Memo

To: Jane Koenigsman, NAIC, Senior Manager II, Life and Health Financial Analysis

From: Lynn Manchester, FSA, MAAA, Director, RRC
Andrew Larocque, ASA, MAAA, Supervisor, RRC

Date: December 13, 2024

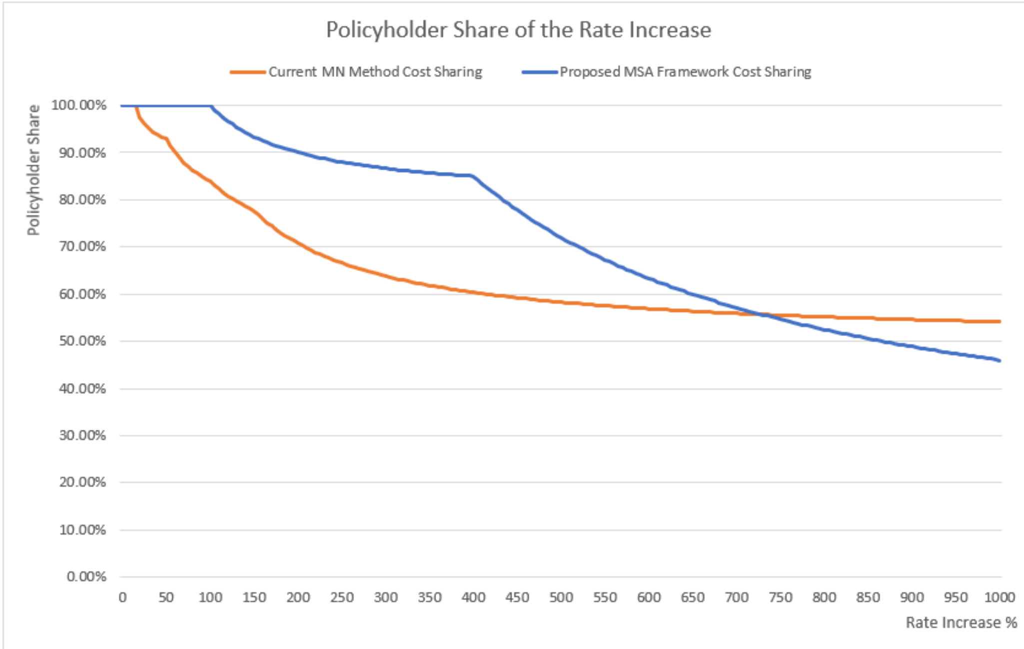
Subject: RRC Comments regarding Long Term Care Insurance Multistate Rate Review Framework

Background

The Long Term Care Insurance Multistate Rate Review Subgroup ("the Subgroup") exposed a Long Term Care Insurance (LTCI) Multistate Rate Review Framework ("the Framework") which covers a potential approach to increase consistency of LTCI rate review actions across states and improve efficiency of LTCI rate reviews for insurers. RRC appreciates the opportunity to offer our comments. Should you have any questions, we would be glad to discuss our comments with you and the Subgroup members.

RRC Comments

1. Overall, we applaud these continued efforts. We understand that there are current industry challenges associated with differences in rate approval practices among states and agree with efforts to increase uniformity of those practices while continuing to maintain the individual state decision making authority.
2. On page 15, under Future Non-Actuarial Considerations, there is new language that states "…the LTCI MSA Framework was amended in 2024 to adjust the cost-sharing components within the MSA method to address specific public policy challenges, particularly around large increases for older-age policyholders, with longer durations."
    a. We recommend including a description of those specific public policy challenges, and by whom they were raised.
    b. It is not clear from the new cost-sharing formula how the impact differs for older-age policyholders versus other policyholders. We recommend the MSA Framework explain this difference.
3. Regarding the MSA Rate Review Approach, this approach is similar to the Minnesota Approach with a revised cost-sharing formula. The revised cost-sharing formula has a larger "haircut" for rate increases above 400%, and less grading of the haircut percentages for rate increases between 100% and 400%. The result is that the policyholder will bear more of the burden of rate increases than under the current MN method. The graph below shows the impact of the revised formula on policyholders.



We recommend that the Subgroup consider whether a phased in approach to the proposed change may be appropriate, to avoid the relatively large changes in cost sharing by policyholders for relatively smaller rate increases.

4. We suggest, if not already underway, that the Subgroup consider reaching out specifically to insured groups and their representatives for input on the changes, for example through consumer advocate offices.
5. The Subgroup may wish to consider varying the method based on the nature of the underlying block of business. For example, using the revised cost-sharing formula for blocks that have no previous rate increase approvals, and using a more graded formula for other blocks.

Thank you for the opportunity to provide comments on this important initiative. We can be reached at 813-506-7238/Lynn.Manchester@riskreg.com or 617-429-0069/Andrew.Larocque@riskreg.com if you have any questions.