



DEPARTMENT OF

**Professional &
Financial Regulation**

STATE OF MAINE

- OFFICE OF SECURITIES
- BUREAU OF INSURANCE
- CONSUMER CREDIT PROTECTION
- BUREAU OF FINANCIAL INSTITUTIONS
- OFFICE OF PROF. AND OCC. REGULATION

Long-Term Care Insurance

Presentation by Maine Bureau of Insurance

December 2, 2021

Eric Cioppa, Superintendent of Insurance

Background

- Long-term care insurance (LTCi) marketed for about 40 years.
 - Started as nursing home only insurance policies
- Rapid market growth in 1980s as insurers began to cover home- and community-based care
 - By late 1990s, > 100 insurers were selling LTCi
 - Currently about a dozen insurers now sell LTCi nationally and 7 in Maine
- LTCi is sold as guaranteed renewable and level-funded
 - Cancellable only for non-payment of premium
 - Premium designed not to increase based on age, but all contracts have a provision that allows the carrier to file for an increase

Background (cont'd)

- What the long-term care insurers got wrong when they priced their product:
 - Interest rates would remain between 6 and 8%
 - Lapse rates would be similar to those in life insurance, or between 4 and 5%
 - Has been under 1 % since the product became available
 - Morbidity did not anticipate exposure to Alzheimer's and other long-duration diseases

Background – Examples of LTCi Reserve Deficiencies

- Employer Reassurance Corporation (ERAC) –
 - Subsidiary of GE
 - \$14 billion deficiency as of 12/31/17
- Unum –
 - Largest Maine domestic insurer
 - \$2 billion deficiency as of 12/31/18

Background – Examples of LTCi Insolvencies

- Penn Treaty Network Am. Ins. Co./Am. Network Ins. Co. –
 - Placed in liquidation 3/1/17 at PA DOI's recommendation
 - 300% average additional premium increases needed
 - Life/Health Guaranty Associations (GAs) where these companies do business have assumed responsibility for their policies
 - GAs have sought premium increases that were approved
- Senior Health Insurance Company of Pennsylvania (SHIP)
 - \$466 million deficiency as of 12/31/18
 - Placed in rehabilitation 1/29/20 in PA
 - Currently deficit is \$1.2 billion
 - 30,000 remaining policyholders
 - Proposed Plan of Rehabilitation
 - Two-phase plan intended to fend off liquidation
 - Maine, Massachusetts and Washington State have intervened in the Pennsylvania court proceeding



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Long-Term Care Insurance Rate Review

Maine Regulations and Procedures

Maine Bureau of Insurance
Marti Hooper, Life & Health Actuary

Long-Term Care Insurance Jurisdiction/Scope of Rate Review

- Individual and Group policies sold in Maine require prior approval for rate increases.
- Not under Maine Bureau of Insurance review:
 - Policies sold or issued in other states
 - Employer group policies issued in other states
 - Policies approved by the Interstate Insurance Product Regulation Commission (Compact) for rate proposals under 15%

Rate Review Overview

- Benefits must be reasonable in relation to premiums.
 - Type of review will depend upon whether filing applies to pre or post rate stabilization policies
- The Bureau may negotiate a lower approved increase in some cases
- Carriers are encouraged to spread larger increases over several years (with full disclosure to policyholders) in an effort to reduce the immediate impact of a rate increase

Reported Premium for Top Carriers Issuing or Renewing in Maine 2020

- Long-term care insurance premiums in Maine totaled \$56.7M in 2020 for 54 carriers

GENWORTH LIFE INS CO	\$13,999,910.00
JOHN HANCOCK LIFE INSURANCE COMPANY (USA)	\$7,037,488.00
UNUM LIFE INSURANCE COMPANY OF AMERICA	\$7,003,230.00
METROPOLITAN LIFE INSURANCE COMPANY	\$3,860,315.00
BANKERS LIFE & CASUALTY COMPANY	\$3,174,663.00
PRUDENTIAL INSURANCE COMPANY OF AMERICA	\$2,717,787.00
MUTUAL OF OMAHA INSURANCE COMPANY	\$2,614,008.00
CONTINENTAL CASUALTY COMPANY	\$2,326,320.00
NORTHWESTERN LONG TERM CARE INSURANCE	\$2,257,147.00
TRANSAMERICA LIFE INSURANCE COMPANY	\$1,742,648.00
RIVERSOURCE LIFE INSURANCE COMPANY	\$1,696,270.00
ALLIANZ LIFE INSURANCE COMPANY OF NORTH AMERICA	\$1,391,129.00
BRIGHTHOUSE LIFE INSURANCE COMPANY	\$1,110,442.00
MASSACHUSETTS MUTUAL LIFE INSURANCE COMPANY	\$894,421.00
NEW YORK LIFE INSURANCE COMPANY	\$774,190.00
MEDAMERICA INSURANCE COMPANY	\$542,692.00

Filing Process

- Submitted through the SERFF (electronic filing) system
- Available for public viewing through Bureau website
- Review for compliance with Maine regulations
- Perform a detailed review of the Actuarial Memorandum
- Request additional information if necessary
- Independent review by contracted actuarial firm
- Review the loss ratio. Check results against company projection

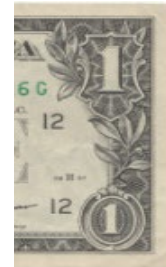
Pre-Stabilization in Maine: Rule 420

- Policies issued prior to October 1, 2004
- Initially priced with a minimum loss ratio:
 - $\geq 60\%$
- Past premiums are adjusted to the proposed rate level in order to ensure that the increase does not recoup past losses

Rate Increase Loss Ratio

- Premium rate increases shall be calculated such that 85% of the additional premium due to the proposed increase goes towards claims.

Premium Increase



85% must pay for claims

15%
for
admin.
costs

Other rate increase considerations

- Review revised assumptions to reflect carrier/industry experience:
 - Mortality
 - Morbidity
 - Lapse
- Is the timing and amount of proposed increase appropriate?
- Proposed increased premiums are not greater than new business premiums except for differences attributable to benefits.
- Solvency – will the company have the resources to continue to pay claims for current policyholders in the future?
- Benefit Reduction Options – what alternatives are available to the policyholder if premium increases are too high?

Recent Rate Increase Proposals

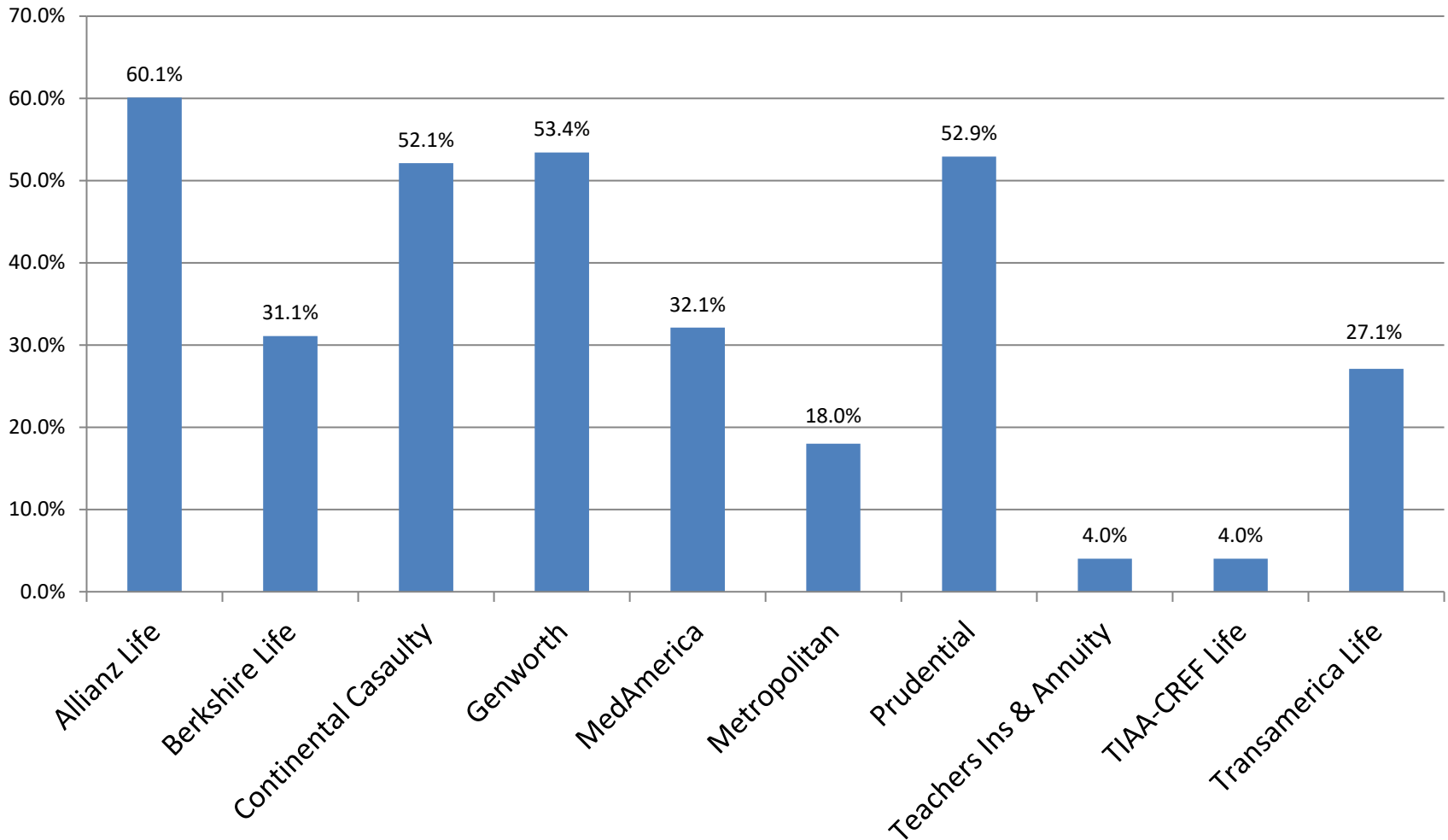
Approvals 9/2020 – 10/2021

Of 41 filings received:

- 16 filings for 3 companies are currently under review
- 2 filings were disapproved for 1 company
- 23 filings were approved for 10 companies
- Approved increases from 2% to 65%
- 13 filings were reduced

Recently Approved Rate Filings in Maine

2020 - 2021



National Working Groups

National Association of Insurance Commissioners (NAIC)

- Senior Issues
 - Long-Term Care Insurance Model Update (B) Subgroup
- LTC Insurance (EX) Task Force
 - LTC Insurance Financial Solvency (EX) Subgroup
 - LTC Insurance Multistate Rate Review (EX) Subgroup
 - LTC Insurance Reduced Benefit Options (EX) Subgroup
- LTC Actuarial Work Group
 - LTC Pricing
 - LTC Valuation
- Health Actuaries Task Force
- Valuation Analysis Work Group
- Financial Analysis Work Group

How does a Partnership Policy differ from a regular LTC Insurance Policy?

Partnership Policy		Regular Policy
Will pay for LTC in the policy benefit amount	— —	Will pay for LTC in the policy benefit amount
Asset disregard – dollar-for-dollar offset on benefits paid	X	No asset disregard
Inflation protection required if insured is a certain age when they buy – recently reduced	X	Inflation protection not required
Qualified under federal tax law	X	Tax qualified status not required

Bulletin 419 – Partnership Update

- Federal Deficit Reduction Act of 2005 (“DRA”) requires certain levels of inflation protection in order to qualify for a Long-Term Care Insurance Partnership Program
- “compound annual inflation protection” sold to a person under the age of 61
- “some level of inflation protection” or simple interest at a rate of at least 1% sold to a person from 61 to 75 years old
- No inflation protection required if sold to a person aged 76 or older
- Inflation protection may be adjusted when the insured reaches a higher age band.

Considerations when we receive a long-term care rate increase complaint:

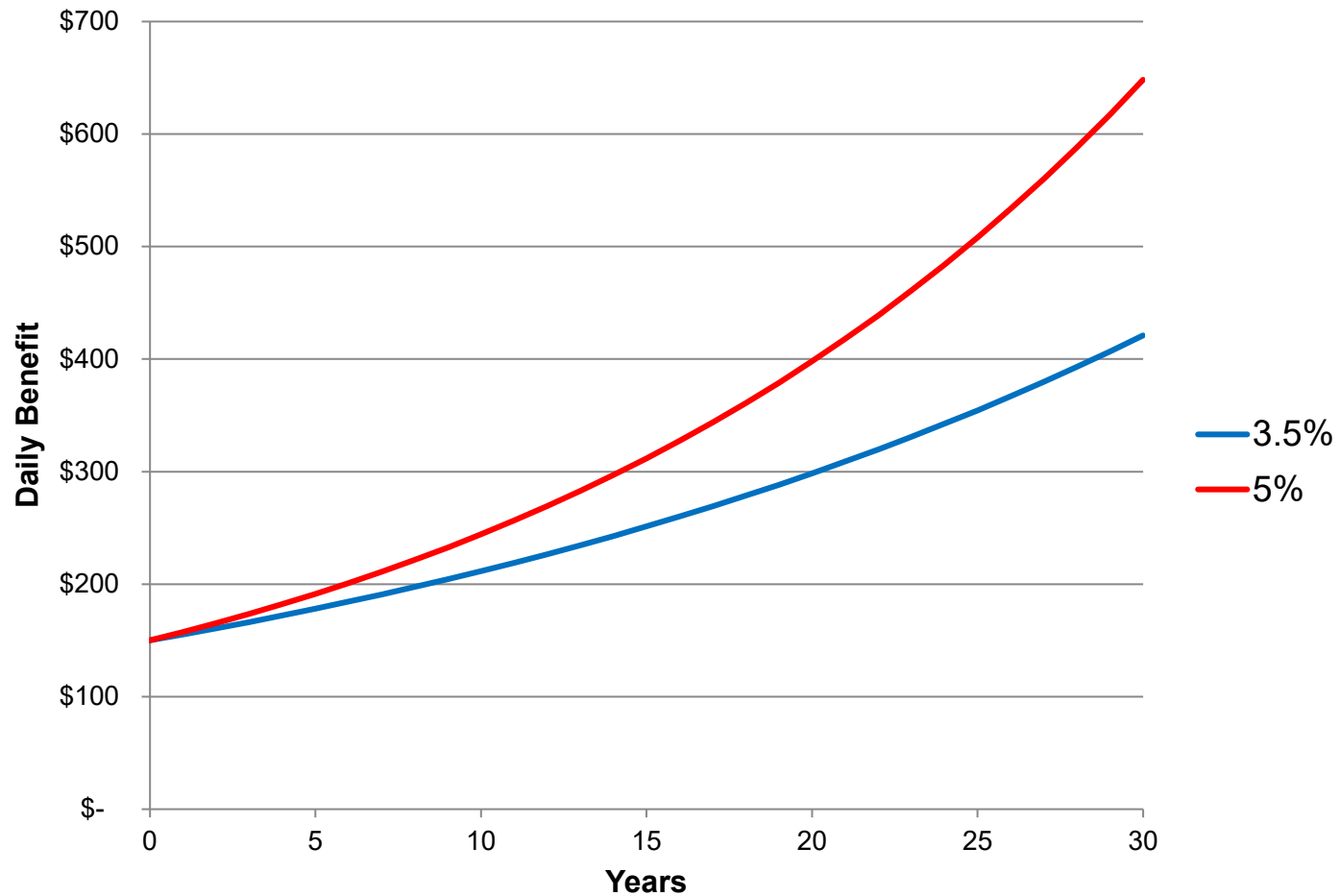
- Jurisdiction the policy falls under
- Verify it is an approved rate increase
- If there are any questions or inconsistencies, we can go to the company for more information and to straighten out any problems
- Alternatives available to the policyholder

Possible alternatives to a rate increase

- Reduce your inflation protection amount if available
- Reduce your daily/monthly benefit
- Reduce your total benefit period
- Increase your elimination period
- Drop an optional rider
- Nonforfeiture benefit or contingent nonforfeiture benefit

Daily Benefit Over Time

at different compound interest rates



Contingent Nonforfeiture Benefit

- Triggered by the cumulative increases and not just a one-time increase
- By converting to paid-up status, policy benefits are significantly reduced to a limit equal to the sum of premiums paid
- No benefits will be paid in excess of your new policy limit
- Benefits are generally paid at the benefit levels and coverage limits in effect at the time you convert your policy to paid-up status
- All optional benefit riders will automatically terminate
- No future inflation adjustments will be made
- All other applicable policy provisions, conditions, and limitations remain in effect

Maine Life & Health Insurance Guaranty Association

- All insurers authorized to transact insurance in Maine are required to belong as a condition of their licensure
- With the insolvency of a member insurer, the associations become responsible for covered claims to the extent required by Maine law
- Coverage by residency. All 50 U.S. states and the District of Columbia have similar associations however, so if you do not meet Maine's residency requirement, you may qualify for protection elsewhere
- Maximum protection for Long Term Care Insurance \$300,000
- Guaranty Association could still request rate increases

Path Forward – NAIC Response

- Launched LTCi Task Force under its Executive Committee
 - Goal to develop consistent national approach and prevent federal preemption
- Three subcommittees focused on:
 - Designing a **Multistate Rate Review** framework for a consistent national LTCI rate review aimed at timely and actuarially appropriate increases that eliminate cross-state rate subsidization
 - Evaluating and recommending **options for consumers** affected by changes to their LTCI contract benefits, e.g., where policies are no longer affordable due to rate increases
 - **Monitoring industry trends** and the **financial solvency** of long-term care insurers

Questions from policyholders

- Justification for increases every year?
- What are premiums and increases based on?
- Is this targeted towards older people?
- What does the company do with the increased premium?
- What happens if an increase is denied?
- Hasn't Genworth invested and received returns on premiums paid?
- Should the increase be based on the original premium?
Why not?
- Does the Guaranty Association cover reduced or paid-up policies?

Available Resources

- Insurance Agent
- Long-term Care Ombudsman:
❖ **800-499-0229**
- Area Agencies on Aging:
❖ **877-353-3771**
- Attorney
- Legal Services for the Elderly:
❖ **800-750-5353**
- Bureau of Insurance:
❖ **800-300-5000**

INS Consultants, Inc. Life and Health Actuaries

- Nevena Jovanovic, ASA, MAAA
- Arthur Lucker, FSA, MAAA
- 13 credentialed life and health actuaries with extensive backgrounds in both the regulatory field and industry

INS

- Regulator only actuarial support services
- Review long term care filings in 15 states – ME, AL, AZ, CA, DE, IA, KS, MA, MI, MO, OH, SD, TN, WI, WV

INS LTC Rate Review Process (cont.)

Perform a detailed review of the Actuarial Memorandum including (but not limited to):

- Proposed increase(s).
- Justification for proposed increase.
- Original pricing assumptions.
- Reasonableness of projection assumptions – voluntary lapse, mortality, morbidity and interest.
- Compliance of Actuarial certification with ME regulations.
- Rate increase history.
- Number of ME policyholders affected by rate increase.
- Nationwide and ME Average Annual premium before and after rate increase.
- Experience exhibits including historical, projected, lifetime and actual to expected loss ratios.
- Number/percentage of ME policyholders with inflation riders.
- Distribution – breakdown by M/F, inflation option, benefit period .

INS LTC Rate Review Process (cont.)

- Submit questions and request for additional information through SERFF (including request for status of rate filing in other states).
- Upon receipt of requested information continue rate filing review.
- Develop assumptions for INS' projection from a compendium of assumptions reflecting the numerous LTC rate filings reviewed by INS.
- Perform an independent projection of future experience with the proposed increase using INS' model.
- Perform inequality test. Check results against Company projection.
- If the inequality test is satisfied suggest approval of the proposed increase.
- If the inequality test is not satisfied suggest disapproval of the proposed increase or approval of a lower rate increase.
- Report findings to Maine Bureau of Insurance.