

**191—39.13 (514D) Loss ratio.**

**39.13(1)** *Applicability.* This rule shall apply to all long-term care insurance policies or certificates except those covered under rules 191—39.26(514G) and 191—39.28(514G).

**39.13(2)** *Minimum loss ratio.* Benefits under long-term care insurance policies shall be deemed reasonable in relation to premiums provided the expected loss ratio is at least 60 percent, calculated in a manner which provides for adequate reserving of the long-term care insurance risk. In evaluating the expected loss ratio, due consideration shall be given to all relevant factors including:

- a. Statistical credibility of incurred claims experience and earned premiums.
- b. The period for which rates are computed to provide coverage.
- c. Experienced and projected trends.
- d. Concentration of experience within early policy duration.
- e. Expected claim fluctuation.
- f. Experience refunds, adjustments or dividends.
- g. Renewability features.
- h. All appropriate expense factors.
- i. Interest.
- j. Experimental nature of the coverage.
- k. Policy reserves.
- l. Mix of business by risk classification.
- m. Product features such as long elimination periods, high deductibles and high maximum limits.

**39.13(3)** *Accelerated benefits.* Subrule 39.13(2) shall not apply to life insurance policies that accelerate benefits for long-term care. A life insurance policy that funds long-term care benefits entirely by accelerating the death benefit is considered to provide reasonable benefits in relation to premiums paid, if the policy complies with all of the following provisions:

- a. The interest credited internally to determine cash value accumulations, including long-term care, if any, is guaranteed not to be less than the minimum guaranteed interest rate for cash value accumulations without long-term care set forth in the policy;
- b. The portion of the policy that provides life insurance benefits meets the nonforfeiture requirements of Iowa Code section 508.37;
- c. The policy meets the disclosure requirements of rules 191—39.20(514G) and 191—39.21(514G);
- d. The policy illustration meets the applicable requirements of 191—Chapter 14 regarding illustrations; and
- e. An actuarial memorandum is filed with the insurance division that includes:
  - (1) A description of the basis on which the long-term care rates were determined;
  - (2) A description of the basis for the reserves;
  - (3) A summary of the type of policy, benefits, renewability, general marketing method, and limits on ages of issuance;
  - (4) A description and a table of each actuarial assumption used. For expenses, an insurer must include percent of premium dollars per policy and dollars per unit of benefits, if any;
  - (5) A description and a table of the anticipated policy reserves and additional reserves to be held in each future year for active lives;
  - (6) The estimated average annual premium per policy and the average issue age;
  - (7) A statement as to whether underwriting is performed at the time of application. The statement shall indicate whether underwriting is used and, if used, the statement shall include a description of the type or types of underwriting used, such as medical underwriting or functional assessment underwriting. Concerning a group policy, the statement shall indicate whether the enrollee or any dependent will be underwritten and when underwriting occurs; and
  - (8) A description of the effect of the long-term care policy provision on the required premiums, nonforfeiture values and reserves on the underlying life insurance policy, both for active lives and those in long-term care claim status.

