

STATE OF CONNECTICUT
INSURANCE DEPARTMENT

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In the Matter of:

**THE PROPOSED LTC RATE INCREASES SUBMITTED
BY METROPOLITAN LIFE INSURANCE COMPANY**

Docket No. LH11 -153

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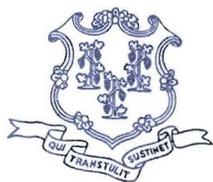
ORDER

I, Thomas B. Leonardi, Insurance Commissioner of the State of Connecticut, having attended the hearing on January 11, 2012 and having read the record in the above captioned matter, do hereby adopt the findings and recommendation of Mark R. Franklin, Hearing Officer, which are contained in the attached Proposed Final Decision, and issue the following order, TO WIT:

The long term care rate increase application of 41% filed by Metropolitan Life Insurance Company ("MetLife") submitted to the Connecticut Insurance Department ("Department") on May 11, 2011 on behalf of Teachers Insurance and Annuity Association of America ("TIAA"), May 16, 2011 for MetLife, and May 17, 2011 on behalf of TIAA-CREF Life Insurance Company is hereby approved as submitted. The Applications demonstrate that anticipated claims in relation to premiums when combined with actual experience to date comply with the minimum 60% loss ratio requirement pursuant to Conn. Gen. Stat. §38a-501 and are neither excessive, inadequate nor unfairly discriminatory.

Dated at Hartford, Connecticut, this 24th day of January, 2012

Thomas B. Leonardi
Insurance Commissioner



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PROPOSED FINAL DECISION

I. INTRODUCTION

This proceeding was commenced when Metropolitan Life Insurance Company ("MetLife") submitted to the Connecticut Insurance Department ("Department") on May 11, 2011 on behalf of Teachers Insurance and Annuity Association of America ("TIAA"), a rate increase application for a long term care ("LTC") product. Additional filings were submitted on May 16, 2011 for MetLife, and May 17, 2011 on behalf of TIAA-CREF Life Insurance Company ("TIAA-CREF" and collectively with TIAA and MetLife, the "Applicant"). While there is no statutory requirement that a rate hearing be held, on December 7, 2011, Commissioner Thomas B. Leonardi ordered that a public hearing be held on January 11, 2012 to consider the Commissioner granting approval of the proposed application.

A copy of the notice for the public hearing was filed with the Office of the Secretary of State on December 7, 2011 and was published on the Department's Internet website. The notice indicated that the Application was available for public

inspection at the Department, and that the Department was accepting written statements concerning the Application. In accordance with Conn. Agencies Regs. §38a-8-48, the Applicant was designated as a party to this proceeding.

On December 7, 2011, the Commissioner appointed the undersigned to serve as Hearing Officer in this proceeding.

On January 11, 2012, the public hearing on the Application was held before the undersigned. The following individuals testified at the public hearing on behalf of the Applicant: Jonathan Trend, FSA, MAA, Vice President and Actuary, MetLife and Joanne Anatole, Vice President, MetLife. Justin K. Hixson, Associate General Counsel of MetLife, represented the Applicant.

The following Department staff participated in the public hearing: Paul Lombardo, FSA, MAA, Life and Health Actuary and N. Beth Cook, Counsel.

Pursuant to the published hearing notice, the public was given an opportunity to speak at the hearing or to submit written comments on the Application with respect to the issues to be considered by the Commissioner. No members of the public provided oral comments during the public comment portion of the hearing. No members of the public provided written comments to the Department as of January 11, 2012.

MetLife was ordered to submit supplemental information and the record of the hearing was left open until 4 p.m. on January 18, 2012. MetLife timely submitted the supplemental information on January 13, 2012 and the record was closed.

II. FINDINGS OF FACT

After reviewing the exhibits entered into the record of this proceeding, the testimony of the witnesses, and utilizing the experience, technical competence and specialized knowledge of the Department, the undersigned makes the following findings of fact:

1. MetLife acts as the administrator on behalf of TIAA and TIAA-CREF under administrative agreements between MetLife and TIAA and MetLife and TIAA-CREF that became effective May 1, 2004.
2. MetLife is the direct insurer through assumption reinsurance agreement with TIAA and TIAA-CREF.
3. On May 11, 2011, MetLife submitted a LTC rate increase request of 41% for all policyholders for policy forms LTC.02, LTC.03 and LTC.04 on behalf of TIAA.
4. On May 16, 2011, MetLife submitted a LTC rate increase request of 41% for all policyholders for policy forms LTC.02, LTC.03 and LTC.04 for those policies assumed by MetLife.
5. On May 16, 2011, MetLife submitted a LTC rate increase request of 41% for all policyholders for policy forms LTC.02, LTC.03 and LTC.04 on behalf of TIAA-CREF.
6. Although three filings were submitted for rate increases related to the above identified policy forms because there are three separate insuring entities, the policies are treated as a single book of business.
7. The filing included an Actuarial Certification by Jonathan E. Trend, FSA, MAAA, Assistant Vice President and Actuary, MetLife.
8. This is a closed block of business. As of June 2010, there were 626 policyholders in Connecticut and 39,114 nationwide.

9. Policy Form LTC.02 was issued in Connecticut from 1991 to 2001; LTC.03 form was issued in Connecticut from 1991 to 2002 and LTC.04 was issued in Connecticut from 2000 to 2004.
10. Initially, TIAA had assumed an investment earnings rate of 5.75%. The actual investment return for this block of business has been 4.51%.
11. Mr. Trend testified that “the experience relating to these policies has been and is expected to remain materially worse than originally anticipated, and the assumptions used to initially price these policies have changed.”
12. Each of the policy forms in the policy form series is a comprehensive LTC policy form, which provides benefits for care in a facility and at home for insureds who are unable to perform a certain number of activities of daily living or who suffer cognitive impairment.
13. Each of the policy forms in the policy form series has optional benefits, including, but not limited to, nonforfeiture and inflation protection benefits.
14. These policy forms are guaranteed renewable for life.
15. The rate increase request is applicable to in-force policies only.
16. The premium changes will apply to the base forms as well as all applicable riders.
17. There have been no previous rate increases on these policy forms.
18. Policy form series LTC.02 had a rate reduction upon introduction of the LTC.03 policy form series.
19. This rate increase will apply to policies on their policy anniversary date following at least a 60-day policyholder notification period following approval.

20. If approved, the average annual premium in Connecticut would increase from the current \$1,660 to \$2,341, or approximately \$57 more per month.

21. Connecticut specific experience:

Calendar Year	Earned Premium	Incurred Claims	Actual Loss Ratio	Expected Loss Ratio	Actual/Expected
1991-2007	10,594,711	4,161,385	39.28%	21.35%	1.84
2008	1,179,950	960,651	81.41%	54.66%	1.49
2009	1,155,712	1,525,196	131.97%	66.97%	1.97
2010	1,127,397	2,000,782	177.47%	80.76%	2.20
Total	14,057,770	8,648,014	61.52%	31.03%	1.98

22. Nationwide experience:

Calendar Year	Earned Premium	Incurred Claims	Actual Loss Ratio	Expected Loss Ratio	Actual/Expected
1991-2007	534,795,635	120,111,484	22.46%	17.01%	1.32
2008	62,720,531	49,497,384	78.92%	45.89%	1.72
2009	62,269,536	65,719,750	105.54%	56.70%	1.86
2010	61,318,496	77,717,449	126.74%	68.83%	1.84
Total	721,104,198	313,046,067	43.41%	25.73%	1.69

III. DISCUSSION

Conn. Gen. Stat. §38a-501(b) provides that a rate increase filing for long term care must demonstrate that anticipated claims in relation to premiums when combined with actual experience to date comply with the minimum 60% loss ratio requirement pursuant to Conn. Gen. Stat. §38a-501. The Department also considers whether the rate is either excessive, inadequate nor unfairly discriminatory.

The lifetime LTC loss ratio is determined by dividing the incurred claims by earned premium with consideration for interest.

While the terms excessive, inadequate nor unfairly discriminatory are not defined, the Legislature has given us guidance as to their meanings through other

statutes dealing with rate filings. Conn. Gen. Stat. §38a-665, which addresses rates pertaining to commercial risk insurance provides in relevant part:

Rates shall not be excessive or inadequate, as herein defined, nor shall they be unfairly discriminatory. No rate shall be held to be excessive unless (1) such rate is unreasonably high for the insurance provided or (2) a reasonable degree of competition does not exist in the area with respect to the classification to which such rate is applicable. No rate shall be held inadequate unless (A) it is unreasonably low for the insurance provided, and (B) continued use of it would endanger solvency of the insurer, or unless (C) such rate is unreasonably low for the insurance provided and the use of such rate by the insurer using same has, or, if continued, will have the effect of destroying competition or creating a monopoly.

Conn. Agencies Reg. §38a-474-3, which governs rate filings for Medicare Supplement products provides in relevant part:

The commissioner shall not approve a rate for a Medicare supplement policy that is excessive, inadequate, unreasonable in relation the benefits provided or unfairly discriminatory.

Lacking any other statutory definitions, we therefore use the definitions and reasonableness elements in Conn. Gen. Stat. §38a-665, the reasonableness elements of Conn. Agencies Reg. §38a-474-3, and standard actuarial principles for LTC insurance. Based on that criteria, the Department uses the following standards for the review of LTC insurance rate filings: Rates are considered excessive if they are unreasonably high in relation to the benefits provided and the underlying risks. Rates are deemed inadequate if they are unreasonably low in relation to the benefits provided and the underlying risks, and continued use of such rates would endanger the solvency of the insurer. Rates would be deemed unfairly discriminatory if the methodology to develop the rates is not actuarially sound and is not applied in a fairly consistent manner so that resulting rates were not reasonable in relation to the benefits and underlying

risks. The actuarial review of the rate Application to determine if the rates are reasonable, i.e. not excessive, inadequate or unfairly discriminatory, must be in compliance with ASOP 8 issued by the Actuarial Standards Board of the American Academy of Actuaries.

A concern frequently raised by insureds and the general public is that the applied for increases would not be affordable for the renewing policyholders. Affordability, however, is relative to each person and subjective, and although of overall concern, is not a standard for rate review within the statute or standard actuarial principles.

The Department actuarial staff completed an actuarial analysis to review the experience, assumptions and projections used in the Application to determine if the rates filed by MetLife demonstrate that anticipated claims in relations to premiums when combined with actual experience comply with the minimum 60% loss ratio requirement pursuant to Conn. Gen. Stat. §38a-501 and are reasonable in relation to the benefits provided

Based on the data provided, the Department actuary found that that the actuarial methodology used by MetLife was consistent with ASOP 8.

The inception-to-date loss ratios in Connecticut and on a nationwide basis are 61.52% and 43.41% respectively; they are both significantly higher than what the original pricing anticipated. Connecticut insurance laws require a minimum 60% loss ratio over the lifetime of the policy forms; the experience in Connecticut has already met this requirement (61.52% vs. 60%).

As the original pricing supported a 60% lifetime loss ratio, the fact that actual experience-to-date in Connecticut is running 98% higher than anticipated, is projected

to result in lifetime loss ratios that not only exceed the minimum 60% but could potentially exceed 100%. This analysis produces the same results using nationwide data where the actual experience is running 69% higher than expected.

IV. CONCLUSION AND RECOMMENDATION

Based on the foregoing and the record of the January 11, 2012 public hearing, the undersigned concludes that the 41% LTC rate increase requested by MetLife complies with the minimum 60% loss ratio requirement pursuant to Conn. Gen. Stat. §38a-501 and is reasonable in relation to the benefits provided, The undersigned recommends that the Commissioner accept the recommendation to approve the proposed rate increase.

Dated at Hartford, Connecticut, this 24th day of January 2012.



Mark Franklin
Hearing Officer