



# AMERICAN ACADEMY of ACTUARIES

December 12, 2024

Andrew N. Mais, Chairperson  
Grace Arnold, Vice Chairperson  
Long-Term Care Insurance (B) Task Force  
National Association of Insurance Commissioners (NAIC)

Via email: [jkoenigsman@naic.org](mailto:jkoenigsman@naic.org)

Re: Exposure Draft of the Long-Term Care Insurance Multistate Rate Review Framework

Dear Chairperson Mais and Vice Chairperson Arnold,

On behalf of the American Academy of Actuaries (Academy)<sup>1</sup> Long-Term Care (LTC) Committee (Committee), I appreciate the opportunity to provide comments in response to the NAIC Long-Term Care Insurance (B) Task Force's November 20, 2024, request for comments on the exposure draft of the [Long-Term Care Insurance Multistate Rate Review \(LTCI MSA\) Framework](#).

The Committee offers no comment on the selection of the Minnesota approach as the single cost-sharing formula. The Committee appreciates that the proposed "adjust[ment] of the cost-sharing components within the MSA method to address specific public policy challenges" is now discussed within Section V.F. of the [NAIC LTCI MSA Framework](#) which we suggested in our July 23, 2024 [comment letter](#).

The MSA Review is designed to provide the opinion of one or more qualified actuaries regarding a rate filing submitted via the MSA process. Section II.A. of the Framework specifies the qualifications of an MSA Team Member, including recognized actuarial credentials and relevant experience with LTCI. Participation on the MSA Team is also expected to provide opportunities to meet the requirements of the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States (U.S. Qualification Standards or USQS). The MSA Advisory Report is expected to be relied upon, to varying degrees, by participating state departments of insurance. In this context, the Committee believes it is important to recognize when an MSA Team reviewing actuary is performing actuarial analysis and judgment, versus applying a pre-determined formula.

The Committee offers the following comments on the Exposure Draft which we believe would further clarify the distinction between the actuarial and non-actuarial aspects of the MSA Review:

- Section V.A. of the Framework discusses the MSA Team's Actuarial Review Considerations. It requires members to apply their expertise and professional judgment in reviewing insurer-provided experience and challenge when necessary (or, thoroughly assessing reasonableness of actuarial assumptions), validating projections of claims and premium (both current and "if-knew"), and requesting new projections where the reviewer deems necessary.
- The performance and communication of the results of the MSA Team's actuarial review by a qualified actuary are clearly actuarial functions, which the Committee believes would fall within

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<sup>1</sup> 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.

the scope of Actuarial Standards of Practice (ASOP) No. 8, [Regulatory Filings for Health Benefits, Accident and Health Insurance, and Entities Providing Health Benefits](#), No. 18, [Long-Term Care](#), which are applicable to regulatory filings for LTCI, as well as ASOP No. 41, [Actuarial Communications](#).

- Once suitable actuarial projections are determined, the application of the non-actuarial cost-sharing formula adopted by the NAIC can be performed mechanically, without specialized actuarial expertise. The non-actuarial cost-sharing formula should not necessarily be a part of the reviewer’s actuarial opinion.

The Committee would recommend the following edits to the sample report in Section VII.A (highlighted in yellow):

- Within the Executive Summary:

#### Executive Summary

The LTCI Multistate Actuarial Rate Review Team (MSA Team) recommends a rate increase of 34% to be approved for inflation-protected products and 20% to be approved for products with no inflation, related to ABC Company’s block.

Higher rate increases are recommended for states where past cumulative rate increases below 55% have been approved. Reduced benefit options (RBOs) may be selected to help manage the impact of the rate increase.

Analysis by the MSA Team resulted in the recommended rate increase being consistent with that resulting from the **actuarially justified** MSA approach. The recommended rate increases are below the increases that would have resulted from the lifetime loss ratio approach and the rate stability rules.

- Within the “Workstream-Related Review Aspects,” section, the Committee recommends moving language from the seventh paragraph to the beginning of the “Actuarial Review” section, and adding additional language (addition in italics):

#### Workstream-Related Review Aspects

#### Actuarial Review

**The MSA Team reviewed support for the assumptions, experience, and projections provided by the insurer and performed validation steps to review the insurer-provided information for reasonableness. Details regarding the actuarial review are provided in Appendix 1. *In addition to its actuarial review, [t]***he MSA team applied the MSA approach to calculate the recommended, approvable rate increases. Aspects of the MSA approach that result in lower rate increases than those resulting from loss ratio-based approaches contained in many states’ laws and rules include:

- Reduction in rate increases at later policy durations to address shrinking block issues.
- Elimination of rate increases related to inappropriate recovery of past losses.

The MSA approach also has additional unique aspects: 1) consideration of adverse investment expectations related to the decline in market interest rates, 2) adjustments to

projected claim costs to ensure the impact of uncertainty is adequately borne by the insurer; and 3) a cost-sharing formula applied in typical circumstances.

[ . . . ]

The MSA Team reviewed support for the assumptions, experience, and projections provided by the insurer and performed validation steps to review the insurer provided information for reasonableness. Details regarding the actuarial review are provided in Appendix 1. Also, The initial submission and subsequent correspondence between the insurer and the MSA Team are available on SERFF. The SERFF tracking number is ABCC-123456789.

As the stated intention is to allow states to utilize the actuarial analysis when taking action on a rate filing, the Committee also suggests that the opinion of a qualified actuary who is a member of the MSA Team be included in the report. This actuary should specify which aspects of the actuarial review are subject to their opinion and which aspects are a result of agreed-upon formulas adopted in the MSA Framework, with consideration to the requirements of Section 3.4.4 of ASOP No 41.

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The Committee appreciates the opportunity to provide these comments on the LTCI MSA Framework. If you have any questions related to these comments, please contact Matthew Williams, the Academy's senior health policy analyst ([williams@actuary.org](mailto:williams@actuary.org)).

Sincerely,

Andrew Dalton  
Chairperson, LTC Committee  
American Academy of Actuaries

CC:

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