)]?**

1. Please submit Excel and PDF file versions that include observed experience and projections for Washington State policies and, if applicable, nationwide too. Include the original information (i.e., the most recent rate filing) and any interim updates filed under WAC 284-83-090(4) or (5). If the projections are made on a policy basis, please add a tab with the total pooled amounts, for comparison. Include all formulas and internal links in the Excel file and follow the Excel and PDF file naming conventions outlined below.
2. Include an actuarial memorandum which includes the following (see section XV below).
3. A table listing the SERFF tracking number(s) of the original and interim filings. Please also reflect the number of policyholders at the time of each filing.
4. Include discussion, justification, and the impact of any updates to the historical experience amounts submitted in the prior filing.
5. Discuss the impact on projections of the additional experience since the prior filing.
6. Discuss any changes to the projection methodology.

# **Do Excel copies of PDFs meet our standard submission requirements?**

Excel files may be submitted in support of the rate filing if the following conditions are met:

1. External file links should be broken.
2. Internal file links and formulas can and should be maintained.
3. Password protection is not allowed on the workbook or any part of a spreadsheet.
4. A copy of the Excel file is also submitted as a PDF file. The contents should match exactly between the two files. The PDF file should give visibility to all spreadsheets (hidden or active) and all cells with content (unhide all rows and columns and make the font visible). The PDF and Excel files will be named the same except the Excel file name will end with “duplicate.xlsx.”
5. The PDF file should be reviewed for completeness and readability. For example, column headings and row descriptions should be repeated on each page for continuation of large tables. There must not be any values that are cut off, displaying as “####”, or otherwise unreadable.

# **Is it clear that the general rating manual meets the pooling requirements?**

1. For pooling, basing a group’s rate on its own experience is not allowed and must be removed from the rating manual.
2. All similar policy forms must be pooled per WAC 284-54-620 and WAC 284-83-220. Please review the appropriate section and provide a list of the company’s similar policy forms. Identify the forms that are and are not pooled in the development of the rates in this filing and provide justification for any separate pooling. This information should be provided in a separate PDF document on the Supporting Documentation tab in SERFF and should be included in all future corresponding rate filings.
3. If you already have policy forms filed with us or are submitting multiple filings for the same type of insurance (TOI), you must show how the experience is pooled for rating purposes or explain in the actuarial memorandum why the policy forms are not similar.
4. Expenses, including commissions, for each group must also be pooled.

# **Are benefits reasonable in relation to the premium charged [RCW 48.18.110]?**

Please provide supporting documentation to this effect.

# **Do benefits or rates unfairly discriminate against an individual or group [RCW 48.18.480]?**

Please provide supporting documentation, as appropriate, to explain how benefits and rates do not unfairly discriminate.

# **Is the rate manual consistent with the variability filed in the form filing?**

Check that the rate manual accounts for the variability of the rating components in the form filing, including all variable ranges and allowed increments within the ranges. If there is no rate impact for certain benefit variability options, eliminate the variability in the form filing and give all the policies the same benefit.

# **Does the filing meet the applicable loss ratios requirements?**

1. Policies issued prior to 2009 [WAC 284-54-600]:
2. 60% for individual [WAC 284-60-050];
3. Variable percent for group as outlined in WAC 284-60-060, if applicable.
4. Policies issued 2009 and after [WAC 284-83-230] and group policies issued prior to 2009 as explained in WAC 284-83-005:
5. 60% for individual [WAC 284-83-230];
6. 70% for group [WAC 284-83-230].

# **For rate filings subject to WAC 284-83,** **include a document titled Disclosure of Rate Practices.**

This is the required disclosure of rating practices to consumers, which includes information under WAC 284-83-035 [see also WAC 284-83-090(2)(a)].

# **Does the filing contain enough information for us to do a proper review?**

## Actuarial Memorandum: General Information

1. Include a list of the policy and certificate form numbers affected.
2. For updated experience projections [WAC 284-83-090(4) or (5)], specify the state and/or SERFF tracking number of the rate filing which the updated projections apply to and the tracking number(s) of all prior experience projection filings.
3. Include a description of the data used in the development of the proposed rates and how the data analysis impacted the rates and factors in the rate manual.
4. Include a section in the actuarial memorandum outlining the changes since the prior rate or experience report filing and how the exhibits support your requested increase.
5. For rate filings subject to WAC 284-83, indicate if the filing includes an Exceptional Increase [WAC 284-83-010(2)].
6. Include a section discussing the impact on the proposed rate increase, if any, due to the Application of Asset Adequacy Testing to Long-Term Care Insurance Reserves in Actuarial Guideline LI (AG-51) [also see WAC 284-83-090(2)(c)(ii)].
7. If the credibility of state-specific or regional experience is ignored, it risks failing to set adequate rates and reserves for policy blocks from states that represent greater risks. Using your credibility bases, estimate the level of credibility of the Washington experience. Describe how you adjust the experience for partial credibility to create proposed Washington rates.
8. Include a table, in the actuarial memorandum, listing the historical increases, including the state and/or SERFF tracking number, the filing disposition date, and the effective date of the rate increases. If any filing is part of a phased-in rate increase, list the effective date and percent of each increase included in the filing; if each phase is filed separately, indicate which installment is being filed (such as “phase 2 of 3”). If some or all policies are assumed blocks from another company, list the ceding company, assumption date, and the prior increases of the ceding company if known.
9. Disclose the analysis performed to determine why a rate adjustment is necessary, which pricing assumptions were not realized and why, and what other actions taken by the issuer have been relied upon by the actuary [WAC 284-83-090(2)(c)(iii)].
10. Specify the calculating period (the time span over which the actuary expects the premium rates, whether level or increasing, to remain adequate in accordance with his or her best estimate of future experience and during which the actuary does not expect to request a rate increase [WAC 284-60-030(4), WAC 284-83-210(3)]). Note, however, that the actual updated rate manual may be submitted sooner or later than the current expectation.

## Actuarial Memorandum: Assumptions

1. Provide cost and utilization trends and other adjustment factors applied to the data.
2. Include the general description and source of each assumption used. Assumptions should include, but not be limited to, voluntary lapse by duration, anticipated shock lapses due to a rate increase, anti-selection among policyholders who have opted to reduce benefits when rates increase, mortality rates and tables, morbidity rates and expected claim costs, anticipated loss ratio by duration, and if applicable, underwriting and selection wear-off factors.
3. LTC morbidity experience can often be understated due to the lack of reporting (i.e., because no claim is filed). Explain how you estimate unreported deaths. Show how you adjust for unknowns (e.g., filling in missing data as implied by reviewing the Social Security Death Master File).
4. Show how you adjusted expected lapses, morbidity, and/or mortality due to the probability of anti-selection among those who have opted to reduce benefits (e.g., when rates increase).
5. Describe the statistical bases you use to estimate the credibility of the mortality, morbidity, and persistency experience of this business. The credibility of experience underlying each assumption often varies due to differences in incidence.

Show compliance with Actuarial Standard of Practice (ASOP) No. 25, “Credibility Procedures,” of the Actuarial Standards Board. The following might be helpful: <http://actuary.org/files/imce/LTC_Credibility_Monograph_08172016.pdf>

1. Actuarial Guideline LI (AG-51) requires active life reserves to ignore future rate increases that have not yet been approved. The present value of future Washington premiums plus active life reserves should equal the present value of future claims. Please show this and describe how the proposed rate increase would affect your active life reserves.
2. ASOP No. 18, “Long-Term Care,” Section 3.2 covers sensitivity testing and states, “Prior to the finalization of assumptions, the actuary should perform sensitivity testing of reasonable variations in assumptions, and reasonable correlations of assumptions. The actuary should expand the range of sensitivity testing when the data supporting the assumptions have limited credibility. Also, the actuary should consider testing the projections under stressed assumptions. The actuary should consider including appropriate margin or PAD to recognize the results of the sensitivity testing.” (Note: PAD = Provision for Adverse Deviation)

The memorandum must describe sensitivity testing assumptions and the results of sensitivity testing. If the certifying actuary determines that no sensitivity testing of one or more assumptions is justified, the memorandum must describe the actuarial basis for that determination.

1. In the actuarial memorandum, include a percentage breakdown of the premium retention loads, including premium tax [RCW 48.14.020 or 48.14.0201], commissions, regulatory surcharge [RCW 48.02.190], margin/profit loads that support the expected loss ratio, and any applicable minimum loss ratio requirements under WAC 284-60 or WAC 284-83. If applicable, submit an exhibit showing the calculation converting any dollar loads or variable expense loads to an average percent of premium.
2. For closed blocks of business:
3. Clearly state that the block of business is closed to new business.
4. An analysis of the expected loss ratio is sufficient in lieu of expected retention loads.
5. Our policy has been to enforce a flat percentage increase across the pool.
6. Multiple closed blocks with the same TOI, including trusts and associations, can be combined into a single pooled block.
7. As an alternative to a general rate manual, you may submit a list of all the remaining policies with enough information (such as issue age, premium modalization, benefit duration, elimination period, inflation, benefit choices, etc.), to calculate the current rates. Note: This option may not be sufficient by itself if policyholders have the option to reduce or otherwise change benefits; in that case, the rate manual will still be required.
8. If you are including an additional amount for retaliatory taxes [RCW 48.14.040], submit as justification a summary of your most recent tax submission form.
9. Include a signed actuarial certification in accordance with WAC 284-58-033 and WAC 284-05, as applicable. The contents should include, but not be limited to, the following:
10. Reliance information;
11. The applicable ASOPs, including No. 18, Long-Term Care; No. 23, Data Quality; No. 25, Credibility Procedures, and No. 41, Actuarial Communications;
12. Identification of the certifying actuary and a statement that the actuary is a member of the American Academy of Actuaries; and
13. The date the actuary signed the certification.

## Actuarial Exhibits

Exhibits should be included in an Excel spreadsheet and in a PDF (see section VIII above).

1. Include the following exhibits, as applicable [see WAC sections, such as 284-60-050, 284-60-060, 284-54-660, 284-83-090 and/or 284-83-230, as applicable, for more details]:
2. The annual historical experience (e.g., active lives, earned premium, incurred claims, actual and expected loss ratios, etc.) for Washington State.
3. The current policyholder distribution by both issue age (or age category) and attained age for Washington and nationwide members. Submit both policyholder counts and percentages of total for these and any other distribution tables.
4. If the Washington State experience is not 100% credible, also show the historical nationwide experience, or other experience used in the rate development, and justify any adjustments made to the data to align the experience with the Washington State market. Include credibility analysis and calculations consistent with Actuarial Standard of Practice (ASOP) No. 25, “Credibility Procedures”.
5. Lifetime projections of earned premiums and incurred claims based on the filed proposed premium rate schedule.
6. The detailed calculation of the 58/85 Test [WAC 284-83-090(3)(b)], adjusted for the original anticipated lifetime loss ratio as appropriate [WAC 284-83-090(7)(b)].
7. Provide detailed data showing nationwide past implemented and proposed rate increases by state as well as average premiums by state. Explain any wide variations in average Washington State premium from nationwide premium.
8. The actual-to-expected ratio for discounted spouse policies often differs from 100%. Estimate to what extent this is due to additional male coverage, for example, as opposed to demonstrable improvement due to living with someone such as a spouse or other companion.
9. Provide support that the present values and accumulated values used to determine rate increases apply the appropriate interest rates or interest rate averages [WAC 284-83-090(3)(d)] (e.g., as compared with the carrier’s net investment yields).

## Other Supporting Documentation

1. Include a template of the policyholder rate change notification letter. Do NOT include, as part of the notification letter, a benefit change request form for the policyholder to fill out and return. All forms must be submitted in a separate form filing for approval prior to use [RCW 48.18.100].

# **Is the proprietary filing complete?**

1. If you wish to withhold information from public inspection pursuant to RCW 48.02.120(3), you must file separate public and not-for-public (a.k.a. proprietary) filings as instructed in the Washington State SERFF Life, Health and Disability Rate Filing General Instructions.
2. Include a standalone document in both the public and proprietary filings, listing all data withheld. Identify each piece of information withheld by description and location in the filing.
3. If one single page includes both public information and proprietary information, only the proprietary information in the applicable page can be redacted.
4. Cite the statutory exemption under which you are seeking an exemption and explain how that exemption applies to each piece of information.

# **Are you responding to a SERFF Objection Letter?**

1. Responses and attachments should *never* be sent as a Note to Reviewer in SERFF.
2. Unless instructed otherwise, all response attachments must be in PDF format.
3. Respond to each objection completely and in a timely manner [WAC 284-58-047].
4. Amend the filing to respond to an objection. You must answer each objection individually. As appropriate depending on the objection, also separately file the appropriate revised form.
5. Revise a Schedule Item to make changes to a document already submitted.
6. Add a Schedule Item for additional documents not previously submitted.