Premium Rate Increases and Pricing Issues

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Nevada Division of Insurance

Regulatory Evolution

- How We Got Here (Loss Ratio to Rate Stability)
- The Current NAIC Response
- What Needs to Be Addressed?
  - Balancing LTC Rating Issues with Supporting Market Growth
- The Future of the LTC Product and Regulation
  - Some Things Must Change
  - New Product Models
  - Future NAIC Model Considerations
- Observations as a Commissioner
  - Perspective from Nevada

Perry Kupferman
California Insurance Department

A Detailed Look at NAIC Efforts

- **The NAIC Health Actuarial Task Force**
  - Work of the LTC Subgroups
  - Recommendations Being Advanced at Upcoming NAIC Meeting
  - Next Steps
- **An Actuarial View of the Issues**
- **Margin and Reserve Considerations**

Aaron Ball

Genworth

- One Company's Approach to Existing Blocks and New Product Filings
- Observations on the Current State of Regulation
  - What is Needed Going Forward
- Approaches to Policyholder Options and Transparency

Guy Bertsch
Unum

Systems

- Was your LTC system(s) built to handle rate increases?

- Are the blocks facing increases older, and also on older technology? Do you still have technical resources to make changes?

- Can you handle multiple increases?

- How do you handle variations by age, plan, or state?

- In addition to core functions like rating, policy issue and billing, do you have good tools for managing communications?

- Is your LTC on the same systems as other products? Is this good or bad?

- If you're still actively selling, do you build new products and systems with greater functionality?
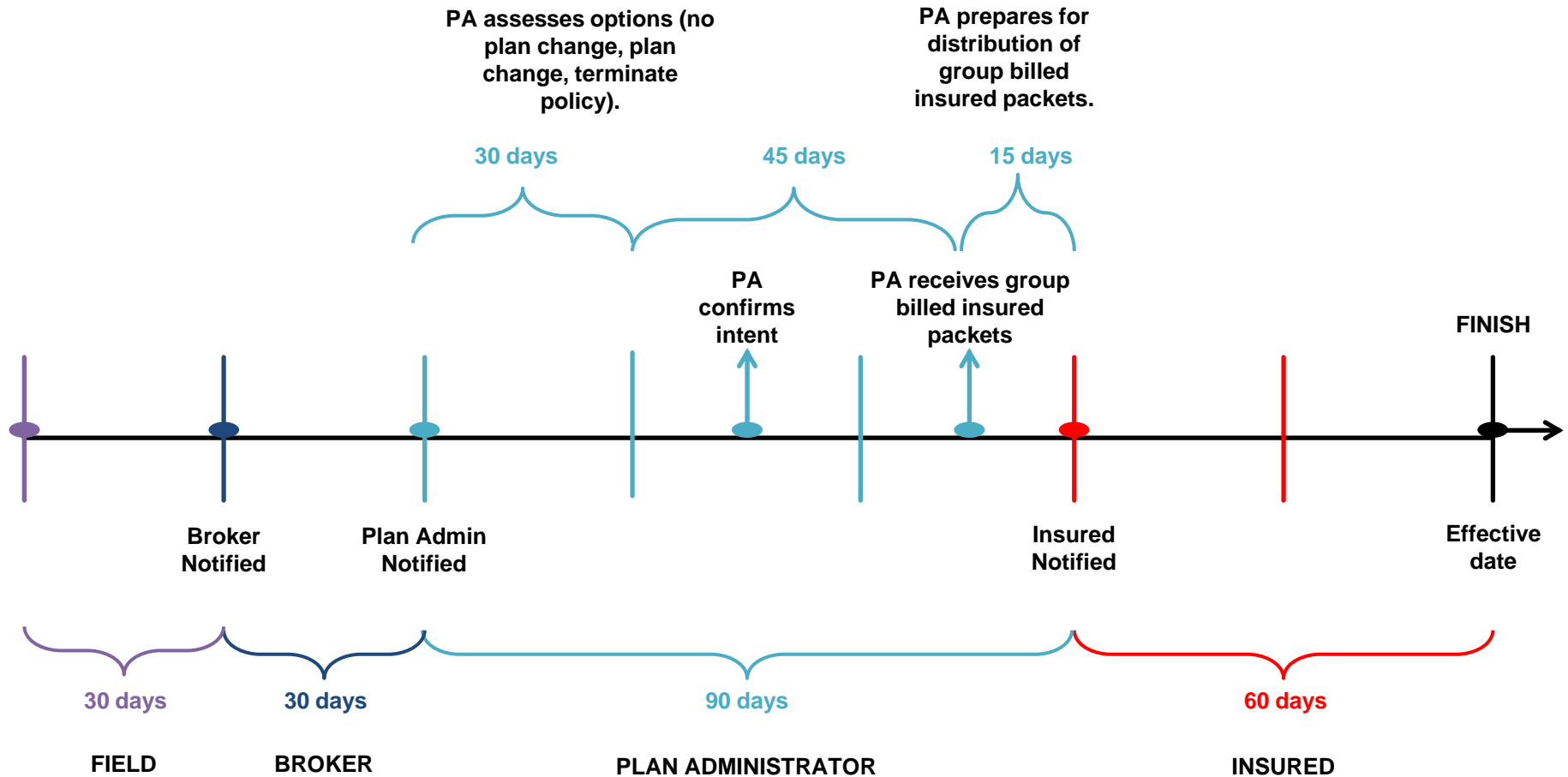
Communications

- Consider all partners – HO/sales force, brokers/agents, plan admins (GLTC/Multi-life), Insureds
  - Build in adequate time for each
- Clearly explain the reasons, and comment on possible future increases
- Explain options and next steps – plan changes, Contingent NF, timing, impact to bills
- Provide resources – FAQs, websites, 800#, etc
  - Constantly refine these, even within a given project
  - Secure input from outside of LTC operation
  - Invest in training for frontline staff
- Prepare for state variations – timing, size of approved increase, specific wording, comments about potential future increases

Sample GLTC Communication Timeline

PA assesses options (no plan change, plan change, terminate policy).

PA prepares for distribution of group billed insured packets.

30 days

45 days

15 days

PA confirms intent

PA receives group billed insured packets

FINISH

Broker Notified

Plan Admin Notified

Insured Notified

Effective date

30 days

30 days

90 days

60 days

FIELD

BROKER

PLAN ADMINISTRATOR

INSURED

(The communication campaign from start to finish is approximately 7 months.)

Customer Reactions

- Good, tough, fair questions – minimal complaints
- Customers dealing directly with carrier, broker involvement shrinking – carriers need to be ready
- Fairly strong persistency
- Minimal policy changes or Contingent NF election
- Recognize value of product, even post-increase
- Too early in GLTC – Will employers abandon product? Will insureds react the same as ILTC?
- Future expectations – proactively display plan alternatives and/or create new provisions

Q: Do Current NAIC Efforts Allow Companies to Address LTCI Rating Issues with Smaller, More Timely and Proactive Rate Actions?

Q: Is It Realistic to Assume a Product with a 30+ Year Tail Will Not Need Future Rate Adjustments?

Compare LTCI to Other Product Lines

Q: How Can We Promote Greater Speed to Market and Consistency Across States in New LTC Product Filings and Rate Actions?

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Q: Are Current Products Adequately Serving the Middle Market?

Do Regulations Need to Change to Accomplish This?

Questions???