

TESTIMONY

At a Florida Office of Insurance Regulation proceeding on August 12, 2016, the statement of Jonathan Trend, FSA, MAAA, Vice President & Actuary, and Tom Reilly, Director of LTC Compliance and Product Management, Metropolitan Life Insurance Company, in support of the long-term care insurance rate application, File Log Number FLR16-09734, as referenced below, for policies insured by the following companies:

- 1. Application of Metropolitan Life Insurance Company,**
- 2. Application of Teachers Insurance and Annuity Association of America,**
- and**
- 3. Application of TIAA CREF Life Insurance Company.**

Introduction

Good morning Commissioner Altmaier, Deputy Commissioner Robleto, Director Morgan, Mr. Wright, Mr. Marcus, Ms. James, MetLife long term care policyholders and other interested members of the public. My name is Jonathan Trend. I am a Vice President and Actuary at Metropolitan Life Insurance Company. I have overall responsibility for developing the actuarial memorandum and accompanying documents that support the application. I am a Fellow of the Society of Actuaries, a Member of the American Academy of Actuaries and have over 18 years of actuarial experience with long-term care insurance and the risks, assumptions, and benefits that are characteristic of the coverage.

Also with me is Tom Reilly. Tom is Metropolitan Life Insurance Company's Director of LTC Product Management and Compliance.

We are here today on behalf of Metropolitan Life Insurance Company—which we will refer to as MetLife, and welcome the opportunity to present our views on MetLife's long-term care insurance rate filing

currently before the Office of Insurance Regulation and to answer questions from the regulators and consumer advocate on the panel.

Thank you also for providing this forum for Florida citizens, including our valued customers, to express their views and comments on the filing.

We appreciate the concerns around any proposal to raise insurance premium rates on a coverage that plays an important role in the retirement plans of Floridians. Our brief presentation will include a description of the steps we have taken to mitigate the impact of the proposed increases. We also hope to provide a greater understanding of why the increases are necessary, and the process MetLife uses to evaluate the underlying assumptions and risks that we are required to assess before filing for an increase with the Office.

Please keep in mind that this presentation will highlight and expound upon certain areas relating to MetLife's comprehensive filing made with the Office on May 5, 2016. The filing presents the full and complete actuarial basis for the requested rate increases and constitutes MetLife's official request.

MetLife's decision to file for a rate increase was made only after careful and in-depth analysis of the experience relating to the policies that are the subject of this filing. We are proposing this increase in light of the information that has emerged over the years these policies have been in force, including claim experience and persistency; and the changes in assumptions underlying these policies since they were first issued.

MetLife believes that the rate filing made with the Office clearly demonstrates that the increases are needed because the experience relating to these policies has been and is expected to remain materially worse than initially anticipated. This is also my professional opinion.

We believe that the proposed premium schedule is not excessive, nor unfairly discriminatory and the benefits provided are reasonable in relation to the proposed premiums based on the lifetime loss ratio being in excess of the minimum requirement set by Florida insurance law.

Now, I am going to turn the presentation over to my colleague Tom Reilly, who will provide an overview of the scope of MetLife's application for a rate increase.

Background

Good afternoon and thank you for the opportunity to speak with you about our filing.

As background to our filing, I think it will be helpful to briefly explain the scope of the application that is the subject of today's hearing.

MetLife is seeking approval on three segments of our Long-Term Care Insurance business.

The first segment includes policy forms associated with the company's individual business. The policies are from its LTC97, VIP1 and VIP2 policy series and were issued between 2000 and 2011. The increase percentages that MetLife is requesting on these forms range from 34% to 95.44%. Approximately, 8,702 insureds from the individual business may be impacted by this rate increase.

The second segment includes policy forms issued by Teacher's Insurance and Annuity Association of America and TIAA CREF Life Insurance Company individual business which MetLife acquired in

2004. After acquiring this business, MetLife did not market or sell new policies associated with the Teacher's business. These certificate forms were issued between 1991 and 2004. The increase percentage that MetLife is requesting on these forms is 54.7%. Approximately 906 insureds from the Teacher's business may be impacted by this rate increase.

The third segment includes certificate forms issued under MetLife's Group long-term care policies issued in Florida. These certificate forms were issued between 1997 and 2012. The increase percentage that MetLife is requesting on these forms is 20.1%. Approximately 614 insureds from the Group block may be impacted by this rate increase. Jonathan will now address the actuarial aspects of the filing.

Review of Application

As previously mentioned, MetLife believes that the application demonstrates that the requested increase is justified and meets all Florida requirements for approval. To assist you with your review, I will briefly speak to the application and why we believe the requested increase is reasonable. I will start by referring you to specific portions of the filing that demonstrate that the loss ratio on the Florida policies, after application of the requested increase, will remain far in excess of the

minimum loss ratio required for rate revisions under Florida insurance law.

Loss Ratios

The term “loss ratio” used throughout our testimony is here defined as the ratio of incurred claims (the monies paid to claimants) to earned premium (the monies we collect from policyholders). References to “past”, “future” and “lifetime” loss ratio or similar qualifiers indicate the inclusion of interest (time value of money) in the calculations, which is a required and accepted actuarial practice.

As part of the inforce management of the business, MetLife monitors the performance of the business by completing periodic analyses of persistency rates (how many policyholders keep their policies), mortality rates (how long policyholders live) and morbidity rates (the frequency and severity of claims). The findings from these analyses were used in projecting the future performance of inforce business to determine the effect of experience on the projected lifetime loss ratio. The reason we study these parameters is because they bear directly on projected levels of claims, and premiums over the lifetime of the policies.

As explained in the memorandum, overall actual persistency rates have been higher than that assumed when the policies were priced, mortality

regulations, we also understand that any approved increase may cause some policyholders to consider cancelling their coverage. MetLife believes that long-term care insurance is a valuable and important piece of a comprehensive retirement plan Florida residents need for a financially secure future. MetLife's experience shows that the vast majority of policyholders choose to maintain their coverage even in the face of significant rate increases. For all policyholders, including those who may consider ending their coverage because of any approved rate increase, we will offer them multiple options, where available, to modify their coverage to keep their premiums at a level similar to their current premiums. In addition, concurrent with the rate increase request, we have requested approval of an endorsement to provide a non-forfeiture benefit so that all policyholders who choose to stop paying premiums in response to a rate increase can still maintain some paid-up coverage. This means that for these policies, every premium dollar previously paid will be available as a benefit if the insured goes into claim. In closing, we feel the value provided by these coverages is significant and we are proud of the service we have provided to MetLife policyholders, especially at the time of claim. Since entering the long-term care insurance market, MetLife has, paid out over \$3.1 billion in claims.

Thank you for the opportunity to testify in support of MetLife's application. We respectfully request that the Office approve the filing as submitted. This concludes our prepared remarks.

We will now answer any questions you may have.