



Maximizing the Outcome of Your Rate Increase Filing

Tuesday, March 8, 9:15 am

THE ELEVENTH ANNUAL INTERCOMPANY LONG TERM CARE INSURANCE CONFERENCE

ILTCI



Panel

- Thomas Carswell, FLMI
 - Assistant Director within the Life and Health Division of The Office of Commissioner of Insurance, State of Georgia
- Amy Pahl, FSA, MAAA
 - Principal and Consulting Actuary with Milliman, Inc.
- David Benz, FSA, MAAA
 - Leader of LTC Pricing with Employers Reassurance Corporation



What outcomes do we want to maximize?

- Policyholder
 - Maintain meaningful coverage at an appropriate price
- Regulator
 - Understand the financial challenges the company faces with the block of business and agree upon the need for the company to at least partially address the challenges with rate increases.
- Company
 - Efficient and compliant filing process
 - Rate increase meets financial goals
 - Minimize business disruptions



In house vs. Consultants

- Ability
 - Study systems
 - Projections
 - Filing staff
- Expertise and experience
- Relationships
- Cost and time
- Complexity of filing



Size and Frequency

- What is your end target for the block? How much should the company “eat”?
- Recouping past losses?
- Can you get everything you need/want at once?
- File large anticipating states will reduce?
- Diminishing premium
- If you wait will approvals get tougher? Easier?
- Very few states will pre-approve a series of rate increases
- Administrative costs and time
- Impact on policyholders and policyholder behavior
- Policyholder communication



Targeting Increases vs. Flat

- Issues
 - [Equity](#)
 - Class definitions
 - Administration
 - Communication
 - Contingent nonforfeiture



Policyholder Options

- Can be a signal to the regulators, agents, & policyholders of your willingness to “help”
- Coverage decreases
 - Daily benefit
 - Longer elimination period
 - Shorter benefit period
 - Drop riders – some complexity here
- Reduced paid-up (contingent nonforfeiture)
- Return of premium (extreme cases)



Preparing the Filing

- Speeding up the state response
- What are the states looking for?
- Legal pitfalls
- Rate stabilization issues



In Process: The Filing

- Why will states not always grant what is requested?
- Caps – in regulation and the desk drawer
- States that ask what others are doing
- Do states communicate with each other (and what are they saying)?
- What “games” are companies playing?
- States that do not follow their rate stability regulations (i.e. will not grant the increase needed to certify rates)
- Equity issue – some states grant full increase and others do not



When to fight

- How much business? Cost of continuing vs. potential gain.
- How have others fared?
- Has state provided a clear path or clear regulatory issues or does it seem like a whim?
- Can you pick up lost premium in the future?
- Will state pre-approve a future increase or a phased introduction of a larger increase?



Post-Increase Issues

- Shock Lapse
- Benefit reduction elections
- Impact of contingent nonforfeiture
- Anti-selection



Implementation Issues

- Customer Service
 - Consistency (e.g. scripts) and clarity
 - Forewarn field staff and test message on them
- Conservation – agents and policyholders
 - How much do you value these relationships?
- Compensation
 - Do you pay commissions on the increased portion of the premium?



Follow-up Plans

- Ignoring states where you did not get all you asked for can create state subsidies and overlook a source of additional revenue.
- Special follow-up filing or take it into account with next nationwide increase?
- Timing



Appendix and Supplemental Slides



Targeting Increases

- Lapse rates, mortality, and interest
 - Younger issue ages
 - Inflation coverage
 - Return of premium riders
 - Limited pay
- Morbidity
 - Issue age
 - Benefit period
 - Type of coverage
 - Underwriting or discount class



Targeting Increases

- Theory – increases should primarily be targeted to the class contributing to the premium inadequacy.
- Challenges
 - States – approval and understanding
 - Communication to agents, policyholders who can compare (e.g. spouses)
 - Systems – how does your administration system handle rate increases?



Targeting Increases

- Reality – most increases are flat and applied across the board
- Challenges
 - Oldest issue ages tend to be hit harder than needed
 - Because the younger issue ages and limited pay tend to be subsidized the average increase may be higher than with a targeted increase because you have less increase for those who will pay the longest

[Back](#)



So, You Need an Increase

	Premium	Claims	Ratio
Past	100,000,000	53,000,000	53%
Future	50,000,000	82,000,000	164%
Total	150,000,000	135,000,000	90%

Increases up to 150% keep the loss ratio at or below 60%

	Premium	Claims	Ratio
Past	50,000,000	8,000,000	16%
Future	100,000,000	127,000,000	127%
Total	150,000,000	135,000,000	90%

Increases up to 75% keep the loss ratio at or below 60%