

## Draft Pending Adoption

Draft: 12/6/22

Long-Term Care Insurance (EX) Task Force  
Virtual Meeting (*in lieu of meeting at the 2022 Fall National Meeting*)  
November 30, 2022

The Long-Term Care Insurance (EX) Task Force met Nov. 30, 2022. The following Task Force members participated: Scott A. White, Chair (VA); Michael Conway, Vice Chair (CO); Lori K. Wing-Heier (AK); Alan McClain (AR); Mark Fowler represented by Yada Horace (AL); Evan G. Daniels represented by Erin Klug (AZ); Ricardo Lara represented by Susan Bernard (CA); Andrew N. Mais represented by Paul Lombardo (CT); Karima M. Woods represented by Philip Barlow (DC); Trinidad Navarro (DE); David Altmaier represented by John Reilly (FL); Colin M. Hayashida represented by Kathleen Nakasone (HI); Doug Ommen represented by Kim Cross (IA); Dean L. Cameron (ID); Dana Popish Severinghaus represented by Shannon Whalen (IL); Amy L. Beard represented by Scott Shover (IN); Vicki Schmidt (KS); Sharon P. Clark (KY); James J. Donelon represented by Tom Travis (LA); Gary D. Anderson (MA); Kathleen A. Birrane represented by Brad Boban (MD); Timothy N. Schott (ME); Anita G. Fox represented by Karen Dennis (MI); Grace Arnold represented by Fred Andersen (MN); Chlora Lindley-Myers (MO); Troy Downing represented by Susan Brown (MT); Mike Causey represented by Ted Hamby (NC); Eric Dunning represented by Martin Swanson (NE); Russell Toal (NM); Barbara D. Richardson (NV); Judith L. French (OH); Glen Mulready (OK); Andrew R. Stolfi represented by TK Keen (OR); Michael Humphreys (PA); Elizabeth Kelleher Dwyer represented by Megan Mihara (RI); Michael Wise (SC); Larry D. Deiter (SD); Carter Lawrence represented by Bill Huddleston (TN); Cassie Brown represented by Brian Riewe (TX); Jon Pike (UT); Kevin Gaffney (VT); Mike Kreidler (WA); Nathan Houdek (WI); Allan L. McVey represented by Joylynn Fix (WV); and Jeff Rude (WY).

### 1. Adopted its Oct. 31 and Summer National Meeting Minutes

Commissioner White said the Task Force conducted an e-vote that concluded on Oct. 31 to adopt its 2023 proposed charges.

Superintendent Toal made a motion, seconded by Commissioner Mulready, to adopt the Task Force's Oct. 31 (Attachment One) and Aug. 12 (*see NAIC Proceedings – Summer 2022, Long-Term Care Insurance (EX) Task Force*) minutes. The motion passed unanimously.

### 2. Discussed Proposed Edits to the Checklist for Premium Increase Communications

Commissioner White said at the Summer National Meeting, consumer representatives presented research that was conducted with the NAIC Center for Insurance Policy and Research (CIPR). The research included interviews with financial planners on reduced benefit options (RBOs) offered to consumers. The Task Force agreed to survey state insurance departments to ask how RBO guidance and consumer notice checklists have been applied by the state insurance departments. The survey will be conducted in 2023 to help inform the CIPR how to proceed with future research in this area.

Commissioner White said consumer representatives submitted proposed edits to the Checklist for Premium Increase Communications. Brenda J. Cude (University of Georgia) and Bonnie Burns (California Health Advocates—CHA) summarized their proposed edits to the checklist. Burns said the edits focus primarily on readability. She said notices should be clearer when providing examples of the individual's options. Two additional items, #58 and #59, are recommended to address what is important for policyholders to keep with their policies and keeping policies and documents in a place that is accessible and somewhere that someone knows where they are kept. It also addresses ensuring someone has access to safety deposit boxes where documents are held if the insured becomes impaired.

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Commissioner Richardson asked if any thought was given to how much information was included in consumer notices since the checklist is long with 59 items. Burns said she has seen both extremes where companies did well and others where the length was intimidating or there was only a statement to call the company about making changes. She said state insurance regulators should look at the notices and determine how much legal information is necessary. How options are displayed and that they are clear is important to consumers. Notices should be clear about what the options are and that they are not the only options an individual has. Dr. Cude said the 59 items are not a list of what information should be in the notices, but they also include how the information should be presented.

The Task Force formed an ad hoc group including California, Pennsylvania, and Vermont to work with consumer representatives to review and draft any further edits to the checklist. Hearing no objection, Commissioner White said after the ad hoc group completes its review, the proposed edits will be released for a 30-day public comment period from that point in time.

### 3. Heard an Update on LTCI Industry Trends

Andersen said the Valuation Analysis (E) Working Group has taken a lead role in identifying issues related to insurance reserves and solvency. Long-term care insurance (LTCI) and asset adequacy have been the Working Group's core work. The Working Group is monitoring the following industry trends:

- Morbidity trends.
- Cost-of-care inflation trends, especially in blocks of policies with 5% inflation-protected benefits.
- Benefit utilization.
- Potential shifts in care.
- The impact of these issues on asset adequacy protections.
- The potential impact on increased reserves needed to cover future claims.

Andersen said the Working Group is planning to integrate the reviews of insurers' filings under *Actuarial Guideline LI—The Application of Asset Adequacy Testing to Long-Term Care Insurance Reserves* (AG 51) with a review of complex assets under *Actuarial Guideline LIII—Application of the Valuation Manual for Testing of Adequacy of Life Insurer Reserves* (AG 53) where insurers fall within the scope of both guidelines.

Andersen said the rise in interest rates and the wind-down of COVID-19 protocols are creating offsetting but still uncertain impacts to the finances of LTCI blocks. The investment returns are expected to rise and will be beneficial for the finances of LTCI blocks. Where blocks have inflation protection, the cost of care inflation could mostly or entirely offset the increase in investment returns. Cost-of-care inflation may be hitting home care and facility care differently. People may be regaining comfort with facility care, or there could be pent-up demand for facility care, but any significant shift between the use of home care and facility care will need to be monitored for its financial impact. Andersen said he appreciates industry members' assistance in identifying these offsetting trends. He said he appreciates the coordination with the California team of LTCI evaluation actuaries and the domestic regulators of companies with LTCI business to help ensure efforts on reserves and solvency are not duplicated. Commissioner White asked what the biggest takeaway is. Andersen said the primary area of focus is the cost-of-care inflation creating financial stress and uncertainty, especially on companies with 5% inflation protection policies. He said all other issues are areas to monitor, as opposed to being a serious concern.

### 4. Received a Report on the MSA Associate Program

Andersen said the Multistate Actuarial (MSA) Associate Program involves assisting the MSA team in rate reviews, and it provides an opportunity for training. State insurance department staff are encouraged to join and may reach out to Andersen if interested.

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### 5. Heard a Report on its Planned Dec. 14 Regulator-to-Regulator Meeting

Commissioner White said the Task Force will meet at the Fall National Meeting on Dec. 14 at 8:00 a.m. in regulator-to-regulator session, pursuant to paragraph 3 (specific companies, entities or individuals) of the NAIC Policy Statement on Open Meetings.

Commissioner White said the Task Force surveyed the five companies that participated in the MSA Pilot Project over the last two years. Neither the names of the companies nor the results of the survey can be disclosed because it was gathered with the understanding that it would remain confidential for state insurance regulators only. The Task Force will be looking at the results of the Pilot as one step in understanding how the insurance departments use the MSA Advisory Report recommendations and understanding variances. The hope is that the Task Force can develop some overall takeaways and lessons learned. Next year, the Task Force will continue its efforts to encourage the use of the MSA process. This feedback may give us additional insight into how states and insurers can get the most benefit out of the MSA process. The MSA is an evolving process. It is improving, and Task Force members want to see more participation from states and insurers. A critical part of that is the feedback the Task Force has received so far, and it welcomes additional input in the coming year.

Having no further business, the Long-Term Care Insurance (EX) Task Force adjourned.

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