



AMERICAN ACADEMY *of* ACTUARIES

Feb. 17, 2011

Commissioner Kevin M. McCarty
Vice Chairperson, Long Term Care (EX)
Task Force
National Association of Insurance
Commissioners Executive Committee

Mr. Steven Ostlund
Chairperson, Health Actuarial Task Force
National Association of Insurance
Commissioners

Subject: Update of 2003 Academy Long-Term Care Practice Note

Dear Commissioner McCarty and Mr. Ostlund:

The American Academy of Actuaries¹ recently formed a work group (of the State Long-Term Care Task Force) to update the Academy's 2003 practice note, *Long-Term Care Insurance Compliance with the NAIC LTCI Model Regulation Relating to Rate Stability*.² A long-time member of the Academy, I have been tapped to chair the work group, which currently has 24 members (three of them regulators).

The work group had its first call on Feb. 9 to discuss the specific issues that members believe need to be addressed in updating the practice note. The group will be conducting a follow-up call on Feb. 23 and will have an in-person meeting at the Inter-Company Long-Term Care conference in Atlanta on March 7. The goal is to have the practice note update completed by the end of the year.

Academy practice notes are designed to offer examples of current and emerging approaches to selected actuarial tasks. They are intended as a supplement to available actuarial literature, especially in cases in which the practices addressed are subject to evolving technology, recently adopted external requirements, or advances in actuarial science or other applicable disciplines. Practice notes are not interpretations of actuarial standards of practice, nor are they meant to be a codification of generally accepted actuarial practice. Actuaries are not in any way bound to comply with practice notes or to conform their work to the practices they describe.

¹ The American Academy of Actuaries is a 17,000-member professional association whose mission is to serve the public on behalf of the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

² American Academy of Actuaries, *Long-Term Care Insurance Compliance with the NAIC LTCI Model Regulation Relating to Rate Stability*, practice note (May 2003): http://www.actuary.org/pdf/practnotes/health_ltc_i_03.pdf.

The group agreed to address the following topics in the practice note revision:

- Moderately adverse experience;
- Examples of initial pricing;
- Valuation impact on pricing;
- Reporting and certifications;
- Rating Increases;
- Reference to the 2007 NAIC Long-Term Care Model Regulation.

If you have any questions, please contact Tim Mahony, the Academy's state health policy analyst (Mahony@actuary.org or 202-223-8196).

Sincerely,

Warren R. Jones, FSA, FCA, MAAA
Chairperson, Long-Term Care Practice Note Work Group
American Academy of Actuaries