Government of the District of Columbia
Department of Insurance and Securities Regulation

BULLETIN
03-PPI-005-11/24

TO: **ALL INSURERS AUTHORIZED TO SELL LONG TERM-CARE INSURANCE**

FROM: **LAWRENCE H. MIREL, COMMISSIONER**

SUBJECT: **NOTIFICATION OF METHODOLOGIES USED TO REVIEW REQUESTS FOR RATE INCREASES**

DATE: **NOVEMBER 24, 2003**

The Department of Insurance and Securities Regulation ("DISR") adopts the following guidelines to be used by DISR in its review of rate filings for long-term care insurance products.

I. Rate Increases For Blocks Of Business In Force At The Time Of This Bulletin

DISR will not allow any rate increases on the basis that the actuarial assumption for **persistency or lapse** was not achieved. DISR believes this risk is one the company should bear not the consumer.

DISR will not allow any rate increases on the basis that the actuarial assumption for **interest rate** was not achieved. The long-term care insurance product is a long-term product and the policyholders' expectation is that the long-term interest rate risk is built into the premiums being charged.

DISR encourages companies to offer alternatives that will give policyholders options to minimize the impact of a premium increase, such as, but not limited to, lower coverage levels, decreases in lifetime or other caps, or changes to a newer policy form.

Any approved increase of a magnitude in excess of a cumulative increase threshold of 10% shall be phased-in, and the insurer shall notify policyholders of the entire amount of the increase prior to implementing the increase.

These guidelines shall apply to LTC products with in force policies using the last approved rate filing prior to the adoption of this bulletin as the baseline.

II. Rate/Form Filings For New Issues On Existing LTC Forms And For New LTC Products

DISR will require the gross premium to include consideration for “moderately adverse” and require that it be sufficient to fully fund the net valuation premium plus expenses at four and one-half percent. For **persistency or lapse** the company should justify the “moderately adverse” assumption, but in no case should the voluntary lapse rate for years greater than 4 exceed two percent for individual policies and three percent for group policies.

DISR will not allow any rate increases on the basis that an actuarial assumption for **interest rate** was not achieved. The long-term care insurance product is a long-term product and the policyholders’ expectation is that the long-term interest rate risk is built into the premiums being charged.

If group premium discounts are offered and are not based on an expectation of different morbidity as a result of specific underwriting of the group, the insurer shall adjust the lifetime loss ratio to reflect the discount.

DISR will not allow companies to recapture past losses.

Rate increases for riders covering benefits incidental to the long-term care coverage (e.g., waiver of premium) shall be considered separately from the long-term care policy.

Questions regarding this bulletin to should be directed to Philip Barlow, Assistant Director of Financial Examinations. He can be reached on (202) 442-7823 or via e-mail at philip.barlow@dc.gov.