IDOI Actuarial Memorandum Outline

Long Term Care

Provide the data listed below in the actuarial memorandum as an attachment under the Supporting Documentation tab in SERFF.

# General Description

* 1. Provide sufficient detail for an analysis of the pricing including scope and purpose.
		1. Provide market impacted.
		2. Provide a copy of the policy form or the appropriate SERFF tracking number containing such.
		3. Provide any changes from the most recent filing. Include any rate action requested.
		4. Provide the most recent SERFF tracking number.
		5. Provide a summary of the benefits provided.
1. Current Rates (For Rate Revisions)
	1. Include a complete set of current rates or the appropriate SERFF tracking number.

# Proposed Rates

* 1. Include a complete set of proposed rates.
	2. Include any guidelines that impact policyholder’s premium payment. Indicate if these rates apply to both new and/or existing policyholders.

# Assumptions

* 1. Include the following data and a detailed description of the basis for the assumptions used in pricing: Follow the guidelines from <http://www.actuarialstandardsboard.org/pdf/asops/asop018_136.pdf>
		1. Reserves
			1. Provide a description of IBNR and disabled lives reserve.
		2. Rating Classes
			1. Provide a description of any changes to rating classes since the last filing.
				1. Include changes in policy/plan groupings within the filing.
				2. Include cases where the entire filing has been split or combined.
		3. Claim Analyses
			1. Provide actual to expected analyses for claim incidence, claim continuance and lapse and mortality assumptions.
				1. Include actual experience compared to assumptions supporting the filing.
				2. Include actual experience compared to assumptions underlying original pricing.
				3. Include actual experience compared to assumptions supporting the prior rate increase filing, if any.
		4. Current Assumptions Schedule
			1. Provide a schedule comparing the current assumptions to the original pricing assumptions and prior re-rate assumptions, if any.
				1. Include a policy duration comparison for claims costs.
				2. Give a clear sense of the magnitude of differences between the various assumptions.
		5. Actuarial Assumptions Schedule
			1. Provide a schedule comparing the actuarial assumptions supporting the filing.
				1. Include the correspondence assumptions used in the company’s most recent statutory premium deficiency and asset adequacy testing exercises.
				2. Include a clear statement of whether any assumptions supporting this filing are more conservative, resulting in a higher lifetime loss ratio than the corresponding reserve testing assumptions.
		6. Credibility Standard
			1. Provide a description of the company’s credibility standard.
				1. Include the level of credibility assigned to Indiana experience and nationwide experience.
				2. Include a description of how experience with less than full credibility is adjusted.
		7. Premium Rate Differences
			1. Provide a description of how current and historical differences between Indiana and nationwide premium rates have been considered if the company bases its rate increase request on nationwide experience.
				1. Include versions of nationwide experience exhibits with premium rates adjusted to the actual Indiana premium rate basis in each period.
		8. Anticipated Loss Ratios
			1. Provide the anticipated lifetime and durational loss ratios as initially filed with the department when the forms were approved.
				1. Include the interest rates used for discounting.
				2. These should be the anticipated loss ratios, not the minimum standards.
		9. Age and Policy Duration
			1. Provide a description of the maximum attained age and policy duration for which the company has historical data that it considers to be credible.
			2. Include a description of the process for setting assumptions at higher ages and durations for which the company does not have credible historical experience.
			3. Provide applied adjustment factors to a set of underlying claim costs.
			4. Provide detail on how the ultimate factor and the pattern for grading to that ultimate factor has been chosen.
			5. Provide factors that may result in a decline of claim costs at advanced ages.
				1. Consider higher disabled life mortality.
				2. Lower incidence rates due to high proportion of population that is already on claim.
				3. Provide a combination of the two.
		10. Business Distribution
			1. Provide distribution of business for Indiana and the nation as a whole.
				1. Provide distribution by benefit period, inflation option, elimination period, age group, gender, ROP and any other relative characteristics.
				2. Provide separate experience split between Partnership and non-partnership plans.
		11. Future Experience Projections
			1. Provide a description of projection processes and mechanics used to project future experience.
				1. Include a description of how premium waiver benefits are reflected in historical and projected experience.
				2. Include an explanation of how the projection system ensures that projected claim costs do not exceed the maximum payable under a given benefit option.
				3. Include an explanation of how any anticipated shock lapse or benefit reduction impacts have been reflected in the projected experience.
		12. Company Unit
			1. Provide a description of any company unit investigates fraud and other reasons why claims are paid inappropriately.
				1. Address the amount the company spends to support this unit.
				2. Address how many people work in this unit.
				3. Disclose the number of problem claims discovered for the most recent year and the amount of money recovered.

Address how these amounts flow into the material presented in the filing to show historical incurred losses.

# Premium Guarantee Provision

* 1. Provide a detailed description of the premium rate guarantee provision. (guaranteed renewable/conditional/optional/non-cancellable)
	2. Include an estimate of average projected annual premium per policy.
	3. For rate revisions, include average current annual premium per policy.

# Rating Factors

* 1. Identify from the following which rating structures (and any others) are used for this product:
		1. Non-Benefit Expenses
		2. Administrative Expenses
		3. Sales and Marketing Expenses
		4. Net Cost of Private Reinsurance
		5. Premium Tax
		6. Other Taxes, License and Fees
		7. Other Expenses
		8. Risk Margin
		9. Profit or Contribution to Surplus Margin
	2. Impact of Contractual Arrangement
		1. Provide information regarding the expected impact of contractual agreements with health care providers and administrators.

# Historical Experience (For Rate Revisions)

* 1. Provide Indiana and Nationwide data for below. All experience exhibits should be provided separately for limited premium and lifetime premium policies, if the block includes policies with limited premium payment periods. Indicate experience period, including last date of paid claims.
		1. Earned Premium
			1. Provide the historical earned premium for each calendar year from inception.
			2. Include all premiums regardless of ownership of this block.
				1. Provide as much of the earned premium paid in the current year since the last calendar year as possible.
			3. Include the following items and any other changes that impact policyholder’s premium payment. All payments from policyholder are considered premium, including:
				1. Fees
				2. Taxes
				3. Modal loading
		2. Incurred Losses
			1. Losses should exclude ALR, exclude LAE, show detail of IBNR and indicate the paid-to-date.
			2. Provide the historical incurred losses for each calendar year from inception.
			3. Include all ownership regardless of ownership of this block.
				1. Provide as much of the incurred losses paid in the current year since the last calendar year as possible.

# Rate Change (For Rate Revisions)

* 1. Provide Indiana and Nationwide data for the following. Label clearly.
		1. Rate change currently indicated to achieve the original target loss ratio
		2. Rate change requested
		3. Desired implementation date
		4. All rate change history for both Indiana and Nationwide that includes the following:
			1. The rate increase percent with a month/year effective date

# Projected Experience with Requested Rate Change (For Rate Revisions)

* 1. Provide Indiana and Nationwide data for below. All experience exhibits should be provided separately for limited premium and lifetime premium policies, if the block includes policies with limited premium payment periods.
		1. Provide best estimates for the data below.
		2. Earned Premium with Enrollment Projections
			1. Provide the projected incurred claims using realistic assumptions for the following for the next 10 years.
		3. Incurred Claims
			1. Provide the anticipated projected incurred claims using realistic assumptions for the following for the next 10 years.
		4. Anticipated Loss Ratios
			1. Provide the present value of past experience, projected future experience, and projected lifetime experience including loss ratios.

# Projected Experience without Requested Rate Change

* 1. Provide Indiana and Nationwide data for below. All experience exhibits should be provided separately for limited premium and lifetime premium policies, if the block includes policies with limited premium payment periods.
		1. Provide best estimates for the data below.
		2. Earned Premium with Enrollment Projections
			1. Provide the projected incurred claims using realistic assumptions for the following for the next 10 years.
		3. Incurred Claims
			1. Provide the anticipated projected incurred claims using realistic assumptions for the following for the next 10 years.
		4. Anticipated Loss Ratios
			1. Provide the present value of past experience, projected future experience, and projected lifetime experience including loss ratios.

# Claim Reserves

* 1. Provide a description of the methods and assumptions used to compute claim liabilities for both identified and unidentified claims.
	2. Include a description of the relevant assumptions, including interest rate used for discounting, mortality, recovery from claim status, and any variables relevant to the assumptions.
	3. Include a description of any margins for adverse deviation in these assumptions.
	4. Include how those margins impact the actual and projected incurred claims in the experience projection.
	5. Include a discussion of the company’s practice for studying these assumptions.
		1. Provide the Frequency of studies
		2. Provide the Date and results of the most recent study
	6. Include a description of the company’s processes for opening and closing claims for claim reserving purposes.
	7. Provide a description of how the past rate increases have been reflected in statutory reserves.
	8. Include how the proposed rate increases will be reflected in future statutory reserve development for this block in order to make appropriate balance sheet provision for the expected level of future claims.

# Attestations

* 1. Provide an actuarial certification with a clear statement attesting to the following:
		1. The proposed rates are adequate under anticipated experience.
		2. Additional rate increases will be requested if experience emerges as expected.
		3. Provide a statement that the assumptions supporting this filing are best estimate assumptions with no provision for adverse deviation.
		4. Indicate any reliance on other sources.