



DEPARTMENT OF

Professional &
Financial Regulation

STATE OF MAINE

- OFFICE OF SECURITIES
- BUREAU OF INSURANCE
- CONSUMER CREDIT PROTECTION
- BUREAU OF FINANCIAL INSTITUTIONS
- OFFICE OF PROF. AND OCC. REGULATION

Long-Term Care Insurance

Presentation by Maine Bureau of Insurance

March 3, 2025

Bob Carey, Superintendent of Insurance

Introduction

- Forum will be recorded
- Bureau of Insurance discussion of LTC Insurance market and rate review process
- Genworth presentation
- Policyholder comments and questions



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Long-Term Care Insurance Rate Review

Maine Regulations and Procedures

Maine Bureau of Insurance
Marti Hooper, Life & Health Actuary
Sherry Worth, Actuarial Assistant

Background

- Long-term care insurance (LTCi) marketed for about 40 years.
- Rapid market growth in 1980s as insurers began to cover home- and community-based care
- What the long-term care insurers got wrong when they priced their product. Assumptions proved to be inadequate.
 - Interest rates would remain between 6 and 8%
 - Rich benefits – lifetime and inflation protection
 - Lapse rates would be similar to those in life insurance, or between 4 and 5%
 - Actual lapse rate has been below 1%
 - Did not anticipate exposure to Alzheimer's and other long-duration diseases
- LTCi is sold as guaranteed renewable and level-funded
 - Cancellable only for non-payment of premium
 - Premium designed not to increase based on age of policyholder
 - All contracts have a provision that allows the carrier to file for a rate increase if one is needed and can be actuarially justified

Long-Term Care Insurance Jurisdiction & Scope of Rate Review

- Individual and Group policies sold in Maine require prior approval for rate increases.
- Not subject to Maine Bureau of Insurance review:
 - Policies sold or issued in other states
 - Employer group policies issued in other states
 - Policies approved by the Interstate Insurance Product Regulation Commission (Compact) for rate proposals under 15%

Maine's LTC Insurance Market

- Roughly 35,000 Maine LTC insurance policyholders, with annual written premiums of \$56 million.
- 50% of policyholders are under age 70.
- Recently approved rate increases range from 2.5% to 72%.
- Proposed rate increases as high as 424%.
- New sales of LTC insurance are rare.

Reported Premium for Top Carriers Issuing or Renewing in Maine 2023

Long-term care insurance premiums in Maine totaled \$55.7M in 2023 for 54 carriers

GENWORTH LIFE INS CO	\$13,101,330.00
JOHN HANCOCK LIFE INSURANCE COMPANY (USA)	\$7,502,170.00
UNUM LIFE INSURANCE COMPANY OF AMERICA	\$7,001,888.00
METROPOLITAN LIFE INSURANCE COMPANY	\$3,645,881.00
MUTUAL OF OMAHA INSURANCE COMPANY	\$3,168,344.00
PRUDENTIAL INSURANCE COMPANY OF AMERICA	\$3,088,751.29
NORTHWESTERN LONG TERM CARE INSURANCE	\$2,430,449.00
BANKERS LIFE & CASUALTY COMPANY	\$2,139,258.51
CONTINENTAL CASUALTY COMPANY	\$1,989,757.00
TRANSAMERICA LIFE INSURANCE COMPANY	\$1,737,540.19

Recent Rate Increase Proposals

Approvals 1/2024 – 3/2025

Of 46 filings received:

- 12 filings for 5 companies are currently under review
- 12 filings were disapproved for 4 companies
- 20 filings were approved for 8 companies
- Approved increases range from 2.5% to 72%
- 10 filings were reduced

National Working Groups

National Association of Insurance Commissioners (NAIC)

- Senior Issues
- LTC Actuarial Work Group
 - Multi-State Rate Review
- Health Actuaries Task Force
- Valuation Analysis Work Group
- Financial Analysis Work Group

Filing Process

- Submitted through the SERFF (electronic filing) system
- Available for public viewing through public SERFF website
- Maine BOI examination of rate filings:
 - Review for compliance with state regulations
 - Perform a detailed review of the Actuarial Memorandum
 - Independent review by contracted actuarial firm
 - Request additional information if necessary
 - Review the loss ratio
 - Check results against company projections

Rate Review Overview

- Benefits must be reasonable in relation to premiums.
 - Type of review will depend on whether filing applies to pre or post rate stabilization policies
- The Bureau may negotiate a lower approved increase in some cases
- Carriers are requested to spread larger increases over several years (with full disclosure to policyholders) in an effort to reduce the immediate impact of a rate increase

Loss Ratio Requirements

- Rule 420 – applies to LTC policies issued before 10/1/04 (pre-rate stabilization).
 - Policies were priced using a minimum loss ratio of 60% (amount that must be spent directly on benefits.)
- In the 2000's, NAIC developed new rating standards to encourage companies to set better initial rates.
- Maine adopted Rule 425 – applies to LTC policies issued on or after 10/1/04 (post-rate stabilization).
 - Policies are required to have minimum loss ratio of 85% for increased premium after a rate increase.

Other rate increase considerations

- Review revised assumptions to reflect carrier/industry experience:
 - Mortality
 - Morbidity
 - Lapse
- Is the timing and amount of proposed increase appropriate?
- Proposed increased premiums are not greater than new business premiums except for differences attributable to benefits.
- Solvency – will the company have the resources to continue to pay claims for current policyholders in the future?
- Benefit Reduction Options – what alternatives are available to the policyholder to keep their premium affordable?

Considerations when we receive a long-term care rate increase complaint:

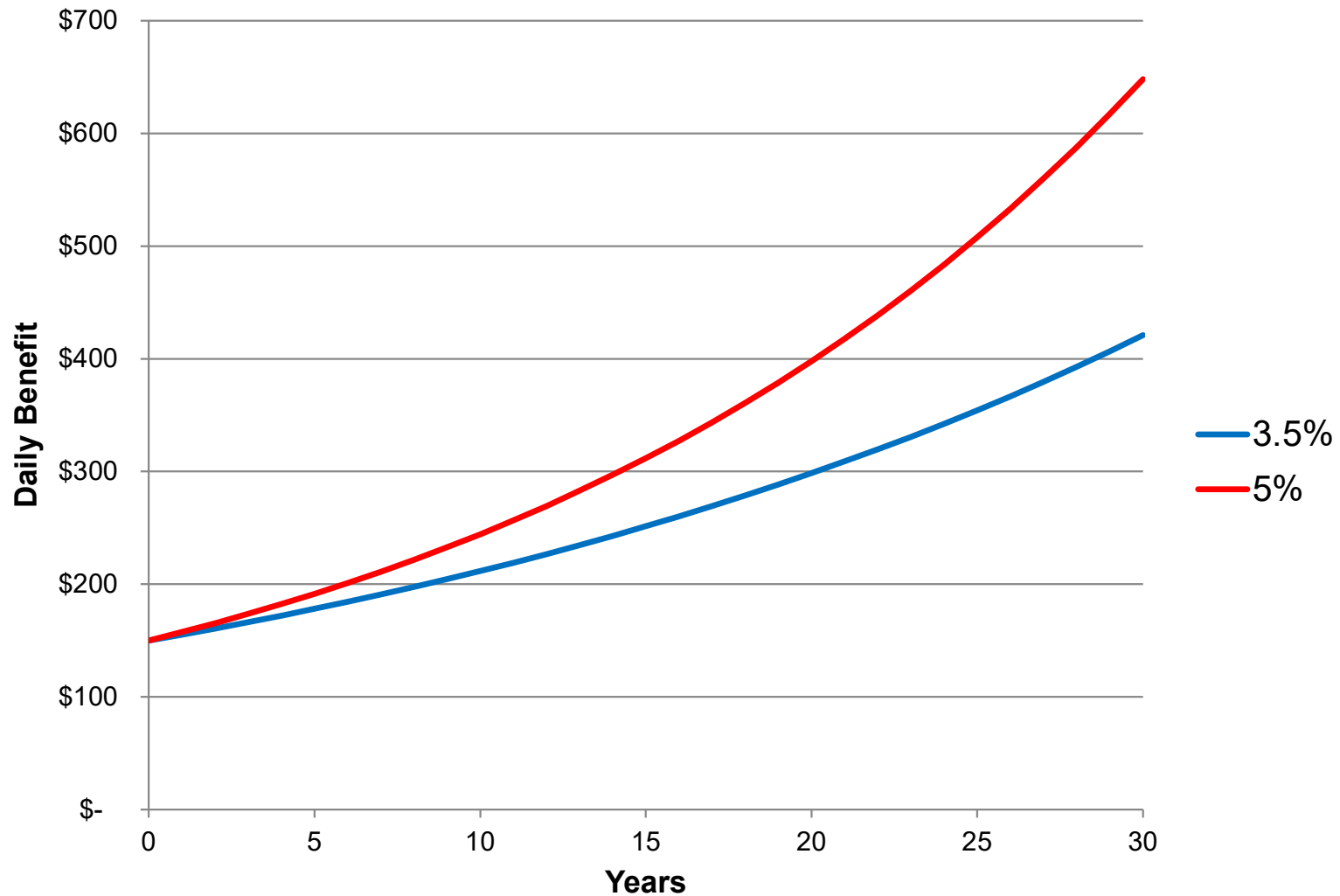
- Jurisdiction the policy falls under
- Verify it is an approved rate increase
- If there are any questions or inconsistencies, we can go to the company for more information and to straighten out any problems
- Review alternatives available to the policyholder

Possible alternatives to a rate increase

- Reduce your inflation protection amount if available
- Reduce your daily/monthly benefit
- Reduce your total benefit period
- Increase your elimination period
- Drop an optional rider
- Nonforfeiture benefit or contingent nonforfeiture benefit

Daily Benefit Over Time

at different compound interest rates



Contingent Nonforfeiture Benefit

- Triggered by the cumulative increases and not just a one-time increase
- By converting to paid-up status, policy benefits are significantly reduced to a limit equal to the sum of premiums paid
- No benefits will be paid in excess of your new policy limit
- Benefits are generally paid at the benefit levels and coverage limits in effect at the time you convert your policy to paid-up status
- All optional benefit riders will automatically terminate
- No future inflation adjustments will be made
- All other applicable policy provisions, conditions, and limitations remain in effect

Maine Life & Health Insurance Guaranty Association

- All insurers authorized to transact insurance in Maine are required to belong as a condition of their licensure
- With the insolvency of a member insurer, the association becomes responsible for covered claims to the extent required by Maine law
- Coverage by residency.
 - All 50 U.S. states and the District of Columbia have similar associations.
 - If you do not meet Maine's residency requirement, you may qualify for protection in another state.
- Maximum protection for Long Term Care Insurance \$300,000
- Guaranty Association could still request rate increases

Examples of LTCi Insolvencies

- Penn Treaty Network Am. Ins. Co./Am. Network Ins. Co. –
 - Placed in liquidation 3/1/17 at PA DOI's recommendation
 - 300% average additional premium increases needed
 - Life/Health Guaranty Associations (GAs) where these companies do business have assumed responsibility for their policies
 - GAs have also sought premium increases that were approved
- Senior Health Insurance Company of Pennsylvania (SHIP)
 - \$466 million deficiency as of 12/31/18
 - Placed in rehabilitation 1/29/20 in PA

Questions from policyholders

- Justification for increases every year?
- What are premiums and increases based on?
- Is this targeted towards older people?
- What does the company do with the increased premium?
- What happens if an increase is denied?
- Hasn't the insurer invested and received returns on premiums already paid?
- Shouldn't the increase be based on the original premium?
Why not?
- Does the Guaranty Association cover reduced or paid-up policies?

Available Resources

- Insurance Agent
- Long-term Care Ombudsman:
 - ❖ 800-499-0229
- Area Agencies on Aging:
 - ❖ 877-353-3771
- Attorney/Financial Advisor
- Legal Services for the Elderly:
 - ❖ 800-750-5353
- Bureau of Insurance:
 - ❖ 800-300-5000