January 6, 2015

Jan Graeber, Chair, NAIC LTC (B) Pricing Subgroup
Texas Department of Insurance
333 Guadalupe
Austin, Texas 78701

Re: Some Industry Comments on Spreadsheet – LTC Assumptions Draft (rev 1)

Dear Jan:

America’s Health Insurance Plans (AHIP) and the American Council of Life Insurers (ACLI) appreciate the opportunity to continue the dialogue with regulators about the spreadsheet titled LTC Assumptions Draft.

In order for the dialogue to be most useful for all parties, we would like to better understand how the states will use the information provided by (i) a single company and (ii) the collective, now common, information provided by a number of companies. The following questions focus on the second of these two concerns.

**Who will collect the information?**

If each state collects the information, then each state will have a different set of companies making up its collective data based on when, and which companies file in various states. Has there been any consideration given to using the assumption templates that are in the IIPRC LTC standards so that there would be some uniformity with the templates used by the IIPRC and the templates to be used by the states?

**Who will analyze the data?**

Is it anticipated that each state will be expected to analyze the information from all companies that submit data? How frequently will states be expected to update their analysis? Will the NAIC address states that do not do anything with the information other than require its submission?
What type of analysis is contemplated? What level of actuarial experience is necessary for such analysis to be done professionally?

It is not clear to us that a set of common data points will be a usable data set if there is no consideration of non-homogeneous elements. Consequently, knowing what type or types of analysis may be contemplated is important. For example, Tomasz Serbinowski noted that mortality and lapse rates would allow the regulator to determine expected future life-years as of specified attained ages for each company filing. What other collective analytical results are anticipated?

The potential for misunderstanding the results because of inconsistent non-homogeneous inputs is especially high for morbidity related data. Non-common contractual provisions, variations resulting from different market sources, projections reflecting past experience as well as the reliance on consultants with different views of morbidity will make for widely different values for future discrete morbidity all being equally appropriate for individual companies. The evaluation of future morbidity assumptions based on data from multiple companies that does not recognize these issues will surely result in varying, and many times false conclusions with respect to a single company.

What value is expected to be passed on to consumers from the regulatory use of the collective data? What value is expected for companies with closed blocks of business from the regulatory use of the collective data?

Regulatory delays or denials of rate increase requests have been noted as a significant reason when companies have withdrawn from offering new LTC products. One of the clear desires out of the interim meeting in Reston was to address this concern. Fewer companies offering LTC coverage reduces the choices that consumers have to purchase LTC coverage. Policyholders with their LTC coverage in companies with closed blocks have little potential that new LTC services will be offered as possible improvements to their coverage – a requirement that applies only to those fewer companies that currently offer new coverage. If the proposed spreadsheet is made the required method for meeting new Model requirements for new rate filings and annual certifications, there should be some basis for determining added value to consumers and insurers. What work has been done on these issues?

What role is anticipated for the NAIC in all of the above? What are the added costs of contemplated NAIC roles?

Collecting “industry data” has been a part of the PBR work for the past many years. For PBR, it has been recognized that this is not something that each state should do for itself. Yet, even for PBR, the collection presents many still unresolved issues. Does the subgroup anticipate addressing this issue prior to defining the spreadsheet details?
The following questions focus on the concerns for individual company information:

Under what authority will states ask for this information and does that authority account for some of it being trade secret information?

The NAIC Model Regulation separates the actuarial certification from the actuarial memorandum recognizing that the memorandum would need to contain much more detailed information, some of which is considered by companies as trade secrets. Where states have limited ability to control access to trade secret information, companies have limited the materials in the actuarial memorandum. The spreadsheet does not appear to allow for variations based on the states’ varying ability to maintain confidentiality. Has the subgroup thought about this and discussed how to address this issue?

Not all companies will have the ability to complete every section of the proposed spreadsheets. How will missing data impact the company’s filing?

As an example, several companies have said that they have claim costs but not claim incidence and claim continuation assumptions, or their assumptions do not fit easily into the spreadsheet cells. This would have implications for how collective information can be developed, but it may also be used by regulators to unduly delay action on the company’s filing. Has the subgroup discussed issues with respect to missing or uniquely prepared data?

Will the NAIC work to maximize the common use of any resulting data across the states or simply add this to existing state-specific requirements for LTC filings?

What actions can the NAIC take to reduce the level of state variations in information requested since we believe that these variations have resulted from state regulations and not variations in state laws?

We are prepared to address any questions you and your subgroup may have.

Sincerely,

William C. Weller
Consultant to AHIP

Sincerely,

Steve Clayburn
ACLI

cc: Perry Kupferman
Eric King