



REPORT ON COMPACT-APPROVED INDIVIDUAL LONG-TERM CARE INSURANCE RATE SCHEDULE CERTIFICATIONS

REPORTING YEAR 2023 CERTIFICATIONS DUE MAY 1, 2024

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**ANNUAL REPORT ON COMPACT-APPROVED
INDIVIDUAL LONG-TERM CARE INSURANCE
RATE SCHEDULE CERTIFICATIONS**

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EXECUTIVE SUMMARY

The Interstate Insurance Product Regulation Commission Office (Compact Office) annually reviews and reports on the certifications submitted by filing companies for Compact-approved individual long-term care insurance rate schedules. The certifications are for reporting year 2023. Companies have been submitting annual rate certifications since 2012 and triennial supporting actuarial memorandums since 2014. This is the fifth year this annual report has been published.

This report provides the number and status of rate schedules approved by the Compact Office in conjunction with Compact-approved individual long-term care insurance products,¹ along with details regarding the review process completed for this year’s rate certifications. The reporting year 2023 certification review included 94 initial and new business rate schedule certifications, 26 of which were accompanied by triennial supporting actuarial memorandums. The Compact Office forwards a separate member-only report listing the long-term care insurance products approved on the Compacting State’s behalf by the Compact Office and detailed regulator-only information about the associated rate schedule certifications.

TABLE 1	
Reporting Year 2023 Overview	
Annual/Triennial Certification Submissions Reviewed	94
Number of Companies	27
Number of Filings	71

The Compact Office reviewed a total of 94 rate schedule submissions as summarized in Table 1 above. The 94 rate schedules break out as follows:

- 67 annual rate certifications for initial rate schedules;
- 27 annual rate certifications for new rate schedules for new business (known as “rate refresh”); and,

These filings were submitted by 27 companies in 71 filings in SERFF. Of these, 36 rate schedules (38%) are currently marketed while the remaining 58 (62%) are no longer marketed or not yet marketed.

The Compact Office reviewed one fewer annual rate certification submissions for reporting year 2023 compared to reporting year 2022 (94 vs. 95). The reviews excluded three rate schedules from two companies that were included in reporting year 2022. The monitoring of these rate schedules transitioned to state approval and oversight following the Compact Office’s advisory review of rate increase requests greater than 15%.

¹ The Insurance Compact Office does not accept group long-term care insurance products as Uniform Standards for group long-term care insurance have not been developed to date.

Furthermore, as of year-end 2023, three rate schedules for two companies had stopped being marketed. This changes the nature of the required certification going forward without changing the annual/triennial certification schedule.

Two rate schedules for one company had their marketing status changed from currently marketed to not yet marketed. The company certified that these rate schedules will never be marketed. The same company certified that one rate schedule that was currently marketed no longer has any policies that remain in force. This eliminates annual certifications going forward for these three rate schedules.

UNIFORM STANDARD REQUIREMENTS FOR CERTIFICATIONS

Section 3 of the Uniform Standard IIPRC-LTC-I-3-RATEI, *Rate Filing Standards for Individual Long-Term Care Insurance* (“*Rate Filing Standards*”) requires a company with a Compact-approved rate schedule (whether currently marketed or no longer marketed) to submit an annual certification signed by a member of the American Academy of Actuaries with respect to the sufficiency of the rate schedule. Please see [Appendix I](#) for background information on the Insurance Compact and the Individual Long-Term Care Insurance Uniform Standards. The relevant section of the *Rate Filing Standards* is provided in [Appendix II](#).

In brief, the certification is submitted by the company and prepared and signed by a member of the American Academy of Actuaries. The certification statement has different requirements for premium rate schedules that are currently marketed versus no longer marketed. Currently marketed rate schedules require a more comprehensive certification to be considered sufficient.

Each year’s certification must include a brief summary of the review that was performed to support the certification. A company must file a plan of action if its certification states the rate schedule may no longer be sufficient. Every three years, the company is required to accompany the certification with a supporting actuarial memorandum describing the assumptions used in the analysis and how they compare to the original pricing assumptions.

The annual certification is due May 1st of each year starting in the year after the first full year in which the initial rate schedule was approved. The triennial memorandum is due May 1st of the reporting year starting in the third year (and every third year thereafter) after the first full year in which the rate schedule was approved. Each certification is based on cumulative data pertaining to the rate schedule through December 31st of the calendar year preceding the May 1st submission deadline.

Each annual rate certification and triennial memorandum is reviewed by a Compact Office actuary for compliance with the requirements in Section 3 of the *Rate Filing Standards* or Section 4 of the *Rate Revision Standards*, as applicable.

Certifications and supporting memorandums, if applicable, for cumulative data through calendar year 2023 were due to the Compact Office by May 1, 2024, for premium rate schedules approved by the Compact Office prior to December 31, 2022. Triennial memorandums were due for premium rate schedules approved in 2011, 2014, 2017 and 2020, respectively. The triennial

memorandum submissions reflect some adjustments for companies with multiple approved rate schedules to align their triennial periods, provided that no more than three years pass before a triennial memorandum is provided.

The Compact Office receives combination products of individual life or individual annuity with individual long-term care insurance benefit features either built-in to the policy or by rider. Generally, these product filings are individual life or annuity policies with a rider for individual long-term care insurance coverage. The individual long-term care insurance forms, provisions and supporting documentation are reviewed for compliance with the Uniform Standards for individual long-term care insurance including the *Rate Filing Standards*, as applicable.

As defined in the *Rate Filing Standards*, dollar-for-dollar long-term care insurance riders are subject to actuarial requirements and prior review under the *Rate Filing Standards*, but do not have associated rate certifications. Dollar-for-dollar long-term care insurance is specifically excluded from Section 3 certification requirements. Dollar-for-dollar riders are defined in the *Rate Filing Standards* as riders to life insurance policies that permit payment of \$1.00 of death benefit to pay for \$1.00 of long-term care services or to annuity contracts that permit waiver of \$1.00 in surrender or withdrawal charges or payment of \$1.00 of account value to pay for \$1.00 of long-term care services.

Riders to life insurance policies or annuity contracts that are a continuation or extension of individual long-term care benefits are required to submit rate schedules for prior review and approval under the *Rate Filing Standards* and are subject to Section 3 certification requirements.

OVERVIEW OF 2023 ANNUAL AND TRIENNIAL RATE CERTIFICATIONS

For reporting year 2023, there were a total of 94 long-term care rate schedules subject to the yearly certification requirements in Section 3 of the *Rate Filing Standards*. Of these, 26 rate schedules were subject to the triennial requirement to submit the supporting memorandum described in Section 3B(2) for the certification year 2023. All certifications were submitted via the System for Electronic Rate & Forms Filing (SERFF). One certification was filed pursuant to Section 4 of the *Rate Revision Standards* pertaining to a 15% or less in-force rate increase approved by the Compact Office.

The 94 total rate schedules were submitted by 27 companies in 71 filings in SERFF. Some filings include multiple policy forms and rate schedules, such as for gender-distinct and unisex forms. Additionally, some filings include more than one rate schedule for the same form since the *Rate Filing Standards* allow the filing of new business rate refresh schedules for future new business issues on a given form. Before 2017, these new business refresh rate schedules were included in the same product filing within SERFF as the original rate schedule. Since 2017, new business rate refresh schedules are required to be filed in a separate filing and associated with the approved product filing using the Associated Filing feature in SERFF and the Supporting Documentation Filing Type for Compact-approved filings. These new business rate refresh schedules are specifically defined in the *Rate Filing Standards* to be subject to compliance with initial rate filing requirements rather than the *Rate Revision Standards*.

TABLE 2	
Reporting Year 2023 Annual Rate Certification Overview	
Rate Schedules Currently Marketed	36
Sufficient	35
Insufficient	1
Rate Schedules No Longer Marketed	54
Sufficient	47
Insufficient	7
Rate Schedules Not Yet Marketed (No review needed)	2
Rate Schedules Not Yet Marketed (Insufficient)	2
Total	94

The specific status of the 945 initial and rate refresh schedules based on the certifications as of December 31, 2023 may be summarized as follows:

- 36 rate schedules are currently marketed. The certification for currently marketed rate schedules is based on sufficiency to cover anticipated costs under moderately adverse experience, and that there are no increases anticipated over the life of the form if the assumptions hold. Of these currently marketed rates:
 - 35 rate schedule certifications indicated the respective rate schedule was sufficient using language substantively similar to that in the *Rate Filing Standards*.²
 - One rate schedule certification indicated that the margin for adverse experience may no longer be sufficient. The company has certified it has ceased actively marketing the form and rate schedule though will continue to accept non-solicited applications and issue under the existing form and associated rate schedule.
- 54 rate schedules are no longer marketed. The certification for rate schedules that are no longer marketed is based on sufficiency to cover anticipated costs under best estimate assumptions. Of these rate schedules no longer marketed:
 - 47 rate schedule certifications indicated the respective rate schedule was sufficient using language substantively similar to that in the *Rate Filing Standards*.
 - Seven rate schedules certifications indicated the respective rate schedules may no longer be sufficient. The required plan of action based on these certifications can be categorized as follows:
 - Two companies submitted separate in-force rate increase requests on one of each of their respective rate schedules that were in the amount of 15% or less.

² In Table 2, the terms “sufficient” and “insufficient” have the meanings in the certification statements in Section 3B(1)(a) of the *Rate Filing Standards* as follows:

- “Sufficient” for rate schedules currently marketed refers to “the premium rate schedule continues to be sufficient to cover anticipated costs under moderately adverse experience and that the premium rate schedule is reasonably expected to be sustainable over the life of the form with no future premium increases anticipated;”
- “Insufficient” for rate schedules currently marketed refers to “margins for moderately adverse experience may no longer be sufficient;”
- “Sufficient” for rate schedules no longer marketed refers to “premium rate schedule continues to be sufficient to cover anticipated costs under best estimate assumptions;” and
- “Insufficient” for rate schedules no longer marketed refers to “premium rate schedule may no longer be sufficient.”

- One company filed on January 2, 2024, that was approved by the Compact Office on July 15, 2024.
- The other company filed on December 18, 2023, that was approved by the Compact Office on October 21, 2024.
- One company submitted an in-force rate increase request in an amount exceeding 15%, which is now pending an advisory review by the Compact Office.
- For one rate schedule, the company attested that there are no policies in force with this rate schedule in Compacting states. This rate schedule will no longer be subject to annual attestation.
- For one rate schedule, the company states they have had no claims on these policies, but they will continue to review their rate schedule as more data becomes available. Due to lack of credibility, the company has no plans to file for an in-force rate increase.
- For one rate schedule, the company cannot justify a rate increase and they intend to continue monitoring the product as assumptions are updated.
- For one rate schedule, the rate schedule is non-cancellable; no rate action on in-force policies is possible. This rate schedule applies to an extension of long-term care benefits rider that is no longer being sold, which less than 1,000 policyholders across the Compacting States had purchased.
- Two rate schedules associated with two separate companies were not yet marketed as of December 31, 2023, and as such the certification regarding premium sufficiency is not required. The companies have acknowledged the certification requirement will commence for the calendar year in which the forms are first marketed.
- Two rate schedules associated with one company were not yet marketed as of December 31, 2023, and the company has attested these rate schedules will never be marketed. These rate schedules will not be subject to annual attestations in the future.

Some approved rate schedules are not subject to the rate certification requirement, for two possible reasons. The first reason is the company has certified in the filing that the product was never issued and there are no plans to market the product. The second reason is the rate schedule has been subject to an in-force rate increase request.

Pursuant to Section 1 of the *Rate Revision Standards*, once a rate schedule for a Compact-approved product becomes subject to review and approval under state law due to a requested (or needed) increase exceeding 15%, the initial rate schedule is no longer subject to the rate certification requirements in the *Rate Filing Standards*. A requested (or needed) in-force rate schedule increase of 15% or less is subject to review and approval by the Compact Office, subsequent to which the requirements of Section 4 of the *Rate Revision Standards* apply.

The following table summarizes the advisory reviews or rate increase approvals by the Compact through the 2023 reporting period inclusive of requests under review in 2024.

TABLE 3		
Compact Office Action for In-Force Rate Increases Through 12/1/24		
Reporting Year	Rate Schedules Subject to Advisory Review (Increase >15%)	Rate Schedules Subject to Compact Approval (Increase ≤15%)
2017	1	0
2018	1	0
2020	0	3
2022	2	1
2023	1	0
Reviewed in 2024 ³	3	2
Total	8	6

COMPACT OFFICE REVIEW PROCESS FOR CERTIFICATIONS

Each certification submitted for reporting year 2023 was reviewed by Kent Holbrook, an actuary who is a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries.

Each certification and supporting memorandum, if applicable, was reviewed for compliance with Section 3 of the *Rate Filing Standards* or Section 4 of the *Rate Revision Standards* as appropriate. For any required items not addressed, or for any questions the reviewing actuary had concerning the certification, comments were sent as objections/correspondence in SERFF. The company then responded, with possible updates to the certification documents as needed, to meet requirements. Sometimes, multiple iterations of the objection and response process were needed for the reviewing actuary to determine the certification met the applicable Uniform Standard requirements.

CONCLUSION

The Compact Office provides its fifth report on the annual and triennial certifications received for reporting year 2023 for Compact-approved individual long-term care insurance rate schedules. The Compact Office welcomes input from member regulators, including regulatory actuaries, regarding additional information to include in future reporting regarding the individual long-term care insurance annual rate submissions.

³ The in-force rate increases under review in 2024 are outside of the reporting period for this annual report, but they are included here to provide a comprehensive summary of the Compact Office’s work in this area.

APPENDIX I

BACKGROUND ON THE INSURANCE COMPACT AND INDIVIDUAL LONG-TERM CARE INSURANCE UNIFORM STANDARDS

The Insurance Compact

The Insurance Compact, known formally as the Interstate Insurance Product Regulation Compact, is an agreement between Compacting States to accept products approved by the Compact Office as an instrumentality of the Compacting States pursuant to detailed Uniform Standards, which have the force and effect of law and are binding in Compacting States. Uniform Standards must be adopted by a minimum of two-thirds of the Compacting States, i.e., Commission members, and each Compacting State has a sovereign right to opt out of an adopted Uniform Standard. For these reasons, the Uniform Standards are detailed and comprehensive, reflecting stringent form and actuarial requirements. Product filings undergo a thorough form and actuarial review for compliance with the relevant Uniform Standard(s).

Long-Term Care Uniform Standards

Requirements for filing an LTC product with the Compact are codified in several Uniform Standards, as applicable to the annual and triennial certifications for the 2023 reporting period:

- IIPRC-LTC-I-3-CORE, *Core Standards for Individual Long-Term Care Insurance Policies*
- IIPRC-LTC-I-3-APP *Individual Long-Term Care Insurance Application Standards*
- IIPRC-LTC-I-3-OC, *Individual Long-Term Care Insurance Standards for the Outline of Coverage*
- IIPRC-LTC-I-3-RATEI, *Rate Filing Standards for Individual Long-Term Care Insurance—Issue Age Rate Schedules Only*
- IIPRC-LTC-I-3-RATEM, *Rate Filing Standards for Individual Long-Term Care Insurance—Modified Rate Schedules*
- IIPRC-LTC-I-3-RATEINC, *Standards for Filing Revisions to In-Force Rate Filing Schedules for Individual Long-Term Care Insurance*
- IIPRC-LTC-I-3-ADV, *Standards for Individual Long-Term Care Insurance Advertising Material*
- IIPRC-LTC-I-3-BEN, *Standards for Long-Term Care Insurance Benefit Features*
- IIPRC-LTC-I-3-AMEND, *Standards for Riders, Endorsements or Amendments used to Effect Individual Long-Term Care Insurance Policy Change*

The annual certification requirements forming the basis of this report are codified in Section 3 of the Uniform Standard IIPRC-LTC-I-3-RATEI, *Rate Filing Standards for Individual Long-Term Care Insurance (Rate Filing Standards)*, which is excerpted in [Appendix II](#). The *Rate Filing Standards* were originally adopted on August 13, 2010, and effective December 1, 2010. Amendments were adopted in 2011, 2017 and 2021, with the current version taking effect April 4, 2022. There are no substantive changes to the requirements for annual and triennial certifications from the latest update.

Annual and Triennial Submission Requirements

Section 3 of the *Rate Filing Standards* requires an annual submission subsequent to the initial rate filings for individual long-term care insurance policies. These requirements apply to any revised rate schedules that increase premium rates only with respect to new business, but they do not apply after the approval of rate schedule increase filings for in-force business.

Beginning for the first full year after which a rate schedule has been approved, *the Rate Filing Standards* require an annual certification as to premium sufficiency be prepared and signed by a Member of the American Academy of Actuaries on behalf of the company.

To be considered sufficient, the required certification varies by whether the premium rate schedule is currently marketed or is no longer marketed. For a currently marketed rate schedule, the actuary must certify that the premium rate schedule continues to be sufficient to cover anticipated costs under moderately adverse experience and that the premium rate schedule is reasonably expected to be sustainable over the life of the form with no future premium increases anticipated. For a rate schedule that is no longer marketed, the actuary must only certify that the premium rate schedule continues to be sufficient to cover anticipated costs under best estimate assumptions.

If such a certification cannot be made, the actuary must state that the premium rate schedule or the margins for adverse experience may no longer be sufficient. The company must then submit to the Compact Office a plan of action, including a time frame, for the re-establishment of adequate margins.

In addition to the appropriate certification, the certification must include a brief description of the review performed in support of the certification. There is no prescribed approach to reviewing the premiums for sufficiency. Some common approaches are:

- Updating model assumptions to current best estimates and projecting cash flows over the life of the business.
- Sensitivity testing (shock different assumptions to measure impact) to see if premiums are still sufficient under moderately adverse scenarios.
- Review updated experience and compare with thresholds for moderately adverse; if updated experience is more favorable than moderately adverse, premiums could be considered sufficient.

A more detailed description of the review process must be included in a supporting memorandum. This information should include a detailed description of the review performed by the actuary in support of the statement made in the certification, as well as a description of any data sources and experience studies used in the development of assumptions, how the updated assumptions compare to those used in the original pricing of the product, a discussion of the credibility of any experience studies, and an explanation of any testing performed to determine current margins. Every three years, as the triennial submission requirement, this memorandum must be submitted for review by

the Compact Office with the annual certification. In all other years, the memorandum must be available upon request.

Certifications and supporting memorandums, if applicable, are due to the Compact Office no later than May 1st of the year following the calendar year for which the certification applies.

APPENDIX II

EXCERPT FROM *RATE FILING STANDARDS* FOR 2023 REPORTING PERIOD

§ 3 ANNUAL SUBMISSION REQUIREMENTS SUBSEQUENT TO INITIAL RATE FILINGS AND PRIOR TO APPROVAL OF RATE SCHEDULE INCREASES FOR OTHER THAN DOLLAR-FOR-DOLLAR LONG-TERM CARE INSURANCE

The following annual submission requirements apply subsequent to initial rate filings for individual long-term care insurance policies. These requirements do not apply after the approval of rate schedule increase filings, at which time the requirements of the Standards for Filing Revisions to Rate filing Schedules for Individual Long-Term Care Insurance.

Drafting Note: In accordance with § 2A (2), these submission requirements apply to rate schedules initially filed with the Interstate Insurance Product Regulation Commission, including revised rate schedules that increase premium rates only with respect to new business issued under a policy form.

A. GENERAL

- (1) If the items are being submitted on behalf of the company, include a letter of authorization from the insurance company.

B. ACTUARIAL SUBMISSION REQUIREMENTS

- (1) An actuarial certification prepared, dated and signed by a member of the American Academy of Actuaries who provides the information shall be included and shall provide at least the following information:
 - (a) A statement of the sufficiency of the premium rate schedule approved by the Interstate Insurance Product Regulation Commission including the policy form to which the statement applies, including the start and, if applicable, end date of issue, and:
 - (i) For the rate schedules currently marketed,
 - a. The premium rate schedule continues to be sufficient to cover anticipated costs under moderately adverse experience and that the premium rate schedule is reasonably expected to be sustainable over the life of the form with no future premium increases anticipated; or
 - b. If the above statement cannot be made, a statement that margins for moderately adverse experience may no longer be sufficient. In this situation, the company shall provide to the IIPRC, within 60 days of the date the actuarial certification is submitted to the IIPRC, a plan of action, including a time frame, for the re-establishment of adequate margins for moderately adverse experience. Failure to submit a plan of action to the IIPRC within 60 days or to comply with the time frame stated in the plan of action constitutes grounds for the IIPRC to withdraw or modify its approval of the Product Filing pursuant to Section 108 of the Operating Procedure for the Filing and Approval of Product Filings.

Adopted: 8/13/10

Last Amended: 12/12/21

Drafting Note: When a company files a statement that margins for moderately adverse experience may no longer be sufficient, the IIPRC will immediately notify each Compacting State where the premium rate schedule applies.

- (ii) For the rate schedules that are no longer marketed,
 - a. That the premium rate schedule continues to be sufficient to cover anticipated costs under best estimate assumptions; or
 - b. That the premium rate schedule may no longer be sufficient. In this situation, the company shall provide to the IIPRC, within 60 days of the date the actuarial certification is submitted to the IIPRC, a plan of action, including a time frame, for the re-establishment of adequate margins for moderately adverse experience.

Drafting Note: When a company files a statement that the premium rate schedule may no longer be sufficient, the IIPRC will immediately notify each Compacting State where the premium rate schedule applies.

- (b) A description of the review performed that led to the statement and disclosure of any planned management action relating to this statement.
- (2) An actuarial memorandum dated and signed by a member of the American Academy of Actuaries who prepares the information shall be prepared to support the actuarial certification and shall comply with ASOP 18 and provide at least the following information:
- (a) A detailed explanation of the data sources and review performed by the actuary prior to making the statement in § 3.B(1)(a).
 - (b) A complete description of experience assumptions and their relationship to the initial pricing assumptions.

Drafting Note: ASOP No. 18, the NAIC *Guidance Manual for the Rating Aspects of the Long-Term Care Insurance Model Regulation* and the Academy of Actuaries Practice Note “Long-Term Care Insurance, Compliance with the NAIC Long-Term Care Insurance Model Regulation Relating to Rate Stability” all provide details concerning the key pricing assumptions, underlying actuarial judgments and the manner in which experience should be monitored.

- (c) A description of the credibility of the experience data.
 - (d) An explanation of the analysis and testing performed in determining the current presence of margins.
- (3) The actuarial certification required pursuant to § 3.B(1) must be submitted annually no later than May 1st of each year starting in the year after the first full year in which the initial rate schedule was approved by the Interstate Insurance Product Regulation Commission. The actuarial memorandum required pursuant to § 3.B(2) must be submitted every three years no later than May

Adopted: 8/13/10

Last Amended: 12/12/21

1st of the reporting year starting in the third full year after the first full year in which the initial rate schedule was approved by the Interstate Insurance Product Regulation Commission.

Drafting Note: The Product Standards Committee is comfortable with requiring the filing of the actuarial memorandum on a triennial basis only with the company performing analysis and monitoring experience annually. The company must be able to provide the actuarial memorandum supporting the actuarial certification upon request by any member state included in the filing.