The background of the slide features a black and white photograph of a tall, cylindrical lighthouse situated on a rocky cliff. The lighthouse has a glowing light at the top, and a beam of light is visible extending from the top left. The right side of the slide is overlaid with a dark blue, semi-transparent geometric shape that contains the text.

NAIC LTC Data Call Workstream #6 Suggested Public Presentation

Matt Morton FSA MAAA
Kirill Grin ASA MAAA

June 25, 2021

LTC Data Call Agenda

Executive Summary	<p>Takeaways on the current level of rate differences among state policyholders from the analysis performed on data collected from 19 carriers across 50 states.</p>
Scope	
Data Collection	
Analysis	
Cumulative Approved	
Rate Increase	
Rate Increase Approvals	
Cost of Care	

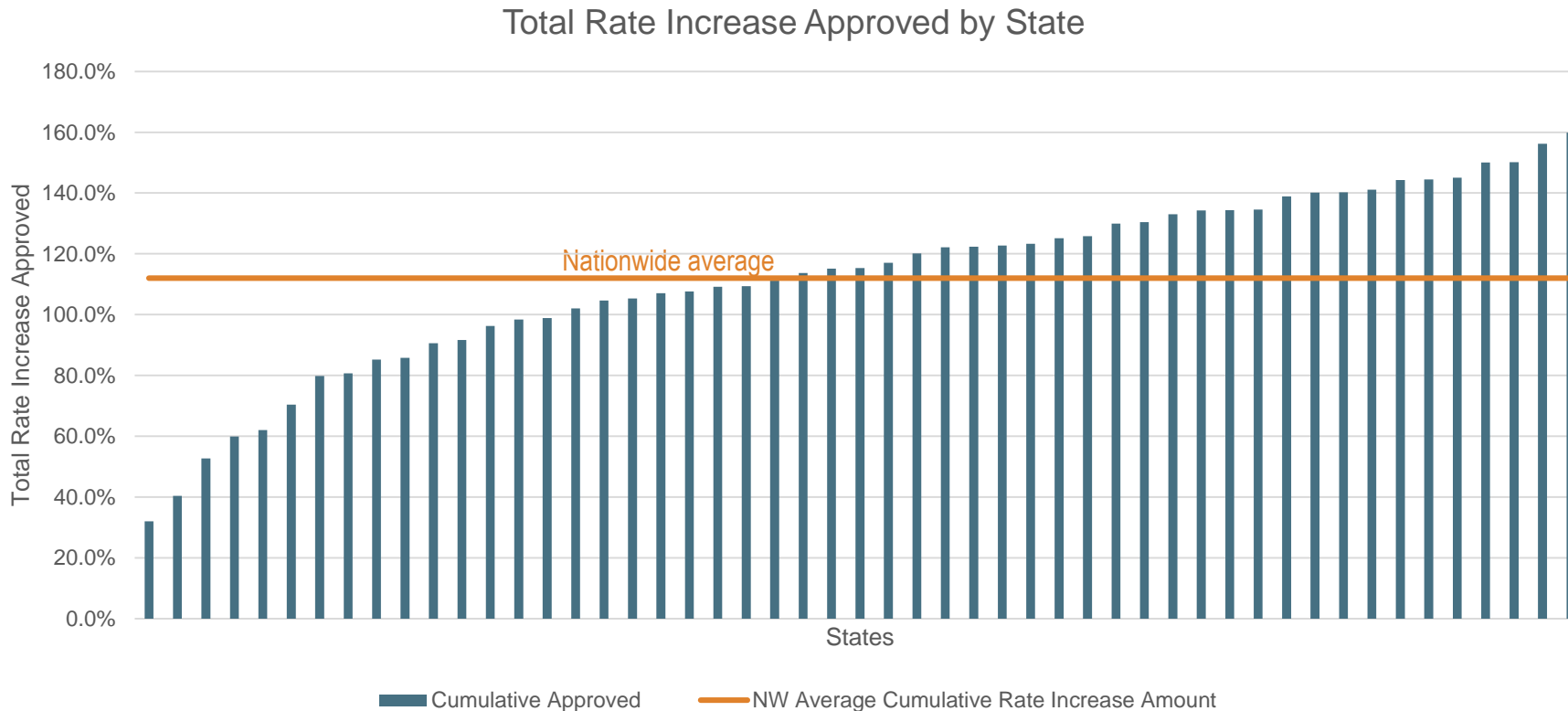
Executive Summary – Key Takeaways

1. LTC rate increase approval disparities exist between states.
2. Premium inconsistencies exist among states as premium per policy varies greatly. Average premium ranges from \$1,755 - \$3,656, despite similar benefit distributions.
3. The cost of long-term care services does not appear to be the primary predictor of a state's LTC claim experience.

Executive Summary – Key Takeaways

Question:

Are LTC rate approvals consistent by state?



Outcome:

Evidence suggests inconsistent rate approval levels by state

1. Data from 19 carriers and 50 states.
2. About 1/3 of industry.
3. 3,500+ approved rate increases.

See Cumulative Approved Rate Increase section for further detail

Executive Summary – Key Takeaways

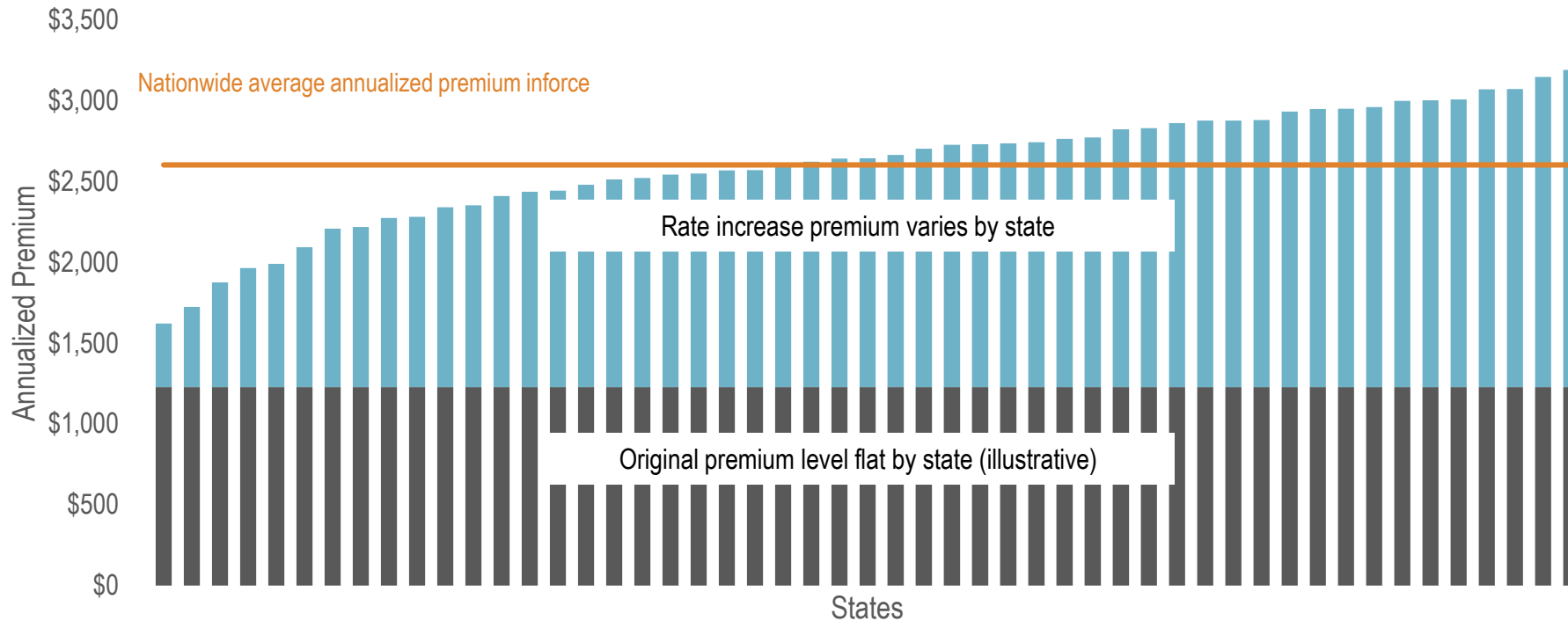
Question:

How much premium is attributable to rate increases?

Outcome:

Illustration uses actual rate increases and a theoretically level nationwide original premium.

Annualized Premium Inforce by State Demonstration



*For demonstration purposes only

1. Impact of state specific cumulative approvals on annualized premium based on nationwide averages.
2. Nationwide average annualized premium inforce is \$2,603.
3. Nationwide average cumulative approved rate increase is 112%.
4. Illustrative original premium levels.

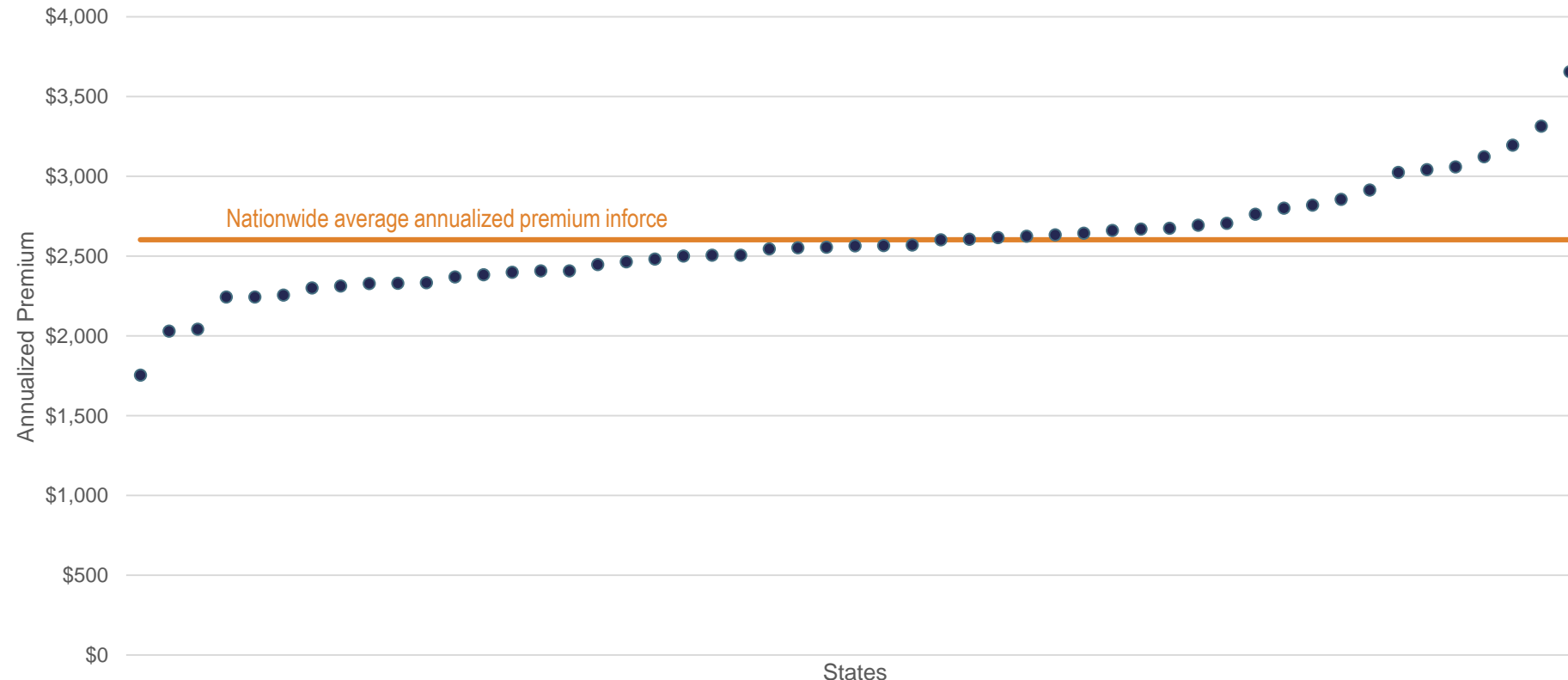
Executive Summary – Key Takeaways

Question:

Are premium levels for inforce policies consistent?

Outcome:

Evidence suggests consumers are paying different premiums by state, despite similar benefit structure distribution



1. The average annualized premium by state ranges from \$1,755 - \$3,656.
2. Average nationwide annualized premium inforce is \$2,603.
3. Benefit distribution mix is a partial contributor to differences by state.

See Data Collection section for support and further detail

Executive Summary – Key Takeaways

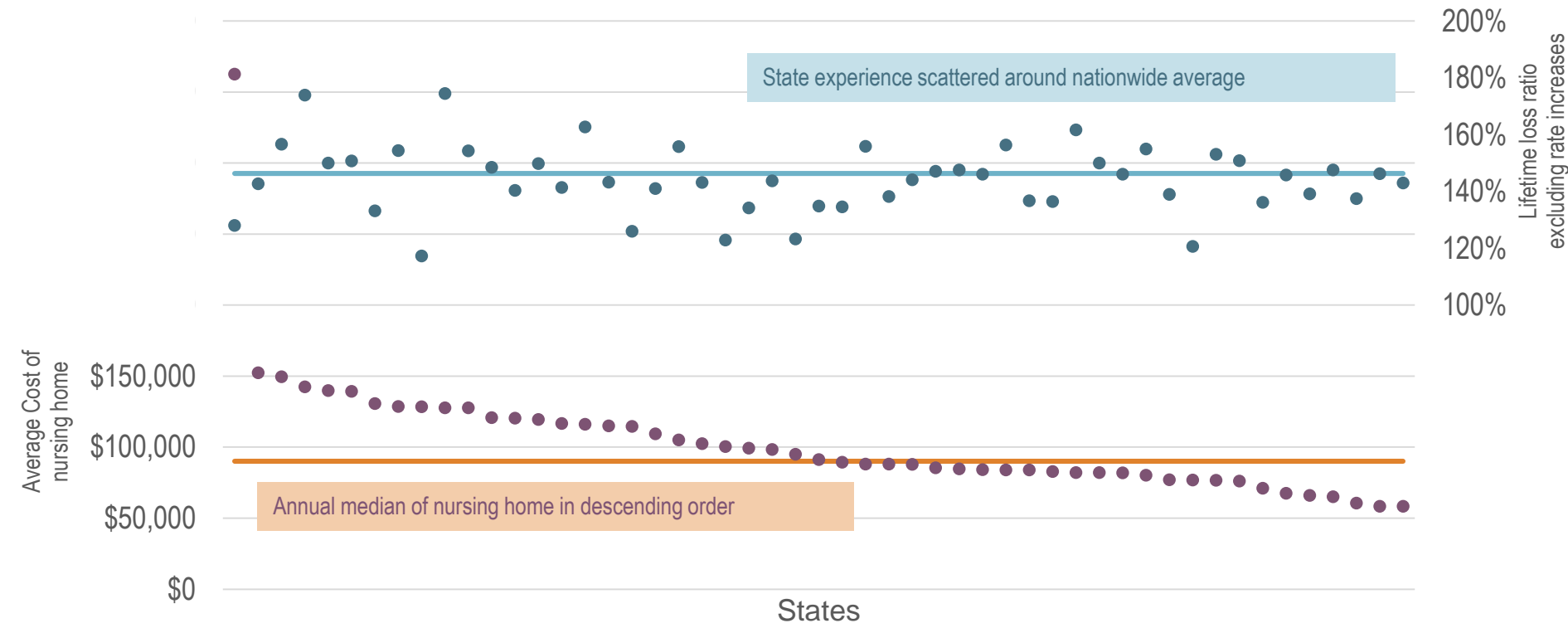
Question:

Does the cost of LTC services in a state drive insurance experience?

Outcome:

The cost of a nursing home does not appear to be a primary predictor of state LTC experience.

1. No clear pattern of lifetime loss ratio by state as current cost of care decreases.
2. Nursing home costs based on 2019 Genworth cost of care study (other care settings available in later section).



See the Cost of Care section for further detail

A tall, cylindrical lighthouse with a glowing light at the top, situated on a rocky cliff. The background is a hazy, overcast sky. A large, dark blue, semi-transparent geometric shape covers the right side of the image, containing the text.

Supporting Documentation

LTC Data Call Agenda

Executive Summary	Outline of purpose and goal of NAIC Workstream #6.
Scope	
Data Collection	
Analysis	
Cumulative Approved Rate Increase	
Rate Increase Approvals Cost of Care	

Project Scope

- Assist the NAIC Long-Term Care Insurance Task Force and with the help of and under the authority of the Virginia Bureau of Insurance, with facilitating a Long-Term Care Information Data Call with respect to a designated group of long-term care insurers in order to accumulate, analyze and describe to Commissioners the current level of rate differences among state policyholders.

Purpose Of Documentation

- This report summarizes and analyzes the data collected from all carriers for their most rate increased blocks. Data for carrier's largest blocks was collected and reviewed, but not used in the analysis herein.
- State specific experience is compared against nationwide averages for the following:
 - Number of rate increase approvals
 - Cumulative approved rate increase amount
 - Lifetime loss ratios
 - Cashflows including impact of rate increases on lifetime earned premium
 - Cost of Care

LTC Data Call Agenda

Executive Summary	Summary of data collected as well as inforce statistics on both the largest blocks and most rate increased blocks of business as collected in this Data Call.
Scope	
Data Collection	
Analysis	
Cumulative Approved Rate Increase	
Rate Increase Approvals	
Cost of Care	

Data Collected

- 19 Insurers have submitted data for their most rate increased blocks as well as largest blocks, if different. Data collected includes 27 LTC blocks of business.
- Over 2.5 million inforce policies provided (about 1/3 of industry).
- Over 3,500 approved rate increases.
- Approximately \$50 billion of active life reserves.
- The information and analysis contained in this report are based on this collected information. No external information was used to support this analysis with the exception of the 2019 Genworth Cost of Care Survey.

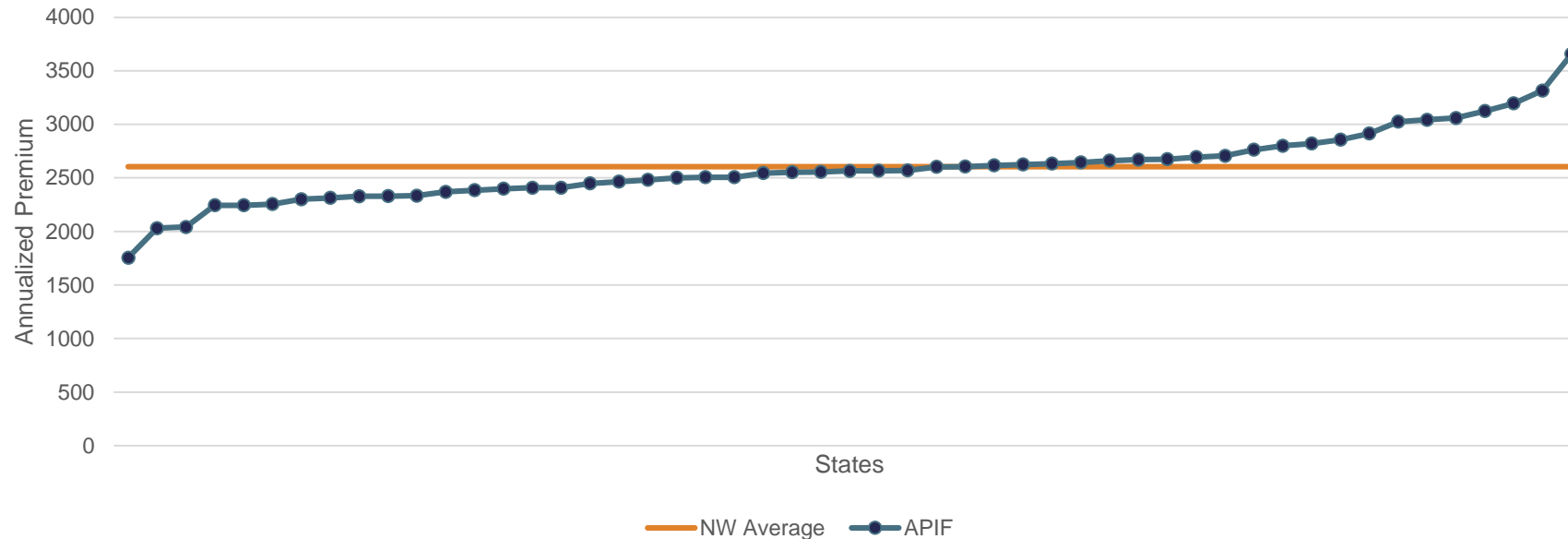
Inforce Statistics

	Most Rate Increased Blocks	Largest Blocks
Average Attained Age	74.8 Range:72.7–76.8	70.8 Range:68.6–72.6
Average Inforce Policy Count	23.8k Range:1.5k–136.7k	37.2k Range:2.3k–67.3k
Average Inforce Annual Premium	\$2,603 Range:\$1,755-\$3,656	\$1,952 Range:\$948-\$3,174
Average Lifetime Loss Ratio w/o Rate Increases	146.3% Range:117.3%-174.5%	120.0% Range:96.2%-153.1%
Average Lifetime Loss Ratio w/ Rate Increases	121.7% Range:97.3%-158.8%	100.6% Range:78.2%-140.0%
NW Present Value of Historic Earned Premium*	\$79.6B	\$67.3B
NW Present Value of Historic Incurred Claims	\$47.8B	\$29.0B
NW Present Value of Future Earned Premium*	\$27.1B	\$35.2B
NW Present Value of Future Incurred Claims	\$82.0B	\$74.1B

- Average Inforce statistics across all states for both the most rate increased and largest blocks as applicable. The data for the blocks submitted by carriers that are both most rate increased and largest, are included in both columns above.
- Of all inforce policies for the most rate increased blocks, over 70% have an inflation rider and over 35% have a lifetime BP.
- Top 10 states by inforce make up around 50% of total nationwide inforce as well as present value of lifetime earned premiums and incurred claims collected.
- Only the data associated with the most rate increased blocks was used in the analysis herein. Data associated with the largest block was reviewed, but not ultimately used for this analysis.

*Includes all approved rate increases

Annualized Premium Inforce by State



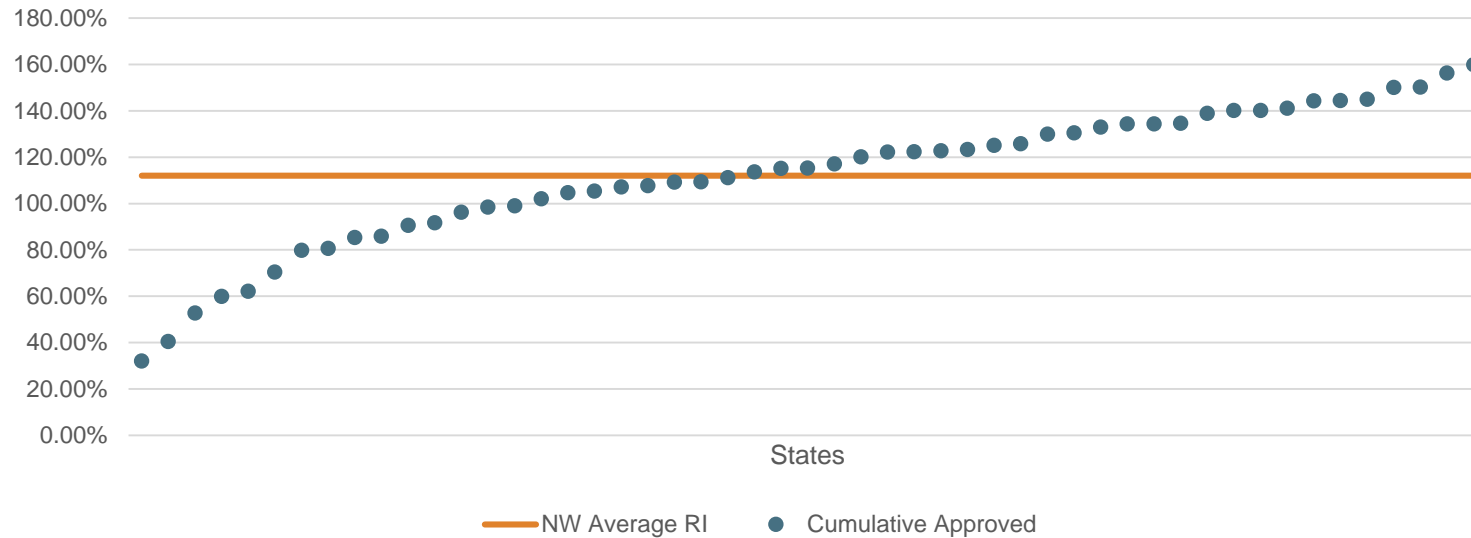
- Average nationwide annualized premium inforce is \$2,603.
- The average annualized premium inforce varies from \$1,755 - \$3,656 on the most rate increased blocks of business across all states. In general, the average annualized premium varies pretty significantly for states with similar distributions of policy characteristics implying policyholders in some states are paying more than policyholders in other states for, generally, the same benefits.
 - For 45 states over 60% of all inforce policies have an inflation rider.
- For 34 states over 30% of all inforce policies have a lifetime benefit period. For these states, the average annualized premium inforce varies from \$2,042 - \$3,315.

LTC Data Call Agenda

Executive Summary Scope Data Collection Analysis	Summary of state specific cumulative rate increase amounts as well as average approved number of rounds compared to nationwide averages.
Cumulative Approved Rate Increase	
Rate Increase Approvals Cost of Care	

Analysis: Cumulative Approved Rate Increase

Each states cumulative rate increase relative to national average



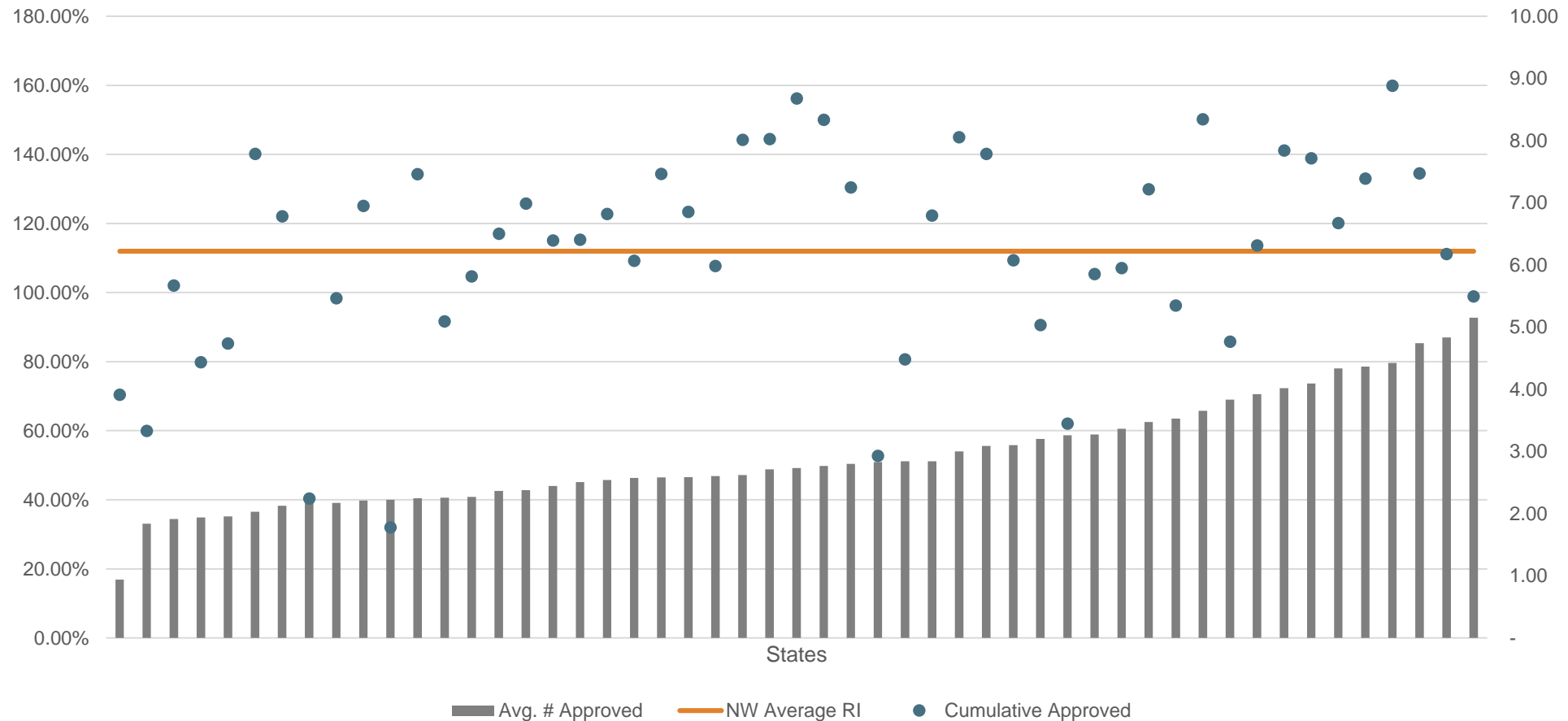
Nationwide average

States with lower cumulative amounts

States with higher cumulative amounts

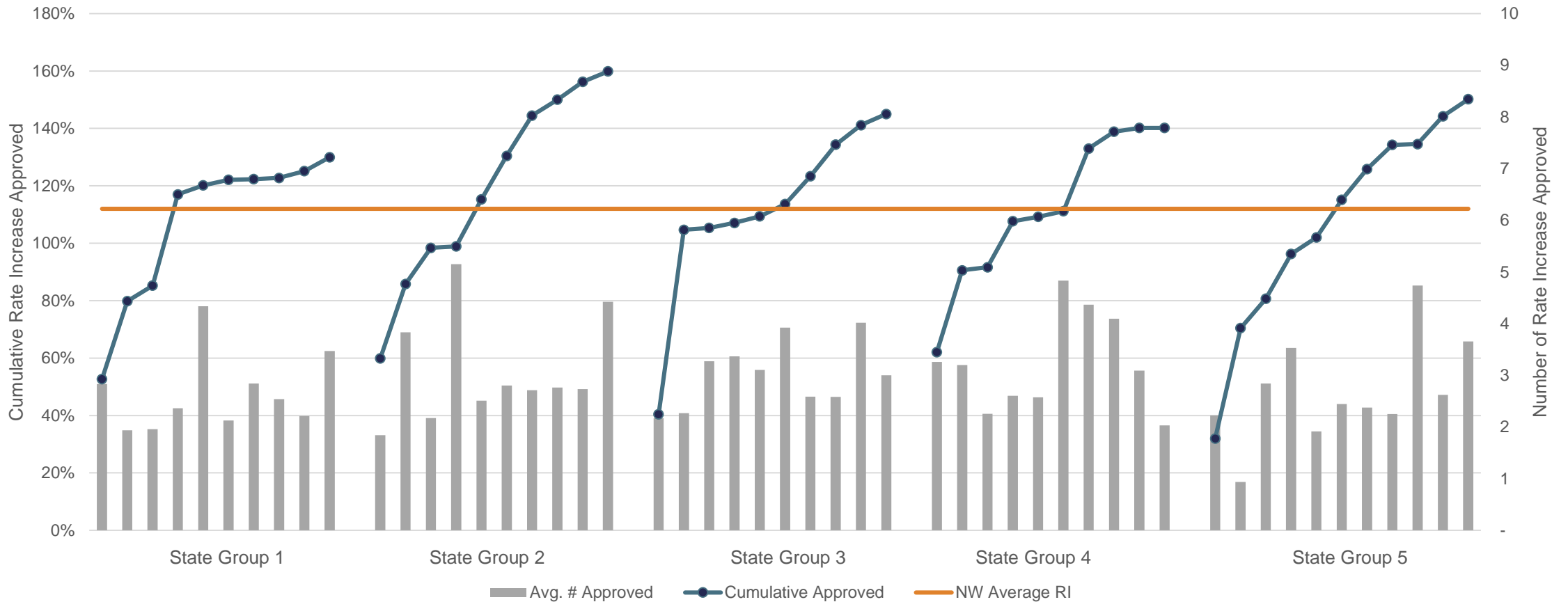
This does not consider timing of approvals

Analysis: Cumulative Approved Rate Increase



Number of approvals not only driver for states with higher cumulative amounts

Analysis: Cumulative Approved Rate Increase

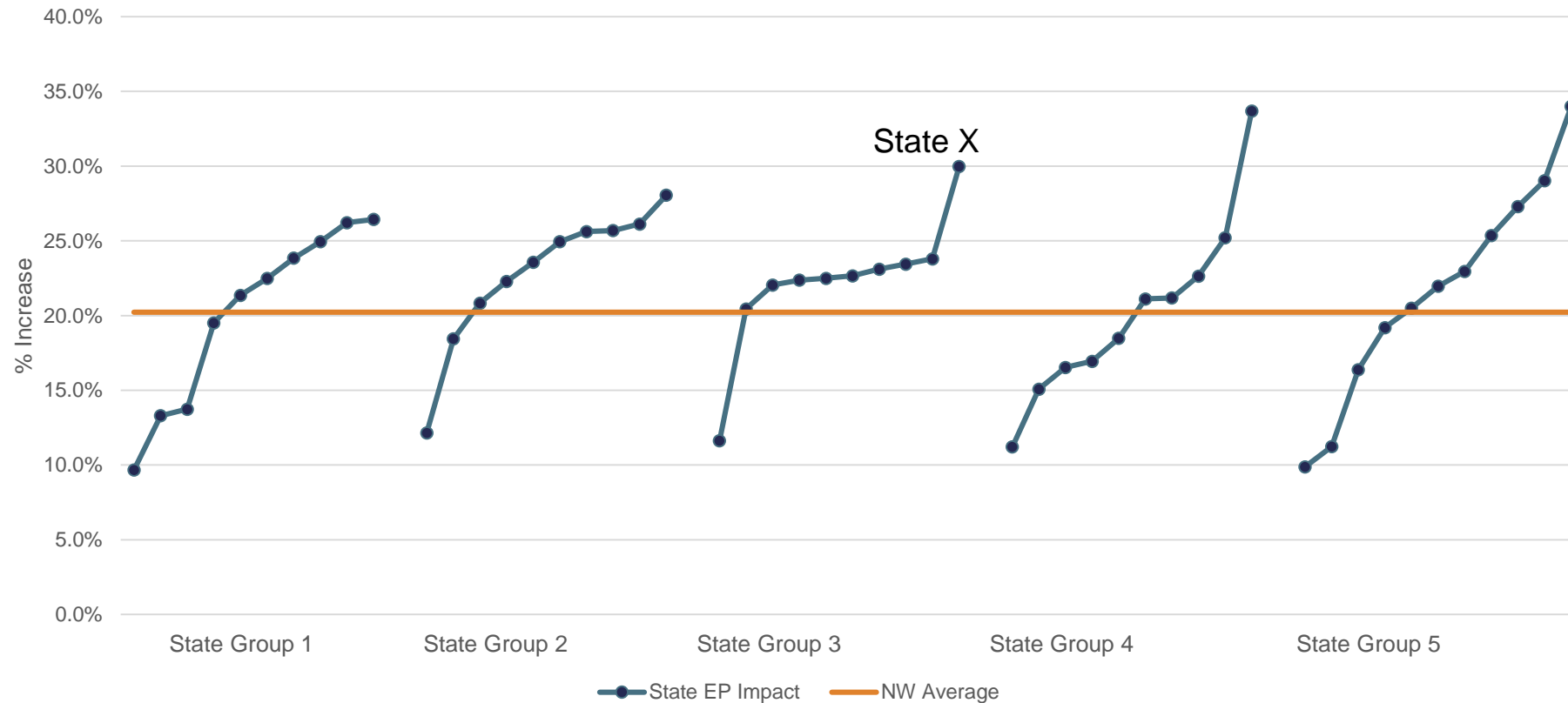


States bucketed into 5 groups by size indicate similar patterns.
Group 1 includes states with most inforce and Group 5 includes states with least inforce.

LTC Data Call Agenda

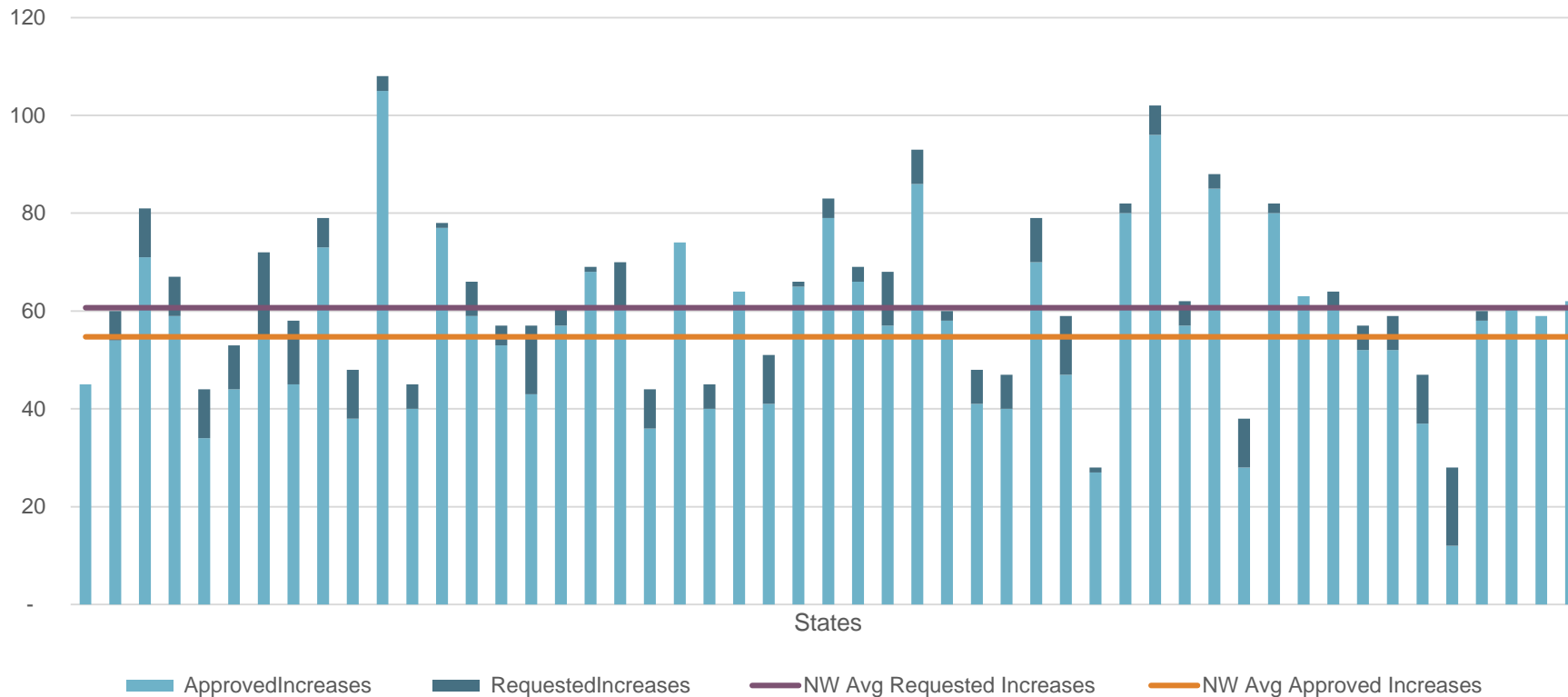
Executive Summary	Summary of state specific rate increase approvals and policy lifetime impact of rate increase approval amounts relative to original rates.
Scope	
Data Collection	
Analysis	
Cumulative Approved Rate Increase	
Rate Increase Approvals	
Cost of Care	

Lifetime Premium Impact



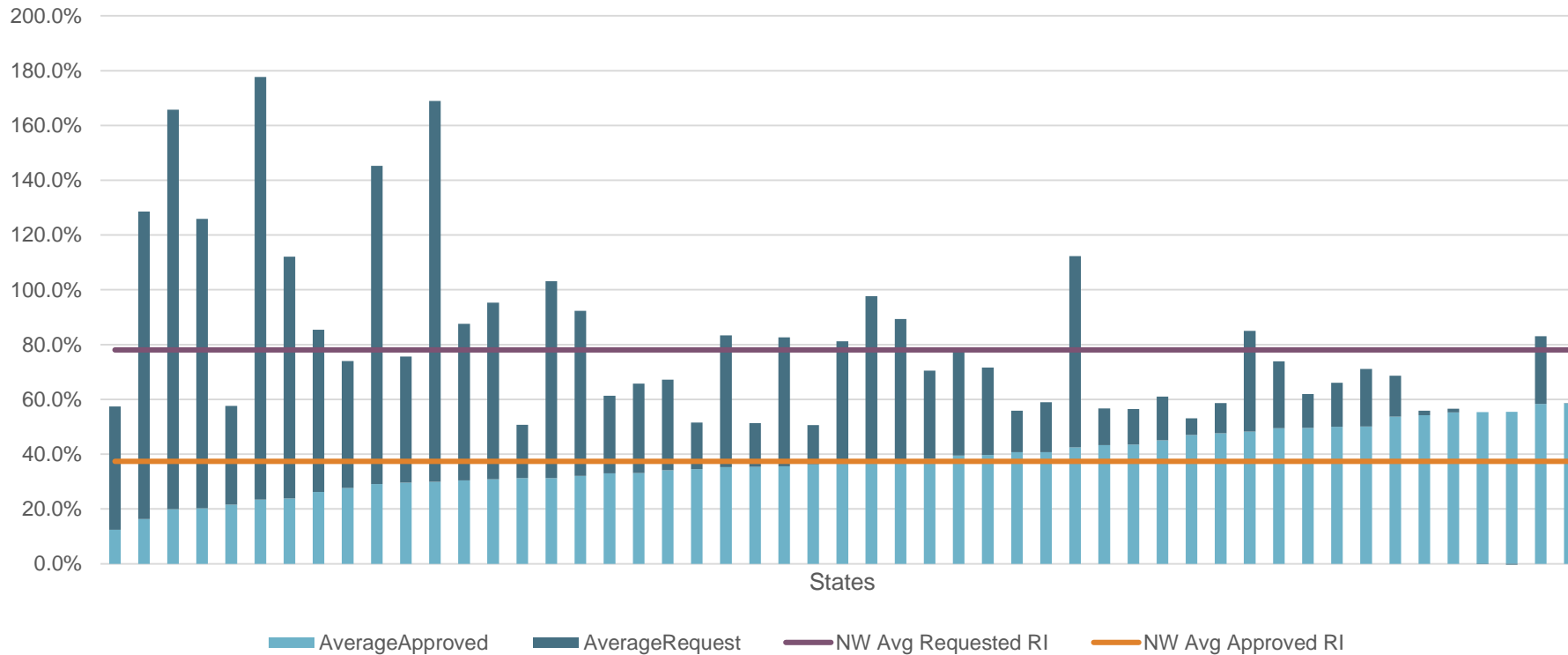
- States bucketed into 5 groups by size
- States ranked by inforce and policy lifetime impact of rate increase approval amounts relative to original rates.
- Example, premium paid by State X policyholders over the life of policies (past and future) will be 30.0% higher than original levels.
- Average impact of rate increase on nationwide lifetime premium is 20.2%.
- This does consider timing of approvals. Early approvals have bigger impact.

Average Number of Requested and Approved Rate Increases



- The number of requested and approved rate increases by state.
- Average Nationwide number of requested increases is 61.
- Average Nationwide number of approved rate increases is 55.

Average Single % Requested and Approved Rate Increases



- Average % of requested and approved rate increases by state.
- Average single Nationwide requested rate increase amount is 78%.
- Average single Nationwide approved rate increase amount is 37%.
- Average cumulative Nationwide approved rate increase is 112%.

LTC Data Call Agenda

Executive Summary	Summary of cost of care by state based on the most recent Genworth Cost of Care Report. Compare cost of care with state specific loss ratios, average annualized premium, and cumulative approved rate increase amounts.
Scope	
Data Collection	
Analysis	
Cumulative Approved Rate Increase	
Rate Increase Approvals	
Cost of Care	

Analysis: Cost Of Care By State

- We reviewed the annual median cost of care rates from the 2019 Genworth Cost of Care Survey for the following:
 - Semiprivate room in a nursing home
 - Adult day care
 - Home health aide
- Genworth Cost of Care Report: <https://pro.genworth.com/riiproweb/productinfo/pdf/282102.pdf>
- For each site of care and by state, we compared the annual median cost of care rates to lifetime loss ratios, annualized premium inforce, and cumulative approved rate increase amount.
 - In every scenario we did not see a clear correlation between state specific experience and state specific annual median cost of care rates

Additional Observations

- The annual median cost of a semi-private room in a nursing home for 5/10 top states by inforce volume were lower than the nationwide average.
- The annual median cost for an adult day care for 7/10 top states by inforce volume were lower than the nationwide average.
- The annual median cost of homecare services for 5/10 top states by inforce volume were lower than the nationwide average.
- Over 5/10 top states by inforce volume had lower 5 year annual growth rates for cost of care when compared to nationwide averages. This includes nursing home, adult day care, and homecare services.

Reliance and Limitations

- The analysis provided in this document are based on work developed by Long Term Care Group, Inc. ("LTCG") from data collected from insurers in response to the NAIC Data Call Workstream #6. The document has been prepared in accordance with a statement of work dated March 5, 2020 between the National Association of Insurance Commissioners ("NAIC") and LTCG. They may not be referenced or distributed to any other party without the prior written consent of LTCG. Matthew Morton, FSA, MAAA and Kirill Grin, ASA, MAAA are the actuaries responsible for the findings contained in this document. They are members of the American Academy of Actuaries and meet its Qualification Standards for issuing such findings.
- In developing these results, LTCG relied on information that was supplied by the NAIC and the contributing companies. LTCG staff reviewed the information being relied upon for reasonableness but performed no audits or independent verification of such information. To the extent that there are material errors in the information provided, the results of the analysis will be affected as well.

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