

Memo

To: Commissioner Conway, Chair, Long Term Care Insurance Multistate Rate Review Subgroup

From: Tricia Matson, Partner

Date: December 6, 2021

Subject: RRC comments regarding Long Term Care Insurance Multistate Rate Review Framework

Background

The Long Term Care Insurance Multistate Rate Review Subgroup (“the Subgroup”) exposed a Long Term Care Insurance (LTCI) Multistate Rate Review Framework (“the Framework”) which covers a potential approach to increase consistency of LTCI rate review actions across states and improve efficiency of LTCI rate reviews for insurers. RRC appreciates the opportunity to offer our comments. Should you have any questions, we would be glad to discuss our comments with you and the Subgroup members.

RRC Comments

1. Overall, we applaud these efforts. We understand that there are current industry challenges associated with differences in rate approval practices among states and agree with efforts to increase uniformity of those practices while continuing to maintain the individual state decision making authority.
2. Regarding the involvement of and coordination with the Interstate Insurance Product Regulation Commission (“Compact”), it is unclear from the Framework why the MSA Team was determined to be the appropriate body to review the rates, rather than the Compact. It might be helpful to clarify this in the Framework.
3. On page 5, the document indicates that a uniform national system should lead to “more accurate reviews, theoretically reducing some of the need for ongoing rate increase filings.” Based on our experience, current state-based rate reviews are not subject to inaccuracy, so we would suggest removing or rewording this. We believe that a uniform national system has many benefits, but we do not believe that improving accuracy is one of them.
4. Page 5 also states that the MSA Advisory Reports “are only for use by Participating States in considering and evaluating rate filings.” There is also language to minimize misuse of the MSA Advisory Reports by the insurers submitting the filings. It is not clear why the MSA Advisory Reports are shared with the insurers. If they are only for the Participating States, and there are concerns about potential misuse by the insurers, perhaps a better approach would be to provide them only to the Participating States for their use in the ultimate rating decision. This may also reduce risk in the event that the MSA Advisory Report recommendations differ significantly from the final state decision.
5. Regarding the qualifications of an MSA team member on page 7, we recommend adding that some minimum number (and at least one) of the members meet the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States.

6. Page 8 indicates that an MSA member will likely spend 20 hours per month. With 5 to 7 MSA members, it appears that 20 hours may not be sufficient, depending on the volume of submitted filings. We suggest considering alternative options to add additional supporting resources, spread work among resources, or increase the time commitment of MSA members, in the event needed.
7. Page 10 provides the eligibility criteria for submission of filings. Because certain criteria are somewhat arbitrary (e.g., impacting 20 states and at least 5,000 policyholders), we are in favor of the additional language allowing the MSA Team to apply judgment in considering filings for inclusion that do not strictly meet the criteria. You may also consider whether the criteria might be revised in the future to enable incorporation of more filings, in particular if results are highly beneficial.
8. Regarding the timeframes for completing reviews outlined on page 12, we recognize that precise timeframes are not possible due to the level of uncertainty. However, we suggest outlining some general time constraints, similar to what exists in current state laws (i.e., deemer dates), to improve accountability and enable more robust planning by the Participating States and the insurers.
9. Page 14 indicates that one of the items that may be considered in a feedback survey is the “number of rate proposals approved by the MSA Review Team.” Since the state, and not the MSA Review Team, is the ultimate approving party, we suggest changing “approved” to “reviewed”.
10. On page 15, the Framework notes that the MSA Team’s recommendations may include a goal of achieving the same rate per unit in each state, resulting in higher increases in states that have not approved as many historical rate increases. While such an approach could improve equity/remove subsidization across states, it could also reduce equity/increase subsidization among individual policyholders, since policyholders that stay in force might be subject to “catch up” rate increases thereby subsidizing policyholders that lapsed. We would encourage approaches that focus on reducing inappropriate cross subsidization based on prospective considerations, rather than approaches that simply move inappropriate cross subsidization from one group to another.
11. Regarding Appendix B, it may be helpful to develop templates for carriers to submit information. We have found in our LTC rate filing reviews that the nature and depth of information can vary significantly from filing to filing and use of standard templates may enable the MSA Team to review the filings more efficiently.
12. On page 23, we suggest adding a requirement that the assumption information provided must include sufficient rationale such that another actuary qualified in the same practice area can understand how the assumption was developed, as required by ASOP 41. We specifically mention this because we often find that filings do not include this level of detail, and this information will be important for the MSA Team to review.
13. On page 24, we suggest adding a requirement to provide information about past reserve strengthening and premium deficiency reserves held, to help the reviewers understand if actions taken in reserves are reasonably consistent with the need for premium increases. On this same page, we suggest adding a requirement to provide support for the determination of the maximum valuation interest rate (i.e., the weighted average calculation across issue years).
14. On page 25, we suggest adding a requirement to identify how potential antiselection was addressed in the projection associated with election of Reduced Benefit Options.

15. Regarding Exhibit A, the sample MSA Advisory Report, we suggest including the disclosures required under applicable actuarial standards of practice (ASOPs). For example, ASOP 41, *Actuarial Communications*, requires disclosure of the information date, the applicable law, reliance on others, if any assumptions were determined to be unreasonable or could not be assessed for reasonableness, and that the actuary is qualified to provide the statement of actuarial opinion.

Thank you for the opportunity to provide comments on this important initiative. I can be reached at tricia.matson@riskreg.com or (860) 305-0701 if you or other Subgroup members have any questions.