



# STATE OF CONNECTICUT

## INSURANCE DEPARTMENT

### Connecticut Life and Health Insurance Guaranty Association 2017 Individual LTC Rate Filing (American Network)

#### Finding of Facts

1. Enclosed is a request for a premium rate schedule increase for long-term care insurance policies. This submission has been prepared by the Long Term Care Group, Inc. ("LTCG") on behalf of the 25 Guaranty Associations ("GAs") that are obligated to provide benefits to the policies issued in Connecticut by American Network Insurance Company ("ANIC") as a result of a March 1, 2017 order of liquidation of this company.
2. The affected GAs are exercising their authority to request approval of a premium rate increase on the forms listed in the enclosed filing materials. A rate increase is being requested in order to establish premium rates that are reasonable in relation to benefits based on the actual experience of the forms and the current interest rate environment.
3. Although the level of increase that is justified to produce an anticipated 60% lifetime loss ratio is 635% in aggregate, we are pursuing a premium rate increase that will average 69% for policies issued in Connecticut.
4. The affected GAs will offer insureds affected by the premium increase several options to change their benefits in order for policyholder to select a more affordable premium rate. Those offers are as follows:
  - Policies with inflation will be given the option to remove their inflation rider. They will no longer have to pay the inflation rider portion of their premium and their daily benefit will remain at its accrued level.
  - Upon approval of the requested increase, policies with benefits that are above the GA limits will be given the option to reduce their benefits to the GA limit that applies to their policy and reduce their premiums accordingly.
  - We are making limited non-forfeiture options available for policyholders in conjunction with this premium rate increase. The first option provides a paid-up policy with benefits equal to the total of premium paid, less any claims paid. The second non-forfeiture option is a cash payment equal to the greater of the actuarial liability of the reduced paid up policy or 50% of the actuarial liability of the policy with full GA covered benefits. While we are strongly encouraging policyholders to keep or reduce their existing coverage, we believe it is important to provide a comprehensive set of options.

5. Connecticut specific experience:

<u>Calendar Year</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Actual Loss Ratio</u>
1998-2014	40,817,253	22,057,989	54.04%
2015	1,804,801	2,224,850	123.27%
<u>2016</u>	<u>1,681,237</u>	<u>1,929,712</u>	<u>114.78%</u>
Total	44,303,291	26,212,551	59.17%

6. Nationwide experience:

<u>Calendar Year</u>	<u>Earned Premium</u>	<u>Incurred Claims</u>	<u>Actual Loss Ratio</u>
1990-2014	5,217,234,489	3,955,711,232	75.82%
2015	155,388,441	246,540,036	158.66%
<u>2016</u>	<u>141,628,884</u>	<u>238,609,132</u>	<u>168.47%</u>
Total	5,514,251,814	4,440,860,400	80.53%

7. The average requested increase of 69% is on the following forms:

- 2400 et al
- 2600 et al
- 6000 et al
- IL2 et al
- PF2 et al
- PF3 et al
- SR4000 et al

8. Rate increase history in Connecticut is as follows:

<u>Policy Form</u>	<u>Round 1</u>	<u>Round 2</u>
2400	13.0%	6.0%
2600	20.0%	6.0%
6000	35.0%	6.0%
IL2	45.0%	6.0%

Round 1 approved on 9/16/2004 and Round 2 on 8/21/2009.

9. These forms were issued in Connecticut from May 1998 through December 2008 and are no longer being sold in any state.

10. There are 798 policies issued in Connecticut and 66,741 nationwide.

11. The affected GAs will offer insureds affected by the premium increase several options to change their benefits in order to provide the flexibility of choice for those insureds who wish to maintain a premium level reasonably similar to what they were paying prior to the rate increase.
12. The projected nationwide lifetime loss ratio with and without the rate increase request is 92.8% and 96.1% respectively and for Connecticut it is 93.0% with the increase and 103.3% without the increase.
13. The Department did not receive any public comment.

#### Department Summary

The actual inception-to-date loss ratios in Connecticut and on a nationwide basis are 59.17% and 80.53% respectively. Connecticut insurance law requires a minimum 60% loss ratio over the lifetime of the policy forms.

Connecticut as well as nationwide experience continues to deteriorate. Connecticut lifetime experience can be expected to exceed the minimum statutory requirement and potentially exceed 100% over the full lifetime of these policy forms.

#### Department Disposition

Based upon the finding of fact, and the summary information described above, the average rate increase request of 69.0% is approved as submitted, while the range of increases is disapproved. The 69.0% increase should be applied to all applicable cells. Both Connecticut and nationwide experience will continue to deteriorate over the remaining lifetime of the policies

Pursuant to Connecticut General Statute 38a-501(b)(2)(A), any approved increase greater than or equal to 20% must be spread over a minimum of three years. The increase shall be periodic and actuarially equivalent to the approved 69% increase and a current interest rate for the period chosen. The periodic increase is 20.0% per year for three years.

The approved rate increase will result in rates that are neither excessive, nor inadequate nor unfairly discriminatory.

Dated January 9, 2018.



Paul Lombardo

Paul Lombardo, A.S.A., M.A.A.A.  
Insurance Actuary  
Connecticut Insurance Department