LONG-TERM CARE INSURANCE (B) TASK FORCE

- Long-Term Care Insurance (B) Task Force Nov. 17, 2024, Minutes
  - Long-Term Care Insurance (B) Task Force Oct. 2, 2024, Virtual Meeting Minutes (Attachment One)
    - Comment Letter Regarding the Proposed 2025 Charges (Attachment One-A)
    - 2025 Proposed Charges (Attachment One-B)
  - Long-Term Care Actuarial (B) Working Group Nov. 16, 2024, Minutes (Attachment Two)
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      - Comment Letter from the American Academy of Actuaries (Academy) Regarding a Single LTCI Multistate Rate Review Approach (Attachment Two-A1)
      - Comment Letter from AHIP and the American Council of Life Insurers (ACLI) Regarding a Single LTCI Multistate Rate Review Approach (Attachment Two-A2)
      - Comment Letter from Genworth Life Insurance Company (Genworth) Regarding a Single LTCI Multistate Rate Review Approach (Attachment Two-A3)
      - Comment Letter from Missouri DCI Regarding a Single LTCI Multistate Rate Review Approach (Attachment Two-A4)
      - Comment Letter from Texas Regarding a Single LTCI Multistate Rate Review Approach (Attachment Two-A5)
      - Comment Letter from Utah Insurance Department Regarding a Single LTCI Multistate Rate Review Approach (Attachment Two-A6)
      - Comment Letter from the Colorado Division of Insurance Regarding the Minnesota Approach (Attachment Two-B)
    - Comment Letter from AHIP and the American Council of Life Insurers (ACLI) Regarding the Minnesota Approach (Attachment Two-C)
    - Comment Letter From Genworth Life Insurance Company (Genworth) Regarding Single LTCI Multistate Rate Review Exposure Draft (Attachment Two-D)
  - Presentation on the Results of the RBOs and Consumer Notices Research Project (Attachment Three)

Draft Pending Adoption

Draft: 11/21/24

Long-Term Care Insurance (B) Task Force
Denver, Colorado
November 17, 2024

The Long-Term Care Insurance (B) Task Force met in Denver, CO, Nov. 17, 2024. The following Task Force members participated: Andrew N. Mais, Chair, represented by Paul Lombardo (CT); Grace Arnold, Vice Chair, represented by Fred Andersen (MN); Lori K. Wing-Heier represented by Sarah Bailey (AK); Mark Fowler represented by Sanjeev Chaudhuri (AL); Ricardo Lara represented by Ahmad Kamil (CA); Michael Conway represented by Sydney Sloan (CO); Trinidad Navarro represented by Jessica Luff (DE); Doug Ommen represented by Andria Seip (IA); Dean L. Cameron represented by Shannon Hohl (ID); Holly W. Lambert represented by Scott Shover (IN); Sharon P. Clark represented by Angi Raley (KY); Timothy J. Temple represented by Vicki Dufrene (LA); Michael T. Caljouw represented by Kevin Beagan (MA); Marie Grant represented by Mary Kwei (MD); Robert L. Carey represented by Marti Hooper and Robert Wake (ME); Chlora Lindley-Myers represented by Jo LeDuc and William Leung (MO); Mike Causey represented by Robert Croom (NC); Jon Godfread represented by Chrystal Bartuska (ND); Eric Dunning represented by Margaret Garrison and Maggie Reinert (NE); D.J. Bettencourt represented by Michelle Heaton (NH); Scott Kipper represented by Todd Rich (NV); Judith L. French represented by Laura Miller (OH); Glen Mulready represented by Andrew Schallhorn (OK); Andrew R. Stolfi represented by Numi Griffith (OR); Michael Humphreys represented by Dave Yanick and Lindsi Swartz (PA); Elizabeth Kelleher Dwyer represented by Patrick Smock (RI); Michael Wise represented by Karl Bitzky (SC); Larry D. Deiter represented by Jill Kruger (SD); Carter Lawrence represented by Scott McAnally (TN); Cassie Brown represented by Daniel McAdams (TX); Jon Pike represented by Tanji J. Northrup (UT); Scott A. White represented by Julie Fairbanks (VA); Kevin Gaffney represented by Anna Van Fleet (VT); Mike Kreidler represented by John Haworth (WA); Nathan Houdek represented by Rebecca Rebholz (WI); Allan L. McVey represented by Joylynn Fix (WV); and Jeff Rude represented by Tana Howard (WY).

1. Adopted its Oct. 2 and Summer National Meeting Minutes

The Task Force conducted an e-vote that concluded Oct. 2 to adopt a recommendation to the Health Insurance and Managed Care (B) Committee for 2025 proposed charges, which include disbanding the Long-Term Care Insurance (B) Task Force on Dec. 31, 2024, and recommending charges for the Senior Issues (B) Task Force and the Health Actuarial (B) Task Force.

Smock made a motion, seconded by Kamil, to adopt the Task Force's Oct. 2 (Attachment One) and Aug. 13 minutes (*see NAIC Proceedings – Summer 2024, Long-Term Care Insurance (B) Task Force*). The motion passed unanimously.

2. Adopted the Report of the Long-Term Care Actuarial (B) Working Group

Andersen said many regulators have been concerned about escalating long-term care insurance (LTCI) rates for policyholders who are over the age of 85. In the 25-years-and-over duration range, these policyholders have faced cumulative rate increases in excess of 400% and are facing future rate increases. This has been labeled the "85/25/400" policyholder issue. He said that during discussions, a suggestion to resolve the 85/25/400 issue is to adjust the cost-sharing factors in the Minnesota rate review methodology. The 400% cumulative rate increase issue would be addressed by flattening the slope of future rate increases after 400%. It was determined that it would be difficult to address the age 85 and duration 25 issues. However, after the study, it was determined that fixing the 400% cumulative rate increase issue indirectly addresses the age 85 and duration 25 issues.

Andersen said these discussions impact filings that insurers voluntarily submit to the multistate actuarial (MSA) team. The MSA process in the Long-Term Care Insurance Multistate Rate Review Framework (LTCI MSA Framework) is intended to increase uniformity between states, but it does not impose any requirements on state insurance departments regarding rate approvals.

Andersen said the Long-Term Care Actuarial (B) Working Group met Nov. 16 and Oct. 9. During its Nov. 16 meeting, the Working Group discussed comments received on proposed LTCI cost-sharing approaches. The Working Group adopted the proposed cost-sharing factors that would be applied to the Minnesota approach.

Fix made a motion, seconded by Chaudhuri, to adopt the report of the Long-Term Care Actuarial (B) Working Group(Attachment Two). It was noted the motion does not include adoption of revisions to the LTCI MSA Framework, as those revisions will be exposed and adopted by the Task Force separately. The motion passed unanimously.

3. Exposed Proposed Revisions to the LTCI Multistate Rate Review Framework

Lombardo said the Minnesota approach and cost-sharing are already included in the current LTCI MSA Framework. He said the Task Force was given two tasks by commissioners early in the year. The first is to develop a single methodology that was more explainable and understandable for commissioners, regulators, and consumers as to how the MSA team's recommendation was determined. There was significant support from the Long-Term Care Actuarial (B) Working Group for the Minnesota method to become the single rate review methodology, which the Working Group adopted at its Oct. 9 meeting.

Lombardo said the second task that commissioners asked the Task Force to address was to find a solution for the 85/25/400 policyholder issue. The Long-Term Care Actuarial (B) Working Group discussed ways to do this. Several individuals indicated there was a risk of discrimination in addressing this issue by increasing rates for younger policyholders in the block. The Working Group aimed to reduce the impact on the 85/25/400 policyholders without creating discrimination and without having each state pass different legislation limiting increases in the rate filings. He said if the Task Force keeps the existing cost-sharing approach in the LTCI MSA Framework, the Task Force will not have addressed the task given by the commissioners. The 85/25/400 issue will remain and will need to continue to be discussed.

Lombardo said Andersen proposed an approach where the curve is greater at the beginning years, winds down at 400%, and reduces rate increases after reaching a 400% cumulative rate increase level. He said Leung offered a different methodology. Lombardo said Andersen's proposal was adopted by the Working Group at its Nov. 16 meeting. He said he understands regulators continue to have questions. Lombardo said that he and Andersen will meet individually with any state insurance department that needs help understanding the approaches, but he will not tell states how to vote. He said each state insurance department should make its own educated decision on the cost-sharing approach.

Lombardo recommended exposing the draft revisions to the LTCI MSA Framework, including the proposed single LTCI MSA rate review approach and modifications to the cost-sharing formula as adopted by the Working Group, for a 25-day comment period ending Dec. 13, 2024. There was no objection to the exposure or comment deadline.

Lombardo said other issues that were discussed at the Working Group meeting on Nov. 16 will continue to be discussed by the Working Group in the future, including adding clarifying language and reader notes.

Chaudhuri said he does not understand the impact of the new cost-sharing formula compared to the existing cost-sharing formula and asked if an example of the impact could be provided. Fix suggested a regulator-only educational session before the Dec. 13 comment period deadline to walk regulators through an insurer's actual

rate increase filing using the revised cost-sharing formula. Lombardo and Andersen agreed to schedule an educational session.

Lombardo said the Long-Term Care Insurance (B) Task Force will schedule an open meeting during the week of Dec. 16 to receive and discuss comments on the exposure draft and consider adopting revisions to the LTCI MSA Framework. If adoption cannot be achieved at that meeting, the Health Actuarial (B) Task Force will conduct further discussion and re-exposure in 2025.

4. Heard a Presentation on the Results of the RBOs and Consumer Notices Research Project

Brenda Rourke (NAIC) provided an overview of the research project being conducted by the Center for Insurance Policy and Research (CIPR) on reduced benefit options (RBOs), consumer notices, and consumer choices (Attachment Three). Rourke said that, in conclusion, the study results indicated:

1. The clarity of the letters matters. Staff recommend revisiting the guidelines used to review rate increase letters to ensure communication is accessible to the general population and uses "plain language."
2. Greater perceived behavioral control and financial knowledge impact choice. Therefore, it is important to provide education and resources to help consumers make this choice.
3. Individuals who received a prior rate increase and had a greater perception of the risk of needing long-term care were more likely to keep their policy and pay the higher premium, regardless of age, income, or education.

Rourke said a complete report on the findings is expected to be published by the CIPR by Dec. 31, 2024. In 2025, the CIPR will focus on further research related to: 1) the impact of modifying the language and adding a table of values to the consumer letter and 2) continuing to look at consumer understanding and perceptions of RBOs.

Lombardo said the CIPR may be asked to present the results of future work on this project during a future Senior Issues (B) Task Force meeting.

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

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Draft: 10/4/24

Long-Term Care Insurance (B) Task Force
E-Vote
October 2, 2024

The Long-Term Care Insurance (B) Task Force conducted an e-vote that concluded Oct. 2, 2024. The following Task Force members participated: Andrew N. Mais, Chair, represented by Paul Lombardo (CT); Grace Arnold, Vice Chair, represented by Fred Andersen (MN); Lori K. Wing-Heier represented by Sarah Bailey (AK); Barbara D. Richardson (AZ); Karima M. Woods represented by Philip Barlow (DC); Trinidad Navarro represented by Sally Frechette (DE); Amy L. Beard represented by Scott Shover (IN); Sharon P. Clark (KY); Timothy J. Temple (LA); Kevin P. Beagan (MA); Joy Y. Hatchette represented by Brad Boban (MD); Robert L. Carey represented by Marti Hooper (ME); Chlora Lindley-Myers represented by William Leung (MO); Jon Godfread represented by Chrystal Bartuska (ND); Eric Dunning (NE); D.J. Bettencourt represented by Jennifer Li (NH); Scott Kipper (NV); Judith L. French represented by Laura Miller (OH); Glen Mulready represented by Andrew Schallhorn (OK); Elizabeth Kelleher Dwyer represented by Beth Vollucci (RI); Cassie Brown represented by R. Michael Markham (TX); Jon Pike (UT); Scott A. White represented by Julie Fairbanks (VA); Kevin Gaffney (VT); Mike Kreidler (WA); and Allan L. McVey represented by Joylynn Fix (WV).

1. Adopted a Recommendation for its 2025 Proposed Charges

The Task Force exposed a recommendation to the Health Insurance and Managed Care (B) Committee for the Long-Term Care Insurance (B) Task Force regarding its 2025 proposed charges for a 15-day public comment period that ended Sept. 27. The recommendation included: 1) disbanding the Task Force as of Dec. 31; 2) moving the Long-Term Care Actuarial (B) Working Group to report to the Health Actuarial (B) Task Force; and 3) moving remaining charges to the Senior Issues (B) Task Force and Health Actuarial (B) Task Force.

A joint comment letter was received from the American Council of Life Insurers (ACLI) and America's Health Insurance Plans (AHIP) requesting two edits (Attachment One-A). Lombardo and Andersen agreed to include the edits in the final recommendation for adoption.

A majority of the Task Force members voted in favor of adopting its 2025 recommendation with the edits from the ACLI and AHIP (Attachment One-B). The motion passed.

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

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Hi Jane and Eric,
On behalf of the ACLI and AHIP, below are our comments regarding the proposed 2025 charges of the LTCAWG and HATF:

ACLI and AHIP believe that the LTC Actuarial Working Group is best suited to monitor and evaluate the rate review process and the state insurance department rate review actions related to the MSA Framework because they have the technical knowledge about long-term care insurance rates. If they can't track the progress of the MSA process, they can't make informed adjustments. Similarly, evaluating options for helping consumers with rate increases involves technical aspects that the Senior Issues Task Force may not be equipped to handle alone. Collaborating with the LTC Actuarial Working Group ensures a more thorough and informed approach to these important issues.

ACLI/AHIP suggest the following revisions to the proposed charges to better align the responsibilities with the relevant expertise of each group.

1. LTC Actuarial Working Group:
    1. Monitor and evaluate the actuarial approach used in the multistate actuarial (MSA) rate review process as outlined in the MSA Framework document and make modifications as appropriate. Additionally, monitor and evaluate the progress of the MSA rate review process and the state insurance department rate review actions related to the MSA Framework.
2. Health Actuarial Task Force:
    1. No changes needed for this charge. (Keep the original language).
    Note that the proposed 2025 charges for the LTCAWG stated that the following charge was moved from the LTC Actuarial Working Group to the Health Actuarial Task Force: however it does not appear that this was included in the proposed 2025 charges of HATF - Monitor and evaluate the progress of the multistate actuarial (MSA) rate review process as outlined in the Long-Term Care Insurance Multistate Rate Review Framework (MSA Framework), and make modifications as appropriate. Monitor state insurance department rate review actions subsequent to the implementation of the MSA Framework and MSA rate review recommendations.
3. Senior Issues Task Force:
    1. Monitor and evaluate options to help consumers manage the impact of rate increases, including ongoing research. This should be conducted in conjunction with the LTC Actuarial Working Group to assess the use and impact of guidance for states regarding reduced benefit options (RBOs) and make modifications as appropriate.

Thank you for the opportunity to comment. We are happy to answer any questions you may have.
Best,
Jan Graeber, ASA, MAAA
Senior Actuary, ACLI

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

To: Director Anita G. Fox (MI), Chair of Health Insurance and Managed Care (B) Committee

From: Paul Lombardo (CT), Chair of Long-Term Care Insurance (B) Task Force

Date: October 2, 2024

Re: Recommendation for 2025 Charges

In 2024, the Long-Term Care Insurance (B) Task Force and its Working Group have made important progress on the work of improving the multistate actuarial (MSA) rate review process and conducting research through the NAIC Center for Insurance Policy and Research (CIPR) on reduced benefit options (RBOs) and consumer notices. Based on this progress, it is recommended continued work on these topics will be better served by and align with the work of the Senior Issues (B) Task Force and the Health Actuarial (B) Task Force in 2025.

The following is recommended.

- The Long-Term Care Insurance (B) Task Force should disband as of December 31, 2024.
- Charges related to ongoing work on the MSA rate review process as outlined in the *Long-Term Care Insurance Multistate Rate Review Framework* (MSA Framework) should be moved to the Health Actuarial (B) Task Force in 2025.
- Charges related to research and maintenance of guidance for RBO's should be moved to the Senior Issues (B) Task Force in 2025
- The Long-Term Care Actuarial (B) Working Group should report to the Health Actuarial (B) Task Force in 2025.

The following are suggested amendments to those charges.

Recommendation for 2025 Charges:

Move the following charge to Health Actuarial (B) Task Force.

1. Monitor and evaluate the progress of the multistate actuarial (MSA) rate review process as outlined in the Long-Term Care Insurance Multistate Rate Review Framework (MSA Framework), and make modifications as appropriate. Monitor state insurance department rate review actions subsequent to the implementation of the MSA Framework and MSA rate review recommendations.

Move the following charge to Senior Issues (B) Task Force.

1. Monitor and evaluate options to help consumers manage the impact of rate increases, including monitoring ongoing research, ~~an~~ evaluating ~~on of~~the use and impact of ~~previously adopted~~ guidance for states regarding reduced benefit options (RBOs) and making modifications, as appropriate. This should be conducted in conjunction with the LTC Actuarial Working Group to assess the use and impact of guidance for states regarding reduced benefit options (RBOs) and make modifications as appropriate.

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Amend charges and have the Working Group report to the Health Actuarial (B) Task Force.

The Long-Term Care Actuarial (B) Working Group will:

1. Provide recommendations, as appropriate, to address issues and provide actuarial assistance and commentary with respect to model requirements for appropriate long-term care insurance (LTCI) rates, rating practices, and rate changes.
2. Continue to develop health insurance reserving requirements (VM-25, Health Insurance Reserves Minimum Reserve Requirements) using a principle-based reserving (PBR) framework.
3. Develop LTCI experience reporting requirements in VM-50, Experience Reporting Requirements, and VM51, Experience Reporting Formats.
4. ~~Develop a uniform actuarial approach to multistate long-term care insurance (LTCI) rate increase reviews for use in the LTCI Long-Term Care Insurance Multistate Rate Review Framework (MSA Framework) in support of completing Long-Term Care Insurance (B) Task Force Charge~~ Monitor and evaluate ~~the progress of~~ the actuarial approach used in the multistate actuarial (MSA) rate review process as outlined in the MSA Framework document, and make modifications, as appropriate. ~~Monitor state insurance department rate review actions subsequent to the implementation of the MSA Framework and MSA rate review.~~ Additionally, monitor and evaluate the progress of the MSA rate review process and the state insurance department rate review actions related to the MSA Framework.

If you have any questions, please contact myself, or NAIC Staff, Jane Koenigsman (jkoenigsman@naic.org).

Draft: 11/19/24

Long-Term Care Actuarial (B) Working Group
Denver, Colorado
November 16, 2024

The Long-Term Care Actuarial (B) Working Group of the Long-Term Care Insurance (B) Task Force met in Denver, CO, Nov. 16, 2024. The following Working Group members participated: Paul Lombardo, Co-Chair (CT); Fred Andersen, Co-Chair (MN); Sarah Bailey (AK); Sanjeev Chaudhuri (AL); Ahmad Kamil (CA); Stephen Flick (DC); Kyle Collins (FL): Wes Trexler (ID); Scott Shover (IN); Nicole Boyd (KS); Marti Hooper (ME); Kevin Dyke (MI); William Leung (MO); Margaret Garrison (NE); Jennifer Li (NH); Laura Miller (OH); Lily Sobolik, Numi Griffith, and Tashia Sizemore (OR); Dave Yanick, Jim Laverty and Shannen Logue (PA); R. Michael Markham (TX); Tomasz Serbinowski (UT); Rebecca Rebholz (WI); and Joylynn Fix (WV).

1. Adopted its Oct. 9, and Summer National Meeting Minutes

Lombardo said the Working Group met Oct. 9, and Aug. 12. During its Oct. 9 meeting, the Working Group took the following action: 1) discussed comments received on the exposure of the Minnesota Approach with adjustments to haircut percentages and cumulative rate increase ranges of the cost-sharing formula as a candidate for a single long-term care insurance (LTCI) multistate rate review approach methodology for use in multistate actuarial (MSA) filing reviews; 2) adopted the Minnesota Approach with the current cost-sharing formula as the single multistate rate review approach methodology for use in MSA filing reviews; and 3) exposed the Minnesota Approach, with particular focus on the cost-sharing factors and blending factors associated with the if-knew/makeup approach, for a 19-day public comment period that ended Oct. 28. During its Aug. 12 meeting, the Working Group took the following action: 1) heard a presentation from Minnesota on proposed adjustments to the cost-sharing formula in the Minnesota approach to address large rate increases for policyholders at roughly age 85 with a policy duration of 25 years (85/25 issue); 2) discussed comments received on the Minnesota approach with any suggested adjustments to the cost-sharing formula to address the 85/25 issue as a candidate for a single LTCI multistate rate review approach; and 3) exposed the Minnesota approach with specified adjustments to the cost-sharing formula to address the 85/25 issue, as well as cumulative rate increases greater than 400%, as a candidate for a single LTCI multistate rate review approach for a 45-day public comment period ending Sept. 27.

Dyke made a motion, seconded by Schallhorn to adopt the Working Group's Oct. 9 (Attachment Two-A), and Aug. 12 (*see NAIC Proceedings – Summer 2024, Long-Term Care Insurance (B) Task Force*) minutes. The motion passed unanimously.

2. Discussed Proposed Modifications to the Minnesota Approach for Use as the Single LTCI MSA Rate Review Approach

Lombardo presented comments received from the Colorado Division of Insurance (Attachment Two-B), America's Health Insurance Plans (AHIP) and the American Council of Life Insurers (ACLI) (Attachment Two-C), and Genworth Life Insurance Company (Attachment Two-D) in response to the Working Group's request for comments on modifications to the Minnesota Approach as the single multistate rate review approach methodology for use in MSA filing reviews, with particular focus on the cost-sharing factors and blending factors associated with the if-knew/makeup approach.

In response to the AHIP/ACLI comments, Lombardo said the cost-sharing element of the Minnesota Approach has been a part of the *Long-Term Care Insurance Multistate Rate Review Framework* (Framework) since its inception, and the Working Group is not adding explicit cost-sharing to the Framework. He said on Oct. 9, the Working Group adopted the Minnesota Approach as the single rate review methodology in the Framework and removed the Texas Approach from the Framework. Lombardo said the Working Group is now focusing on updating the existing cost-sharing parameters to address the concerns of most, if not all, commissioners regarding the 85/25/400 issue. He said he does not have an issue with the suggested addition to Future Non-Actuarial Considerations under Subsection F (Non-Actuarial Considerations) of Section V (Actuarial Review) of the Framework, other than he does not agree with the addition of "Further non-actuarial adjustments are inappropriate". He said he thinks the Working Group should have the capability to review the adjustments being considered now at a future date. Lombardo said the comment letter later contradicts this when it is suggested that "Monitoring and Periodic Review: Establish a process for the periodic review of costsharing measures to assess their impact on insurers and policyholders and to determine if future adjustments to the framework are necessary based on evolving market conditions and block performance." be added to the Framework. Ray Nelson (AHIP) said the comment was not intended to say there should not be periodic reviews of Framework elements, but AHIP/ACLI wants to avoid the unintentional addition of greater cost-sharing.

Lombardo said the Minnesota Approach does not penalize a company for disapproval of past rate increases, and asked what the ACLI/AHIP suggestion for an adjustment for delayed or reduced state approvals is intended to accomplish. Nelson said he agrees this is not an issue when an MSA review is based on a nationwide cumulative rate increase value. He said if an individual state that had previously disapproved rate increases were to apply the Minnesota Method, it would create additional cost-sharing for the company based on past cumulative rate increases that are less than the national value. He said ACLI/AHIP thinks inserting language concerning an adjustment will not impact the MSA Team's review of a rate increase filing, but thinks the addition will be helpful for state-specific reviews. Lombardo said he does not disagree, but that it will be difficult to add this to the Framework that is intended to be applied at a national level. Lombardo and Nelson agreed that the intent of the comment can be accomplished with the addition of a reviewer's note.

Lombardo said the Minnesota Approach as detailed in the Framework is formulaic and without ambiguity, and does not understand the ACLI/AHIP request for the addition of a guardrail related to cost-sharing transparency and flexibility. He asked if the request for flexibility is for within the Framework or at the state level. Jan Graeber (ACLI) said she thinks it can be for both, and that depending on whether only active policyholder experience or active policyholder and policyholder on claim experience is used, the level of cost-sharing can differ. Lombardo said it is possible to clarify the policyholder basis within the Framework.

Lombardo asked for clarification on the ACLI/AHIP comment requesting considerations for newer block profitability. Graeber said newer blocks may not develop loss ratios in excess of 100%, but should not have their rate increase requests unreasonably reduced by cost-sharing. Andersen said both cost-sharing adjustment proposals being considered lower a company's cost-sharing for rate increases less than 100%, and does not think anything in the proposals will discourage a company from entering the market. Graeber said the comment was intended to address predictability and transparency that will ensure companies know how their blocks of business will be reviewed, and the greater likelihood of entering the market when there is predictability and transparency. Lombardo said an MSA review and the Minnesota Approach that is used as a single methodology within the Framework does not preclude companies from requesting and receiving rate increases less than 100%.

Miller asked how often ACLI/AHIP thinks its members will need to request block-specific flexibility as suggested in the comments, and if this flexibility is intended to be applied through the MSA process or at the state level after

the MSA review. Graeber said it is intended to be at both the MSA and state levels, and that ACLI/AHIP wants it to be stated that there are considerations other than the application of the formula that actuaries need to take into account. She said she can not estimate how many companies will need to request block-specific flexibility, as it depends on the unique characteristics of each block of business. Miller asked Andersen and Lombardo if they think there is room in the Framework for the flexibility requested by ACLI/AHIP. Andersen said he has used the Minnesota Approach for eight or nine years, and industry has not provided any instances where its application would be inappropriate. He said, in general, he does not think flexibility needs to be added to the approach. Lombardo said if ACLI/AHIP thinks the changes in cost-sharing that have been proposed will impact individual companies differently, the Working Group can continue discussing this issue. He said the Framework will always be open for review, modifications, and additions of reviewer notes.

Andersen said that implementing many of the suggestions made in the Genworth Life Insurance Company (Genworth) comments will conflict with commissioner efforts to address the 85/25/400 issue. Lombardo asked if Genworth will provide numerical examples of the resulting Minnesota Approach rate increases with cumulative rate increases backed out before the blending of makeup and if-knew premiums. Matthew DeRose (Genworth) said he believes this has been provided and will research if it has. Lombardo said he can not envision a scenario where the Minnesota Approach will generate a negative if-knew premium, and asked Genworth to provide an example of this occurring. Miller asked DeRose if he thinks cost-sharing should be removed from the MSA review and instead be handled between the company and each state individually. DeRose said given that the cost-sharing could vary by block and by company that it is something that lends itself better to discussions between individual insurers and state regulators.

Lombardo said the main difference between cost-sharing modification Proposal A and Proposal B presented in the request for comments is Proposal B has rate increase caps and Proposal B does not. He asked the Working Group members to discuss their thoughts on the different proposals. Andersen said one of the initiatives of the Long-Term Care Insurance (B) Task Force is to discourage the application of rate increase caps. He said he thinks application of rate caps will disturb the balance between consumer protection and preventing further company financial distress. Andersen said he thinks a cap will be too disruptive for inforce blocks at this point in their lifespans. He said applying the 100% of original premium cap could also go counter to the goal of having similar rate levels between states due to varying levels of rate increase approvals among the states.

3. Adopted Modifications to the Cost-Sharing Formula Used in the Single LTCI MSA Rate Review Approach

Fix made a motion, seconded by Boyd, to modify the cost-sharing used in the Framework's single LTCI MSA rate review approach to be a 5% haircut for the first 100% of a rate increase, a 20% haircut for the portion of cumulative rate increase between 100% and 400%, and an 80% haircut for the portion of the cumulative rate increase in excess of 400% (Proposal A). The motion passed, with AK, DC, KS, ME, NE, WV, and WI voting for, MO, OR, and TX voting against, and AL, CA, FL, IN, MI, NH, NY, OH, OK, PA, and UT abstaining.

Having no further business, the Long-Term Care Actuarial (B) Working Group adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/B CMTE/HATF/2024_Fall/11-16-24 LTCAWG/LTCAWG Minutes 11-16-24.docx

Draft: 10/24/24

Long-Term Care Actuarial (B) Working Group
Virtual Meeting
October 9, 2024

The Long-Term Care Actuarial (B) Working Group of the Long-Term Care Insurance (B) Task Force met Oct. 9, 2024. The following Working Group members participated: Paul Lombardo, Co-Chair (CT); Fred Andersen, Co-Chair (MN); Sarah Bailey (AK); Sanjeev Chaudhuri (AL); Stephen Flick (DC); Lilyan Zhang (FL): Heir Cooper (IN); Nicole Boyd (KS); Marti Hooper (ME); Kevin Dyke (MI); William Leung (MO); David Yetter (NC); Margaret Garrison (NE); Jennifer Li (NH); Craig Kalman and Laura Miller (OH); Jim Laverty (PA); Aaron Hodges and R. Michael Markham (TX); Tomasz Serbinowski (UT); Rebecca Rebholz (WI); and Joylynn Fix (WV).

1. Discussed Comments on a Single LTCI Multistate Rate Review Approach

Lombardo presented comments received from the American Academy of Actuaries (Academy) (Attachment Two-A1), America's Health Insurance Plans (AHIP) and the American Council of Life Insurers (ACLI) (Attachment Two-A2), Genworth Life Insurance Company (Attachment Two-A3), the Missouri Department of Commerce and Insurance (Attachment Two-A4), the Texas Department of Insurance (TDI) (Attachment Two-A5), and the Utah Insurance Department (Attachment Two-A6) on the exposure of the Minnesota Approach with adjustments to haircut percentages and cumulative rate increase ranges of the cost-sharing formula as candidates for a single long-term care insurance (LTCI) multistate rate review approach methodology for use in multistate actuarial (MSA) filing reviews.

Lombardo asked Jan Graeber (ACLI) if ACLI or AHIP member companies have used the Minnesota Approach spreadsheet that was provided to analyze the effects of the Minnesota Approach on any of their blocks of business and if they have any feedback on results. Graeber said some member companies have done so, but due to variances in characteristics between members' blocks, the Minnesota Approach's cost sharing feature works well for some blocks but not as well for others. She said the use of any formulaic approach needs to be clearly documented within the Long-Term Care Insurance Multistate Rate Review Framework (LTCI MSA Framework) so that its application can be understood by others that examine rate increase review decisions in the future. She said this will give companies the predictability and transparency they need to be comfortable with the MSA process.

Serbinowski said regulators tend to favor an approach that results in a lower rate increase, and insurers tend to favor one that results in a higher increase. He said there should be a set of criteria that guides how a decision on cost sharing modifications is made. Lombardo said the Working Group needs to consider, as commented on by Genworth Life Insurance Company and the Utah Insurance Department, how waiver of premium is treated in whatever single approach is adopted. He said there are additional actuarial issues that were received in the comments that the Working Group will continue to address as it develops a single approach. Lombardo said the Working Group will continue to work on creating and documenting increased transparency and consistency for any single approach that is adopted. Serbinowski said the Working Group needs to address how to restate past elements that are used in a rate increase review in a uniform way. Andersen and Lombardo said that as the Working Group considers developing various elements of a single approach, it will analyze how changes to the approach will have an impact on resulting rate increase determinations.

Lombardo said he wants the Working Group to consider adoption of the Minnesota Approach as the single multistate rate review approach methodology for use in MSA filing reviews. He said he also wants the Working

Group to then continue to develop modifications to address cumulative rate increases greater than 400% for policyholders at roughly age 85 with a policy duration of 25 years (85/25/400 issue), as well as issues presented in the comment letters for consideration of adoption in 2025. Miller said she is not familiar enough with the Minnesota Approach to fully understand the impact of any adjustments to it. The Working Group agreed to hold an educational session to explain the application of the Minnesota Approach to LTCI rate increase reviews.

2. Adopted a Single LTCI Multistate Rate Review Approach

Serbinowski made a motion, seconded by Fix, to adopt the Minnesota Approach with the current cost-sharing formula as the single multistate rate review approach methodology for use in MSA filing reviews and then continue to develop modifications to address the 85/25/400 issue and other issues. Lombardo said the Texas Approach will be removed from the MSA Framework, and the Minnesota Approach with the current cost-sharing formula will be the single approach that will be termed the MSA Approach. The motion passed, with Texas voting against adoption. Lombardo said the adoption by the Working Group will be forwarded to the Long-Term Care Insurance (B) Task Force for its consideration.

3. Exposed a Single LTCI Multistate Rate Review Approach for Comment

Lombardo said the Working Group will expose the Minnesota Approach, with particular focus on the cost-sharing factors and blending factors associated with the if-knew/makeup approach, for a 19-day public comment period ending Oct. 28. He said comments received will be used to discuss modifications to the Minnesota Approach with the current cost-sharing formula as the single multistate rate review approach methodology for use in MSA filing reviews.

Having no further business, the Long-Term Care Actuarial (B) Working Group adjourned.

Meetings/Member Meetings/B CMTE/HATF/2024_Fall/10-9-24 LTCAWG/LTCAWG Minutes 10-9-24.docx

September 27, 2024

Fred Andersen, Co-Chair
Paul Lombardo, Co-Chair
Long-Term Care Actuarial (B) Working Group (LTCAWG)
Long-Term Care Insurance (B) Task Force
National Association of Insurance Commissioners (NAIC)

Via email: eking@naic.org

Re: Proposals A & B for a Single Long-Term Care Insurance Multistate Rate Review Framework (LTCI MSA Framework)

Dear Co-Chairs Andersen and Lombardo,

On behalf of the American Academy of Actuaries (Academy)[1] Long-Term Care (LTC) Committee (Committee), I appreciate the opportunity to provide comments in response to the NAIC LTCAWG's August 12, 2024, request for comments on Proposals A and B as candidates for a Single LTCI Multistate Rate Review Approach.

As discussed in our July 23, 2024, comment letter, the Committee considers all of the adjustments in either proposal to fall into the category of "Non-Actuarial Considerations" as defined in Section V.F of the *NAIC LTCI MSA Framework*. We offer the following comments, noting that the proposed changes may have longer-term effects on future rate increase filings and/or company solvency.

Proposal B's explicit caps on cumulative and annual rate increases may introduce unanticipated solvency risks in future years. The proposed cap of 100% of the original premium may cause allowable rate increase percentages to shrink over time, regardless of the level of emerging experience on the relevant block of LTC policies. Phasing in a justified rate increase itself may result in larger necessary rate increases in future years to maintain stability of the block. The proposed 600% cumulative cap would be in place over the lifetime of the block, which could extend for 50 or more years. Given that LTC policies are typically guaranteed renewable rather than non-cancelable policies, a fixed cap on all future rate increases is not part of the regulatory scheme under which these policies were designed, approved, and issued.

Proposal A would change the cost-sharing factors used in the Minnesota Approach (see item 6.a. of the Appendix to the NAIC LTCI Multistate Rate Review Framework) by changing the slope of the cost-sharing curve and potentially allowing larger rate increases during the earlier durations of a LTC policy form. Because a rate increase request that is denied or delayed today would need to be at a greater amount later in order to achieve the same effectiveness, allowing higher approvals at earlier durations may reduce the need for larger increases in future years.

[1] The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

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Additional consideration may be necessary for blocks with prior rate increases that had been already limited in early durations and would now be even further limited at later durations when determining their allowable rate increase under the revised Minnesota Approach. As previously discussed in our July 23, 2024, comment letter, we support an appropriate catch-up provision to adjust for such situations.

*****

The Committee welcomes the opportunity to speak with you in more detail and answer any questions you have regarding these comments on finding a single MSA approach. If you have any questions or to discuss further, please contact Matthew Williams, the Academy's senior health policy analyst, at williams@actuary.org.

Sincerely,

Andrew Dalton
Chairperson, LTC Committee
American Academy of Actuaries

CC:
Eric King, NAIC

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September 27, 2024

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[2] (AHIP) appreciate the opportunity to comment on the NAIC Long-Term Care Actuarial Working Group (LTCAWG) request for comments on two proposals to adjust the Minnesota Approach "haircut percentages and cumulative rate increase ranges of the cost-sharing formula" as candidates for a Single LTCI Multistate Rate Review (MSRR) Approach. The adjustments are intended to address the "85/25/400" issue as discussed at the Working Group's August 12th meeting in Chicago.

We know that rate increases for policyholders present complex technical and public policy issues for both regulators and the industry. This remains a difficult issue to address, despite our collective efforts to find balanced solutions. We understand the public policy concerns regulators face when responding to company rate increase requests. Given the diverse nature of long-term care blocks of business—ranging from different coverage structures and rate stabilization requirements to varied rate approval histories—a one-size-fits-all approach is not feasible. While the MSRR framework may be suitable for some blocks of business, it may be unworkable for others. Just as states adapt model laws to fit their legal frameworks, the MSRR framework should allow flexibility to account for these differences across blocks and companies.

In response to the August 12th exposure, industry has the following four key requests of the LTCAWG:

1. Encourage the LTCAWG to Reject Proposal B: To support the financial sustainability of long-term care coverage, ACLI/AHIP encourage the LTCAWG to ensure that long-term care rate increases are based on actuarial science, rather than arbitrary caps like Proposal B.
2. Clarify the Intention and Transparency of Cost-Sharing in the MSRR Framework: To the extent that cost-sharing is incorporated into the Multi-State Actuarial (MSA) recommendation, clarify within the LTCI MSRR framework that cost-sharing is meant to address specific public policy challenges. In addition, the total amount of cost sharing, both implicitly and explicitly, should be transparent.
3. Allow for Tailored Solutions: Incorporate appropriate guardrails into the NAIC's MSRR framework to reflect the diversity and complexity of blocks of business, ensuring a balanced and fair approach to cost-sharing.

[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.

4. Address and Document Ambiguities in the Methodology: As noted in prior comment letters, there are ambiguities in the current methodology that should be addressed for all stakeholders to understand.

Encourage the LTCAWG to Reject Proposal B

The NAIC has taken a careful approach to addressing long-term care rate increases, focusing on balancing consumer protection with insurer financial harm. Through the adoption of the MSRR Framework, the NAIC highlighted the need for a more consistent state-based approach when evaluating long-term care insurance rate increase requests by insurers. Key objectives of the Framework are to educate and advise states on the appropriateness of actuarially based rates for policyholders' benefits, narrowing rate review practices and reducing inequities among policyholders[3].

Rate adjustments grounded in actuarial science align with the 2014 NAIC Long-Term Care Insurance Model Regulation (Model #641), which emphasizes the importance of actuarial justification for premium rate increases to ensure both fairness for policyholders and the financial stability of insurance companies. Sections 10 (Initial Filing Requirements), 20 (Premium Rate Schedule Increases), and 21 (Filing Requirement) of Model #641 support the principle that rates should be grounded in actuarial science, not arbitrary limits.

ACLI/AHIP encourage the LTCAWG to reject "Proposal B," which would add additional non-actuarial factors and complexity to the process. Specifically,

- "Adjustment a," which would require the cumulative rate increase to be no more than 600% after all adjustments, creates an arbitrary cap that is contrary to supporting the financial sustainability of long-term care coverage. In addition, this adjustment continues to reward states that have disapproved prior rate requests as these disapprovals result in higher future rate requests.
- "Adjustment b," which would require that each rate increase filing not increase the cumulative rate increase by more than 100% from that of the current rate, adds complexity of the calculation, especially if calculated on a seriatim basis.

Clarify the Intention and Transparency of Cost-Sharing

To maintain fairness and avoid perpetual adjustments, ACLI/AHIP propose clearly defining the role of cost-sharing within the regulatory framework. It is important to emphasize that cost-sharing should be recognized as a compromise to address public policy concerns, not a precedent for further limitations on rate increases. Any additional capping or restrictions by states beyond this agreed-upon mechanism would undermine the concessions that have already been made and could lead to further financial strain on insurers. This, in turn, could limit insurers' ability to provide adequate coverage to consumers in the long term. Clarification should be incorporated into the LTCI MSRR Framework as follows:

The paragraph titled "Future Non-Actuarial Considerations" under Subsection F (Non-Actuarial Considerations) of Section V (Actuarial Review), should be amended to read:

[3] https://content.naic.org/article/naic-membership-adopts-framework-address-long-term-care-insurance-rate-approvals

Future Non-Actuarial Considerations

The MSA Review will continue to develop and evolve as it is implemented. To achieve more consistency and minimize the number of differences across states in their application of other non-actuarial considerations in rate review criteria for LTCI rate filings, the LTCI MSA Framework was amended in 2024 to adjust the cost-sharing components within the Minnesota method to address specific public policy challenges, particularly around large increases for older-age policyholders, with longer durations. Further non-actuarial adjustments are inappropriate, however, the Task Force may ~~will~~ encourage its appointed Subgroup, or an appropriate NAIC actuarial committee or group, to collectively consider new future non-actuarial considerations, if ~~as~~ they arise. This process will provide for input and technical advice from actuaries to states as they exercise their authority in considering nonactuarial factors. States are therefore encouraged to discuss new and developing practices and/or recommendations in this area.

In addition, the following reviewer note should be added before Step 7 of the Minnesota Approach outlined in Appendix C of the LTCI MSRR Framework:

Reviewers note: The blending of the if-knew and makeup premiums (Step 5) and the cost-sharing formula (Step 6) were reviewed and updated in 2024 to address specific public policy challenges, particularly around large increases for older-age policyholders, with longer durations. Additional cost-sharing or other non-actuarial adjustments to address these challenges are inappropriate.

Allow for Tailored Solutions

While there is mutual agreement between regulators and the insurance industry that a one-size-fits-all approach is not appropriate for addressing long-term care premium increases, the regulatory view that the current process will work for "most" companies does not go far enough. The diverse nature of long-term care blocks—each with varying assumptions, benefit structures, and policyholder demographics—means that even if the process works for some blocks, significant gaps remain for other companies.

A process that works for some but not all can inadvertently lead to unfair outcomes for certain blocks of business, especially those with unique challenges such as prior delayed, limited, or denied rate approvals, longer-duration policies, or varying benefit designs. To ensure a truly fair and equitable system, it is crucial to implement appropriate guardrails that address these differences, preventing the imposition of excessive cost sharing where it is inappropriate and allowing for tailored solutions that reflect the specific characteristics of each block.

Incorporating appropriate guardrails into the NAIC's long-term care premium increase process is essential to ensuring a balanced and fair approach to cost-sharing. While cost-sharing adjustments within the formula are intended to address public policy concerns, these adjustments must be applied in a way that accounts for the diversity and complexities of long-term care blocks of business.

Without potential limitations and tailored flexibility, insurers may face undue financial strain, and the long-term viability of long-term care coverage could be compromised. Guardrails would not only

protect insurers from disproportionate burdens but also ensure a transparent, predictable process that regulators and companies can rely on, fostering a stable insurance market that benefits both policyholders and the industry.

ACLI/AHIP encourage regulators to consider adding guardrails for cost-sharing in the MSRR framework to reflect the diversity and complexity of blocks of business. Potential guardrails include:

1. Block-Specific Flexibility: Introduce flexibility that allows for customized cost-sharing adjustments based on the unique characteristics of a block (e.g., block age, benefit richness, timing of past rate approvals) to reflect the diversity of long-term care insurance portfolios.
2. Adjustment for Delayed or Reduced State Approvals: Establish a mechanism to reduce or eliminate cost-sharing for older blocks where previously delayed, limited, or denied rate approvals by states have contributed to financial strain, acknowledging that timely approvals could have prevented the need for large, accumulated increases.
3. Cost Sharing Transparency: Allow companies to clearly outline the degree of cost-sharing being applied, helping regulators understand how much of the needed premium increase has already been absorbed by the insurer versus passed to the policyholders.
4. Recognition of Block Profitability: Include considerations for newer, leaner blocks, where excessive cost-sharing could result in unreasonably low profitability, potentially discouraging insurers from entering in the long-term care market or leading them to exit.
5. Monitoring and Periodic Review: Establish a process for the periodic review of cost-sharing measures to assess their impact on insurers and policyholders and to determine if future adjustments to the framework are necessary based on evolving market conditions and block performance.

Address and Document Ambiguities in the Methodology

As stated in our August 2nd comment letter, ACLI and AHIP strongly encourage the LTCAWG to address the ambiguity in current methodology, including the complex layers of cost-sharing embedded within the Minnesota Method. This will promote clarity, transparency, and alignment with actuarial integrity, ensuring fairness to both policyholders and insurers.

Specifically, we recommend that the working group review and respond to the questions, proposals, and alternatives presented by the ACLI/AHIP and other stakeholders. This will ensure all perspectives are considered and foster a transparent decision-making process.

We urge the LTCAWG to clarify its stance on key recommendations, particularly in the context of how the MSA team will consider these outstanding issues in their review of long-term care filings. Specific feedback should clarify areas of agreement or disagreement by the MSA team. If not in agreement, the reasons should be documented to guide further refinement.

Conclusion

As previously stated, the inclusion of non-actuarial factors in the rate review process opens the door for allowing political or social considerations to override actuarial principles and sets a dangerous precedent that could lead to unintended consequences. Insurers have a fundamental responsibility to ensure the financial sustainability of their products, and actuarially sound rates are critical to this goal. While addressing affordability concerns for older policyholders is important, premiums must be set fairly and reflect actuarial justification to protect both consumers and insurers. Consumer protection efforts should focus on empowering individuals to make informed

decisions based on their financial situation and risk tolerance, while timely approval of actuarially justified rate increases is essential to maintaining market stability and protecting consumers from sudden premium hikes or lapses in coverage.

By addressing these issues, we can create a more predictable and consistent process for all parties involved, which will help encourage insurers to remain or enter the market.

Thank you for considering these critical issues.

Sincerely,

Jan Graeber
Senior Actuary, ACLI

Ray Nelson
Consultant for AHIP

Genworth Life Insurance Company & Genworth Life Insurance Company of New York
Response to MSA Single Method Exposure Draft
September 27, 2024

Genworth Life Insurance Company and Genworth Life Insurance Company of New York (collectively, "Genworth" or the "Company") appreciate the opportunity for continued engagement in the MSA Single Review Method development process. Before commenting on specific adjustments to various additional cost-sharing proposals (as distributed August 14, 2024, and included in Appendix B), we must first clarify the considerations for the other modeling steps within the MSA Framework guidance on the Minnesota Method to ensure an appropriate foundation on which to base conclusions.

In attempting to use the MSA Framework guidance to determine the justification of requested rate increases, the presentation of results lacks the necessary transparency to support consistent results across states, and therefore is not, in its current form, an optimal tool for reviewing rate increase requests. **Any method used to support rate increase decision-making should be clear in its inputs and methodology**, and should be expected to produce the same results across all jurisdictions using the same inputs. While there may be some subjectivity in final adjustments based on company or block-specific considerations, the modeled result should be clear and consistently produced. The current guidance in the MSA Framework does not provide sufficient detail to achieve this objective. While an instructional presentation based on one interpretation of the guidance may be helpful for those regulators able to attend, it should not take the place of **clearly written, enduring guidance** that can be applied consistently by regulatory and industry participants over a long period of time.

Genworth would also like to make clear that while it understands that some state regulators may choose to use some form of a Blended If-Knew method (such as that invoked by the Minnesota Method) to inform rate increase decisions, **the inclusion of If-Knew in these decisions renders them non-actuarial**. A regulator's use of a policy adjustment, including the use of the Minnesota Method with its If-Knew component, does not make that adjustment actuarial in nature.

While the majority of the discussion on the Minnesota Method at Actuarial Working Group ("AWG") sessions has been to voice concerns over the non-actuarial components, Genworth believes **the AWG should discuss the truly actuarial components of the methodology** to ensure agreement in approach (See Appendix A for conversation guide). Genworth has significant first-hand experience, through its interactions with regulators as part of the rate increase filing process, with the various approaches to calculating and blending rate increase methods, and has noted some divergence in their application. A universal decision on each of the below components would better support stability within the industry, and enable reliable modeling and risk management. Consistent with its experience in applying these methodologies over numerous filings and across several jurisdictions, Genworth believes the following approaches are most appropriate when attempting to blend an actuarially justified rate increase with an "If-Knew" rate increase, as is attempted in the Minnesota Method. (Please note that the following statements do not constitute a position that the use of "If-Knew" in any form could be deemed appropriate in certain applications)

- **Aggregate Approach.** The most appropriate, and most easily understood, approach to assessing the need for rate increases in a Blended If-Knew methodology is to use what the MSA Framework describes as the "Aggregate Application." The example in the MSA Framework documentation is based on this approach, providing clarity and leading to more consistent application. Genworth's

experience has shown that this approach is used almost exclusively as it provides the most transparency without the subjectivity inherent in the assumed profit of the "Sample Policy-Level Verification."

- **Implementation Date.** As detailed in the AWG White Paper on this topic (issued October 2018), "delays in implementing actuarially justified rate increases due to either a carrier failing to file a needed rate increase, or delays in the regulatory approval of a needed rate increase, can pose a potential solvency risk." Insurers should be permitted to use a likely implementation date in the projections, and update the implementation date as necessary for prolonged rate review timelines to avoid additional financial strain and more closely mimic the impact of the rate increases.
- **Consistency with Existing Laws.** As the current Framework is not tethered to existing regulations, such as the use of the 58/85 test described in Rate Stabilization regulations, the use of Blended If-Knew, or any other rate increase methodology, will comply with, and not supersede, existing law. Furthermore, the use of MAE should also be included for applicable products/policies, so as not to conflict with issued guidance and the ability for actuaries to certify to the rate increase requests. Removal of MAE from the final rate increase offered/granted is an additional form of cost-sharing above what the standard Blended If-Knew would recommend. To specifically avoid conflict, the Framework should be updated to clarify that the final result must comply with existing laws and regulations.

There are other topics which are less consistent nationwide, and while Genworth has strong positions on these matters, it understands there are additional conversations that may lend themselves better to individual interactions with state regulators as they arise on specific filings.

- **Waiver of Premium.** The inclusion or exclusion of Waiver of Premium (WOP) benefits should be consistent with original pricing methodology. If a company included WOP as a claim benefit and grossed up premiums when setting original rates which were approved for use by a regulator, such an approach should be permissible in subsequent rate increase calculations.
- **Phasing of Rate Increases.** For larger increases, Genworth believes it is sometimes reasonable, though not always preferable, to phase increases in over a number of years (usually two to three years) if the regulator chooses to approve on that basis. This approach works best when there is agreement between the company and regulator that future filings are not planned, meaning a sufficient approval is being granted to prevent an immediate refiling. Otherwise, phasing causes unnecessary delays in future filings, driving up the ultimate level of increase needed to achieve a similar financial impact if implemented immediately.
- **Additional Cost-Sharing.** There are many downsides to a one-size-fits-all approach to the additional cost-sharing provision, as assumptions, benefit structures, and policyholder demographics can vary significantly from block-to-block. Furthermore, as this provision may be waived for unspecified "solvency concerns," the determination of whether additional cost-sharing is needed, and to what extent, may vary significantly from company-to-company. Given the dynamic nature of any additional cost-sharing that regulators may wish to impose, it seems most prudent to explicitly leave the determination to discussions between insurers and regulators so that regulators may preserve the ability to specifically address public policy concerns, as permitted by applicable law, for the consideration of policyholders within each state.

Finally, to support transparency, Genworth believes that **cumulative past increases should be backed out before blending**. Once this has been completed, it provides a very clear and transparent view to decision-makers in the exact contributions of the two components of the increase. For the If-Knew portion, the result should be floored at zero so as not to imply that a rate *decrease* would be appropriate given that

the initiation of the pricing exercise was the result of a deterioration in experience. A negative contribution from If-Knew would be logically unsound and inherently negate the validity of the result.

Additional Cost-Sharing Proposals Detailed In Exposure

Regarding the additional cost-sharing formula proposals in the most recent exposure: while Proposal A may be a compromise to the original Minnesota method, Genworth cannot support arbitrary limitations and levels not based in sound analytical or actuarial methods. The arbitrary caps detailed in Proposal B would further hinder a company's ability to manage its in-force business, and reward states which have been slow to review and approve justified increases, thereby increasing the rate increase needs to support claims-paying ability. Any cost-sharing on top of a review methodology should be discussed and decided between an individual insurer and regulator based on applicable law and unique circumstances, as stated above.

Appendix A

Recommended questions to be answered by actuarial discussion:

1. **Aggregate Approach.** Do we agree that the Aggregate approach is the preferred approach in most cases (unless circumstances specifically require an exception to use the Sample Policy approach)?
2. **Transparent Blending.** Do we agree that the method should provide transparency between what is actuarially justified for the current request compared to the If-Knew component, before blending and explicit additional cost-sharing is applied?
3. **Dynamic Additional Cost-Sharing.** Do we agree that the additional cost-sharing is not a one size fits all approach, and should be left to separate discussions between insurers and individual regulators?

Appendix B

To: Long-Term Care Actuarial (B) Working Group Members, Interested Regulators, and Interested Parties:

The Working Group requests comments on the Minnesota Approach with adjustments to haircut percentages and cumulative rate increase ranges of the cost-sharing formula as shown in **Proposal A** and **Proposal B** below as candidates for a Single LTCI Multistate Rate Review Approach. The adjustments are intended to address the "85/25/400" issue as discussed at the Working Group's Aug. 12 meeting.

Proposal A:

Current:

- No haircut for the first 15%.
- 10% for the portion of cumulative rate increase between 15% and 50%
- 25% for the portion of cumulative rate increase between 50% and 100%
- 35% for the portion of cumulative rate increase between 100% and 150%
- 50% for the portion of cumulative rate increase in excess of 150%.

Proposal A:

- 5% haircut for the first 100%
- 20% haircut for the portion of cumulative rate increase between 100% and 400%
- 80% haircut for the portion of the cumulative rate increase in excess of 400%

Proposal B:

Missouri is supportive of the development of a single MSA actuarial approach exposed and believe the following adjustments will be appropriate:

a) The cumulative rate increase should be no more than 600% after all the adjustments and cost sharing.

b) Each rate increase filing should not increase the cumulative rate increase by more than 100% from that of the current rate. In other words, the increase should not be more than 100% of the original rate.

Comments on Single MSA Actuarial Approach Exposure 9/27/2024

Missouri is supportive of the development of a single MSA actuarial approach exposed and believe the following adjustments will be appropriate:

Currently the single MSA actuarial approach utilizes a blended cumulative rate increase, where

a. The weighting towards the makeup premium is the percentage of original policyholders remaining.

b. The weighting towards the if-knew premium is the percentage of original policyholders no longer having active policies, or 1 minus the percentage in a.

With an understanding that the earlier rate increases are critical for a LTC plan's sustainability and would help reduce the need and magnitude of later duration increases, it would make sense for the rate increase to be considered without reference to the If-Knew premium during the first 100% cumulative rate increase. This can be achieved by setting the percentage in a to 100% and the percentage in b to 0%. For the same reason, it may be better for both the company and the policyholders if the cost sharing is 0% instead of the 5% in proposal A. The idea is that if the rate increase is reviewed and considered appropriate under the minimum standard loss ratio and 58/85 rule, the rate increase should be allowed when the cumulative rate increase is not more than 100%.

It appears that the industry has been avoiding the MSA process, but filed with each individual state directly for rate increases within the first 100% and most states would approve or non-disapprove the request without explicit or implicit margin for such direct filings. The above proposed adjustment to the single MSA approach would encourage companies to apply to the MSA Team in early durations and be consistent with current practices.

Proposal Ba) in the exposure is trying to set a guardrail on the resultant cumulative rate increase. Its determination will help shape the cost sharing percentages in Proposal A. While 600% may be a reasonable target maximum for pre-stabilization plans, a much smaller target maximum may be more appropriate for post-stabilization plans for which the pricing assumptions are considered more recent and better experience supported.

William Leung

Life and Health Actuary

Missouri DCI

Texas Response to Proposed Cost Sharing Techniques

Current and Proposed Cost Sharing Techniques

Texas' primary concern with the current MN Method is that it may justify excessive rate increases. There are three reasons for this:

- Use of the statutory discount interest rate
- Use of a 60% pricing loss ratio
- When applicable, not considering the 58/85 test rate stabilization requirement (Model Regulation 641) that was adopted by most states. While uncommon, Texas has seen a few filings where the proposed increase fails the 58/85 dual loss ratio test, but is justified under alternative approaches, including the TX PPV method.

Regarding the Current and Proposed Cost Sharing Techniques:

- Missouri Proposal
  Texas seldom approves a rate increase that exceeds 100% and would welcome a cumulative cap of 600%. The Missouri proposal could easily be applied in conjunction with the Current Method or Proposal A Method.

  Texas supports the Missouri Proposal of a 100% cap for any increase and a cumulative 600% cap.

- Proposal A
  This method justifies larger rate increases with restrictions once the cumulative rate increase exceeds 400%.

- Current Method
  Texas supports the Current Method and given the MN Method as applied, we believe the current cost sharing may be optimal. However, if assumptions are "tightened", the Current Method may become too restrictive.

Under current review conditions, Texas prefers the Current Method with the Missouri proposed single increase and cumulative increase restrictions.

Balance between Company Solvency and Fairness to Policyholders

Texas strives to strike a balance between rates that support company solvency and that is fair to consumers.

While mindful of the importance of a premium rate that supports claims obligations, we are required by Texas law (Texas Insurance Code Section 560.002 (c)(3)(B)) to ensure that rates represent a "reasonable relationship to the expected loss." This statute is consistent with Actuarial Standards of Practice (ASOP) 8 - Section 3.11.3.

These are the types of questions we consider with respect to Section 560.002 and ASOP 8:

- Large rate increases to older, declining blocks commonly have insignificant impact on the lifetime loss ratio. We increasingly see a company strategy to implement extremely large increases, hopeful that policyholders will either significantly reduce benefits or lapse coverage and qualify for nonforfeiture. We question whether such a strategy is fair to the average consumer in these blocks – typically aged in the eighties or even nineties – who often have limited to no alternative market options.

- With rate increase that may exceed 500%, consumers (and regulators) are justified to ask: "Where is the transfer of risk?"

- Since LTC premiums are issue-age based, the rate charged to a person who purchased a policy at age 55, and who is now 85, should bear a reasonable relationship to rates charged to someone who is 55.

In short, Texas must be able to actuarially support any rate increase that we approve. As such, Texas is transparent with our independent analysis and conclusions subject to proprietary and confidentiality concerns.

From: Tomasz Serbinowski
To: King, Eric; Lombardo, Paul; Andersen, Fred
Cc: Pike, Jon; Wiseman, Shelley; Northrup, Tanji J.
Subject: Comments on the LTCAWG Proposals A & B
Date: Friday, September 20, 2024 4:40:10 PM

Dear Mr. King,

On behalf of the state of Utah, I'd like to offer the following comments regarding the two proposals for a cost sharing approach to be used in MSA rate reviews.

Both proposals can be viewed as alternative cost sharing proposals. MO proposal does not advocate for a specific cost sharing formula. Instead it proposes that any cost sharing formula adopted for the MSA reviews result in a cumulative rate increase cap of 600%. This can be achieved by increasing cost sharing to 100% above certain threshold.

Therefore, MO proposal could be applied to modify either of the MN cost sharing approaches (current and proposed).

MO proposal, in addition, includes a phase in feature that would require certain rate increases to be implemented in steps, by limiting any single rate increase to 100% of the original premium rate.

My comments are limited to the cost sharing aspect of the two proposals.

1. Impact of the proposals is difficult to gauge

For cumulative blended rate increases under 712%, Proposal A results in higher approvable rate increases than the current cost sharing. Here is a comparison of the approvable rate increases under the current and proposed cost sharing for rate increases ranging from 50% to 1000%.

Blended	*Current*	*Proposal A*
50%	47%	48%
100%	84%	95%
150%	117%	135%
200%	142%	175%
250%	167%	215%
300%	192%	255%
350%	217%	295%
400%	242%	335%
450%	267%	345%
500%	292%	355%
550%	317%	365%
600%	342%	375%
650%	367%	385%
700%	392%	395%
750%	417%	405%
800%	442%	415%
850%	467%	425%

900%	492%	435%
950%	517%	445%
1000%	542%	455%

It is worth noting that for cumulative blended rate increases under 1000%, the issue of 600% cap does not come to play under either cost sharing method.

The impact of the Proposal A is difficult to gauge without having some idea of what the distribution of future increases might be. For newer blocks of business with very low lapse rates, low mortality, and low assumed investment returns, vast majority (if not all) of future rate increases may be such that Proposal A would result in a higher approvable rate increase than the current cost sharing formula.

2. There is no set of criteria or any metric under which to evaluate the proposals
When MN method was proposed as one of the methods to be used for MSA reviews, there was no regulatory discussion on what is an appropriate cost sharing formula. This was an existing method used by a state and regulators felt that it was reasonable. But it was arbitrary, and many other (equally arbitrary) cost sharing formulas would have been reasonable.

Now regulators are asked to indicate a preference for one cost sharing formula over another. Both formulas are arbitrary. No specific criteria were stated to evaluate the proposals. In effect, any preference expressed would be a subjective opinion with no substantive backing.

3. It isn't clear if the proposals achieve the desired objective
The original impetus behind the proposals was regulators' desire to protect vulnerable population, those with very high attained ages. As the attained age is not an allowable ratting variable for the LTCI (and neither is duration), the change is attempting to address this issue in an indirect fashion. To the extent that higher cumulative rate increases tend to occur at later durations, one may expect that cumulative rate increases over 400% would likely apply in late durations (25+) and thus affect those with high attained ages.

However, no support was provided to show how the size of the rate increase correlates with the duration or attained age of the affected policyholders. If an average issue age for a block is 60, 25 years down the road, average age may be less than 85. While voluntary lapse rates may be lower for older policyholders, mortality and incidence rates are significantly higher. Cost sharing formula being based on the size of the increase (and not the actual distribution of attained ages of the block), may provide relief for blocks with an average attained age much below 85.

4. This appears to be a public policy matter, not a technical actuarial matter
The original impetus being the desire to protect policyholders with attained ages 85 and above suggests that the ultimate goal is a public policy of protecting what is perceived to be a vulnerable population. As such, this is not a technical actuarial matter and would be better suited for one of the parent committees.

Idea of cost sharing could be simplified so that individuals with no technical actuarial training (like commissioners) be able to provide input on it. For example, commissioners could be asked what portion of the justifiable rate increase should be borne by the policyholders. This could take the following form:

Justifiable Increase	*Hair Cut*	*Policyholders' Responsibility*
100%		
300%		
500%		
700%		
900%		
1100%		

Input from the commissioners (policymakers) could be then used to craft a cost sharing formula. If the commissioners required additional information on the impact of a particular cost sharing scheme, LTCAWG would be a proper venue to provide such technical information.

5. There are multiple unresolved technical issues surrounding application of the MN method
To the extent that MN method relies on the projections to calculate blended rate increase, there is a host of issues that may impact the calculations that have not been discussed by the LTCAWG.

Here are some of the items:
- Treatment of waived premiums and WOP benefits in calculation of If-Knew and Make-Up increases
- Whether If-Knew and Make-Up increases should be calculated using best estimate assumptions or assumptions with margins. If margins are allowed, should they be prescribed by the regulator (for example 5%), same as in the original pricing (may not be well documented), or whatever the actuary deems appropriate?
- Treatment of limited pay policies
- Treatment of paid-up policies (including policies on NF)
- Whether there should be some lower bound on the future loss ratio? In particular, can the rate increase result in a future loss ratio that is lower than the past loss ratio?
- Whether increases should be calculated assuming everyone pays the increase or reflecting shock lapse, reductions of benefits, and adverse selection.

Each of these issues impacts the allowable rate increase. And each is an actual technical matter that can be argued for and against by actuaries.

In conclusion, should the proposal be put to vote, Utah might feel forced to abstain or vote for the current cost sharing formula not because it is preferable, but to maintain status quo and continuity and consistency of the regulation.

Sincerely,
--

Tomasz Serbinowski, Actuary
Office of the Commissioner
Utah Insurance Department
4315 S. 2700 West, Ste. 2300 | Taylorsville, UT 84129
801-957-9324 | tserbinowski@utah.gov

From: Brady - DORA, Sean <sean.brady@state.co.us>
Sent: Thursday, October 24, 2024 3:54 PM
To: King, Eric
Cc: Batista, Deborah; Nugent, Peter; Sloan, Sydney
Subject: Re: Long-Term Care Actuarial (B) Working Group Exposure - Comments Due October 28

Working Group Exposure - Comments Due October 28

- Proposal A:
  - Colorado stance: We support this change to reduce haircuts on early increases; while also increasing haircuts on later increases.
  - Colorado would also support creating another level of cost-sharing between 100% and 400%.
- Proposal B:
  - Colorado stance:
  - a) We are not in support of any cap on cumulative rate increase.
  - b) We are also not in support of capping each rate increase. Limiting each rate increase filing might delay desperately needed increases due to filings taking a non-zero number of days to achieve approval. By delaying the needed rate increase(s), the cumulative increase may need to be higher.

On Wed, Oct 9, 2024 at 12:53 PM King, Eric <EKing@naic.org> wrote:

> ***To: Long-Term Care Actuarial (B) Working Group Members, Interested Regulators, and Interested Parties:***
>
> The Working Group requests comments on the Minnesota Approach, with particular focus on the cost-sharing factors (including Proposals A & B from the previous exposure, reproduced below) and blending factors associated with the if-knew / makeup approach.
>
> The Minnesota Approach, including the current cost-sharing formula and blending factors, is described here: https://content.naic.org/sites/default/files/documents/ltci-msa-framework.pdf
>
> Please provide comments to Eric King at eking@naic.org by Monday, October 28, 2024.

Current:

- No haircut for the first 15%.
- 10% for the portion of cumulative rate increase between 15% and 50%
- 25% for the portion of cumulative rate increase between 50% and 100%
- 35% for the portion of cumulative rate increase between 100% and 150%
- 50% for the portion of cumulative rate increase in excess of 150%.

Proposal A:

- 5% haircut for the first 100%
- 20% haircut for the portion of cumulative rate increase between 100% and 400%
- 80% haircut for the portion of the cumulative rate increase in excess of 400%

Proposal B:

Missouri is supportive of the development of a single MSA actuarial approach exposed and believe the following adjustments will be appropriate:

a) The cumulative rate increase should be no more than 600% after all the adjustments and cost sharing.

b) Each rate increase filing should not increase the cumulative rate increase by more than 100% from that of the current rate. In other words, the increase should not be more than 100% of the original rate.

Adjustment a) can be achieved by increasing the current cost sharing when cumulative rate is more than 500%. For example, increase the cost sharing from 50% to 90% when Cumulative Rate exceeds 500% and further increase to 95% when Cumulative Rate Increase exceeds 1000%. The cost sharing is increased to 100% when Cumulative Rate Increase exceeds 5000% (If this is perceived as a hard cap, it can be replaced by something like 99%).

Below is an example comparing proposal a) against the current cost sharing percentages (note resultant cumulative rate increase of 453% is less than the 600% target threshold):

Potential Cost-Sharing Formula for Typical Circumstance Cumulative Rate Increase (CRI) since issue date is haircut by:								
		Current					Propose	
Blended Increase		3238%			Blended Increase		3238%	
CRI	Hair cut	Applicable CRI	with Hair cut		CRI	Hair cut	Applicable CRI	with Hair cut
15%	0	15%	15%		15%	0	15%	15%
50%	10%	35%	32%		50%	10%	35%	32%
100%	25%	50%	38%		100%	25%	50%	38%
150%	35%	50%	33%		150%	35%	50%	33%
300%	50%	150%	75%		300%	50%	150%	75%
400%	50%	100%	50%		400%	50%	100%	50%
500%	50%	100%	50%		500%	50%	100%	50%
1000%	50%	500%	250%		1000%	90%	500%	50%
5000%	50%	2238%	1119%		5000%	95%	2238%	112%
100000%	50%	0%	0%		100000%	100%	0%	0%
CRI allowed		3238%	1661%		CRI allowed		3238%	453%

Adjustment b) is a secondary control over the resultant cumulative rate increase with haircut.

Here is an example of the application of Adjustment b):

Minnesota (Blended if-Knew/Make-up) Approach	current	Propose
Loss ratio at the original premium level	62.0%	62.0%
Minimum loss ratio applicable to the form	60%	60%
If Knew Increase (IKI)	200%	200%
Make-up increase (MUI)	10000%	10000%
Remaining policyholders percentage (RPP)	31%	31%
Blended increase (RPPxMUI+(1-RPP)xIKI)	3238%	3238%
Cost sharing increase Sum((1-CSi%)xlayeri)	1661%	453%
Past rate increase (PRI)	215%	215%
Cumulative Rate Increase when increase is limited to 100% Original Rate (Cumulative Rate Increase Allowed, CRIA)	1661%	315%
Rate Increase under MN approach in % of Current Rate =(1+CRIA)/(1+PRI)-1	459%	32%
Maximum Justified Rate Increase based on Make Up Increase = (1+MUI)/(1+PRI)-1	3106%	3106%
Maximum allowable rate increase	459%	32%

Adjustment b) can be with or without re-visitation depending on fellow regulators' input and industry discussion.

Alternative 1 is that there should be no more subsequent rate increase filing if there is no further experience deterioration.

Alternative 2 can see the 100% original rate increase as a phase in mechanism where the filer may come back for more after every three years.

This proposal is limited to addressing the old age/long duration issue in LTCi rate increase filing. Comments on reducing cost sharing in early durations will be provided separately.

Thanks,

Eric J. King, FSA, MAAA
Senior Health Actuary
Research & Actuarial Services

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October 28, 2024

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

Dear Chairs Lombardo and Andersen,

The American Council of Life Insurers (ACLI)[1] and the America's Health Insurance Plans[2] (AHIP) appreciate the opportunity to comment on the Minnesota Approach, with particular attention to the cost-sharing factors outlined in Proposals A & B and the blending of "if-knew" and "make-up" premium approaches. We understand that the Working Group's priorities for 2024 include establishing a single actuarial method and addressing the 85/25/400 issue, and we are committed to supporting progress in this area.

Proposals A and B aim to address the 85/25/400 challenge. As stated in our September 27th letter, we encourage the LTCAWG to ensure that long-term care rate increases are based on actuarial science, rather than arbitrary caps, and reject Proposal B. If changes are made to the cost-sharing table contained in the current MSA Framework, we believe that Proposal A better aligns with the attempt to address the core issue of sharing the financial burden between insurers and policyholders.

Cost-sharing is not a new concept—it has been occurring for many years. More recently, it has occurred both implicitly and explicitly within the Minnesota Method through the blending of "make-up" and "if-knew" premiums, as well as through the explicit cost-sharing table. Additionally, there have been instances where actuarially justified rate increases were limited, denied, or delayed by states, which effectively impose cost-sharing on the insurer. These examples demonstrate the continuous balancing of state regulator, insurer, and policyholder responsibilities, reinforcing the need for a transparent and predictable approach.

Timely approval of actuarially justified rate increases significantly reduces the likelihood of large increases later. For states that are behind in implementing necessary rate increases, applying the same cost-sharing adjustment is not appropriate. These states should consider their own rate increase history and avoid applying a one-size-fits-all solution, which may exacerbate financial challenges and perpetuate inconsistency of rates between states.

It is important to emphasize that cost-sharing is a compromise to address regulatory challenges that go beyond purely actuarial considerations and require a broader, consumer-centric approach, not a precedent for further limitations on rate increases. We encourage the LTCAWG to incorporate the role of cost-sharing into the LTCI MSRR Framework as follows:

[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.

Amend the paragraph titled "Future Non-Actuarial Considerations" under Subsection F (Non-Actuarial Considerations) of Section V (Actuarial Review), to read:

> Future Non-Actuarial Considerations
> *The MSA Review will continue to develop and evolve as it is implemented. To achieve more consistency and minimize the number of differences across states in their application of other non-actuarial considerations in rate review criteria for LTCI rate filings, the LTCI MSA Framework was amended in 2024 to adjust the cost-sharing components within the Minnesota method to address specific public policy challenges, particularly around large increases for older-age policyholders, with longer durations. Further non-actuarial adjustments are inappropriate, however, the Task Force may ~~will~~ encourage its appointed Subgroup, or an appropriate NAIC actuarial committee or group, to collectively consider new future non-actuarial considerations, if ~~as~~ they arise. This process will provide for input and technical advice from actuaries to states as they exercise their authority in considering nonactuarial factors. States are therefore encouraged to discuss new and developing practices and/or recommendations in this area.*

Add the following reviewer note before Step 7 of the Minnesota Approach outlined in Appendix C:

> *Reviewers note: The blending of the if-knew and makeup premiums (Step 5) and the cost-sharing formula (Step 6) were reviewed and updated in 2024 to address specific public policy challenges, particularly around large increases for older-age policyholders, with longer durations. Additional cost-sharing or other non-actuarial adjustments to address these challenges are inappropriate.*

Finally, incorporating guardrails into the MSRR process is key to ensuring a fair and balanced approach to cost-sharing. Cost sharing adjustments intended to address regulatory challenges, which go beyond purely actuarial considerations and require a broader approach, must also account for the diversity and complexity of long-term care blocks. Without tailored flexibility and limits, insurers could face undue financial strain, potentially compromising the sustainability of long-term care coverage. Guardrails would provide a transparent, predictable process that benefits both policyholders and the industry. We urge the LTCAWG to add the following to Section V, Actuarial Review, of the MSRR framework in 2024:

> To ensure a truly fair and equitable system, the MSA team will consider the following guardrails to account for the diversity and complexity of long-term care blocks. These guardrails will prevent the imposition of excessive cost sharing where it is inappropriate and allow for tailored solutions that reflect the specific characteristics of each block.
>
> 1. **Block-Specific Flexibility:** Introduce flexibility that allows for customized cost-sharing adjustments based on the unique characteristics of a block (e.g., block age, benefit richness, timing of past rate approvals) to reflect the diversity of long-term care insurance portfolios.
> 2. **Adjustment for Delayed or Reduced State Approvals:** Establish a mechanism to reduce or eliminate cost-sharing for older blocks where previously delayed, limited, or denied rate approvals by states have contributed to financial strain, acknowledging that timely approvals could have prevented the need for large, accumulated increases.

3. **Cost Sharing Transparency:** Allow companies to clearly outline the degree of cost-sharing being applied, helping regulators understand how much of the needed premium increase has already been absorbed by the insurer versus passed to the policyholders.
4. **Recognition of Block Profitability:** Include considerations for newer, leaner blocks, where excessive cost-sharing could result in unreasonably low profitability, potentially discouraging insurers from entering the long-term care market or leading them to exit.
5. **Monitoring and Periodic Review:** Establish a process for the periodic review of cost-sharing measures to assess their impact on insurers and policyholders and to determine if future adjustments to the framework are necessary based on evolving market conditions and block performance.

We appreciate your continued efforts and look forward to collaborating as we work towards a balanced and sustainable solution for long-term care insurance rate reviews. By addressing these issues, we can create a more predictable and consistent process for all parties involved, which will help encourage insurers to remain in or enter the market.

Thank you for your consideration.

Sincerely,

Jan Graeber
Senior Actuary, ACLI

Ray Nelson
Consultant for AHIP

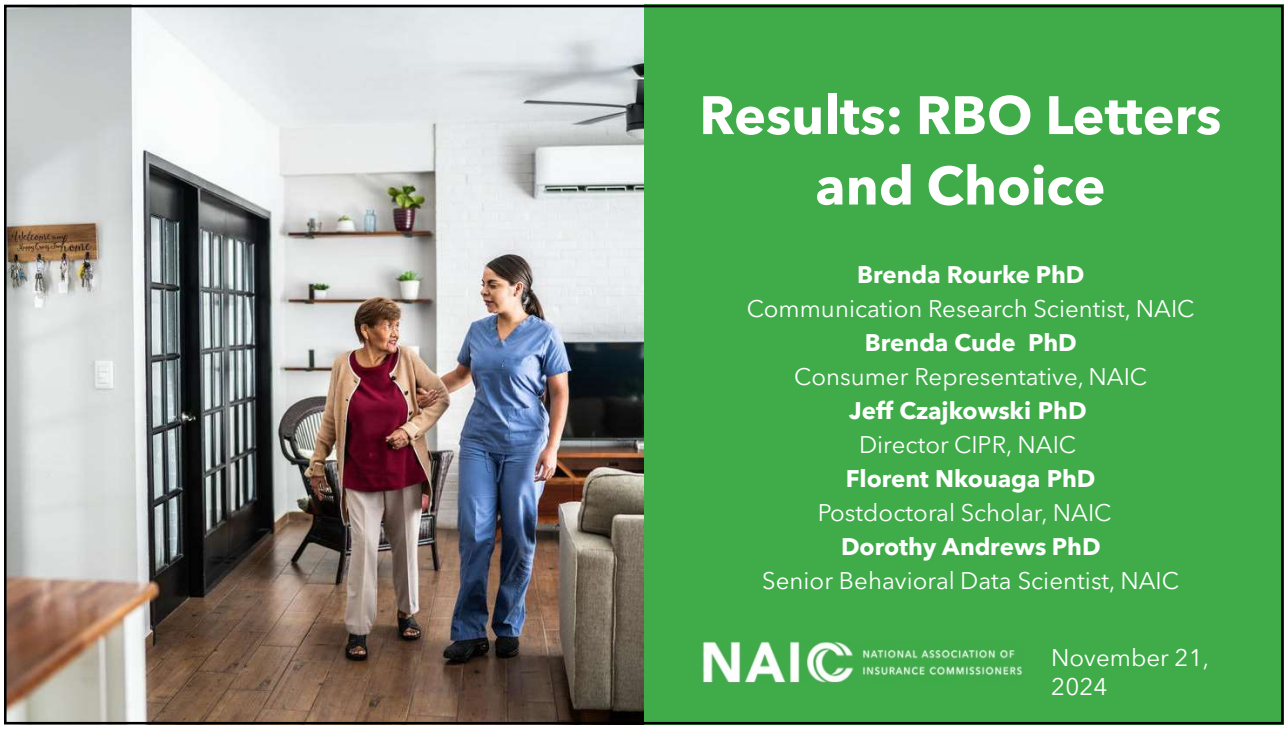
Genworth Life Insurance Company & Genworth Life Insurance Company of New York
Response to Single LTCI Multistate Rate Review Exposure Draft
October 28, 2024

Genworth Life Insurance Company and Genworth Life Insurance Company of New York (collectively, "Genworth" or the "Company") appreciate the opportunity for continued engagement in the Single LTCI Multistate Rate Review development process.

Before commenting on the merits or drawbacks of a potential update to the additional cost-sharing provision, it is necessary to achieve clarity on the base method that produces the results to which the cost-sharing is applied. To begin, Genworth believes that **cumulative past increases should be backed out before blending**. Once this has been completed, it provides a very clear and transparent view to decision-makers of the exact contributions of the two components of the increase, and the amount of cost-sharing absorbed by the insurer. For the If-Knew portion, the result should be floored at zero so as not to imply that a rate *decrease* would be appropriate given that the initiation of the pricing exercise was the result of a deterioration in experience; a negative contribution from If-Knew would be logically unsound. Additional clarity would also be necessary regarding Aggregate vs. Sample Policy approach, treatment of future implementation dates, consistency with existing laws, handling of Waiver of Premium benefits, and phasing of rate increases, all of which can have profound impacts on the ultimate rate increase before considering how the additional cost-sharing may alter the result.

Additional Cost-Sharing Proposals Detailed In Exposure

Regarding the additional cost-sharing formula proposals in the most recent exposure: while Proposal A may be a compromise to the original Minnesota method, Genworth cannot support arbitrary limitations and levels not based in sound analytical or actuarial methods. The arbitrary caps detailed in Proposal B would further hinder a company's ability to manage its in-force business, and reward states which have been slow to review and approve justified increases, thereby increasing the rate increase needs to support claims-paying ability. Any cost-sharing on top of a review methodology should be discussed and decided between an individual insurer and regulator based on applicable law and unique circumstances.


Results: RBO Letters and Choice
Brenda Rourke PhD
Communication Research Scientist, NAIC
Brenda Cude PhD
Consumer Representative, NAIC
Jeff Czajkowski PhD
Director CIPR, NAIC
Florent Nkouaga PhD
Postdoctoral Scholar, NAIC
Dorothy Andrews PhD
Senior Behavioral Data Scientist, NAIC
NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS
November 21, 2024

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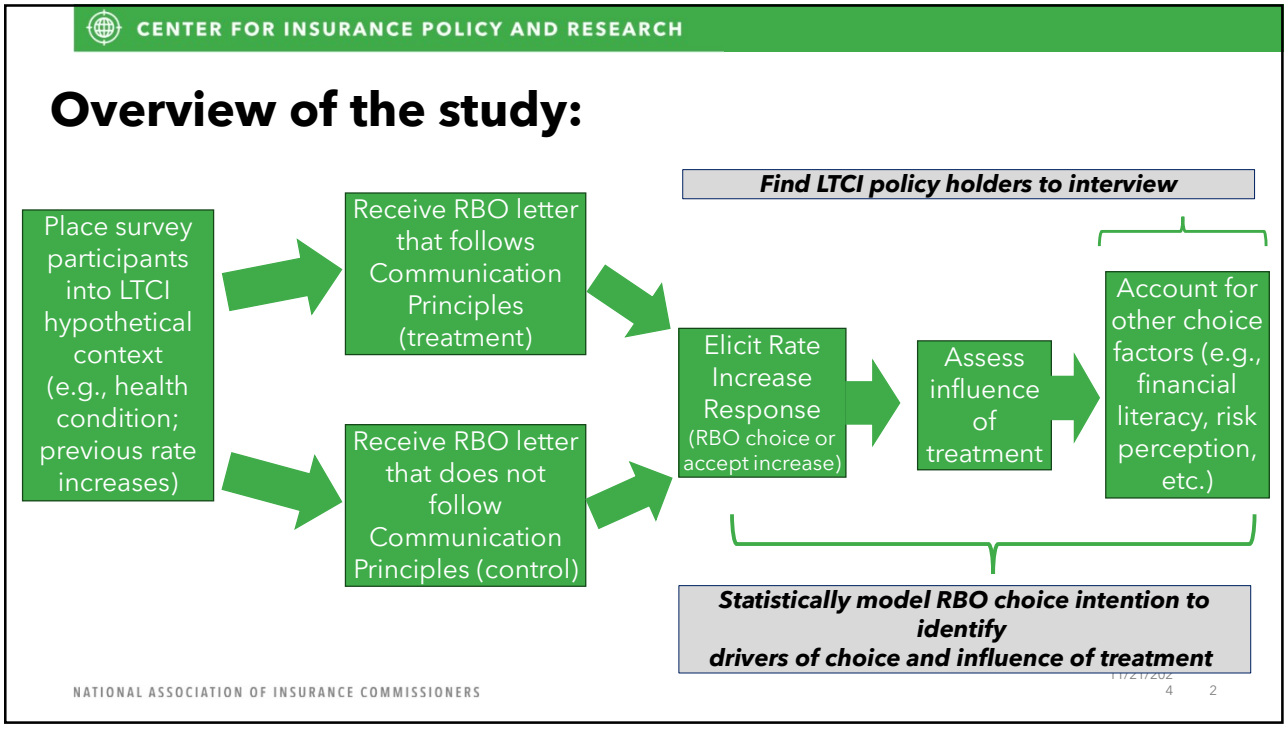
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Overview of the study:
Find LTCI policy holders to interview
Place survey participants into LTCI hypothetical context (e.g., health condition; previous rate increases)
Receive RBO letter that follows Communication Principles (treatment)
Receive RBO letter that does not follow Communication Principles (control)
Elicit Rate Increase Response (RBO choice or accept increase)
Assess influence of treatment
Account for other choice factors (e.g., financial literacy, risk perception, etc.)
Statistically model RBO choice intention to identify drivers of choice and influence of treatment
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The Participants

N= 1118
Female = 581
Male= 537

Zone	n	Percent
Northeast	380	34%
Southeast	201	18%
Midwest	396	35%
Western	141	13%
Total	**1118**	

Age	n	Percent
55 - 64	385	34%
65 - 74	492	44%
75 - 84	220	20%
85 or older	21	2%
Total	**1118**	

66% of the sample is 65 or older.

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(see the reference slides for more demographics)

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Choice: Premium Increase, Contingent Nonforfeiture or Reduced Benefit Option (RBO)

Choices used in the models:

Participant Choice	Count	Percent
1. Pay the increase	314	28%
2. Contingent non-forfeiture	183	16%
3. Other RBO Choice	621	55%
Total	**1118**	

All Other RBO Choices	Count	Percent
Reduce daily/monthly benefit	282	25%
Reduce inflation protection	148	13%
Shorten benefit period	123	11%
Increase elimination period	68	6%
Total	621	55%

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Modeling Choice

Every model includes the following:

1. The Conditions
2. Personal Characteristics
3. Demographics

Model 1: Perceptions of The Letter and The Context

Do perceptions of the letter, or having a prior rate increase explain the acceptance of the premium increase or a reduced benefit option?

Model 2: The Theory of Planned Behavior

Do attitudes, perceived behavioral control, and subjective norms explain the acceptance of the premium increase or a reduced benefit option?

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Model 1:

	Variables	Accept Premium Increase	Contingent Nonforfeiture	All Other Reduced Benefit Options
Conditions	Prior Rate Increase	✓*		-✓*
	Type of Letter			
Perceptions of the Letter	Tone		-✓*	
	Clarity	✓*		-✓*
Personal Characteristics	Financial Knowledge	✓*	✓*	-✓**
	Risk Perceptions	✓*		
	Risk Tolerance			
Demographics	Age			
	Gender	-✓**	✓**	
	Education			
	Income			
	Total # of Savings Accounts			-✓*

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- Indicates a negative relationship ***p*<.05 ****p*<.01

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Model 1 Summary

1. Participants who thought the letter was clear were more likely to accept the premium increase or an RBO other than the CNF option.
2. Participants who were asked to assume a prior rate increase were more likely to accept the premium increase and less likely to accept the other RBOs.
3. Women were less likely to accept the premium increase and more likely to take the CNF option.
4. Financial knowledge was a significant predictor – Such that those that scored higher in financial knowledge were more likely to accept the premium increase or the contingent nonforfeiture option and they were less likely to accept any of the reduced benefit options.
5. Participants who were more likely to think they may need long-term care were also more likely to accept the premium increase.

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Model 2:

Variables		Accept Premium Increase	Contingent Nonforfeiture	All Other Reduced Benefit Options
Conditions	Prior Rate Increase			- ✓ *
	Type of Letter			
Theory of Planned Behavior	Attitudes			✓ *
	Behavioral Control	✓ *		- ✓ **
	Normative Beliefs	✓ *		
Personal Characteristics	Financial Knowledge	✓ *	✓ *	- ✓ ***
	Risk Perceptions	✓ *		
	Risk Tolerance			
Demographics	Age			
	Gender	- ✓ **	✓ **	
	Education			
	Income			
	Total # of Savings Accounts			- ✓ *

- Indicates a negative relationship *p<.05 **p<.01 p<.001***

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Model 2 Summary

1. Participants with more positive attitudes were more likely to accept an RBO.
2. Participants who thought they had more behavioral control were more likely to accept the premium increase and less likely to choose an RBO.
3. Financial knowledge was a significant predictor in each model, but negatively related to choosing an RBO.
4. Participants who thought they were more likely to need long-term care were more likely to pay the higher premium.
5. Women are less likely to accept the premium increase and more likely to choose the CNF option.
6. Participants who were asked to assume a prior rate increase were less likely to select an RBO.

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Results Summary

1. The clarity of the letters matters.

- We recommend revisiting the guidelines used to review rate increase letters to ensure the communication is accessible to the general population and uses "plain language" (Blaise, 2023).
  1. Plain language emphasizes brevity: short sentences, short paragraphs, and short sections.
  2. Plain language prefers using present tense verbs and active voice.
  3. Writing with simple words and phrases, minimizing jargon, abbreviations, and definitions exemplify plain language.

2. Greater perceived behavioral control and financial knowledge.

- Policyholders make different choices when they believe they have the skills and ability to make this choice.
  - Providing education and resources to help consumers make this choice is important.

3. Those who received a prior rate increase, and a greater perception of the risk of needing long-term care were more likely to keep their policy and pay the higher premium, regardless of age, income, or education.

***A complete report of the findings from this work will be published by the end of the year.**

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Looking Forward to 2025:

What we don't know:

1. How would modifying the language used in the letter ("plain language", reading level, etc.) impact clarity and choice?

   How to test this:

   Test letters that use a lower reading level and remove complicated "insurance language" and jargon where applicable.

2. Should all rate increase letters include values for each of the options?

   How to test this:

   Provide letters with a table that shows the impact of each choice on their premium.

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3. What additional criteria from the Principles and Guidelines could be tested and how will this impact clarity and choice?

   How to test this: *Continue looking at consumer understanding and perceptions of RBO options by examining:*

   1. The perceived value of the options

   2. The impact of the decision

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Reference Slide

From the Guidelines and Checklist:

From the Guidelines:

Understanding Policy Options

Insurers should consider communicating the impact of options by:

- Displaying the options in a way that enables policyholders to compare options, including details such as:
  - o Daily/monthly benefit.
  - o Benefit period.
  - o Inflation option.
  - o Maximum lifetime amount.
  - o Premium increase percentage and/or new premium.
  - o Nonforfeiture (NFO) or contingent nonforfeiture (CNF) amount.
  - o If the policy is Partnership qualified, changes to benefits may impact Partnership status.
  - o Current premium

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CENTER FOR INSURANCE POLICY AND RESEARCH

From the Checklist

Readability and accessibility:

1. Is the communication easy to follow? Does it flow logically? Does it display the essential information and/or the primary action first (followed by the nonessential information)? Is the primary message of the communication presented first and clearly worded.
2. Are all technical insurance terms clearly explained in the communication?
3. Are all technical terms used consistently throughout the communication?
4. Is the communication in an easily readable font? For example: Is the type at least 11-pointtype?
5. Does the communication use headings to help the reader find information easily?
6. Is white space (margins, lines spacing, and spacing between paragraphs) sufficient and consistent?
7. Are tables, charts, and other graphics, easy to read and understand? (See question 18 for reference).
8. Are the grade level and reading ease scores appropriate according to state readability standards?
9. Are reduced benefit options clear and not misleading? For example: Are there side-by-side illustrations of options compared with current benefits?

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