**Maine Bureau of Insurance  
Rate Revision Filing Review Requirements Checklist  
for In-Force Long Term Care Insurance Policies**

**Subject to Title 24-A M.R.S.A. Chapter 68A and Rule 425**

**Long Term Care Insurance Policies Issued On or After October 1, 2004.**

**LTC03G & LTC03I**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **S**  **E**  **C**  **T**  **I**  **O**  **N** | **REVIEW REQUIREMENTS**  **(**[**RULE 425**](http://www.maine.gov/sos/cec/rules/02/031/031c425.doc)**)** | **REFERENCE** | **DESCRIPTION OF REVIEW STANDARDS REQUIREMENT** | | **SPECIFIC LOCATION OF COMPLIANCE IN FILING** | |
| **A.** | **General Rate Revision 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) | **Notice: This “Rule 425” Rate Revision rate filing checklist applies to all rate revision filings for *in-force* LTC policies issued on and after October 1, 2004. *For policies issued before October 1, 2004, separate rate filing(s) must be submitted using the applicable* Rule 420 *rate filing checklist.***  A Long Term Care insurance policy rate filing must be submitted whenever there is a change in the rates applicable to a previously approved form.  Rates must be filed with the form rather than separately. The rate filing must include all revised rates, rating formulas, and revisions. 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 anticipated loss ratio.  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://janus.state.me.us/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. | |  | |
| **C.** | **Additional Filing Requirements** (every rate submission must contain the following): | | | | | | | |
|  | **1. Insurer Information:** | [24-A M.R.S.A. § 2736](http://janus.state.me.us/legis/statutes/24-A/title24-Asec2736.html) | 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 new form and rate filing, a rate revision, or a justification of an existing rate. | | | *Location, page:* | |
|  | **3. Form Number(s) and Description of Benefits:** | [24-A M.R.S.A. § 2736](http://janus.state.me.us/legis/statutes/24-A/title24-Asec2736.html) | Include a brief description of the benefits provided by each policy form and any attached riders or endorsements and provide the following:  1. Form number(s)  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. Date(s) of Issue:** | [24-A M.R.S.A. § 2736](http://janus.state.me.us/legis/statutes/24-A/title24-Asec2736.html) | State the period during which the policy form will be/was issued in Maine. | | | *Location, page:* | |
|  | **5. Proposed Effective Date and Duration of Rates:** | [24-A M.R.S.A. § 2736](http://janus.state.me.us/legis/statutes/24-A/title24-Asec2736.html) | State the proposed effective date, the method of implementation of the proposed rate (e.g., next anniversary or next premium due date), and the period of time the proposed rates are intended to be in effect. | | | *Location, page:* | |
|  | **6. Confidentiality:** | [Title 24-A, § 2736](http://www.mainelegislature.org/legis/statutes/24-A/title24-Asec2736.html) | Any 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, if applicable:* | |
|  | **7.** **Supporting Information:** | [24-A M.R.S.A. § 2736](http://janus.state.me.us/legis/statutes/24-A/title24-Asec2736.html) | The filing must include sufficient supporting information to demonstrate that the rates are not excessive, inadequate, or unfairly discriminatory. [See §D and/or §E, below.] | | |  | |
|  | **8. Additional Information** | [24-A M.R.S.A. § 2736](http://janus.state.me.us/legis/statutes/24-A/title24-Asec2736.html) | Any additional information that the Superintendent deems necessary. | | |  | |
|  | **9. 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 applicable requirements, rates approved previously must continue to be used. | | |  | |
|  | **10.** **Actuarial Certification:**  (See D.2, B.2, below) | [Rule 425, § 20. B.(2)](http://www.maine.gov/sos/cec/rules/02/031/031c425.docx) | 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:* | |
| **D.** | **Premium Rate Increase Procedures:** [Rule 425, §20](http://www.maine.gov/sos/cec/rules/02/031/031c425.docx) | | | | | | |
|  | **1. Applicability:** | [Rule 425, § 20. A.](http://www.maine.gov/sos/cec/rules/02/031/031c425.docx) | A. This section shall apply as follows:  (1) Except as provided in (2), below, this section applies to any long term care policy or certificate delivered or issued for delivery in this state on or after October 1, 2004.  (2) For certificates issued under a group long term care policy issued to an employee group as defined in [24-A M.R.S.A. §2804](http://janus.state.me.us/legis/statutes/24-A/title24-Asec2804.html), a labor union group as defined in [24-A M.R.S.A. §2805](http://janus.state.me.us/legis/statutes/24-A/title24-Asec2805.html), or a trustee group as defined in [24-A M.R.S.A. §2806](http://janus.state.me.us/legis/statutes/24-A/title24-Asec2806.html), which policy is in force on or after the effective date of this rule, the provisions of this section shall apply on or after the first policy anniversary date following April 1, 2005. | | |  | |
|  | **2.** **Timeliness of Filing and Required Information:** | B. Notice to policy- and certificate-holders: [Rule 425, § 9, D.](http://www.maine.gov/sos/cec/rules/02/031/031c425.docx) | B. An insurer shall request approval from the superintendent for a premium rate increase. The request, which must be made at least 30 days before the insurer gives at least 90 days notice of an increase to the policyholders and certificate holders, shall include: | | |  | |
| B. 1. Disclosing Rating Practices: [Rule 425, § 20. B.(1)](http://www.maine.gov/sos/cec/rules/02/031/031c425.docx) | 1. The information required by [Rule 425, § 9](http://www.maine.gov/sos/cec/rules/02/031/031c425.docx).  A generic version of the notice to the policyholders or certificate-holders specified in B., above, must be included with the rate filing. | | |  | |
| B. 2. Actuarial Certification: [Rule 425, § 20. B(2)](http://www.maine.gov/sos/cec/rules/02/031/031c425.docx) | 2. Certification by a qualified actuary that the premium rate filing is in compliance with this section.:  (a) If the requested rate increase is implemented and the underlying assumptions, which reflect moderately adverse conditions, are realized, no further increase is anticipated.  (b) The  insurer may request a premium rate schedule increase less than the  amount otherwise required under this section, without certifying  that no further increase is anticipated, if the actuarial memorandum  discloses the premium rate schedule increase necessary to make  the certification otherwise required under Subparagraph (a), the  premium rate schedule increase filing satisfies all other  requirements of this section, and is, in the opinion of the  superintendent, in the best interest of policyholders; | | | *Location, page:* | |
| B. 3. Actuarial Memorandum: [Rule 425, § 20. B(3)](http://www.maine.gov/sos/cec/rules/02/031/031c425.docx) | 3. An actuarial memorandum justifying the rate schedule changes that includes:  (a) Lifetime projections, in an electronic format such as Excel, of earned premiums and incurred claims based on the filed premium rate schedule increase, and the method and assumptions used in determining the projected values, including reflection of any assumptions that deviate from those used for pricing other forms currently available for sale.  (i) Annual values for the five years preceding and the three years following the valuation date shall be separately stated.  (ii) The projections shall include the development of the lifetime loss ratio, unless the rate increase is an exceptional increase.  (iii) The projections shall comply with sub-§ E.3 ([Rule 425, § 20 C.](http://www.maine.gov/sos/cec/rules/02/031/031c425.docx)), below.  (b) Disclosures of how reserves have been incorporated in the rate increase whenever the increase will trigger contingent benefit upon lapse.  (c) Disclosure of the analysis used to determine why a rate adjustment is necessary, which pricing assumptions were not realized and the reasons therefore, and what other insurer actions the actuary relied on.  (d) A statement that policy design, underwriting and claims adjudication practices have been taken into consideration; and  (e) In the event it is necessary to maintain consistent premium rates for any new certificate and for certificates receiving a rate increase, the insurer shall file composite rates reflecting projections of new certificates. | | | *Location, page:* | |
| B. 4. Rate Relationships: [Rule 425, § 20. B(4)](http://www.maine.gov/sos/cec/rules/02/031/031c425.docx) | 4. A statement that renewal premium rate schedules are not greater than new business premium rate schedules except for differences attributable to benefits, unless the insurer provides sufficient justification to the superintendent. | | | *Location, page:* | |
| B. 5. Sufficient Information: [Rule425, § 20. B(5)](http://www.maine.gov/sos/cec/rules/02/031/031c425.docx) | 5. The filing must include the following information for the superintendent’s review and approval. | | | *Location, page:* | |
| a. In-force Business: | (a) State the policy or certificate count of Maine policyholders or certificateholders who will be affected by the proposed rate revision. | | | *Location, page:* | |
| b. History of Rate Adjustments: | (b) 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:* | |
| c. Rate Revisions: | (c) Provide the reason for the rate revision and a history of the form, including:  (i) Original loss ratio target  (ii) Maine and national in-force business  (iii) Annual statement data by calendar year, including  (1) Paid and earned premium  (2) Paid and incurred claims  (3) Additional reserves  (4) Paid and incurred claims by year of incurral  (5) Paid data accumulated at interest. | | | *Location, page:* | |
| d. Maine and National Experience on the Form (Past and Future Anticipated): | (i) Past experience must be presented based on  (i) the initial premiums,  (ii) the actual premiums (if rates have been previously increased), and  (iii) the proposed premiums.  (ii) Projected experience must include earned premiums and incurred claims assuming (a) no rate increase) and (b) the requested rate increase.  (iii) 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:* | |
| e. Waiver of Premiums: | (e) Specify whether waived premiums are included in earned premiums and incurred claims.  (i) 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.  (ii) If waived premiums are not included, specify the amount of waived premiums in each year. | | | *Location, page:* | |
| f. Other required information: | (f) 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.  (i) Include a comparison to the initial pricing assumptions and to the assumptions at the time of any previous rate adjustment.  (ii) The insurer must provide the present value of paid premiums and paid claims for both the historic and projected displays that are described herein. The components must be calculated separately and then combined.  (iii) The experience must include the definitions of each item and the methodology and assumptions employed in rating this block of business, including how paid items are adjusted for interest.  (iv) The assumptions should include the claim rate at least at each 10th duration. | | | *Location, page:* | |
| g. Premium Breakdown: | (g) 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.  (i) Initial contract reserves (applies to future period only; zero for lifetime);  (ii) Incurred claims;  (iii) Commissions;  (iv) Administrative expenses other than commissions that are a percentage of premium (e.g., premium tax);  (v) Fixed administrative expenses; and  (vi) 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:* | |
| h. Similar Forms: | (i) If the form is no longer actively marketed, a statement must be included as to whether a similar form is actively marketed. 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 policies and certificates issued by an insurer 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.   1. 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:* | |
| **3. Rate Schedule Increase Requirements:** | [Rule 425, § 20. C](http://www.maine.gov/sos/cec/rules/02/031/031c425.docx). | C. All premium rate schedule increases shall be determined in accordance with the following requirements:  1. For purposes of (2), 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) “Initial earned premium” means the premium based on the rate initially charged an insured before any rate increases.  (d) “Increased portion of premium” means the proposed premium minus the initial premium and any exceptional increase.  2. Premium rate schedule increases shall be calculated such that the sum of the accumulated value of incurred claims, without the inclusion of active life reserves, and the present value of future projected incurred claims, without the inclusion of active life reserves, will not be less than the sum of the following:  (a) The accumulated value of the initial earned premium times greater of (i) 58% and (ii) the lifetime loss ratio consistent with the original filing, including margins for moderately adverse experience;(b) Eighty-five percent of the accumulated value of prior premium rate schedule increases on an earned basis;  (c) The present value of future projected initial earned premiums times the greater of (i) 58% and (ii) the lifetime loss ratio consistent with the original filing, including margins for moderately adverse experience; and  (d) Eighty-five percent of the present value of future projected premiums which are not in Rule 425 Section 20(C)(6)(c) on an earned basis.  3. Except as provided in this section, exceptional increases are subject to the same requirements as other premium rate schedule increases.  4. The superintendent may request that an independent actuary or professional actuarial body review a insurer’s request that an increase be considered as exceptional.  5. In determining whether an exceptional increase is justified, the superintendent also shall consider any potential offset to higher claim costs.  6. For exceptional increases, the projected experience must be limited to increases in claims expense attributable to the approved reasons for the exceptional increase, and, if the superintendent allows offsets as described in (5), above, the insurer shall use appropriate net projected experience.  7. All present and accumulated values used to determine rate increases shall use the maximum value interest rate for contract reserves as specified in Bureau of Insurance [Rule Chapter 130](http://www.maine.gov/sos/cec/rules/02/031/031c130.doc). The actuary shall disclose as part of the actuarial memorandum the use of any appropriate averages. | | | *Location, page:* | |
| **E.** | **Sub-§§20. D-20. K:**  The filer must review [Rule 425, sub-§§ 20. D through 20. K](http://www.maine.gov/sos/cec/rules/02/031/031c425.docx), and ensure that the requirements therein are satisfied as necessary. | | | | | | | |
| **F.** | **Disclosing Rating Practices to Applicants:**  The filer must review [Rule 425, § 9](http://www.maine.gov/sos/cec/rules/02/031/031c425.docx), and ensure that the requirements contained therein are satisfied as necessary. | | | | | | | |
| **G.** | **Required Offer of Nonforfeiture Benefit; Contingent Nonforfeiture Benefit Upon Lapse:**  The filer must review [Rule 425, § 26](http://www.maine.gov/sos/cec/rules/02/031/031c425.docx), and ensure that the requirements contained therein are satisfied as necessary. | | | | | | | |
| **H.** | **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. 10/26/22 | | |