



# AMERICAN ACADEMY *of* ACTUARIES

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November 17, 2006

To: Ms. Julia Philips, Chair, Accident and Health Working Group (AHWG) of the NAIC Life and Health Actuarial Task Force

Mr. Michael Boerner, Chair, Long-Term Care (LTC) Reserves Subgroup of the NAIC Accident and Health Working Group

From: Mr. Warren Jones, Chair, American Academy of Actuaries<sup>1</sup> Subgroup on Long-Term Care Experience Forms

RE: American Council of Life Insurers (ACLI) Proposed Recommendation to Report Non-Exempt LTC accelerated-type products

At the September 2006 NAIC national meeting, it was brought to our attention that a proposal had been submitted to the Blanks (E) Working Group by the ACLI, regarding the reporting of non-exempt long-term care acceleration-type products<sup>2</sup>. The Academy's LTC Experience Forms Subgroup has reviewed the proposal, and since it is our understanding that the Accident and Health Working Group would again be reviewing this subject at the winter national meeting, we deem it appropriate to make the following comments.

Having reviewed the form proposed by the ACLI, as described in their letter dated August 9, 2006, we would support the inclusion of a Form 4. This additional form would be for policies that are not subject to the rating sections of the model regulations and do not meet the 10% exclusion. In the present iteration, such data does not fit with the format or formulae in the previously proposed Forms 1, 2 and 3. Form 4 would function only to serve as a measure of the volume of business not included in Forms 1, 2 and 3. It is our understanding that policies with long-term care benefits but with no identifiable premiums attributing to the benefits would fall into this category (to the extent that the long-term care benefits are not incidental as defined by the 10% rule). Life and annuity policies with pure acceleration-type of long-term care benefits would generally not fall into any category for experience reporting purposes because they are not subject to the rating sections of the model regulations.

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<sup>1</sup> The American Academy of Actuaries is a national organization formed in 1965 to bring together, in a single entity, actuaries of all specializations within the United States. A major purpose of the Academy is to act as a public information organization for the profession. Academy committees, task forces and work groups regularly prepare testimony and provide information to Congress and senior federal policy-makers, comment on proposed federal and state regulations, and work closely with the National Association of Insurance Commissioners and state officials on issues related to insurance, pensions and other forms of risk financing. The Academy establishes qualification standards for the actuarial profession in the United States and supports two independent boards. The Actuarial Standards Board promulgates standards of practice for the profession, and the Actuarial Board for Counseling and Discipline helps to ensure high standards of professional conduct are met. The Academy also supports the Joint Committee for the Code of Professional Conduct, which develops standards of conduct for the U.S. actuarial profession.

<sup>2</sup> Comment letter from Steven Clayburn, ACLI, to the Blanks (E) Working Group dated August 9, 2006.

Form 4 does not provide experience reporting. If the volume of business reported on Form 4 becomes material, additional experience reporting appropriate for these types of policies should be developed. We would recommend that the title of Form 4 be modified in order to include other types of products with a combined long-term care benefit. A draft copy of Form 4 is attached.

Additionally, we do not have a position on the issue of the preparing actuary's signature. This was added at the request of the Accident and Health Working Group.

We appreciate the opportunity to offer our comments and look forward to your thoughts. If there are any questions regarding these comments, I invite you to contact Geralyn Trujillo, Health Policy Analyst, State Health, at (202) 785-6924 or [trujillo@actuary.org](mailto:trujillo@actuary.org).

Very truly yours,

Warren Jones  
Chair, Long-Term Care Experience Forms Subgroup  
State Long-Term Care Task Force  
American Academy of Actuaries

cc: John Engelhardt, NAIC Staff  
Mike Abroe, Chairperson, State Health Committee, American Academy of Actuaries  
Robert Yee, Chairperson, State LTC Task Force, American Academy of Actuaries

**LONG-TERM CARE EXPERIENCE REPORTING FORM 4  
OTHER PRODUCTS WITH LTC BENEFITS**

REPORTING YEAR 20\_\_\_\_

NAIC Company Code \_\_\_\_\_

To be filed by April 1

	1	2	3	4	5
Incurred Year	Number of Policies In Force	Number of Certificates	Death Claims	LTC Claims	Total Reserves
<b>1. Individual</b>					
Current					
Prior					
2nd Prior					
<b>2. Group</b>					
Current					
Prior					
2nd Prior					
<b>3. Summary</b>					
Total Inception-to-Date					

Total Reserves are reserves for these particular products with LTC benefits.