

October 27,2016

# Long-Term Care Insurance Rate Review Process- Maryland

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# Steps in reviewing LTCI rates

- » Carriers submit rate change requests
- » Filings assigned
- » Initial actuarial Review
- » Peer review
- » Public hearing
- » Final decisions



# Rate Change requests submission

## » Insurer submits rate request through SERFF

All carriers that are doing business in Maryland's individual and group LTC market submit rate change requests to the Maryland Insurance Administration (MIA) through SERFF. An analyst checks the submitted rate filings and make sure all required documents are submitted.

## » Filings assigned

After confirming all the required documents are submitted, the filing is assigned to an initial reviewer. The reviewer starts the reviewing process.



# Initial rate review

- » The following controls is put in place to prevent insurance companies from constantly requesting rate increases
  1. Rate increase cap
  2. New business cap
  3. For any long-term care policy or certificate issued before October 1, 2002, the Lifetime Loss Ratio cannot be less than 60%.
  4. For any long-term care policy or certificate issued on or after October 1, 2002, Premium rate schedule increases shall be calculated such that claim cost is not less than the sum of (1) the value of the initial premium times 58 percent; (2) 85 percent of the value of prior premium rate schedule increases; (3) the value of future projected initial premiums times 58 percent; and (4) 85 percent of the value of future projected premiums not in (3).



# Initial rate review

- » When all the controls are met, MIA further considers multiple factors before deciding whether to approve a rate increase and, if so, how much. MIA requests and reviews at least the following information before approving a rate increase:
  - An actuarial memorandum justifying the rate schedule change request that includes
    - o Lifetime projections of earned premiums and incurred claims based on the filed premium rate schedule increase;
    - o The method and assumptions (including morbidity, mortality, lapses, interest rate, expenses) used in determining the lifetime projections, including reflection of any assumptions that deviate from those used for pricing other forms currently available for sale;
    - o Disclosure of the analysis performed to determine why a rate adjustment is necessary, which pricing assumptions were not realized and why;
- » The policyholder notice which the company intends to send to policyholders, informing them of the rate increase and the options to reduce benefits.
- » Sample calculation in Excel spreadsheet with retained formulas and assumptions to illustrate the projection with calendar year earned premiums, incurred claims, Incurred ratio, and end of year lives with and without requested rate increase.
- » Rate change history nationwide.
- » An actuarial certification to mainly state that the actuary meets the Academy's qualification standards for rendering his/her opinion, and is familiar with the requirements for filing long-term care insurance premiums and filing for increases in long-term care insurance premiums.



# Peer review

- » After the actuarial staff is satisfied with the initial review, he/she will generate a rate review summary form and send it out to all other actuarial staffs to trigger the peer review process. More objection questions may be generated by peer reviewers and they will be sent to the rate filing company by the initial reviewer.



# Time Limits

- » After the OCA receives the initial rate change filing or a response to an objection letter, the OCA is committed to making a turnaround within 7 days by the initial reviewer.

Turnaround time to complete the peer review is three business days. The filer has up to 90 days to respond. If the filer fails to appropriately respond within 90 days, the filing is deemed withdrawn. If after three attempts, a carrier fails to respond or provides irrelevant responses to the same question, the filing will also be deemed withdrawn.



# Public Hearing

- » Members from the MIA, LTC insurers and consumers, meet to discuss the rate filing and any questions.



# Final decision is made

- » After considering the information provided in the hearing and any additional public comments, the insurance commissioner makes the final decision.

