

Draft date: 11/13/24

2024 Fall National Meeting  
Denver, Colorado

**LONG-TERM CARE ACTUARIAL (B) WORKING GROUP**

Saturday, November 16, 2024

2:00 – 3:30 p.m.

Gaylord Rockies Hotel—Aurora Ballroom C/D—Level 2

**ROLL CALL**

Paul Lombardo, Co-Chair	Connecticut	Margaret Garrison	Nebraska
Fred Andersen, Co-Chair	Minnesota	Jennifer Li	New Hampshire
Sanjeev Chaudhuri	Alabama	Bill Carmello/Neil Gerritt	New York
Sarah Bailey	Alaska	David Yetter	North Carolina
Ahmad Kamil	California	Craig Kalman	Ohio
Stephen Flick	District of Columbia	Andrew Schallhorn	Oklahoma
Lilyan Zhang	Florida	Timothy Hinkel	Oregon
Weston Trexler	Idaho	Jim Laverty	Pennsylvania
Scott Shover	Indiana	Carlos Vallés	Puerto Rico
Nicole Boyd	Kansas	Aaron Hodges	Texas
Marti Hooper	Maine	Tomasz Serbinowski	Utah
Kevin Dyke	Michigan	Joylynn Fix	West Virginia
William Leung	Missouri	Rebecca Rebholz	Wisconsin

NAIC Support Staff: Eric King

**AGENDA**

1. Consider Adoption of Its Oct. 9 and Summer National Meeting Minutes  
—Fred Andersen (MN) and Paul Lombardo (CT) Attachment A  
Attachment B
2. Continue Discussion of Proposed Modifications to the Minnesota  
Approach for Use as the Single Long-Term Care Insurance (LTCI)  
Multistate Rate Review Approach and Consider Adoption—Fred  
Andersen (MN) and Paul Lombardo (CT) Attachment C  
Attachment D  
Attachment E  
Attachment F
3. Discuss Any Other Matters Brought Before the Working Group  
—Fred Andersen (MN) and Paul Lombardo (CT)
4. Adjournment

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), America's Health Insurance Plans (AHIP) and the American Council of Life Insurers (ACLI) (Attachment), Genworth Life Insurance Company (Attachment), the Missouri Department of Commerce and Insurance (Attachment), the Texas Department of Insurance (TDI) (Attachment), and the Utah Insurance Department (Attachment) 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 (Attachment) 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

## Draft Pending Adoption

Attachment B  
Long-Term Care Insurance (B) Task Force  
11/17/24

Draft: 8/15/24

Long-Term Care Actuarial (B) Working Group  
Chicago, Illinois  
August 12, 2024

The Long-Term Care Actuarial (B) Working Group of the Long-Term Care Insurance (B) Task Force met in Chicago, IL, Aug. 12, 2024. The following Working Group members participated: Paul Lombardo, Co-Chair (CT); Fred Andersen, Co-Chair (MN); Sanjeev Chaudhuri (AL); Sarah Bailey (AK); Thomas Reedy (CA); Stephen Flick (DC); Weston Trexler (ID); Scott Shover (IN); Josh Carlson (KS); Marti Hooper (ME); Kevin Dyke (MI); William Leung (MO); Margaret Garrison (NE); Jennifer Li (NH); Bill Carmello and Neil Gerritt (NY); Laura Miller (OH); Andrew Schallhorn (OK); Timothy Hinkel (OR); Glorimar Santiago (PR); R. Michael Markham (TX); Tomasz Serbinowski (UT); Allan L. McVey and Joylynn Fix (WV); and Rebecca Rebholz (WI).

### 1. Adopted its July 2 and Spring National Meeting Minutes

Lombardo said the Working Group met July 2 and March 15. During its July 2 meeting, the Working Group took the following action: 1) discussed comments received on the exposure of the Minnesota approach with any suggested adjustments as a candidate for a single long-term care insurance (LTCI) multistate rate review approach methodology for use in multistate actuarial (MSA) filing reviews and 2) exposed the Minnesota approach with any suggested adjustments to the cost-sharing formula to address large rate increases for policyholders at roughly age 85 with a policy duration of 25 years (85/25 issue) as a candidate for a single LTCI multistate rate review approach for a 30-day public comment period ending Aug. 1.

Dyke made a motion, seconded by Fix, to adopt the Working Group's July 2 (Attachment XX) and March 15 (*see NAIC Proceedings – Spring 2024, Long-Term Care Insurance (B) Task Force, Attachment XX*) minutes. The motion passed unanimously.

### 2. Heard an Update on and Discussed a Single LTCI Multistate Rate Review Approach

Lombardo presented comments received on an exposure of the Minnesota approach with any suggested adjustments to the cost-sharing formula to address large rate increases for policyholders at roughly age 85 with a policy duration of 25 years (85/25 issue) as a candidate for a single LTCI multistate rate review approach. He said comments were received from the Washington State Office of the Insurance Commissioner (Attachment), the American Academy of Actuaries (Academy) (Attachment), the Missouri Department of Commerce and Insurance (Attachment), Genworth Life Insurance Company and Genworth Life Insurance Company of New York (Attachment), and the American Council of Life Insurers (ACLI)/America's Health Insurance Plans (AHIP) (Attachment). Jan Graeber (ACLI) said the combination of implicit and explicit cost-sharing elements in the Minnesota approach makes it challenging to accurately quantify the level of cost-sharing that will result and can also mask the level of rate increase that is needed. She said ACLI/AHIP want to ensure that an adopted single approach is transparent and consistently applied.

Andersen said that in the past few MSA filing reviews, the MSA team has provided a metric using the dollar amount impact on financials for the block of business before and after the MSA recommended increase that can be used as a method to quantify actual cost-sharing rather than percentages.

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Andersen gave a presentation (Attachment) with background on the Minnesota approach and a proposal for revising the approach's current cost-sharing formula to address the 85/25 issue, as well as cumulative rate increases greater than 400%. He said the current formula is no haircut for the first 15% of the cumulative rate increase, 10% for the portion of the cumulative rate increase between 15% and 50%, 25% for the portion of the cumulative rate increase between 50% and 100%, 35% for the portion of the cumulative rate increase between 100% and 150%, and 50% for the portion of the cumulative rate increase in excess of 150%. He said his proposal is a 5% haircut for the first 100% of the cumulative rate increase, 20% for the portion of the cumulative rate increase between 100% and 400%, and 80% for the portion of the cumulative rate increase in excess of 400%. He said this is intended to reduce rate increases for policyholders around the 85/25/400 area.

Lombardo said he and Andersen think the proposal is a first draft to reach some level of compromise between insurers and policyholders while addressing the 85/25/400 issue. He said the proposal will impact different companies in different ways. He said he, Andersen, and others do not believe there is a single solution that every company and regulator will support. Lombardo said the proposal will be exposed for public comment, and the Working Group intends to work toward presenting a final proposal for amending the MSA framework to use a single approach to be voted on for adoption by the Working Group at the Fall National Meeting. He said any changes will only affect the MSA review process under the MSA framework and will not change states' ability to conduct their own rate increase review processes.

Leung said he is concerned that the proposal does not address very large rate increases that will still be considered unreasonable, even after applying the proposed cost-sharing. He said he is also concerned that the formula will treat companies that have received no rate increases in the past differently than companies with past cumulative rate increases. He said he thinks the cost-sharing modifications proposed in the Missouri Department of Commerce and Insurance comment letter address these concerns. Andersen said the implicit cost-sharing through the blending of the if-knew and makeup premiums in the Minnesota approach will likely resolve any issues with exorbitant rate increases prior to the application of the proposed explicit cost-sharing factors. He said he does not think it is likely that there will be a mature LTCI block that has not had any rate increases in the past requesting a large rate increase. Andersen said the Minnesota approach has been successfully used for over 250 rate increase filings and for nine MSA filings.

Serbinowski said the proposed cost-sharing factors produce results similar to those from the informal 300% cap on rate increases that the Utah Insurance Department implemented in 2016. He said the 300% cap is no longer enforced. He said the cost-sharing factors are the most arbitrary element of the Minnesota approach, are non-actuarial in nature, and he is not sure that the Working Group is the best forum to address a policy issue rather than an actuarial one. He said he is also concerned that two similarly situated companies may end up being granted far different rate increases depending on whether they filed for an increase before or after the implementation of the proposed new cost-sharing factors. He said he finds it difficult to support the proposal.

Fix said regulators need to do something to address the current issues with LTCI rate increases and that all regulators can find reasons to not support the proposal. She said states will not give up their rights to final approval of rate increases under the MSA process. She said that if an unforeseen rate increase request situation occurs and the MSA process does not appropriately address it, the process does not need to be used. She said that since consistent application of the process is a concern for regulators and industry, perhaps the MSA team can create a training program to teach regulators exactly how to conduct a rate increase review using the MSA process. She said West Virginia fully supports the MSA process using the Minnesota approach as a single LTCI MSA review approach methodology. Lombardo agreed that whatever single approach is ultimately adopted, there should be training for regulators in the application of the MSA process so there is a complete

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understanding among states as to how each state is applying the methodology. He said MSA training can help address industry concerns about inconsistent application of the MSA process. Andersen said the MSA framework includes a structure for an MSA associate program, and this can be used to train the states on the application of the MSA process.

Chaudhuri said having an adopted MSA framework that uses a single approach and that also includes non-actuarial aspects, such as cost-sharing, will be helpful for commissioners and others because it can be used as a starting point for making policy decisions based on non-actuarial elements.

Miller said she agrees there should be an MSA process training program so that regulators can fully understand the process before deciding whether to adopt it. She said she is not confident that she understands how all the elements of the process work and is not comfortable voting for adoption without this knowledge. She asked why 85, 25, and 400 were chosen as points where action needs to be taken.

Lombardo said that a vote will not be called today, and there will be further exposure of changes to the Minnesota approach for comment. Andersen said that age 85 and duration 25 are not meant to be defined cutoff points, but many of the rate increase complaints received are from policyholders generally at that age and duration. He said that after examining various LTCI block component averages, cumulative rate increases at a threshold of 400% tend to happen for policyholders at age 85, duration 25. He said his proposed cost-sharing factor changes the focus to more on the 400% threshold but benefits age 85, duration 25 policyholders as a by-product of their application. He said the focus of the changes is to reduce higher cumulative rate increases regardless of a policyholder's age or duration. Miller said she supports having a framework that will allow regulators to explain rate increase evaluations to their commissioners, even if portions of it are non-actuarial.

Graeber said she is concerned that under the MSA process, rate increase evaluations will be interpreted as actuarial when elements, such as cost-sharing, are policy-driven. She said she thinks the actuarially justified rate increase needs to be disclosed and what policy decisions were applied that reduced the actuarially justified increase. Miller asked Graeber if she thinks the Working Group is not the appropriate venue for making cost-sharing recommendations. Graeber said in the past, the Working Group only dealt with actuarial issues, and she believes the Long-Term Care Insurance (B) Task Force was formed to consider policy-related issues at a commissioner level. Lombardo said the MSA process, a single approach, and addressing the 85/25 issue have been discussed with many commissioners, and they all approve of the Working Group developing potential solutions to these issues. He said the cost-sharing elements are already part of the Minnesota approach as used in the MSA framework, and the Working Group is only proposing modifications to cost-sharing factors that have been in use to reflect the LTCI block cohorts that commissioners have expressed concerns about. He said before any factor modifications can be implemented, they will need to be approved at the commissioner level through the Executive (EX) Committee and Plenary.

Commissioner McVey said he thinks the MSA process will work to help regulators solve the issues they face with LTCI rate increases. He said regulators are at a point where something must be done to address the issues, and the Working Group has been tasked with developing the best alternative. He said insurers need to work with regulators to develop the best solution possible. Graeber said she understands the Working Group is acting on direction from commissioners, and she wants to ensure that the MSA process is transparent by stating the actuarially justified rate increase and also the reasons why cost-sharing was applied to reduce the increase. She said that she wants it to be clear that commissioners are ultimately the ones making the policy decisions applied to a rate increase request.

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Lombardo said the final decision on the level of rate increase lies with the commissioner of any given jurisdiction. He said that nothing in the MSA process changes this. He said commissioners need to be able to explain the complicated details of an LTCI rate increase to policyholders in a way they can understand, and the MSA framework helps accomplish this. Lombardo said having a single approach to be used in the MSA process eliminates the complications of explaining why multiple approaches were used and how their weights were assigned in developing the rate increase. He said more consistency is needed among states so there can be more predictability in the LTCI market that will hopefully attract new insurers to offer LTCI products. He said that the MSA framework is intended to be subject to revision over time, and whatever the Working Group presents at the Fall National Meeting is not necessarily the final version of the MSA approach.

### 3. Exposed Proposals for Modifications to Minnesota Approach Cost-Sharing Factors

Lombardo said modifications to the cost-sharing factors used in the Minnesota approach as proposed by Andersen and Leung will be exposed for a 45-day public comment period ending Sept. 27.

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

Member Meetings/B CMTE/HATF/2024\_Summer/8-12-24 LTCAWG/LTCAWG Minutes 08-12-24.docx

**From:** [Brady - DORA, Sean](#)  
**To:** [King, Eric](#)  
**Cc:** [Batista, Deborah](#); [Nugent, Peter](#); [Sloan, Sydney](#)  
**Subject:** Re: Long-Term Care Actuarial (B) Working Group Exposure - Comments Due October 28  
**Date:** Thursday, October 24, 2024 3:55:05 PM  
**Attachments:** [image003.png](#)  
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## Working Group Exposure - Comments Due October 28

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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%.

o

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](mailto: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/lhci-msa-framework.pdf>

Please provide comments to Eric King at [eking@naic.org](mailto: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):

Attachment C

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%	15%
50%	10%	35%	32%	50%	10%	35%	32%	32%
100%	25%	50%	38%	100%	25%	50%	38%	38%
150%	35%	50%	33%	150%	35%	50%	33%	33%
300%	50%	150%	75%	300%	50%	150%	75%	75%
400%	50%	100%	50%	400%	50%	100%	50%	50%
500%	50%	100%	50%	500%	50%	100%	50%	50%
1000%	50%	500%	250%	1000%	90%	500%	50%	50%
5000%	50%	2238%	1119%	5000%	95%	2238%	112%	112%
100000%	50%	0%	0%	100000%	100%	0%	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%	1661%	315%
Original Rate (Cumulative Rate Increase Allowed, CRIA)		
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

O: 816-783-8234  
M: 816-708-7982  
W: [www.naic.org](http://www.naic.org)

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**Sean Brady FSA FLMI**  
Actuary



P 303.894.7485  
1560 Broadway, Suite 850, Denver, CO 80202  
[sean.brady@state.co.us](mailto:sean.brady@state.co.us) | [www.colorado.gov/dora](http://www.colorado.gov/dora)



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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)<sup>1</sup> and the America's Health Insurance Plans<sup>2</sup> (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 27<sup>th</sup> 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:

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<sup>1</sup> 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.

<sup>2</sup> 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,

A handwritten signature in blue ink, appearing to read 'Jan Graeber', written over a light blue rectangular background.

Jan Graeber  
Senior Actuary, ACLI

A handwritten signature in blue ink, appearing to read 'Ray Nelson', written over a light blue rectangular background.

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**

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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.

# Minnesota approach and MSA concepts

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Fred Andersen, FSA, MAAA

Chief Life Actuary, Minnesota Department of Commerce





# Minnesota approach flow

- Minnesota approach applied:
  - Makeup calculation
    - Rate increase to get back to the original LLR
  - If-knew premium
    - Premium that would have been charged if the company knew at issue how mortality, lapse, morbidity, and interest rates would turn out
    - Used in part as a tool to ensure policyholders in small remaining blocks aren't covering past losses associated with past policyholders
- From Appendix C, Section 2 of the MSA Framework:
  - a. Makeup percentage:
    - i.  $\{[PV(\text{claims}) / \text{original LLR}] - PV(\text{past premium})\} / PV(\text{future premium}) - 1$ .
  - b. If-knew percentage:
    - i.  $[PV(\text{claims}) / PV(\text{premiums})] / \text{original LLR} - 1$ .

	\$Mil
PV claims	\$ 2,714
Original LLR	61.4%
PV past prem	\$ 2,369
PV fut prem	\$ 1,025
PV prem	\$ 3,394

Makeup	If-knew
100%	30%

# Minnesota approach flow

- Blending between the makeup and if-knew premiums
  - Helps achieve balance
    - Makeup premium would be unfair and unjustifiably high for consumers
    - If-knew premium would not help address reducing financial distress for companies
  - Helps prevent present value of premiums over time exceeding the present value of claims and related expenses
- From Appendix C, Section 5 of the MSA Framework:
  - 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 ii.

Makeup	If-knew	% of insureds remaining	Blended
100%	30%	75%	83%

# Minnesota approach flow

- After blending occurs, additional cost sharing is applied
  - Additional cost-sharing was justified to address legal issue of rates not being misleading
    - Companies did or should have had more information about the possibility of large rate increases than the consumer had at the time of purchase
  - One set of factors has been applied to filings since 2016
    - Contemplated lower cumulative rate increases
  - A new set of factors is proposed to address 85/25/400 issue
    - Contemplates higher cumulative rate increases
      - Direct: adds additional cost sharing above 400%
      - Indirect: 400%+ tends to occur above age 85 and duration 25
- Blended, post-cost-sharing cumulative rate increase then gets deducted by past rate increase amount to get the current approvable rate increase

Makeup	If-knew	% of insureds remaining	Blended	Cost share	MN cumulative
100%	30%	75%	83%	14%	71%

# Impact of different cost-sharing factors

- After blending occurs, additional cost sharing is applied
  - One set of factors has been applied to filings since 2016
  - New set of factors is proposed to address 85/25/400 issue
    - Direct: adds additional cost sharing above 400%
    - Indirect: 400%+ tends to occur above age 85 and duration 25
    - Direct addressing of 85/25 was seen to raise issues
- Blended, post-cost- sharing rate increase then gets deducted by past rate increase amount to get the current approvable rate increase

Cell	Makeup	If-knew	% of insureds remaining	Blended	Cost share	MN cumulative
Current	100%	30%	75%	83%	14%	71%
Proposed	100%	30%	75%	83%	5%	78%

# Assumption review

- In a lot of cases, data is not available re: original pricing
  - The current MSA Framework contemplates a balanced approach in this case:
    - e.g., when considering the extent to which less-than-fully credible older-age morbidity should be projected to cause adverse projected results
    - Not disapproval of the rate increase
      - Could lead to a rate spike in the future when data is validated
    - Not approving the rate increase as if there's full data credibility
      - Could lead to rates that are too high

# Consensus MSA concepts

1. “85/25/400” issue
  - MN approach with adjusted cost-sharing can help address this issue
    - Direct: adds additional cost sharing above 400%
    - Indirect: 400%+ tends to occur above age 85 and duration 25
2. Balance: consumer protection and preventing insurer financial distress
  - MN approach has a history of providing this balance
3. Include catch up to move towards a similar rate level between states
  - Total cumulative rate increase is calculated with the MN approach
  - Fairly routine to back out prior approvals to attain a state-specific recommended approval
4. Encourage buy-in from states on the MSA actuarial approach
  - Several years of vetting and application
5. Pre-approve and phase in rate increases over a reasonable period of time
  - Has been applied by MN and with the MSA rate increases

# Background re: all cost sharing in MN approach

- Implicit and explicit cost sharing
  - Implicit: Blending away from the makeup premium is one form of cost sharing
    - This aspect ensures any rate increase will not lead to improved financial expectations for the company from original pricing
    - This aspect also ensures the policyholder is still getting “bang for the buck” even after a rate increase
  - Explicit: additional cost-sharing formula
    - To address that very high rate increases over time were very likely not presented to the consumer as a possibility at the time of sale



# Background re: cost-sharing formula

- Increases the company burden as cumulative rate increases rise
- The cumulative-since-issue, blended if-knew / makeup premium-based increase is reduced by a “haircut” percentage
  - 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%.
- The formula was developed in 2015

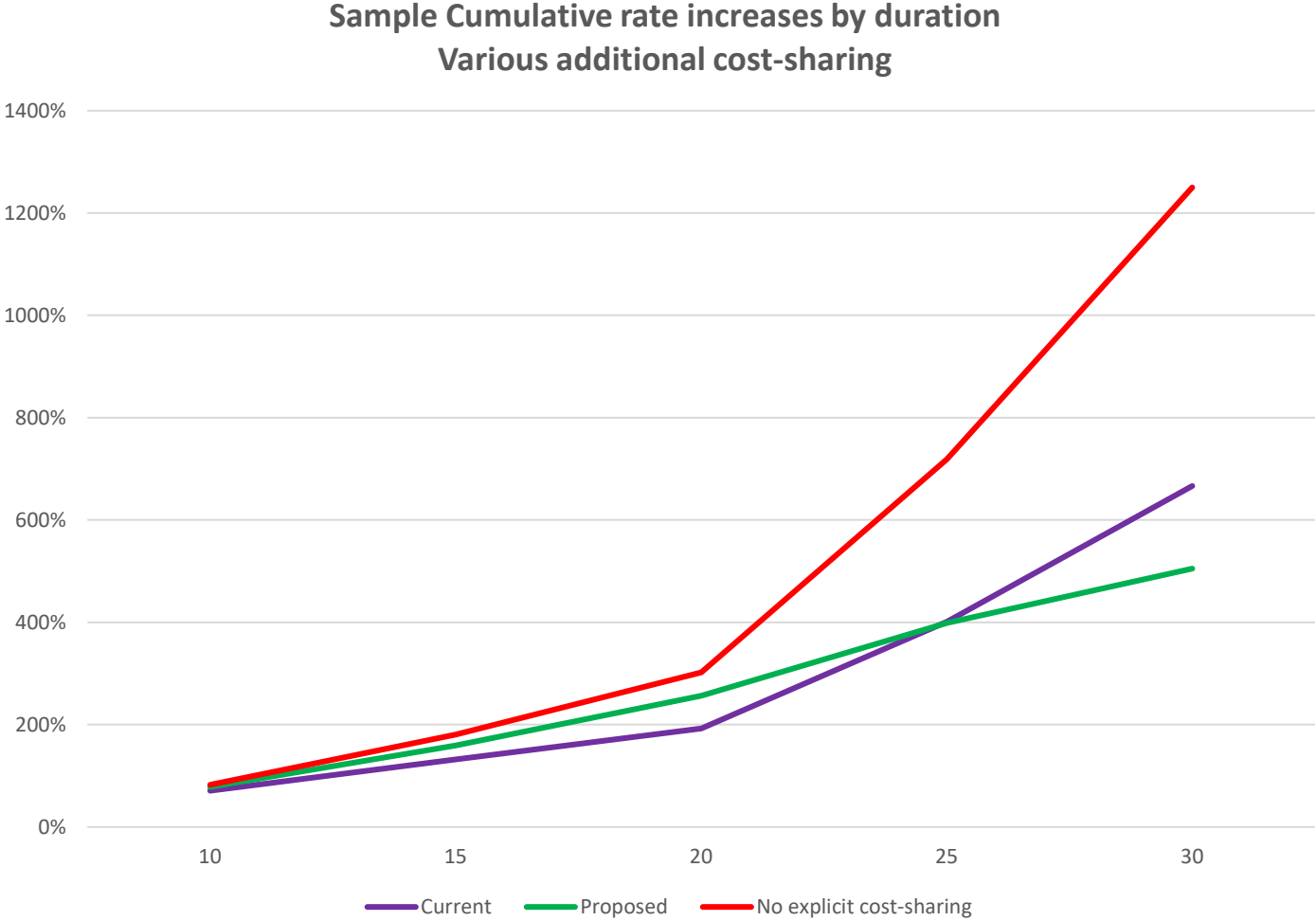
## Proposed revision to cost-sharing formula to address “85/25/400” issue

- 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:
  - 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%

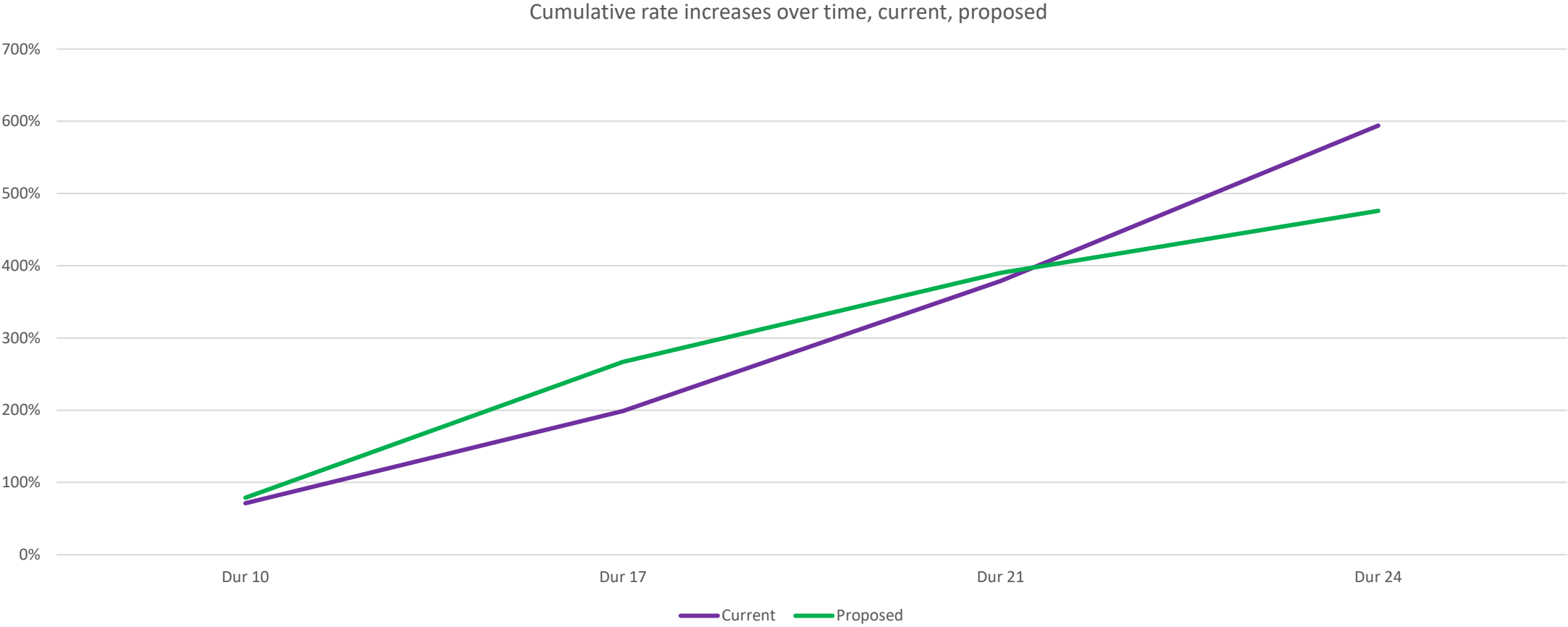
# Result of cost sharing & proposed revisions, typical sample case

Sample case, reasons for rate increases:

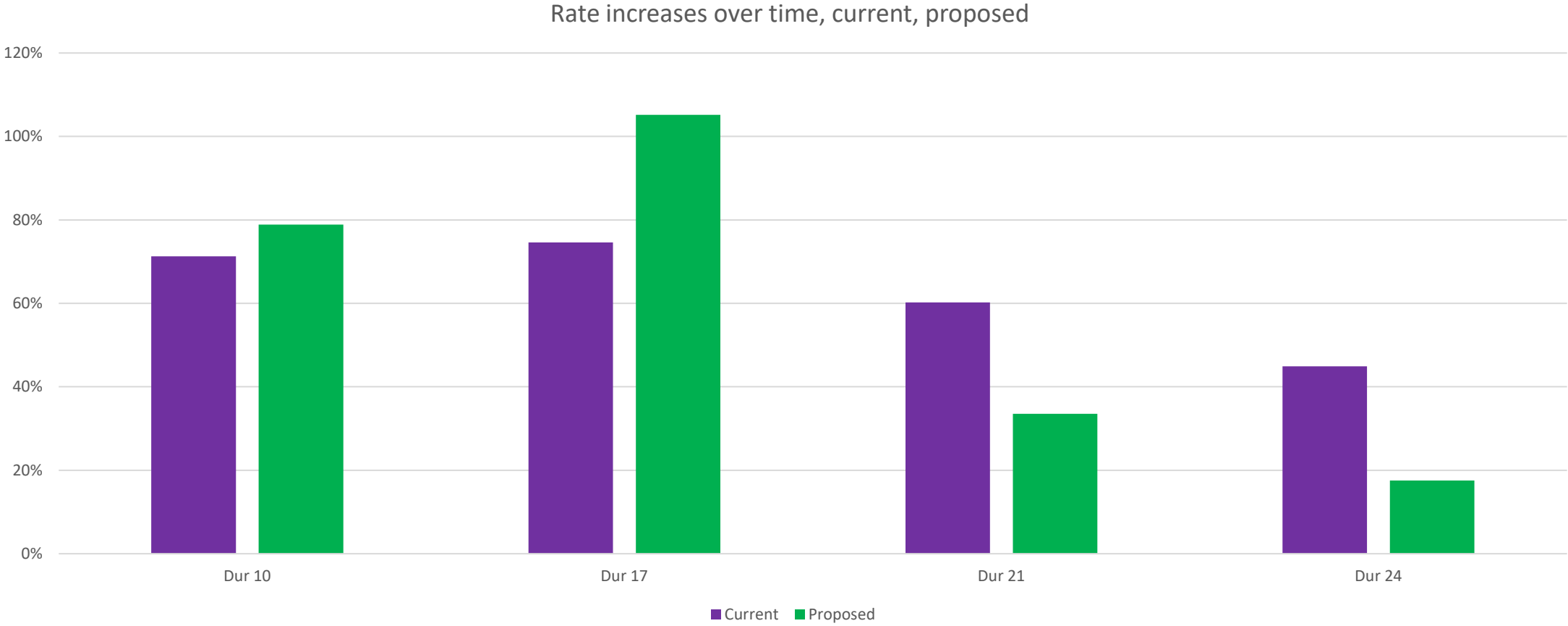
- Ultimate lapse rate 3% -> 0.5%
- Mortality: '94 GAM -> 2012 IAM
- Morbidity incidence increased 10%
- Length of claim increased 15%
- Benefit utilization increased 5%



# Result of proposed revisions, real example



# Result of proposed revisions, real example



# Proposed revision to cost-sharing formula to address "85/25/400" Issue

Attachment F

- 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:
  - 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%