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Long-Term Care Actuarial (B) Working Group

Virtual Summer National Meeting

August,4 2020

The Long-Term Care Actuarial (B) Working Group of the Health Actuarial (B) Task Force met via conference call Aug. 4, 2020. The following Working Group members participated: Perry Kupferman, Chair (CA); Steve Ostlund (AL); Paul Lombardo (CT); Benjamin Ben (FL); Weston Trexler (ID); Nicole Boyd (KS); Marti Hooper (ME); Fred Andersen (MN); Rhonda Ahrens (NE); Anna Krylova (NM); Bill Carmello (NY); Laura Miller (OH); Tracie Gray (PA); Andrew Dvorine (SC); Mike Boerner (TX); and Tomasz Serbinowski (UT).

1. Adopted its Jan. 23, 2020, and 2019 Fall National Meeting Minutes

The Working Group met Jan. 23 to adopt a draft of changes to the Long-Term Care Insurance Experience Reporting Forms of the annual financial statement.

Mr. Ostlund made a motion, seconded by Mr. Lombardo, to adopt the Working Group’s Jan. 23, 2020 (Attachment Five-A) and Dec. 6, 2019 (*see NAIC Proceedings –Fall 2019, Health Actuarial (B) Task Force, Attachment One*) minutes. The motion passed unanimously.

1. Heard an Update from the Academy on LTC Work Group Activities

Warren Jones (PricewaterhouseCoopers LLP) gave an update (Attachment Five-B) on the American Academy of Actuaries (Academy) Long-Term Care Valuation Work Group’s development of mortality and lapse valuation tables.

Mr. Kupferman asked why, for issue ages 80 and greater, the same mortality table marital status adjustment factors are used for married and single policyholders.

Mr. Jones said this is because a difference between married and single policyholder experience was not observed for issue ages 80 and greater. He said there are other apparently anomalous relationships in the proposed tables and adjustment factors that can be explained by the actual observed experience, and that these will be detailed in the final report to the Working Group.

1. Heard an Update on SOA LTCI Research

Dale Hall (Society of Actuaries—SOA) gave an update (Attachment Five-C) on recent work on the SOA’s Long-Term Care Experience Study.

1. Adopted the Report of the Long-Term Care Pricing (B) Subgroup

Mr. Lombardo said the Long-Term Care Pricing (B) Subgroup met Feb. 6 and Jan. 6. He said the Subgroup discussed long-term care insurance (LTCI) cash value buyouts (CVBs) to policyholders in lieu of rate increases, and recent discussions in the Connecticut legislature concerning the ability of stand-alone LTCI policyholders to convert their policies to some form of hybrid LTCI policy, using some of the accumulated value of the stand-alone policy to offset the cost of the hybrid policy. He said state insurance regulators’ main concern expressed is the possibility of antiselection by policyholders that elect CVBs affecting remaining policyholders. He said the Subgroup will continue CVB discussions during an upcoming conference call.

Mr. Lombardo made a motion, seconded by Mr. Schallhorn, to adopt the report of the Long-Term Care Pricing (B) Subgroup, including its Feb. 6 (Attachment Five-D) and Jan. 6 (Attachment Five-E) minutes. The motion passed unanimously.

1. Adopted the Report of the Long-Term Care Valuation (B) Subgroup

Mr. Andersen said the Subgroup has not met since the 2019 Fall National Meeting. He said a review group composed of Subgroup members continues to review *Actuarial Guideline LI—The Application of Asset Adequacy Testing to Long-Term Care Insurance Reserves* (AG 51) year-end 2019 filings. He said this is the third year for such reviews. He said the first year of reviews focused on ultimate lapse rates, mortality tables, reliance on future rate increases, morbidity improvement and future investment performance assumptions used for reserve calculations. He said the second year of reviews took a closer look at morbidity assumptions by developing an inquiry letter that resulted in more useful morbidity information being collected related to claim cost, incidence, termination and benefit utilization.

Mr. Andersen said Subgroup members have engaged with insurers, the SOA and actuarial consulting firms to assess the impact of COVID-19 on LTCI valuation. He said initial findings indicate the presence of COVID-19 impacts on claims costs, situs of long-term care (LTC) services and consumer attitudes toward receiving LTC services during the pandemic. He said there will likely be a hesitation among the elderly to enter an LTC facility and that it is unknown if this will be a short-term or long-term change in LTC service utilization. He said COVID-19 mortality is affecting LTCI reserves, and the extent of the impact needs to be analyzed. He said if there is a continued shift in use of facility-based LTC services, the financial impact on LTCI may be greater than that from increased mortality. He said the most certain impact to LTCI reserves over the past five months has been the further decline in interest rates. He said that any past financial concerns for insurers will likely be worse than they were prior to COVID-19. He said the Subgroup will coordinate with the Long-Term Care Pricing (B) Subgroup, as many of the COVID-19 related issues that affect valuation will also affect pricing. He said the Subgroup will be in contact with the Academy and the SOA to determine how its recent work relates to LTCI valuation. He said the Subgroup will present any findings related to COVID-19 during future conference calls over the next few months.

Mr. Andersen made a motion, seconded by Mr. Boerner, to adopt the report of the Long-Term Care Valuation (B) Subgroup. The motion passed unanimously.

Having no further business, the Long-Term Care Actuarial (B) Working Group adjourned.

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