

Milliman LTC rate increase survey

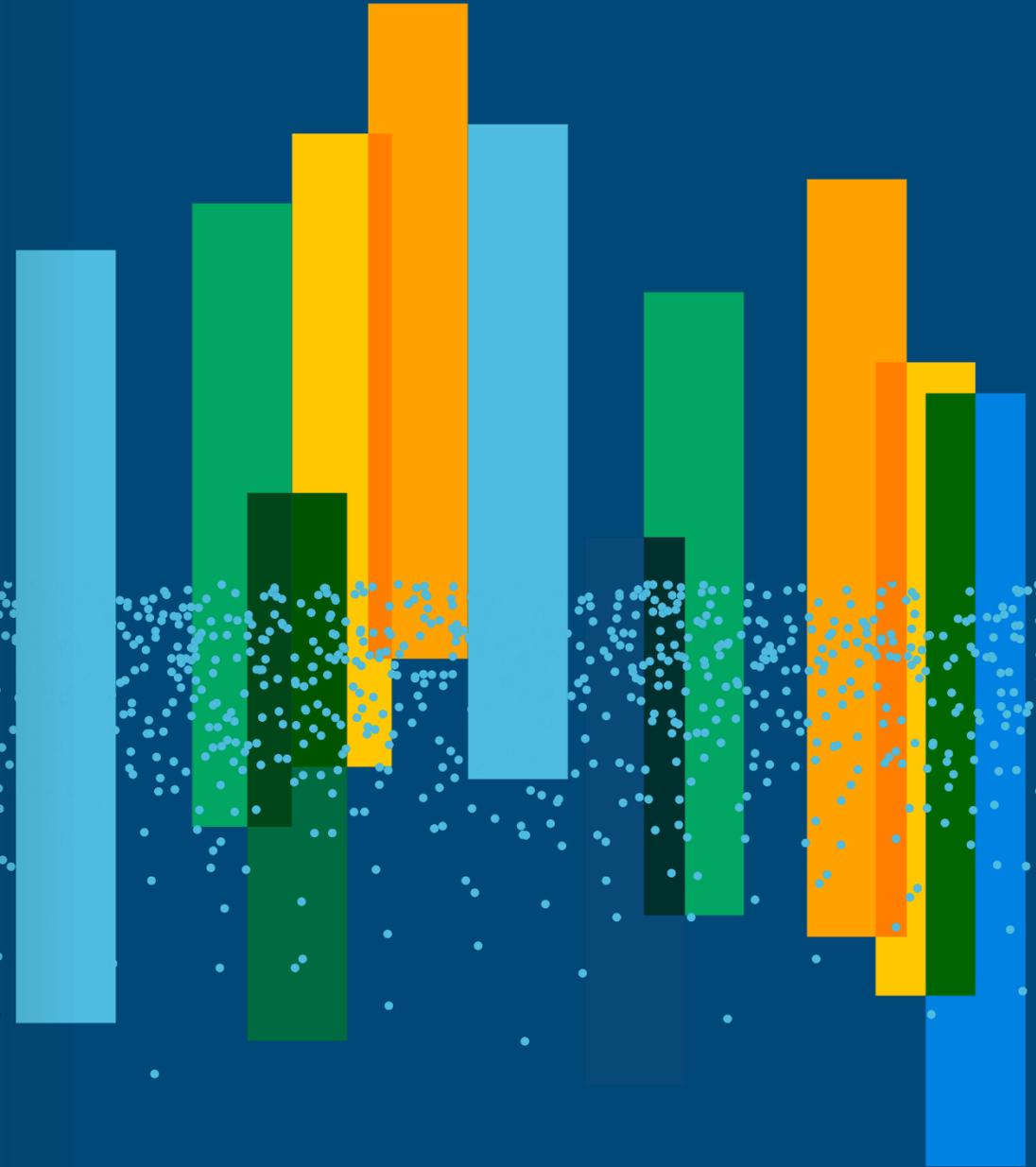
An industry survey of strategies and experience with rate increases

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Introduction

- Surveyed carriers and their recent LTC rate increase experience
 - Updated from a 2016 survey (available on the Milliman website)
 - Detailed results will be published on the Milliman website in March 2022
- 20 companies provided responses
- Respondents represent 65% of LTC inforce premium
- Detailed information related to rate increase filings was provided for:
 - 18 companies
 - 35 nationwide rate increase filings
 - Over 1,000 submissions

Assumptions

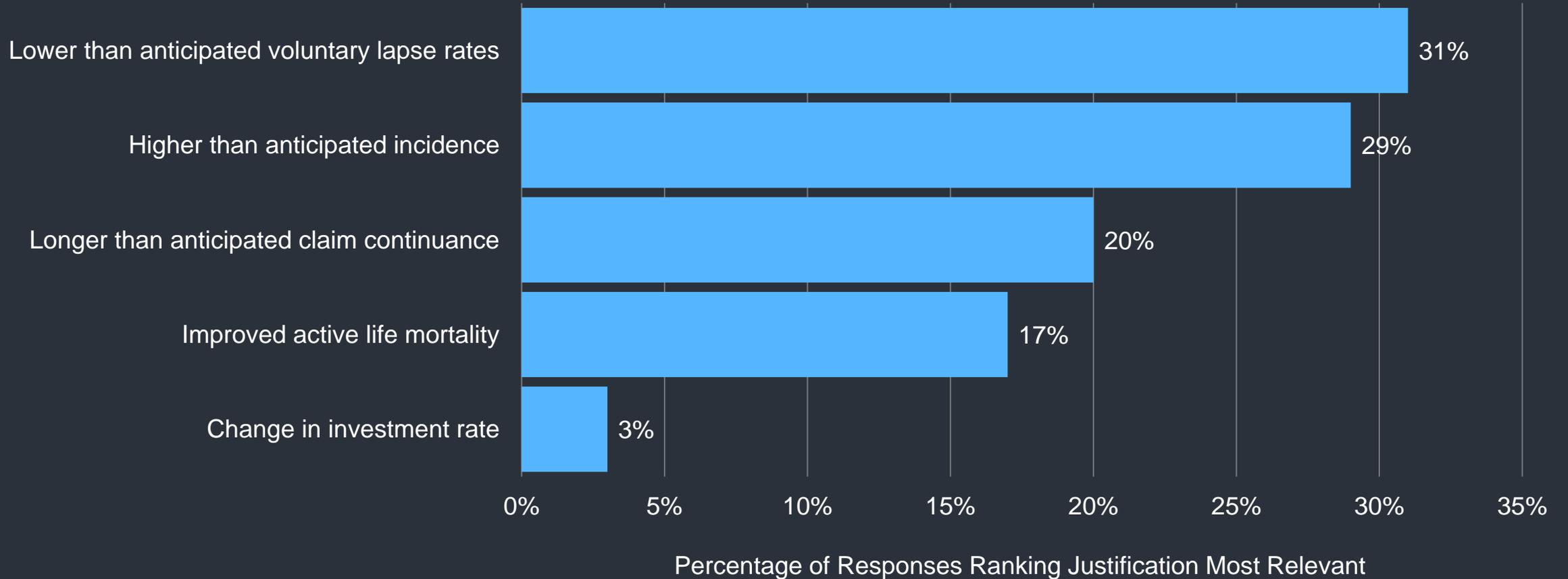
- Company experience is the most common source for the assumptions
- Around three-quarters of companies use the same assumptions as those used in CFT

Percentage of responses

Assumption	Most likely	Include PAD
Mortality	94%	6%
Morbidity	88%	12%
Lapse	94%	6%
Interest	94%	6%

Drivers of the rate increase

Factors comprising the actuarial justification



Rate stability filings

Percentage of submissions subject to loss ratio or rate stability regulation

Most companies requested the same increase for policies subject to loss ratio regulation and rate stability regulation

18%

Subject to Rate Stability Regulation (Increase Certified to Rate Stability)

41%

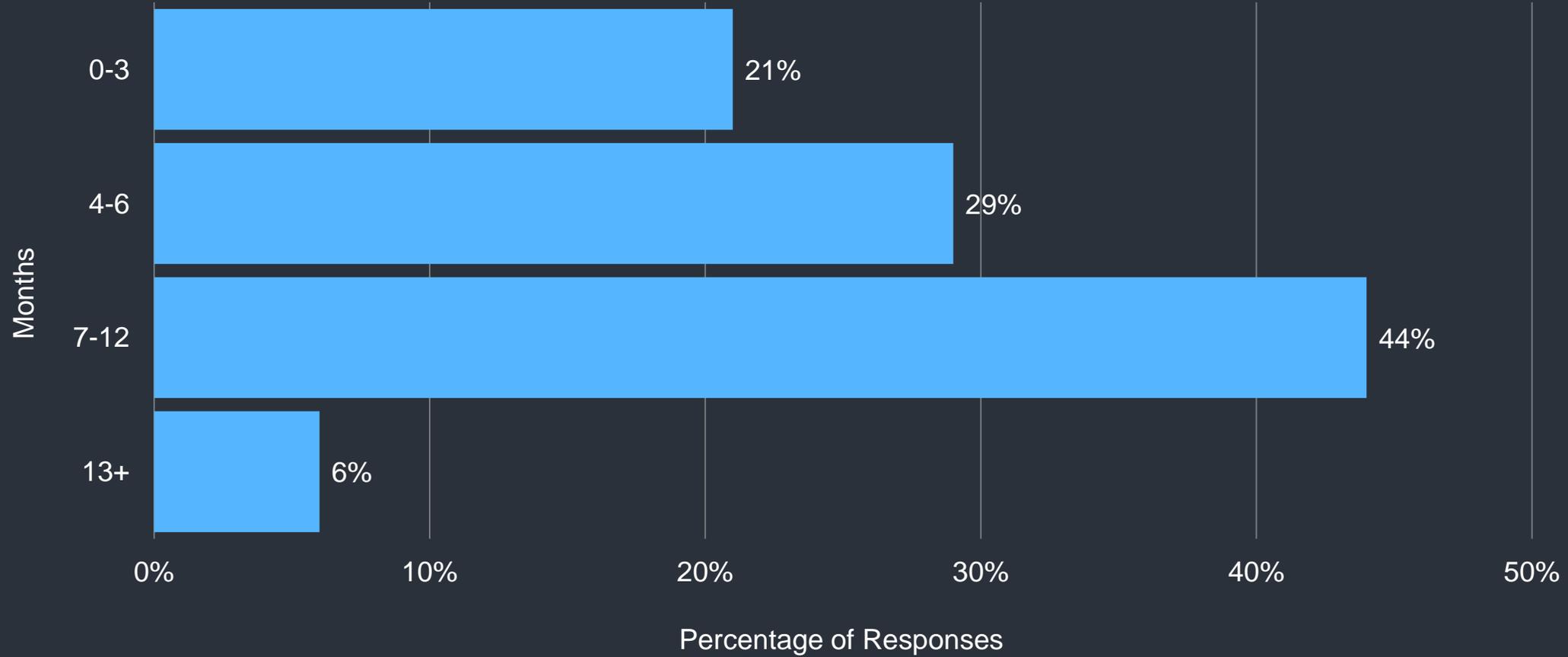
Subject to Rate Stability Regulation (Increase did not Certify to Rate Stability)

41%

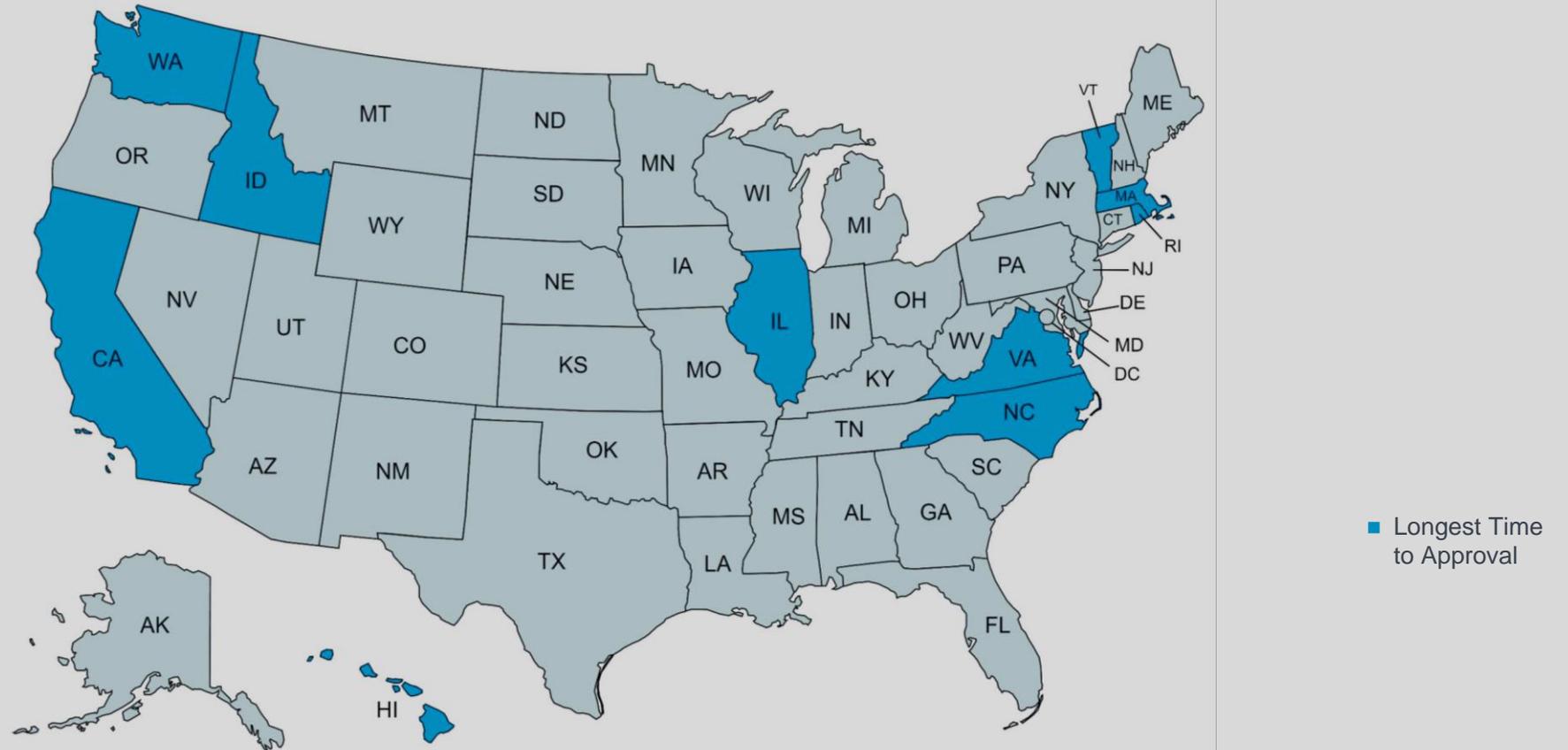
Subject to Loss Ratio Regulation

Time to approval

Average approval time frame

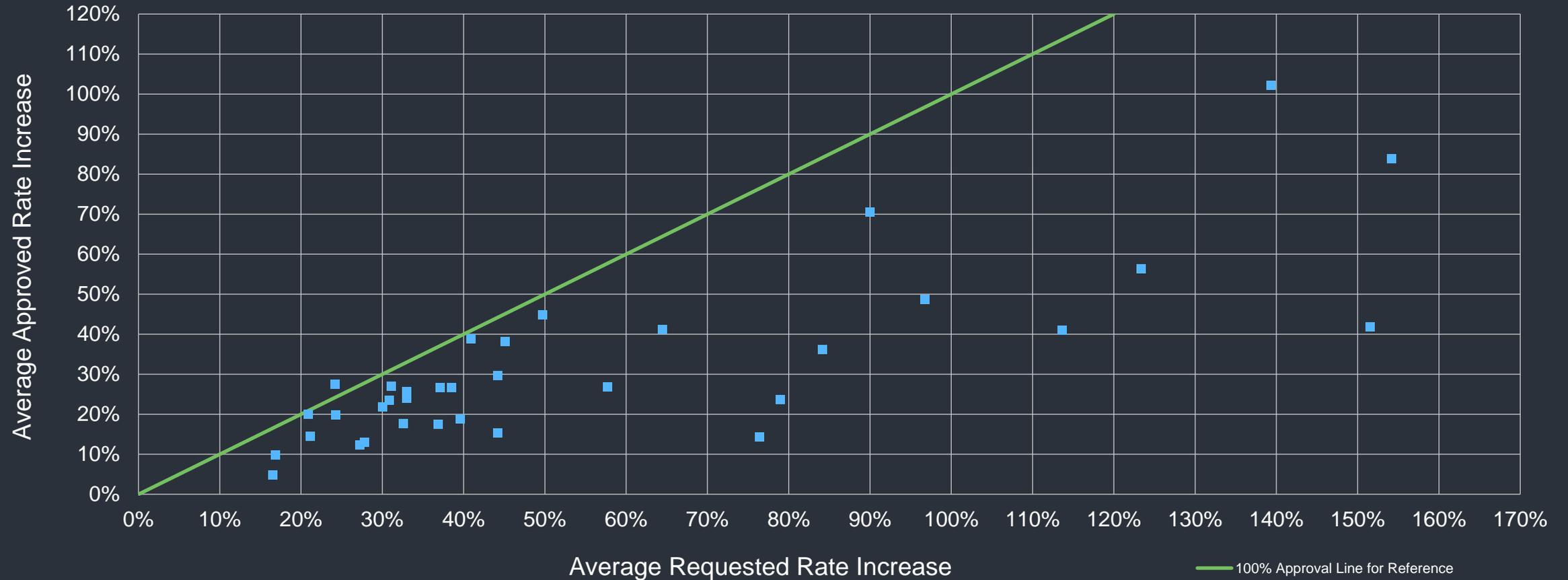


Review process

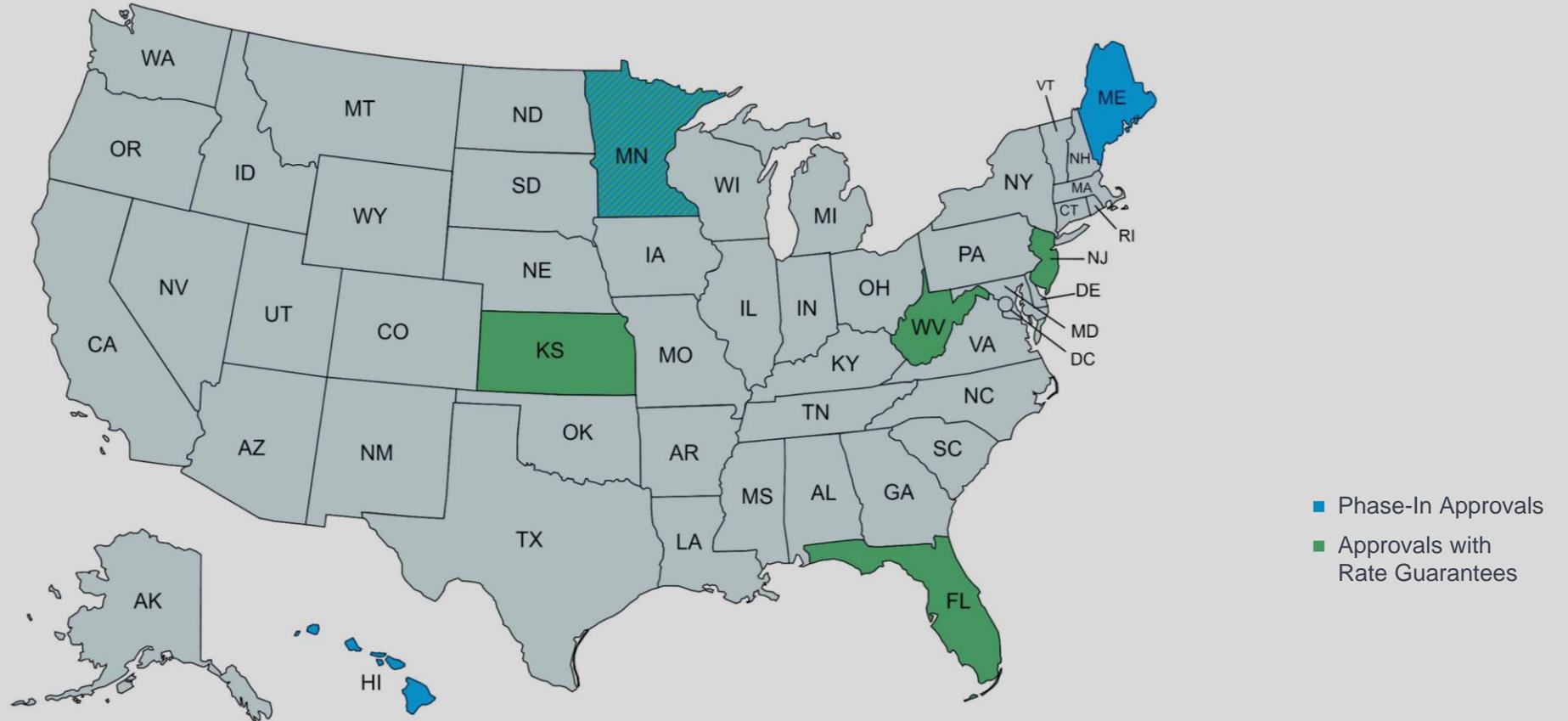


Average rate increases

Average rate increase approved by average requested increase



Phased-in approvals and rate guarantees



Reduced rate increases

Political caps or non-actuarial reasons were the most common reasons for reduction



These states may limit the rate increases

Based on regulation:

- District of Columbia - 10% increase
- Mississippi - 25% increase
- Maryland - 15% annual increase
- North Carolina - 25% annual increase



Based on other limits that are not codified in regulation:

- Georgia - ~15% increase
- Iowa - ~30% increase
- Massachusetts - 40% increase



Recouping past losses

Common objection is whether the rate increase is recouping past losses



No industry consensus to determine if a rate increase is recouping a past loss



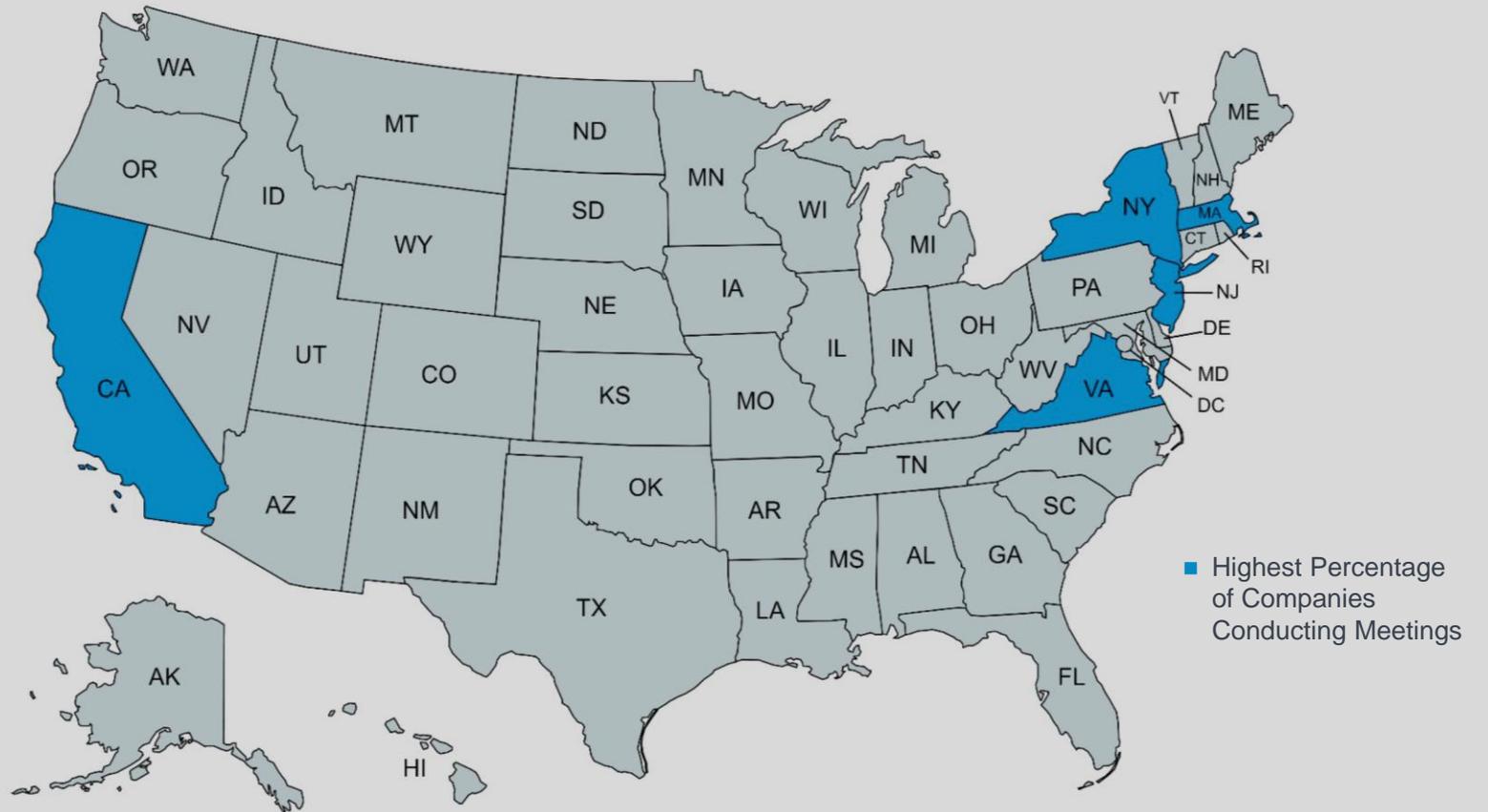
Different approaches are used by the survey respondents:

- “If Knew” analysis (most restrictive)
- Minnesota analysis
- Prospective Present Value analysis (“PPV”)
- Lifetime loss ratio (least restrictive)



Department meetings

- 40% of the jurisdictions are met with on average
- Occur at the time of submission or as needed throughout the filing process
- Meetings included actuarial, managerial, or government relations representatives



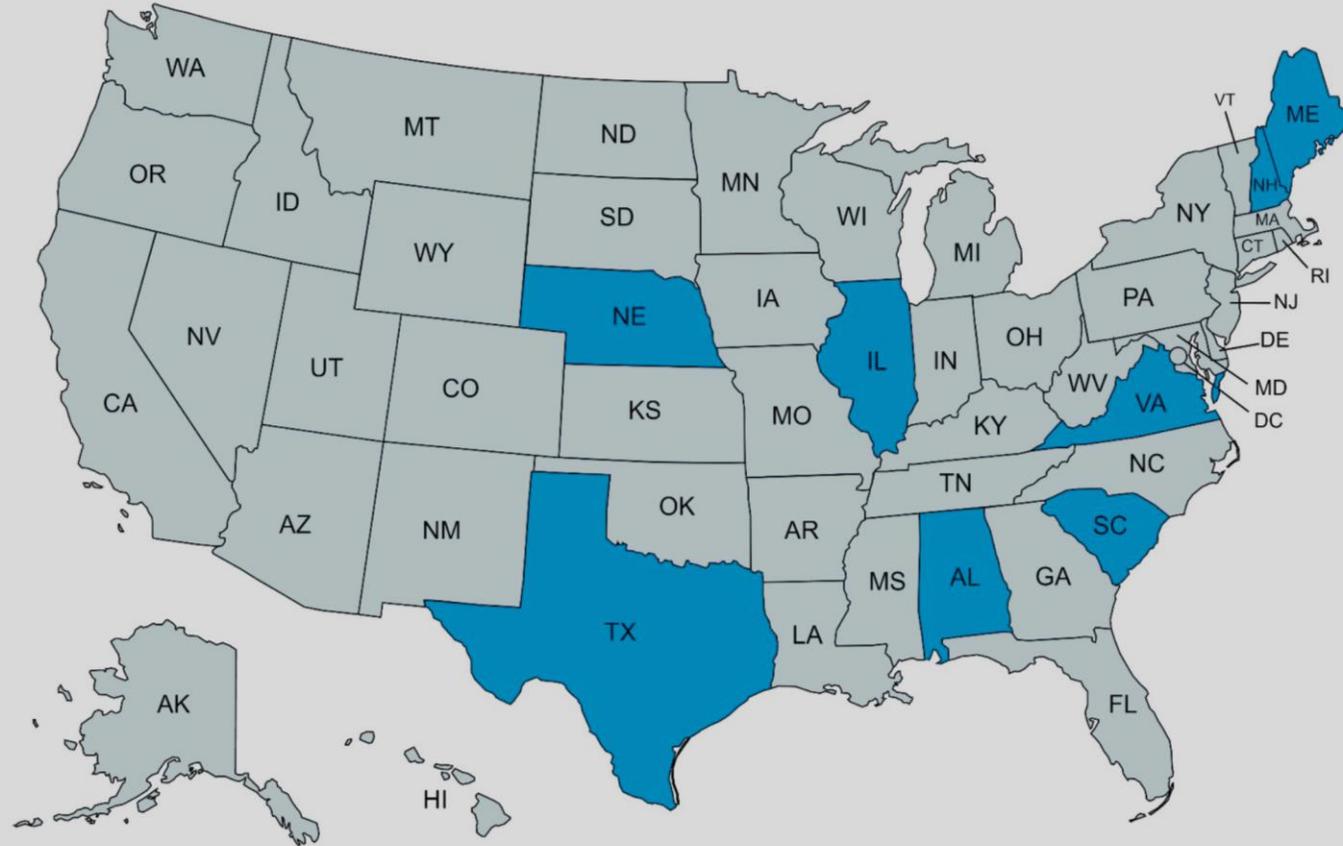
Disapprovals

Jurisdictions with the highest occurrence of disapprovals

Jurisdiction	Percentage of Disapproved Dispositions
Indiana	52%
New Hampshire	25%
Mississippi	23%
North Dakota	23%
Nevada	22%

Policyholder communication form filings

Policyholder notification letter required for approval in 27% of submissions



■ Require Policyholder Notification Letters to be Submitted

RBO and CBUL elections

- The average benefit reduction election rate in this survey is 10.6% of policyholders facing a rate increase
- The average CBUL election rate in this survey is 3.8% of policyholders facing a rate increase

Availability of Reduced Benefit Options

Option	Percentage of responses
Reduced daily benefit	94%
Reduced benefit period	91%
Increased elimination period	79%
Dropping inflation protection	79%
Reducing inflation protection to another existing protection option	68%
Landing spots	9%
Cash buyouts	6%
Coinsurance	3%

Additional considerations

COVID-19

- The only impacts from the pandemic reflected in this survey were delays in the filing reviews and rate increase implementations
- Companies have made no adjustments to experience or assumptions for the pandemic



Multi-State Actuarial review process

- The MSA is currently being developed and reviewed
- Goal includes more uniform review across participating jurisdictions



New Hampshire State Supreme Court decision

- February 2021 opinion by the state supreme court struck down regulation with rate increase caps that varied by attained age



Connecticut Regulation Change

- Beginning in 2022, may no longer permit stacking of phased-in rate increases



Wellness Programs

- Another tool to manage in-force blocks
- Intended to benefit both policyholders and insurers



Questions





Thank you

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Mike Bergerson, FSA, MAA, Missy Gordon, FSA, MAAA, and John Hebig, FSA, MAAA, are responsible for preparing certain components of this presentation. They are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries.