Recommendation on a single MSA actuarial approach after regulator feedback:

<u>Recommendations based on apparent consensus:</u>

1. Generally have lower rate increases for those at very advanced ages with high-duration policies that have had substantial past rate increases.

   Appropriate implementation to avoid administrative and discrimination concerns may be to adjust the method for older blocks (which tend to have older policyholders that have been subject to substantial past rate increases) instead of differentiating rate increases by age within a block.

   Recognize that high-duration policyholders have:

   - tended to have the most benefit from what proved to be underpricing due to the number of underpriced premiums paid;
   - tended to have been the most surprised by the magnitude of cumulative rate increases compared to any that could have been expected when the policy was issued.

2. Do not dismiss aspects of proposals labeled as “non-actuarial” by the ACLI.

   Consider all proposals made thus far regarding incorporation into a single actuarial approach.

3. Balance between consumer protection and preventing further financial distress for insurers.

   Further analysis may be necessary to assess certain attractive proposal aspects how they maintain this balance.

4. Continue including a catch-up provision in a single actuarial approach for attaining a similar rate level between states.

   Align with actuarial soundness, consumer fairness, insurers’ financial sustainability, and regulatory considerations.

5. Continue to encourage buy-in from states on the MSA actuarial approach.

   Perhaps LTC Task Force leadership could have individual meetings with states that tend to approve the lowest rate increases, providing information and addressing questions.

   Acknowledge that some states that perform detailed reviews of state filings will tend to review and consider their own method and compare with the MSA recommendation; some states are committed to following the MSA recommendation. States that aren’t able to perform detailed reviews are more likely to rely on the MSA.

6. Pre-approve and phase in rate increases over a reasonable period of time as opposed to requiring annual re-filings.

Part of the reason is pre-approved phased-in rate increases transparently enable policyholders to make well-informed decisions about their LTC policy based on the most likely future rates.

Also, pre-approved phase-ins eliminate work effort for companies and regulators that often provides little value.

Recommendations, but split views among regulators:

7. If-knew weighting and additional cost-sharing considerations

   Study impacts on rates and solvency of various weights (including the Utah proposal) as well as the potential effects of eliminating an explicit cost-sharing provision.

8. Maintain the flexibility of having a solvency provision but continue having the application be very rare.