April 24, 2023

Paul Lombardo, Co-Chair, NAIC Long-Term Care Actuarial Working Group
Fred Andersen, Co-Chair, NAIC Long-Term Care Actuarial Working Group

Dear Paul and Fred,

The American Council of Life Insurers (ACLI)[1] and the America's Health Insurance Plans (AHIP)[2] appreciate the opportunity to comment on the following two exposures:

- Suggested improvements to the Health Actuarial Task Force-adopted Consolidated, Most Commonly Asked Questions – States' LTC Rate Increase Reviews checklist and MSA Supplemental information checklist.
- The Minnesota and Texas actuarial approaches as described in the NAIC Long-Term Care Insurance Multistate Rate Review Framework document.

The ACLI and AHIP continue to fully support a consistent national approach for reviewing current LTC rates that results in actuarially appropriate increases being granted by the states in a timely manner.

Our comments on each exposure are outlined in the following sections.

Suggested Improvements to Checklists

ACLI and AHIP members continue to support and encourage a general checklist that reduces the number of additional requests from states during the individual state review of the rate filing. While we understand that each state is responsible for the final review and approval of the filing in their state, additional information that is not included in the checklist may be warranted. We encourage the checklist to clarify that if a state believes that there are additional requests needed that are not included in the checklist, the state should provide the company with the reason that the additional item is needed.

Comments and suggested changes to specific sections of the checklists are outlined in Appendix A.

Comments to the Actuarial Approaches for Rate Increases

Our comments to the actuarial approaches for rate increases are more general in nature. It is our understanding that a detailed review of these methods, along with consideration of alternative methods, will occur after any modifications needed to the checklist are complete.

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[1] The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 280 member companies represent 94 percent of industry assets in the United States.

[2] AHIP is the national association whose members provide health care coverage, services, and solutions to hundreds of millions of Americans every day. We are committed to market-based solutions and public-private partnerships that make health care better and to help create a space where coverage is more affordable and accessible for everyone.

Insurers best protect their policyholders when they can fulfill the obligations they made to these policyholders. This is accomplished when insurers have some level of predictability in their ability to effectively manage their current and future LTC business over time. At its core, this level of predictability can only be achieved through transparency and consistency with respect to the methodology used to calculate the increase recommended by the MSA Team. We firmly believe that companies need to understand how regulators are using the methodologies before submitting their rate filing to the MSRR, including why the MSA team would give more weight to one method over the other.

The Minnesota (Blended If-Knew/Make-Up) and Texas (Prospective Present Value) approaches, as described in the 2018 NAIC LTC Pricing Subgroup's paper – Long-term Care Insurance Approaches to Reviewing Premium Rate Increases ("NAIC Pricing Subgroup's Paper), were the result of a deliberate and collaborative effort on the part of regulators and industry in 2018, during which each method was fully vetted. We believe that any change or clarification of the methods outlined in that document should occur only after the same robust discussion and review.

As was done in 2018, we encourage the NAIC LTC Actuarial Working Group to engage in another fulsome discussion of whether the current methodologies are still appropriate, along with the items used in each method so that regulators and companies are on the same page regarding how each component is used in the review process. This should include a discussion of all components of each method rather than the inclusion of only certain components of the methodologies. For example, under the Texas method, the catch-up and transitional provisions are not included in the framework. We believe these are valid and important adjustments that should be considered when applying the Texas method. The catch-up provision is intended to account for necessary additional premiums in a new rate increase related to assumptions provided to the department at the time of a previous rate increase request that were not approved in conjunction with the prior filing(s). Likewise, the transition provision, for pre-rate stability products and other products where the last rate increase request was voluntarily reduced by the company, provides the ability to make a single filing to provide the full amount of premium necessary to meet the actuarial certification.

Thank you for the opportunity to comment. We look forward to discussing our comments at the next call of the NAIC LTC Actuarial Working Group.

Sincerely,

Jan Graeber
Senior Actuary, ACLI

Ray Nelson
AHIP Consulting Actuary

Appendix A

Information Checklist	
Item Number	**Comment/Suggestion**
Pages 18-19, Item 2b: 2. New premium rate schedule, percentage increase for each rating scenario such as issue age, benefit period, elimination period, etc., from the existing and original rates. b. Provide the cumulative rate change since inception, after the requested rate increase, for each of the rating scenarios.	Comment: Due to differences in historical rate increase approvals by state, the "cumulative rate change since inception" will most likely vary by state. Suggestion: Remove this item from the checklist or clarify how the cumulative increase should be determined when historical rate increases have varied by state and clarify how the MSA team will use this information in its review.
Page 19, Item 3a and 3b 3. Rate increase history that reflects the filed increase. a. Provide the month, year, and percentage amount of all previous rate revisions. b. Rate increase history that reflects the filed increase. Provide the SERFF MSA numbers associated with all previous rate revisions	Comment 3a: The date a rate revision is approved differs from the date the increase is implemented by the company. Suggestion: Clarify whether the date provided should be the approval date or the implementation date. Comment 3b: The MSA review process will assign a SERFF number to the MSA SERFF filing; however, this differs from the SERFF number assigned to the filing when it is submitted to the individual states. Therefore, the rate revision is actually associated with the state's SERFF number and not the MSA SERFF number. (i.e. clarify that this item refers only to prior MSA filings.) Suggestion: Add "if applicable" to clarify that this item refers to any prior MSA SERFF filing.
Page 19, Item 4.a.iv: 4. Actuarial memorandum justifying the new rate schedule, which includes: a. Lifetime loss ratio projection, with earned premiums and incurred claims discounted at the maximum valuation interest rate. iv. Provide a comparison of state versus national mix of business. In addition, a state may request separate state and national data and	Comment: While we recognize that an individual state might be interested in information specific to their state, we suggest that the checklist clarify that state specific information is not needed or used for purposes of an MSA review.

projections. The insurer should accompany any state-specific information with commentary on credibility, materiality, and the impact on requested rate increase.	
Page 19, Item 5a: 5. Reasons for the rate increase, including which pricing assumptions were not realized and why. a. Attribution analysis - presents the portion of the rate increase allocated to and the impact on the lifetime loss ratio from each change in assumption	<u>Comment:</u> We believe this information is duplicative of the information requested in Item S2 of the Supplement checklist, which states: “Attribution of rate increase a. Provide the attribution of rate increase by factor: morbidity, mortality, lapse, investment, and other. b. For the morbidity factor, break down the attribution by incidence, claim length, benefit utilization, and other. c. Provide information on the assumptions that are especially sensitive to small changes in assumptions.” <u>Suggestion:</u> Remove this item from the supplemental checklist.
Page 20, Item 10c: 10. Information from the Guidance Manual Question and Answer (Q&A): Morbidity, Lapse, Mortality, Interest. a. Provide actuarial assumptions from original pricing and most recent rate increase proposal and have the original actuarial memorandum available upon request.	<u>Comment:</u> Providing this information is challenging due to the fact that the most recent assumptions may vary by state. For example, timing differences between filings may vary by state. In addition, the original actuarial memorandum could vary by state as well. <u>Suggestion:</u> This item should be revisited after the review and discussions of the methodologies are complete in order to incorporate how the MSA will treat situations when the “most recent rate increase” assumptions vary by state.
Page 20, Item 11: 11. Provide the following calendar year projections, including totals, for current premium paying nationwide policyholders only, prior to the rate increase, all discounted at the maximum valuation interest rate: a. Present value of future benefits (PVFB) under current assumptions b. PVFB under prior assumptions (from prior rate increase filing, or if no prior increase, from original pricing). c. Present value of future premiums (PVFP) under current assumptions.	<u>Comment:</u> The data requested is only for base rate increase calculation. We believe the Texas method should utilize the catchup and transition provisions and therefore additional data should be requested in this checklist to accommodate those provisions. <u>Suggestion:</u> This item should be revisited after the review and discussions of the methodologies are complete to incorporate modifications made due to those discussions.

d. PVFP under prior assumptions (from prior rate increase filing, or if no prior increase, from original pricing).	
Page 20-21, Item 16: 16. Policyholder notification letter should be clear and accurate. a. Provide a description of options for policyholders in lieu of or to reduce the increase. b. If inflation protection is removed or reduced, is accumulated inflation protection vested? c. Explain the comparison of value between the rate increase and policyholder options. d. Are future rate increases expected if the rate increase is approved in full? If so, how is this communicated to policyholders?	<u>Comment:</u> We agree that the policyowner notification letter should be clear and accurate; however, different states have different definitions of what is clear and accurate. <u>Suggestion:</u> Remove this item from the MSA information checklist and leave it to the review of the individual state when the filing is made with that state.
Supplement Checklist	
Page 21, Items 3a and 3b 3. RBOs a. Provide the history of RBOs offered and accepted for the block. b. Provide a reasonability analysis of the value of each significant type of offered RBO.	<u>Comment:</u> Because historical rate increase approval amounts and timing could vary by state, the offer and acceptance data will vary by state as well. In addition, new/innovative approaches, like landing spots or cash buyouts are not approved by all states. <u>Suggestion:</u> Clarify how companies should provide this information when it varies by state.
Page 21, Item 5: 5. Expected loss ratio: a. With respect to the initial rate filing and each subsequent rate increase filing, provide the target loss ratio. b. Provide separate ratios for lifetime premium periods and non-lifetime premium periods and for inflation-protected and non-inflation-protected blocks.	<u>Comment:</u> This item does not take into account whether a company certified to rate stability. Will all companies be treated as if they did certify to rate stability even when they did not and even when the target loss ratio could not have been achieved because the state didn't approve the rate increase associated with that target loss ratio?