**Maine Bureau of Insurance  
Rate Filing Review Requirements Checklist  
Long Term Care Insurance**

**Subject to Title 24-A M.R.S.A. Chapters 68 and 68A and Rule 420:**

**Nursing Home and Long Term Care Insurance Policies Issued Prior to October 1, 2004.**

**LTC03G & LTC03I**

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| **S**  **E**  **C**  **T**  **I**  **O**  **N** | **REVIEW REQUIREMENTS**  **(**[**RULE 420**](http://www.maine.gov/sos/cec/rules/02/031/031c420.doc)**)** | **REFERENCE** | **DESCRIPTION OF REVIEW STANDARD REQUIREMENTS** | **SPECIFIC LOCATION OF COMPLIANCE IN FILING** |
| **A.** | **General Rate Filing Requirements:** | [24-A M.R.S.A. §2736](http://janus.state.me.us/legis/statutes/24-A/title24-Asec2736.html); [24-A M.R.S.A. §2701, 2.A.,](http://janus.state.me.us/legis/statutes/24-A/title24-Asec2701.html) & [24-A M.R.S.A. §2839](http://janus.state.me.us/legis/statutes/24-A/title24-Asec2839.html); [Rule 420, §6](http://www.maine.gov/sos/cec/rules/02/031/031c420.doc) | **Notice: This “Rule 420” rate filing checklist applies to all rate revision filings for LTC policies issued prior to October 1, 2004. *For policies issued on or after October 1, 2004, separate rate filing(s) must be submitted using the applicable* Rule 425 *rate filing checklist.***  A Nursing Home and Long Term Care insurance policy rate filing must be submitted whenever an existing policy, rider, or endorsement form that affects benefits is submitted for approval and whenever there is a change in the rates applicable to a previously approved form. Rates must be filed with the form rather than separately. If the form does not require a change in the premium, the submission must include a complete explanation of the effect on the policy’s loss ratio. The rate filing must include all rates, rating formulas, and revisions.  The filing must be clearly identified as either a group or an individual rate filing.  The Superintendent may request additional information as necessary. |  |
| **B.** | **Electronic (SERFF) Filing Requirements:** | [24-A M.R.S.A. 2736](http://www.mainelegislature.org/legis/statutes/24-A/title24-Asec2736.html) | All filings must be filed electronically, using the NAIC System for Electronic Rate and Form Filing (SERFF).  See: <http://www.serff.com>.  If the filing is found to be in compliance with the applicable requirements, the SERFF record will show the rates to be “Approved,” and the record will be closed. |  |

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| **C.** | **Additional Filing Requirements**  (every rate submission must contain the following): | | | | |
|  | **1. Carrier Information:** | [224-A M.R.S.A. §2736](http://janus.state.me.us/legis/statutes/24-A/title24-Asec2736.html) [Rule 420, §6. A.1.](http://www.maine.gov/sos/cec/rules/02/031/031c420.doc) | The name and address of the carrier, and the name, title, email address and direct phone number of the person responsible for the filing, must be provided in the SERFF “Filing Contact Information” section. | | *Location, page:* |
|  | **2.** **Scope and Purpose of Filing:** | [24-A M.R.S.A. §2736](http://janus.state.me.us/legis/statutes/24-A/title24-Asec2736.html) | Specify whether this is a rate revision or a justification of an existing rate. | | *Location, page:* |
|  | **3. Form Numbers and Description of Benefits:** | [24-A M.R.S.A. §2736](http://janus.state.me.us/legis/statutes/24-A/title24-Asec2736.html) [Rule 420, §6. A.2.](http://www.maine.gov/sos/cec/rules/02/031/031c420.doc) | Include a brief description of the benefits provided by each policy form and any attached riders or endorsements. for the following parameters:  1. Form number  2. Issue age range  3. Attained age or issue age rates  4. Benefit periods  5. Elimination periods  6. Rate guarantees  7. Premium classifications  8. Renewal clause | | *Location, page:* |
|  | **4. Dates of Issue:** | [Rule 420, §6. A.3.](http://www.maine.gov/sos/cec/rules/02/031/031c420.doc) | State the period during which the policy form was issued in Maine. | | *Location, page:* |
|  | **5.** **In-Force Business:** | [24-A M.R.S.A. §2736](http://janus.state.me.us/legis/statutes/24-A/title24-Asec2736.html) [Rule 420, §6. A.4.](http://www.maine.gov/sos/cec/rules/02/031/031c420.doc) | State the policy or certificate count and annualized premium of Maine policyholders or certificateholders who will be affected by the proposed rate revision. | | *Location, page:* |
|  | **6.** **Proposed Effective Date and Expected Duration of Rates:** | [24-A M.R.S.A. §2736](http://janus.state.me.us/legis/statutes/24-A/title24-Asec2736.html) [Rule 420, §6. A.5.](http://www.maine.gov/sos/cec/rules/02/031/031c420.doc) | State the proposed effective date, the method of the proposed rate revision implementation (e.g., next anniversary or next premium due date), and the expected duration of the proposed rates. | | *Location, page:* |
|  | **7. History of Rate Adjustments:** | [Rule 420, §6. A.6.](http://www.maine.gov/sos/cec/rules/02/031/031c420.doc) | List the approval dates and average percentage rate adjustments for the form both nationwide and in Maine since inception of the policy form. | | *Location, page:* |
|  | **8. Rate Revisions:** | [24-A M.R.S.A. §2736](http://janus.state.me.us/legis/statutes/24-A/title24-Asec2736.html) | Provide the reason for the rate revision and a history of the form, including:  1. Original loss ratio target  2. Maine and national in-force business (see sub-§ C. 9)  3. Historical and projected annual statement data by calendar year, including  (a) Paid and earned premium  (b) Paid and incurred claims  (c) Additional reserves  (d) Paid and incurred claims by year of incurral  (e) Paid data accumulated or discounted at interest  4. Previous rate revisions | | *Location, page:* |
|  | **9.** **Maine and National Experience on the Form (Past and Future Anticipated):** | [Rule 420, §6. A.7.](http://www.maine.gov/sos/cec/rules/02/031/031c420.doc) | Past experience must be presented based on (1) the initial premiums, (2) the actual premiums (if rates have been previously increased), and (3) the proposed premiums. Show experience separately for Maine and for all states in which the form is or was sold. State whether the proposed rates are based on Maine experience, national experience, or a combination and explain the reasons this basis was used. If nationwide experience is used, premiums must be adjusted to the Maine rate level. | | *Location, page:* |
|  | **10.** **Waiver of Premium:** | [Rule 420, §6. A.8.](http://www.maine.gov/sos/cec/rules/02/031/031c420.doc) | Specify whether waived premiums are included in earned premiums and incurred claims.  1. If waived premiums are included, include the following:  (a) Specify the amount of waived premiums over the last 12 months.  (b) Specify the amount of reserves held for future waived premiums.  (c) Indicate the effect of the proposed rate increase on future waived premiums and reserves.  2. If waived premiums are not included, specify the amount of waived premiums in each year. | | *Location, page:* |
|  | **11.** **Supporting Information:** | [24-A M.R.S.A. §2736](http://janus.state.me.us/legis/statutes/24-A/title24-Asec2736.html) [Rule 420, §6. A.9.](http://www.maine.gov/sos/cec/rules/02/031/031c420.doc) | The filing must include sufficient supporting information to demonstrate that the rates are not excessive, inadequate, or unfairly discriminatory. At a minimum, the filing must include an analysis of actual and projected experience with respect to morbidity, mortality, lapsation, and all other relevant factors. Include a comparison to the original pricing assumptions and to the assumptions at the time of any previous rate adjustment.  The carrier must provide the present value of paid premiums and paid claims for both the historic and projected displays that are described herein. These components must be calculated separately and then combined.  Provide a demonstration that the actual and projected experience meets the standards of sub-§ C. 20, below. The projected experience must include the definitions of each item and the methodology and assumptions employed in rating this block of business. A description of how the paid items are adjusted for interest must be included. The assumptions should include the claim rate at least at each 10th duration.  The filing must also include a comparison of the proposed rates with those of a similar plan currently sold by the company if such is available. | | *Location, page:* |
|  | **12.** **Premium Breakdown:** | [Rule 420, §6. A.10.](http://www.maine.gov/sos/cec/rules/02/031/031c420.doc) | Separately for the future period and for the lifetime of the form, show the following items as a percentage of earned premium. Past experience must be accumulated with interest. Future experience must be on a present value basis.  (a) Initial contract reserves (applies to future period only; zero for  lifetime);  (b) Incurred claims;  (c) Commissions;  (d) Administrative expenses other than commissions that are a percentage of premium (e.g., premium tax);  (e) Fixed administrative expenses; and  (f) Profit = 100% + (a) - (b) - (c) - (d) - (e).  For purposes of this section, incurred claims do not include any active life reserves, claim adjustment expenses, or cost containment expenses. | | *Location, page:* |
|  | **13. Similar Forms:** | [Rule 420, §6. A.11.](http://www.maine.gov/sos/cec/rules/02/031/031c420.doc) | 1. If the form is no longer actively marketed, a statement must be included as to whether a similar form is actively marketed and, if so, a discussion of equity between the two forms, including a comparison of the benefits and premium rates, must also be included.  “Similar forms” means all of the long-term care or nursing home care policies and certificates issued by a carrier in the same benefit classification as the policy form being considered. Certificates of employee groups as defined in [24-A M.R.S.A. §2804](http://janus.state.me.us/legis/statutes/24-A/title24-Asec2804.html), labor union groups as defined in [24-A M.R.S.A. §2805](http://janus.state.me.us/legis/statutes/24-A/title24-Asec2805.html), or trustee groups as defined in [24-A M.R.S.A. §2806](http://janus.state.me.us/legis/statutes/24-A/title24-Asec2806.html) are not considered similar to certificates or policies otherwise issued as long-term care or nursing home care insurance but are similar to other comparable certificates with the same benefit classifications.  The different benefit classifications are: institutional benefits only, non-institutional benefits only, and comprehensive (institutional and non-institutional) benefits.  2. Rates for individual policy forms for closed blocks must not exceed rates for an open block, unless the difference is justified by differences in benefits or other conditions, or unless the fact that renewal rates would exceed new business rates was disclosed at issue. The Superintendent may approve exceptions to this requirement, if the enrollees are permitted to change to the new form based on original issue age and the Superintendent determines that the change would be in the best interest of the enrollees. | | *Location, page:* |
|  | **14.** **Actuarial Certification:** | [Rule 420, §6. A.12.](http://www.maine.gov/sos/cec/rules/02/031/031c420.doc) | There must be certification by a qualified actuary that, to the best of the actuary’s knowledge and judgment, the entire rate filing is in compliance with the applicable laws of the State of Maine and with the rules of the Bureau of Insurance. “Qualified actuary,” as used herein, means a member in good standing of the American Academy of Actuaries. | | *Location, page:* |
|  | **15. Additional Information:** | [Rule 420, §6. A.13.](http://www.maine.gov/sos/cec/rules/02/031/031c420.doc) | Any additional information that the Superintendent deems necessary. | |  |
|  | **16. Notice of Rate Increase to Policyholders:** | [Rule 420, §8.](http://www.maine.gov/sos/cec/rules/02/031/031c420.doc) | The carrier shall provide written notice by first class mail of a rate increase to all affected policyholders and to group certificate holders who are directly billed for coverage at least **90** days before the effective date of any increase in premium rates. An increase in premium rates may not be implemented until 90 days after the notice is provided. A generic version of the notice to the policyholder must be included with the rate filing. | | *Location, page:* |
|  | **17.** **Timeliness of Filing:** | [24-A M.R.S.A. §2736](http://janus.state.me.us/legis/statutes/24-A/title24-Asec2736.html) | The filing must be received by the Bureau at least 60 days before the implementation date unless the Superintendent waives this requirement pursuant to [24-A M.R.S.A. §2736, §1.](http://janus.state.me.us/legis/statutes/24-A/title24-Asec2736.html) | |  |
|  | **18.** **Confidentiality:** | [Title 24-A, § 2736, 2.](http://www.mainelegislature.org/legis/statutes/24-A/title24-Asec2736.html) | Eligible confidential information should be clearly identified as described in the [*confidentiality protocol*](http://www.maine.gov/pfr/insurance/confidential_treatment.html)*,* available on the Bureau of Insurance website. | | *Location, page:* |
|  | **19. Definitions:** | [Rule 420, §6. B.1.](http://www.maine.gov/sos/cec/rules/02/031/031c420.doc) | 1. For purposes of sub-§ C. 20, below, the following definitions apply:  a. “Future” means the period after the proposed rate increase takes effect.  b. “Past” means the period beginning when the first policy was issued and ending on the date the proposed rate increase takes effect. Past experience includes actual experience plus projected experience for the portion of the period beyond which actual experience is available;  c. “Past adjusted earned premiums” means past earned premiums adjusted to the proposed rate level.  d. “Initial premium” means the premium initially charged an insured, before any rate increases.  e. “Increased portion of premium” means the proposed premium minus the initial premium. | |  |
|  | **20. Relationship of Claims to Premiums:** | [Rule 420, §6. B.2.](http://www.maine.gov/sos/cec/rules/02/031/031c420.doc) | 2. Except as provided in sub-§ C. 21, below, no rate increase will be approved unless the actual and projected experience submitted pursuant to § C. meets the terms of sub-§ C. 20:  ***The accumulated value of past incurred claims plus the present value of future incurred claims must not be less than the sum of the following*:**  **a. *Sixty percent of the accumulated value of past adjusted earned premiums\* plus the present value of future projected earned premiums; and***  **b. *Twenty-five percent\*\* of the accumulated present value of the increased portion of past adjusted earned premiums plus the present value of the increased portion of future projected earned premiums;***  The demonstration described above may be restated as:  **C ≥ 0.6 \* I + (0.60+0.25) \* Δ I**,where **C** is the present value of the claim cost each year over the life of the business, **I** is the present value of past and future premium income each year based on the rates initially charged an insured for each policy, and  **Δ I** is the present value of the increased portion of the premium over the life of the business.  ***Provide your demonstration of compliance with this requirement with the rate filing.***  *\*Note 1: Past premiums are adjusted to the proposed rate level in order to ensure that the proposed increase does not recoup past losses.*  *This methodology is set forth as the “Variation in Future Loss Ratio Approach” in the article entitled “Long-Term Care Insurance Rate increase Considerations” published by the Society of Actuaries in the December 2003 edition of the Long-Term Care News*. See: <http://www.soa.org/library/newsletters/long-term-care/2003/december/LTC0312.pdf>.  \*\*Note 2: The addition of 25% of the increased portion of the premiums reflects the lack of first-year expenses associated with this portion of the premium. This assumes that 15% of premium will cover renewal expenses. If this is not the case, the carrier may request an exception under sub-§ C. 21, below.  *Note 3: see sub-§ C. 22, below, for specification of the interest rate to be used in determining rate increases.* | |  |
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|  | **21. Exception to Above Requirement:** | [Rule 420, §6. C.](http://www.maine.gov/sos/cec/rules/02/031/031c420.doc) | A carrier will be granted an exception to the requirements of sub-§ C. 20 if it demonstrates that its reasonable renewal expenses exceed 15% of the increased premium. In that case, the 25% in sub-§ C. 20, 2.b. will be replaced by 40% minus the demonstrated reasonable renewal expenses as a percentage of the increased premium. | | *Location, page, if applicable):* |
|  | **22. Maximum Valuation Interest Rate:** | [Rule 420, §6. D.](http://www.maine.gov/sos/cec/rules/02/031/031c420.doc) | All present and accumulated values used to determine rate increases must use the maximum valuation interest rate for contract reserves as specified in Bureau of Insurance [Rule Chapter 130](http://www.maine.gov/sos/cec/rules/02/029/029c130.doc). The filing must disclose the use of any appropriate averages. | | *Location, page:* |
|  | **23. Separate Rate Filings Required:** | [Rule 420, §6. E.](http://www.maine.gov/sos/cec/rules/02/031/031c420.doc) | If the policy form affects policies issued both before and after October 1, 2004, separate filings must be submitted. The filing for policies issued prior to October 1, 2004 must meet the standards of [Rule 420](http://www.maine.gov/pfr/insurance/rules/420.htm). The filing for policies issued on or after October 1, 2004 must meet the standards of [Rule 425](http://www.maine.gov/sos/cec/rules/02/031/031c425.doc). | |  |
|  | **24. Non-compliant Filing:** | [24-A M.R.S.A. §2736](http://janus.state.me.us/legis/statutes/24-A/title24-Asec2736.html) | If the Bureau requests additional information or finds the rates not to be in compliance with the requirements, rates approved previously must continue to be used. | |  |
| **D.** | **Contingent Nonforfeiture Benefit (**[Rule 420, §7.](http://www.maine.gov/sos/cec/rules/02/031/031c420.doc))  **The filer must review** [**Rule 420, §7.**](http://www.maine.gov/sos/cec/rules/02/031/031c420.doc) **carefully and ensure that each rate revision filing subject to Rule 420 provides policyholder notification and a contingent nonforfeiture benefit upon lapse as described in the Rule.** | | | | |
| **E.** | **24-A MRSA §5084**  **Notice to policyholders of proposed rate increase:**  An insurer shall notify a policyholder of a proposed premium rate increase that affects the policyholder no later than 30 days after the filing by the insurer of the premium rate increase. An insurer shall provide written notice by first-class mail to the last known mailing address of all affected individual and group policyholders and others who are directly billed for group coverage. The notice must:  A. Show the proposed rate;  B. State that the rate is subject to regulatory approval;  C. Inform a policyholder of the policyholder's right to request a hearing pursuant to section 229;  D. Inform a policyholder of the policyholder's right to provide written comments on the proposed rate increase to the bureau; and  E. Provide to the policyholder contact information for the bureau, including the bureau's toll-free telephone number (1-800-300-5000). | | | | |
|  | **Completed by:** | | | **Date:** | Rev. 10/9/19 |