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.

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.

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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