June 2, 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 exposure relating to "Revised Ideas- Improved MSA Actuarial Approach."

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. Actuarially justified rates are fundamental to insurers' ability to fulfill future benefit promises made to their policyholders.

After reviewing the exposure, we believe that a productive first step would be to develop several overarching principles that can serve as the basis in the evaluation of any approach for determining an actuarially justified LTC rate increase, without reference to any specific method. The goal would be to come to a consensus on these overarching principles and then use them as guidance as we evaluate specific methods. Our attached comments on the exposure are based on this perspective.

We look forward to discussing our comments at the next call of the NAIC LTC Actuarial Working Group.

Sincerely,

Jan Graeber

Ray Nelson

[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.

ACLI
Financial Security for Life

AHIP

## Guiding Principles for Actuarial Approaches for Evaluating Long-Term Care Rate Increases

The following principles are guidance and do not carry the weight of law or impose any legal liability. This guidance can serve to inform and establish actuarial approaches for evaluating long-term care premium increases.

1. The approach should result in premiums that are:
   a. not inadequate, not unreasonable, and not excessive in relation to the benefits provided, and
   b. not unfairly discriminatory between individuals of the same actuarial risk class, or between risks of essentially the same degree of hazard.

2. The approach should result in premiums charged to policyholders that do not allow remaining policyholders to be responsible for excess claims associated with past policyholders.

3. The approach should be designed to ensure the long-term financial stability of the insurance company by ensuring that any cost-sharing adjustment strikes an appropriate balance between the policyholders and the company.

4. The approach should be transparent and easily understood by actuaries experienced in pricing and reserving long-term care products.

5. The approach should not require an unreasonable amount of time or unreasonable degree of effort.

6. The approach should not impose unnecessary complications that do not significantly change the resulting calculated rate increase.

7. The approach should allow for predictable results when applied consistently.

8. The approach should not apply subjective, arbitrary, or discretionary caps, factors, or limitations.

9. The approach should allow for any variation in premiums or rate increases between classes of insureds that are based upon sound actuarial principles reasonably related to actual or anticipated loss experience.

10. The approach should allow for consideration of whether a product was priced with a margin for moderately adverse experience required under rate stability or whether the product was priced under pre-rate stability regulations.

11. A desired outcome of the approach is rate equity. States and companies should pursue an approach where the present value of lifetime premiums, for a given level of benefits, would be similar between states and achieves premium equity over the lifetime of the policy.