4. Address and Document Ambiguities in the Methodology: As noted in prior comment letters, there are ambiguities in the current methodology that should be addressed for all stakeholders to understand.

Encourage the LTCAWG to Reject Proposal B

The NAIC has taken a careful approach to addressing long-term care rate increases, focusing on balancing consumer protection with insurer financial harm. Through the adoption of the MSRR Framework, the NAIC highlighted the need for a more consistent state-based approach when evaluating long-term care insurance rate increase requests by insurers. Key objectives of the Framework are to educate and advise states on the appropriateness of actuarially based rates for policyholders' benefits, narrowing rate review practices and reducing inequities among policyholders[3].

Rate adjustments grounded in actuarial science align with the 2014 NAIC Long-Term Care Insurance Model Regulation (Model #641), which emphasizes the importance of actuarial justification for premium rate increases to ensure both fairness for policyholders and the financial stability of insurance companies. Sections 10 (Initial Filing Requirements), 20 (Premium Rate Schedule Increases), and 21 (Filing Requirement) of Model #641 support the principle that rates should be grounded in actuarial science, not arbitrary limits.

ACLI/AHIP encourage the LTCAWG to reject "Proposal B," which would add additional non-actuarial factors and complexity to the process. Specifically,

"Adjustment a," which would require the cumulative rate increase to be no more than 600% after all adjustments, creates an arbitrary cap that is contrary to supporting the financial sustainability of long-mM D es oting t ı o ı of

Future Non-Actuarial Considerations

protect insurers from disproportionate burdens but also ensure a transparent, predictable process that regulators and companies can rely on, fostering a stable insurance market that benefits both policyholders and the industry.

ACLI/AHIP encourage regulators to consider adding guardrails for cost-sharing in the MSRR framework to reflect the diversity and complexity of blocks of business. Potential guardrails include:

1. <u>Block-Specific Flexibility:</u> Introduce flexibility that allows for customized cost-sharing adjustments based on the unique characteristics of a block (e.g., block age, benefit richness, timing of past rate approvals) to reflect the diversity of long-term care insurance portfolios.
2. <u>Adjustment for Delayed or Reduced State Approvals:</u> Establish a mechanism to reduce or eliminate cost-sharing for older blocks where previously delayed, limited, or denied rate approvals by states have contributed to financial strain, acknowledging that timely approvals could have prevented the need for large, accumulated increases.
3. <u>Cost Sharing Transparency:</u> Allow companies to clearly outline the degree of cost-sharing being applied, helping regulators understand how much of the needed premium increase has already been absorbed by the insurer versus passed to the policyholders.

   excessive cost-sharing could result in unreasonably low profitability, potentially discouraging insurers from entering in the long-term care market or leading them to exit.
5. <u>Monitoring and Periodic Review:</u> Establish a process for the periodic review of cost-sharing measures to assess their impact on insurers and policyholders and to determine if future

   block performance.

Address and Document Ambiguities in the Methodology

As stated in our August 2nd comment letter, ACLI and AHIP strongly encourage the LTCAWG to address the ambiguity in current methodology, including the complex layers of cost-sharing embedded within the Minnesota Method. This will promote clarity, transparency, and alignment with a] = I A s decisions based on their financial situation and risk tolerance, while timely approval of actuarially justified rate increases is essential to maintaining market stability and protecting consumers from sudden premium hikes or lapses in coverage.

By addressing these issues, we can create a more predictable and consistent process for all parties involved, which will help encourage insurers to remain or enter the market.

Thank you for considering these critical issues.

Sincerely,

[redacted]

Jan Graeber
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[redacted]

Ray Nelson
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