

Building a Consistent National Approach for Reviewing LTCI Premium Rate Increases

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June 15, 2022

Long-Term Care Insurance: Product and Pricing Background

- Overview of LTCI Products and Sales
- Initial Pricing Challenges and Rate Increases (Prior to year 2000)
- NAIC Response: Rate Stability approach adopted into Model Regulation in 2000
- Continued evolution of Products/Pricing
- More Pricing Challenges (Pre and Post Rate Stability blocks)
 - Policyholder Challenges
 - Company Challenges
 - Regulator Challenges

Formation of NAIC LTC EX Task Force

- In response to myriad of these LTC issues, the NAIC formed the LTC Insurance (EX) Task Force in 2019
 - Initial Charge: Develop a consistent national approach for reviewing long-term care insurance rates that result in actuarially appropriate increases being granted by the states in a timely manner and eliminates cross-state rate subsidization. Identify options to provide consumers choice regarding modifications to long-term care insurance (LTCI) contract benefits where policies are no longer affordable due to rate increases.
- Also formed two supporting subgroups:
 - LTC Insurance Multistate Rate Review (EX) Subgroup
 - To evaluate different rate review methodologies used by states in order to develop a recommendation for a consistent national approach to multi-state LTCI rate reviews.
 - LTC Insurance Reduced Benefit Options (EX) Subgroup
 - Focus on evaluating reduced benefit options (RBOs) offered to consumers at time of rate increase and evaluating the quality of consumer notices regarding rate increases and RBOs.

NAIC LTC EX Task Force Work and Accomplishments

- Task Force and Subgroups received input from regulators, industry and consumer representatives. Held numerous public and regulator-only meetings.
- LTC Insurance Multistate Rate Review (EX) Subgroup
 - Evaluated various rate review methodologies with focus on two in particular:
 - Prospective Present Value (PPV) Approach (aka The Texas Method)
 - Blended Approach (aka The Minnesota Method)
 - Drafted Framework for Multi-State Rate Review Process
 - Administrative sections which focus on logistics for multi-state reviews, membership of team, company filings, creation and distribution of recommendation reports, etc.
 - Actuarial sections focusing on rate review methodologies and actuarial details.
 - Multiple exposures and comments on both the administrative and actuarial sections.
 - Began Pilot Testing of Company Filings by Multi-State Review Team while Framework was being drafted and finalized

NAIC LTC EX Task Force Work and Accomplishments

- LTC Insurance Reduced Benefit Options (EX) Subgroup pursued several tracks:
 - Creation of a Reduced Benefit Options (RBO) Principles document
 - Document intended to provide guidance for evaluating RBO offerings.
 - Focuses on fairness and equity for policyholders, clarity of communication of RBOs with policyholders, and encouragement for innovation.
 - Creation of a RBO Communication Principles document
 - This document is intended to establish consistent high-level guiding principles for long-term care insurance reduced benefit options and their presentation in policyholder notification materials.
 - LTC RBO Communication Checklist
 - Checklist intended to establish a consistent approach to drafting and reviewing Long-Term Care Insurance RBO policyholder communications.
 - Checklist enumerates 57 items and can be used as guidance by state regulators. Calls on companies to consider the checklist when developing rate increase/RBO communications.
 - LTC Wellness Program Issues document
 - Objective of paper is to increase clarity to regulators, insurance companies, and interested parties regarding issues related to innovative long-term care wellness programs.

NAIC LTC EX Task Force Work and Accomplishments

Both subgroups worked on these issues throughout 2020 and 2021.

- LTC Insurance Reduced Benefit Options (EX) Subgroup, after numerous calls, drafts, comments from regulators and interested parties, the LTC (EX) Task Force:
 - Adopted [RBO Principles](#) and [RBO Communication Principles](#) documents in December 2020
 - Adopted [LTC RBO Communication Checklist](#) and [LTC Wellness Program Issues](#) paper in December 2021
- LTC Insurance Multistate Rate Review (EX) Subgroup:
 - [Multistate Rate Review Framework](#) adopted by NAIC LTC (EX) Task Force in December 2021 and then adopted by Executive Committee and Plenary in April 2022.

NAIC LTC EX Task Force Work – Next Steps

Charges for the LTC EX Task Force have evolved since inception. Current charges are:

The **Long-Term Care Insurance (EX) Task Force** will:

1. Once adopted by the NAIC Executive (EX) Committee and Plenary, monitor, and evaluate the progress of the multistate actuarial (MSA) rate review process as outlined in the MSA Framework document. Monitor state insurance department rate review actions subsequent to implementation of the MSA Framework and MSA rate review recommendations.
2. Complete an evaluation and recommend options to provide consumers with choices regarding modifications to LTCI contract benefits where policies are no longer affordable due to rate increases.
3. Monitor the work performed by other NAIC solvency working groups and assist in the timely multi-state coordination and communication of the review of the financial condition of LTC insurers.

Other Next Steps . . .

About the Speakers

- **Fred Andersen** serves as Chief Life Actuary of the Minnesota Department of Commerce. Besides reviewing financial models related to the reserves and capital of Minnesota's life insurers, he leads activities in innovation, consumer protection, and market efficiency at the National Association of Insurance Commissioners in areas involving long-term care insurance, indexed life & annuity products, variable annuities, and experience data reporting. Before joining the Department in June 2014, he served as Assistant Chief Life Actuary for the Insurance Division of the New York Department of Financial Services.
- **Ray Nelson** is Senior Vice President, Actuarial Services of TriPlus Services, Inc. Ray leads the team which provides comprehensive actuarial consulting services to various LTC clients including rate increase activities, modeling and projections, valuation, reporting, experience analysis, pricing and product management. He also provides actuarial consulting services to AHIP on various Health and LTC initiatives. Ray has more than 30 years of experience in LTCI, having previously worked at Bankers Life & Casualty Company, where he was responsible for pricing, product development, and product line management of the company's LTCI offerings for 19 years. Ray is a member of both the Society of Actuaries and the American Academy of Actuaries.

Thank You