

LONG TERM CARE INSURANCE:

Overview of the Rate Increase Request Review Process

Joint Interim Banking and Insurance Committee

October 2, 2019

Kentucky Department of Insurance

- ▶ Brief explanation of long term care insurance products.
- ▶ Provide a description of the Department's rate increase review process while examining an actual rate increase request.
- ▶ Highlight an additional rate filing to illustrate industry situation.
- ▶ Depict Department and nationwide concerns and focus.
- ▶ Provide additional resources.

OVERVIEW

- ▶ Presented overview of product to the Banking and Insurance Committee on September 24, 2018.
 - ▶ The presentation is included within your packets.
- ▶ Some brief LTC facts:
 - ▶ Policies can be sold on an individual or group basis.
 - ▶ Provide monetary compensation in the form of a daily benefit amount to help pay for costs associated with long term care (i.e., nursing home, respite care, home health care) when an individual satisfies specific criteria, normally limits of activities of daily life, and requires treatment and assistance.
 - ▶ Policyholder can purchase an inflation protection rider or BIO that increases the initial daily benefit amount a certain simple or compounded percentage (1-5%) each year.
 - ▶ Policyholders can select a benefit duration typically 1-5 years or unlimited/lifetime.
 - ▶ Policies may have an elimination period.
 - ▶ Policies are guaranteed renewable (only cancelable at the option of the insured or by the insurer for non-payment of premium).
 - ▶ Over the past decade rate increase requests have become more frequent as insurers realize the separation between projected claims and premium, as well as, the difference in projected assumptions regarding lapse rates and interest rates.

BACKGROUND

- ▶ Long term care insurance companies can increase rates on policies previously sold.
 - ▶ No statutory or regulatory prohibition on rate increases.
 - ▶ Language permitting the rate increase included within the policy.
- ▶ All rate increases are subject to prior approval by the Commissioner. (KRS 304.14-120, 806 KAR 14:007, & 806 KAR 17:081)

RATE INCREASES ARE PERMITTED

- ▶ Since 2016:
 - ▶ 45 different insurance companies have submitted a total of 206 different rate increase request filings.
 - ▶ The Department has approved 123 rate increase requests.
 - ▶ The average increase requested was 49%*.
 - ▶ Increases range from 5% to 231%.
 - ▶ 46 requests 25% or under.
 - ▶ 20 requests were above 90% .
 - ▶ The average approved increase was 24%*
 - ▶ Increases approved range from 1% to 126%**
 - ▶ 80 approvals 25% or under.
 - ▶ 3 approvals were over 90%.
 - ▶ 64 approvals were modified from original request.

RATE INCREASE REVIEW STATISTICS

*All percentages are based on weighted averages.

** 126% is the actuarial value based on a multi-year phase in.

Kentucky Department of Insurance
Division of Health Insurance Policy and Managed Care
Health Care Financing Branch

***RATE FILING INFORMATION FORM (Limited Benefits)**
* (This form is not required with Health Benefit Plan Rate Filings in KRS 304.17A)

Company: 71404
NAIC Company No.

Contact Person:
E-Mail Address:

Phone No. (800 # if available) LTC-020201, L-6000 EXT.
Fax Number 2

Form No(s). No of Forms

CHECK ALL APPLICABLE: * This does not apply to Health Benefit Rate Filings

TYPE OF POLICY:

<input type="checkbox"/> Accident	<input type="checkbox"/> Hospital Indemnity	<input type="checkbox"/> Medicare Supplement -Standardized
<input type="checkbox"/> Cancer	<input type="checkbox"/> Hospital/Medical/Surgical	<input type="checkbox"/> Short-Term Nursing Home
<input type="checkbox"/> Dental	<input checked="" type="checkbox"/> Long Term Care	<input type="checkbox"/> Student
<input type="checkbox"/> Disability	<input type="checkbox"/> LTCPI (LTC Partnership Insurance)	<input type="checkbox"/> Vision
<input type="checkbox"/> Home Health	<input type="checkbox"/> Medicare Supplement Pre-Standardized	<input type="checkbox"/> Other <u> </u>

REQUIRED ANNUAL MEDICARE SUPPLEMENT FILING: ☐

MARKET TYPE: ☒ Individual ☐ Group ☐ KY Retirement/Group Seniors

AVAILABILITY: ☒ Closed Block ☐ Open Block ☐ Attained Age ☒ Issue Age ☐ Community

PREMIUM STRUCTURE: ☐ Other

RENEWAL CATEGORIES:

<input type="checkbox"/> OR- Optionally renewable	<input type="checkbox"/> CR- Conditionally renewable
<input checked="" type="checkbox"/> GR- Guaranteed renewable	<input type="checkbox"/> NC- Noncancelable

FILING INFORMATION:

Range in Rate Structure (area, age slope, etc.) Yes ☐ No ☒ Previous Rate Filing DOI # GLTC-129178536

Rate % Increase Requested: 87.3% Range of Rate Increase: 87.3%

Estimated Average Annual Premium *before* Increase: 1,745

Estimated Average Annual Premium *after* Increase: 3,269

No. of Kentucky Policies: 28 No. of National Policies: 8,307

Requested Filing Effective Date: Upon Approval Original Filing Date: LTC-020201: 11/19/2002; L-6000: 11/19/2002

Previous Increase Effective Date: 4/20/2014 Amount of Last Approved Increase: 20.0%

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- ▶ Insurer electronically files a rate increase request to the Department complete with various attachments as required under 806 KAR 17:081.
- ▶ Cover Sheet provides basic filing information:
 - ▶ Product type;
 - ▶ Currently marketed;
 - ▶ Average rate increase;
 - ▶ Number of policyholders in Kentucky;
 - ▶ Average premium changes; and
 - ▶ Prior rate increase (if applicable).

RATE REVIEW PROCESS

[REDACTED]

**Actuarial Memorandum Supporting Rate Revisions for
Long-Term Care Insurance Base Policy Forms and Riders Associated with
L-6000-NQ and L-6000-TQ
LTC-020201-UTA-NQ and LTC-020201-UTA-TQ**

1. SCOPE AND PURPOSE

The purpose of this memorandum is to provide actuarial information supporting a rate revision to the Base Policy Forms and Riders of the following [REDACTED] (the Company) Long-Term Care (LTC) product forms:

Product Name	Form Number
L-6000	L-6000-NQ and L-6000-TQ
LTC-020201	LTC-020201-UTA-NQ and LTC-020201-UTA-TQ

L-6000 policies were originally sold under the name Loyal American Life Insurance Company (Loyal), while LTC-020201 policies were originally sold under the name United Teacher Associates Insurance Company (UTA). Virtually all of the Loyal policies have been novated into UTA, and the remaining Loyal policies are 100% ceded to UTA. All policies issued in Florida are 100% ceded to Great American Life Insurance Company (GALIC) and therefore are excluded from this analysis. Effective December 31, 2016, UTA (inactive NAIC No: 63479) merged into [REDACTED].

Some riders may not be available in all states. The issue date range that these forms were sold in this state is shown in Appendix A.

These forms are no longer being marketed in any state and the Company is no longer selling any new Long-Term Care Insurance.

The Company is requesting a 87.3% rate increase at this time. While the Company intends to implement the full requested rate increase at one time, we are open to discussions with the State regarding alternative implementation options, such as an actuarially equivalent series of rate increases. This rate filing is not intended to be used for other purposes.

The body of this actuarial memorandum was written to apply to each state where these products were issued. Any reference to information that is specific to a particular state is included in Appendix A.

2. POLICYHOLDER OPTIONS TO MITIGATE IMPACT OF PREMIUM RATE INCREASE

Optional Policyholder Offers to Reduce Benefits

The Company will give policyholders Benefit Reduction Offers to help mitigate the impact to policyholders of the premium rate increase on the Base Policy and Riders. The Benefit Reduction Offers will allow the policyholder to:

KY

- ▶ Insurer required to provide detailed actuarial memorandum supporting the rate increase request.
- ▶ Actuarial memorandum provides:
 - ▶ Policy background and information;
 - ▶ Policyholder options to mitigate rate increase request;
 - ▶ Rate increase justification (provide previous assumptions and deviations from anticipated experience that indicate the lifetime loss ratios are higher than expected);
 - ▶ Detailed actuarial assumptions related to morbidity, mortality, voluntary lapses, interest rates, expenses, policyholder behavior, future rate action; and
 - ▶ Various detailed appendices and exhibits.

RATE REVIEW PROCESS

Public Protection Cabinet
Department of Insurance
Division of Insurance Product Regulation
Health Policy Forms & Rate Filing Branch
P.O. Box 517
Frankfort, Kentucky 40602
Phone (502) 564-6088
<http://insurance.ky.gov>

Nancy G. Atkins
Commissioner

October 11, 2018

11001 Lakeline Blvd.
Suite 120
Austin, TX 78717

RE: Letter Date: September 19, 2018
Form No: L-6000, et al.
Date Received: September 19, 2018
DOI Filing No: 2018-007633-R; 2018-007634-R

Thank you for your submission. We have the following questions regarding this filing. Please provide all numerical exhibits in spreadsheet format.

Note, please exclude policies with waived or limited-pay premium in all responses to all inquiries and provide response exhibits in Excel format with working formulas.

1. Please provide a listing of KY policies in excel format, including policy details (e.g. issue year, issue age, maximum benefit period, elimination period, original daily benefit, current daily benefit, inflation protection, current annual premium, proposed annual premium, etc.)
2. Please provide an exhibit with the details of the rate increase requests made in other states including:
 - a. The average annual premium and policy counts in each state.
 - b. Rate increase history by state and cumulative increase to date.
 - c. Current rate increase requested in each state.
 - d. What rate increase each state has granted, both current and cumulative.
 - e. Please provide reason for disapprovals in any states that have disapproved requested rate increase or required a less than requested increase.

- ▶ Rate filings subject to independent actuarial review.
- ▶ Actuaries correspond directly with insurers.
- ▶ Factors considered include:
 - ▶ Lifetime projections of earned premium and incurred claims;
 - ▶ Projected lifetime loss ratios;
 - ▶ Pricing assumptions and explanations including interest rates, morbidity, and lapse rates;
 - ▶ Comparison to new product premiums, if available;
 - ▶ Impact to various subsets of policyholders;
 - ▶ State by state comparison; and
 - ▶ Prior period premium review and projection.

RATE REVIEW PROCESS

Historical as of 12/31/2017

Calendar Year	Earned Premium	Original-Level Premium	Incurred Claims	Loss Ratio
2003	84,445	84,445	0	0.0%
2004	656,053	656,053	2,853	0.4%
2005	1,705,147	1,705,147	38,747	2.3%
2006	4,037,630	4,037,630	192,833	4.8%
2007	7,656,261	7,656,261	282,166	3.7%
2008	11,152,279	11,152,279	1,177,931	10.6%
2009	13,597,969	13,597,969	1,218,941	9.0%
2010	14,739,451	14,739,451	1,377,067	9.3%
2011	14,348,762	14,348,762	2,292,118	16.0%
2012	14,161,935	14,161,935	2,310,861	16.3%
2013	13,964,720	13,964,720	3,057,810	21.9%
2014	14,870,404	13,657,305	3,612,039	24.3%
2015	16,018,686	13,352,589	4,172,077	26.0%
2016	15,651,346	13,042,788	7,620,621	48.7%
2017	14,419,387	12,016,156	7,250,425	50.3%

Projection without Rate Increase

Calendar Year	Earned Premium	Original-Level Premium	Incurred Claims*	Loss Ratio
2018	13,705,389	11,421,157	6,417,339	46.8%
2019	13,168,689	10,973,908	7,219,578	54.8%
2020	12,626,739	10,522,282	8,071,650	63.9%
2021	12,159,062	10,132,552	9,016,009	74.2%
2022	11,692,163	9,743,469	10,011,663	85.6%
2023	11,201,499	9,334,583	11,050,239	98.6%
2024	10,684,419	8,903,682	12,128,205	113.5%
2025	10,141,064	8,450,887	13,211,713	130.3%
2026	9,575,079	7,979,233	14,255,387	148.9%
2027	8,991,757	7,493,131	15,250,950	169.6%
2028	8,396,814	6,997,345	16,208,359	193.0%
2029	7,795,910	6,496,592	17,116,451	219.6%
2030	7,195,084	5,995,903	17,922,174	249.1%
2031	6,600,496	5,500,414	18,567,928	281.3%
2032	6,017,653	5,014,711	19,027,749	316.2%
2033	5,451,683	4,543,069	19,331,888	354.6%
2034	4,906,773	4,088,977	19,470,762	396.8%
2035	4,386,240	3,655,200	19,379,163	441.8%
2036	3,892,871	3,244,059	19,002,039	488.1%
2037	3,426,918	2,857,432	18,352,153	535.2%
2038	2,996,265	2,496,888	17,490,610	583.7%
2039	2,596,562	2,163,801	16,455,205	633.7%
2040	2,231,004	1,859,170	15,276,874	684.8%
2041	1,900,225	1,583,521	14,003,553	736.9%
2042	1,604,037	1,336,698	12,670,267	789.9%
2043	1,341,665	1,118,055	11,323,229	844.0%
2044	1,111,913	926,594	9,987,126	898.2%
2045	913,109	760,925	8,706,321	953.5%
2046	743,157	619,298	7,519,636	1011.8%
2047+	2,439,727	2,033,106	31,532,332	1292.5%

Projection with 87.3% Rate Increase

Calendar Year	Earned Premium	Original-Level Premium	Incurred Claims*	Loss Ratio
2018	13,805,798	11,366,273	6,405,386	46.4%
2019	17,680,999	9,383,912	6,712,480	38.0%
2020	19,250,875	8,565,468	7,219,671	37.5%
2021	18,537,849	8,248,215	8,062,573	43.5%
2022	17,826,009	7,931,489	8,950,278	50.2%
2023	17,077,938	7,598,643	9,874,690	57.8%
2024	16,289,591	7,247,877	10,832,034	66.5%
2025	15,461,186	6,879,287	11,792,054	76.3%
2026	14,598,278	6,495,346	12,714,607	87.1%
2027	13,708,938	6,099,643	13,592,598	99.2%
2028	12,801,882	5,696,058	14,435,129	112.8%
2029	11,885,736	5,288,429	15,232,018	128.2%
2030	10,969,709	4,880,853	15,920,229	145.1%
2031	10,063,194	4,477,509	16,464,616	163.6%
2032	9,174,584	4,082,132	16,843,260	183.6%
2033	8,311,701	3,698,201	17,083,577	205.5%
2034	7,480,924	3,328,556	17,178,005	229.6%
2035	6,687,314	2,975,448	17,070,598	255.3%
2036	5,935,117	2,640,766	16,714,304	281.6%
2037	5,227,769	2,326,039	16,121,292	308.4%
2038	4,568,142	2,032,545	15,345,490	335.9%
2039	3,958,749	1,761,402	14,420,449	364.3%
2040	3,401,414	1,513,422	13,373,289	393.2%
2041	2,897,106	1,289,036	12,245,997	422.7%
2042	2,445,534	1,088,114	11,069,207	452.6%
2043	2,045,519	910,131	9,883,129	483.2%
2044	1,695,236	754,277	8,709,251	513.7%
2045	1,392,137	619,416	7,585,903	544.9%
2046	1,133,026	504,128	6,546,490	577.8%
2047+	3,719,636	1,655,012	27,357,699	735.5%

- ▶ Projections of loss ratio are one factor in justification for rate increases.
- ▶ Minimum loss ratio for long term care policies is 60%.
- ▶ Insurer in this instance with an 87.3% rate increase loss ratio projects to get to 64.1%.
- ▶ In this particular case, the insurer agreed to a flat 20% rate increase even though they "firmly believe(s) that the requested rate increase of 87.3% is actuarially justified."
- ▶ Insurers that do not get the full increase requested often state they will request future rate increases.

Best Estimate Loss Ratio Summaries at 12/31/2017 (Discounted at 4.13%)

	197,096,930	187,525,109	39,934,389	20.3%
Accumulated Value of Historical				
Present Value of Future	134,742,419	112,285,349	238,641,621	177.1%
Total Values	331,839,348	299,810,458	278,576,010	83.9%
	197,096,930	187,525,109	39,934,389	20.3%
	196,227,286	93,855,696	212,154,803	108.1%
	393,324,216	281,380,805	252,089,193	64.1%

Calendar Year projected incurred claims represent best estimate incurred claims.

RATE REVIEW PROCESS

Kentucky Department of Insurance
Division of Health Insurance Policy and Managed Care
Health Care Financing Branch
***RATE FILING INFORMATION FORM (Limited Benefits)**
* (This form is not required with Health Benefit Plan Rate Filings in KRS 304.17A)

Company: [REDACTED] NAIC Company No.: [REDACTED]

Contact Person: [REDACTED] E-Mail Address: [REDACTED]

Phone No. (800 # if available): 7000 et al, 7020 et al EXT. [REDACTED] Fax Number: 2

Form No(s): [REDACTED] No of Forms: [REDACTED]

CHECK ALL APPLICABLE: * This does not apply to Health Benefit Rate Filings

TYPE OF POLICY:

<input type="checkbox"/> Accident	<input type="checkbox"/> Hospital Indemnity	<input type="checkbox"/> Medicare Supplement -Standardized
<input type="checkbox"/> Cancer	<input type="checkbox"/> Hospital/Medical/Surgical	<input type="checkbox"/> Short-Term Nursing Home
<input type="checkbox"/> Dental	<input checked="" type="checkbox"/> Long Term Care	<input type="checkbox"/> Student
<input type="checkbox"/> Disability	<input type="checkbox"/> LTCPI (LTC Partnership Insurance)	<input type="checkbox"/> Vision
<input type="checkbox"/> Home Health	<input type="checkbox"/> Medicare Supplement Pre-Standardized	<input type="checkbox"/> Other

REQUIRED ANNUAL MEDICARE SUPPLEMENT FILING: ☐

MARKET TYPE: ☒ Individual ☐ Group ☐ KY Retirement/Group Seniors

AVAILABILITY: ☒ Closed Block ☐ Open Block ☐ Attained Age ☒ Issue Age ☐ Community

PREMIUM STRUCTURE: ☐ Other

RENEWAL CATEGORIES:

<input type="checkbox"/> OR-Optionally renewable	<input type="checkbox"/> CR- Conditionally renewable
<input checked="" type="checkbox"/> GR- Guaranteed renewable	<input type="checkbox"/> NC- Noncancelable

FILING INFORMATION:

Range in Rate Structure (area, age slope, etc.) Yes ☒ No ☐ Previous Rate Filing DOI # GEFA-130641216

Rate % Increase Requested: [REDACTED] Range of Rate Increase: 62%-90%

Estimated Average Annual Premium before Increase: [REDACTED]

Estimated Average Annual Premium after Increase: [REDACTED]

No. of Kentucky Policies: 966 No. of National Policies: 48,194

Requested Filing Effective Date: [REDACTED] Original Filing Date: [REDACTED]

Previous Increase Effective Date: 10/4/2016 Amount of Last Approved Increase: [REDACTED]

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- ▶ Some rate filings require further consideration of specific policies and the type of benefits included.
- ▶ Normal breakdown considers:
 - ▶ Benefit increase option.
 - ▶ Benefit duration.
- ▶ Insurer requests a weighted average increase of 69%.
 - ▶ The increase applies 90% to those policyholders with lifetime benefits, and 62% for limited benefits.
 - ▶ Not attempting to achieve the 60% minimum loss ratio.
- ▶ Provide policyholders with alternative options:
 - ▶ Reductions in daily benefit amount;
 - ▶ Reductions in benefit period;
 - ▶ Reductions in inflation levels;
 - ▶ Elimination of inflation protection;
 - ▶ Increases in elimination period; and
 - ▶ Elimination of policy riders.
- ▶ Insurer also provided alternative options including a multi-year rate action plan (Department would currently approve a subsequent rate increase in two years) or a more significant one time rate increase of 138% and 91%.

RATE REVIEW PROCESS – COMPLEX FILING

Exhibit 1a: PCS Policy Forms
Nationwide Experience Projection
All BPs With Kentucky Approved Rate Increases*

Calendar Year	Earned Premium	Incurred Claims	Loss Ratio	4.00% Discount Factor
1993	20,114		0.0%	2.5135
1994	3,986,939	244,853	6.1%	2.4169
1995	34,650,827	2,616,459	7.6%	2.3239
1996	83,937,109	10,802,974	12.9%	2.2345
1997	146,218,261	21,029,486	14.4%	2.1486
1998	199,328,647	40,869,975	20.5%	2.0659
1999	201,037,644	54,285,810	27.0%	1.9865
2000	193,704,676	88,045,717	45.5%	1.9101
2001	191,252,641	119,685,239	62.6%	1.8366
2002	188,187,984	151,604,000	80.6%	1.7660
2003	187,136,051	178,827,963	95.6%	1.6980
2004	180,211,236	172,127,026	95.5%	1.6327
2005	172,148,511	203,936,305	118.5%	1.5699
2006	163,351,527	206,112,181	125.6%	1.5096
2007	154,614,496	217,465,453	140.7%	1.4515
2008	145,937,046	248,569,193	170.3%	1.3957
2009	144,349,254	262,025,645	181.5%	1.3420
2010	139,131,316	289,963,780	208.4%	1.2904
2011	131,659,453	316,996,676	242.3%	1.2407
2012	131,607,340	338,715,367	257.4%	1.1930
2013	126,832,914	330,581,506	260.6%	1.1471
2014	133,971,348	330,348,774	246.6%	1.1030
2015	120,627,896	342,627,005	284.0%	1.0606
2016	108,401,687	379,426,370	350.0%	1.0198
2017	125,328,789	353,463,833	282.0%	0.9806
2018	118,655,705	326,726,097	275.4%	0.9429
2019	105,807,786	302,929,952	286.3%	0.9066
2020	94,093,279	280,657,223	298.5%	0.8717
2021	83,383,995	249,420,586	311.1%	0.8382
2022	73,690,483	238,593,325	323.8%	0.8060
2023	64,870,153	218,641,184	337.0%	0.7750
2024	56,894,634	199,538,546	350.8%	0.7452
2025	49,757,962	181,397,152	364.6%	0.7165
2026	43,377,382	165,238,572	380.9%	0.6889
2027	37,696,974	152,700,106	405.1%	0.6624
2028	32,630,603	142,047,356	435.3%	0.6370
2029	28,115,562	130,690,583	464.7%	0.6125
2030	24,111,223	119,075,353	493.9%	0.5889
2031	20,580,042	107,622,243	522.9%	0.5663
2032	17,481,815	96,480,265	551.9%	0.5445
2033	14,770,920	85,940,814	581.8%	0.5235
2034	12,407,778	76,072,782	613.1%	0.5034
2035	10,357,624	67,013,696	647.0%	0.4840
2036	8,590,055	58,651,056	682.6%	0.4654
2037	7,077,984	50,868,910	718.7%	0.4475
2038	5,794,432	43,735,258	754.8%	0.4303
2039	4,711,696	37,238,409	790.3%	0.4138
2040	3,806,081	31,469,023	825.1%	0.3978
2041	3,053,929	26,211,060	858.3%	0.3825
2042	2,435,116	21,660,183	889.5%	0.3678
2043	1,929,977	17,722,925	918.3%	0.3537
2044	1,520,121	14,348,416	943.9%	0.3401
2045	1,189,651	11,529,659	969.2%	0.3270
2046	924,634	9,170,173	991.6%	0.3144
2047	713,583	7,222,190	1012.1%	0.3023
2048	546,724	5,626,433	1029.1%	0.2907
2049	415,767	4,327,794	1040.9%	0.2795
2050	313,757	3,283,979	1046.7%	0.2688
2051	234,906	2,464,032	1048.9%	0.2584
2052	174,481	1,832,337	1050.2%	0.2485
2053	128,620	1,346,378	1046.8%	0.2389
2054	94,088	975,468	1036.8%	0.2297
2055	68,277	697,256	1021.2%	0.2209
2056	49,126	493,265	1004.1%	0.2124
2057	35,023	346,412	989.1%	0.2042
2058	24,717	241,953	978.9%	0.1964
2059	17,242	167,256	970.1%	0.1888
2060	11,887	115,315	970.1%	0.1816
2061	8,071	77,794	963.8%	0.1746
2062	5,424	51,735	953.8%	0.1679
2063	3,629	33,576	925.2%	0.1614
2064	2,419	21,656	895.4%	0.1552
2065	1,599	13,657	854.0%	0.1492
2066	1,002	8,364	834.4%	0.1435
2067	605	4,973	822.5%	0.1380
2068	356	2,878	807.8%	0.1327
2069	202	1,659	822.6%	0.1276
2070	112	965	863.8%	0.1227
2071	47	574	1229.8%	0.1179
2072	22	341	1544.4%	0.1134
2073	11	196	1770.7%	0.1090
2074	6	107	1910.6%	0.1049
2075	3	55	1954.4%	0.1009
2076	1	26	1821.9%	0.0969

- ▶ Nationwide experience projection with Kentucky approved rate increases.
- ▶ Demonstrates significant issues nationwide for this particular block of business sold from 1993 through 2003.
- ▶ Additional portion of filing breakdowns the projected loss ratios by benefit period.

Past	5,238,996,260	5,820,615,007	111.1%
Future	835,388,096	2,857,392,250	342.0%
Lifetime	6,074,384,357	8,678,007,257	142.9%

*Includes 2012 and later rate increases approved in Kentucky applied to all policies nationwide, but prior to the rate increase requested in this filing

RATE REVIEW PROCESS- COMPLEX FILING

September 28, 2018

RE: Letter Date: July 11, 2018
Form Number: 7000 et al
Date Received: July 11, 2018
DOI Filing No: 2018-007537-R

Attn: [REDACTED]

Thank you for your submission. At this time, the Department is willing to approve the rate increases described in the table below. The larger increases would need to be phased in over multiple years to ensure that rate increases do not exceed 30% in any given year as required by 806 KAR 17:070.

If these increases are acceptable to the Company, please provide the revised rates and corresponding filing documentation in SERFF.

2018-007537-R	
Benefit Period	PCS
Lifetime	40%
Limited	30%

Please respond no later than October 2, 2018.

Sincerely,

Kevin Ruggeberg, ASA, MAAA
Associate Actuary

- ▶ After significant review, additional requests and conferences, the Department approved:
 - ▶ 40% rate increase for the lifetime duration benefit blocks; and
 - ▶ 30% rate increase for the limited duration benefit blocks.
- ▶ Require a multi-year phase in for increases over 30%.
- ▶ Require alternative options for policyholders to mitigate premium increase.
- ▶ Review and approve correspondence provided to policyholders.
- ▶ State by state rate increase comparison chart also included, reviewed, and considered to see where Kentucky compares to other states.

RATE REVIEW PROCESS – COMPLEX FILING

- ▶ Long term care insurance rate increase requests are a significant concern for the Kentucky Department and Nationwide.
 - ▶ Collaborate with other state departments to devise solutions.
- ▶ Balancing financial solvency concerns of insurer with consumer interests to approve justified rate increases.
 - ▶ Process takes months and often requires insurers to withdraw and re-file rate increase requests.
- ▶ Ensure impact of rate increases are mitigated through alternative options, multi-year phase in, and rate guarantees.
- ▶ Focus on improving review process to become more timely and efficient.

DEPARTMENT SUMMARY

- ▶ Additional resources include:
 - ▶ Consumers contact Kentucky Department of Insurance:
 - ▶ <http://insurance.ky.gov/PPC/Documents/ConsComplaintWithInstr052019.pdf>
 - ▶ Phone: 502-564-6034
 - ▶ Rate and Form Filing Information for Kentucky:
<https://filingaccess.serff.com/sfa/home/KY> or submit open records request.
 - ▶ NAIC Long term Care Insurance (EX) Task Force: https://naic-cms.org/cmte_ex_ltc_tf.htm
 - ▶ California State Rate Comparison and History Guide:
<http://www.insurance.ca.gov/01-consumers/105-type/95-guides/05-health/01-ltc/index.cfm>

THANK YOU