**Section 2012.64 Initial Filing Requirements**

a) This Section applies to any long-term care policy issued in this State on or after January 1, 2003, except that subsections (b)(2)(D) and (b)(3) apply to any long-term care policy issued in this State on or after July 1, 2018.

b) An insurer shall provide the information listed in this subsection (b) to the Director 30 days prior to making a long-term care insurance form available for sale.

1) A copy of the disclosure documents required in Section 2012.62; and

2) An actuarial certification consisting of at least the following:

A) A statement that the initial premium rate schedule is sufficient to cover anticipated costs under moderately adverse experience and that the premium rate schedule is reasonably expected to be sustainable over the life of the form with no future premium increases anticipated;

B) A statement that the policy design and coverage provided have been reviewed and taken into consideration;

C) A statement that the underwriting and claims adjudication processes have been reviewed and taken into consideration;

D) A statement that the premiums contain at least the minimum margin for moderately adverse experience defined in subsection (b)(2)(D)(i) or the specification of and justification for a lower margin as required by subsection (b)(2)(D)(ii).

i) A composite margin shall not be less than 10% of lifetime claims.

ii) A composite margin that is less than 10% may be justified in uncommon circumstances. The proposed amount, full justification of the proposed amount and methods to monitor developing experience that would be the basis for withdrawal of approval for such lower margins must be submitted.

iii) A composite margin lower than otherwise considered appropriate for the stand-alone long-term care policy may be justified for long-term care benefits provided through a life policy or an annuity contract. The lower composite margin, if utilized, shall be justified by appropriate actuarial demonstration addressing margins and volatility when considering the entirety of the product.

iv) A greater margin may be appropriate in circumstances in which the company has less credible experience to support its assumptions used to determine the premium rates.

E) Either:

i) A statement that the premium rate schedule is not less than the premium rate schedule for existing similar policy forms also available from the insurer, except for reasonable differences attributable to benefits; or

ii) A comparison of the premium schedules for similar policy forms that are currently available from the insurer with an explanation of the differences.

F) A statement that reserve requirements have been reviewed and considered. Support for this statement shall include:

i) Sufficient detail or sample calculations that provide a complete depiction of the reserve amounts to be held; and

ii) A statement that the difference between the gross premium and the net valuation premium for renewal years is sufficient to cover expected renewal expenses or, if such a statement cannot be made, a complete description of the situations where this does not occur. An aggregate distribution of anticipated issues may be used as long as the underlying gross premiums maintain a reasonably consistent relationship.

3) An actuarial memorandum prepared, dated and signed by the member of the Academy of Actuaries shall be included and shall address and support each specific item required as part of the actuarial certification and shall provide at least the following information:

A) An explanation of the review performed by the actuary prior to making the statements in subsections (b)(2)(B) and (C);

B) A complete description of pricing assumptions;

C) Sources and levels of margins incorporated into the gross premiums that are the basis for the statement in subsection (b)(2)(A) of the actuarial certification and an explanation of the analysis and testing performed in determining the sufficiency of the margins. Deviations in margins between ages, sexes, plans or states shall be clearly described. Deviations in margins required to be described are other than those produced utilizing generally accepted actuarial methods for smoothing and interpolating gross premium scales; and

D) A demonstration that the gross premiums include the minimum composite margin specified in subsection (b)(2)(D).

c) In any review of the actuarial certification and actuarial memorandum, the Director may request review by an actuary with experience in long-term care pricing who is independent of the company. In the event the Director asks for additional information as a result of any review, the period in subsection (b) does not include the period during which the insurer is preparing the requested information.

(Source: Amended at 42 Ill. Reg. 4867, effective February 27, 2018)