NEW YORK LIFE INSURANCE COMPANY

Address: 11501 Burnet Rd, Bldg 906, Suite 600, Austin, TX 78758

Actuarial Memorandum for the Generation 4.0 Policy Forms

December 12, 2019

Product	**Number**
Comprehensive	**ILTC-4300, et al.**
Nursing Home Only	**INH-4300, et al.**

New York Life Insurance Company (New York Life) is requesting a rate increase on the above listed long-term care policy forms. These policy forms were issued in Maryland from September 1998 through December 2004 and are no longer being marketed in any jurisdiction.

Nationwide, the company is requesting the same rate increase.

1. Purpose of Filing

This actuarial memorandum has been prepared for the purpose of demonstrating that the requested rate increase meets the minimum requirements of sections 19 and 20 of the 2014 National Association of Insurance Commissioners (NAIC) Long-Term Care Insurance Model Regulation (Model Regulation). The enclosed supplement to the actuarial memorandum demonstrates compliance with the applicable regulatory requirements of this jurisdiction to the extent they differ from the Model Regulation, and includes other commonly requested information of this jurisdiction. It may not be suitable for other purposes.

2. Requested Rate Increase

New York Life is requesting the approval of an average premium rate increase of 28.3% on the above listed policy forms. The premium rate increase currently being requested is necessary due to higher than expected policy persistency and higher projected claims.

The company is requesting an 80.0% rate increase for policyholders with an attained age under 69, a 45.0% rate increase for policyholders with an attained age of 69 to 73, and a 0.0% rate increase for policyholders with an attained age 74 or above as of January 1, 2020.

Policyholders who reach attained age 74 as of January 1, 2020 will not receive a rate increase on their current premium. However, for those policyholders who have an attained age of 74 or older as of January 1, 2020, the 45.0% premium rate increase will apply to any voluntary plan changes elected by the policyholder after the implementation date of the rate increase or any voluntary future purchase options elected by the policyholder. Policyholders who have not reached attained age 74 as of January 1, 2020 will receive the rate increase on any future benefit changes regardless of age.

The company is aware of COMAR 31.14.01.04(5) and that the requested rate increase would result in an increase greater than 15%. The company requests an opportunity to work with the Administration so that the requested increase may be approved in its entirety.

Although our analysis indicates that a rate increase is necessary at all ages, we have decided to reduce the increase for any of our insureds who have attained age of 69 to 73 and forgo the increase for any of our insureds who have attained age 74 and above as of January 1, 2020. The company will be absorbing the cost of reducing the increase for those policyholders who have reached attained age 69 and the increases on those below attained age 69 have not been increased to subsidize insureds with attained ages 69 and higher.

This approach, which is in the best interests of our insureds, deviates from Actuarial Standards of Practice No. 12, section 3.2.1 and MD Article - Insurance §18-116.

Projected experience assuming this increase is implemented is shown in Exhibit I.

New York Life has elected to take a unique approach to our current request for a premium rate increase by guaranteeing premium rates in the future where the full amount of our requested premium increase is approved. As such, the company will update each policyholder’s policy, via an endorsement, to be non-cancellable rather than guaranteed renewable for those policy forms where our request is approved.

If less than the fully requested amount is approved, each policyholder's contract will remain guaranteed renewable. In that case, the company will continue to monitor the business and reserves the right to request additional rate increases in the future.

We believe that endorsing existing policies to make rates non-cancellable if the full increase is approved is in the best interest of our insureds because it will provide policyowners with certainty regarding future premiums and promote informed decisions. The requested rate increase was justified solely on the experience from the existing products and did not include an additional charge for the decision to make policies non-cancellable.

Corresponding rate tables, for policyholders with attained ages under age 69 and for policyholders with attained ages of 69 to 73 as of January 1, 2020, reflecting the rate increase are enclosed with this memorandum. These rate tables will also be used for any voluntary plan changes or any future purchase options elected by the policyholder. Because increased rates are still in excess of minimum loss ratios and policies will be endorsed to be non-cancellable, rather than guaranteed renewable where the full amount of our request is approved, the rates are not capped at the new business rate schedules. The current rate tables will continue to apply to the current premium for policyholders with attained age 74 and over as of January 1, 2020. Please note that the actual rates implemented may vary slightly due to implementation rounding algorithms.

3. Description of Benefits

These are federally tax-qualified, individually underwritten policy forms providing benefits for confinement in a nursing home or an assisted living facility up to a daily maximum benefit amount. A daily maximum benefit, benefit period, and elimination period were selected at issue.

Under form series ILTC-4300 benefits were also available for home and community-based care expenses up to a percentage of the nursing home daily benefit. Under form series INH-4300 no home health care benefits could be selected, but they could be added by rider after purchase (with underwriting).

At issue the insured may have had the option to choose between three inflation options: a simple inflation option, a compound inflation option, or a future purchase option. The simple inflation option provides for daily maximums and policy lifetime maximums that increase on each policy anniversary date by a fixed percentage (ranging from 1% to 6%) of the original amounts annually for the life of the policy. The compound inflation option provides for daily maximums and policy lifetime maximums that increase on each policy anniversary date by 5% of the current amount annually for the life of the policy. The future purchase option provides an option to purchase 5% annual increases in daily and policy maximums, without additional underwriting. This option allows up to four refusals, after which no future purchase options are allowed.

At issue, the insured may have had the option of selecting a nonforfeiture benefit rider. A rider providing that the policy becomes paid upon the death of the insured's spouse if certain conditions are satisfied may also have been available to insureds.

4. Renewability

These policy forms are guaranteed renewable for life. If the requested rate increase is approved in full, the company will update each policyholder's contract to be non-cancellable rather than guaranteed renewable.

5. Applicability

This filing is applicable to in-force policies only. The above listed policy forms are no longer being sold in any jurisdiction. The premium change will apply to the base forms and all riders associated with the base forms for policyholders with an attained age under 74 as of January 1, 2020. The rate changes will also be used for any voluntary plan changes or future purchase options elected by the policyholder. The current rates will continue to apply to the current premium for policyholders with attained age 74 and over as of January 1, 2020.

6. Actuarial Assumptions

The following assumptions are used to project the experience shown in this filing.

a. Morbidity reflects claim costs developed using the 2017 *Milliman Long-Term Care Guidelines (Guidelines)*, adjusted for New York Life's current experience relative to the *Guidelines*. The claim costs were adjusted to reflect the effects of elimination periods, policy maximums, salvage, and benefit eligibility standards.

b. Mortality Rates reflect the 2012 Individual Annuity Mortality Basic gender-distinct table (2012 IAM). The mortality rates were adjusted for mortality selection (varies by marital status, gender, policy duration, and issue age), underwriting selection factors (vary by policy duration and underwriting class), issue age factors, and attained age factors, based on company experience. Mortality improvement (varies by attained age and gender) is assumed through the valuation date.

c. Voluntary Lapse Rates vary by duration, issue age, gender and marital status as developed from historical experience.

d. Benefit Expiry Rates reflect assumed policy termination due to exhaustion of benefits on limited benefit period policies. The rates are based on historical experience and vary by gender, marital status, benefit period, attained age and duration.

e. Insured Behavior Due to the Rate Increase. In the year of rate increase implementation, an additional 0.9% of in-force policyholders on average are assumed to lapse, and a 1.3% reduction in premiums and claims on average is assumed due to reduced benefit option elections. A cumulative 0.4% increase in morbidity on average is assumed due to adverse selection from the rate increase.

f. Interest Rate is assumed to follow the best estimate assumption of 4.0%.

g. Annual Improvement is not assumed prospectively for morbidity or mortality.

h. Expenses have not been explicitly projected. Originally filed expense assumptions are assumed to remain appropriate. Normal New York Life renewal commission rates will be applied on any increase in premium.

i. Dividends are not projected in the current experience as the company has not historically paid a dividend on the above listed policy forms and does not anticipate paying a dividend in the future on the above listed policy forms.

The above assumptions are based on the experience of policies issued by New York Life, industry experience, and actuarial judgment. These assumptions are based on the nationwide experience of the particular policy forms in this filing and similar forms nationwide and are deemed reasonable for the particular policy forms in this filing.

In developing the morbidity assumption, the claim experience period spans from 2007 through 2016. For the persistency assumptions, the policy termination experience period spans from 2007 through 2016. The above assumptions are deemed reasonable for the particular policy forms in this filing. The assumptions described above reflect an estimate of the most likely outcome and do not reflect an explicit margin for conservatism.

Although the rates will become non-cancellable rather than guaranteed renewable, if the requested rate increase is approved in full, an explicit non-cancellable morbidity margin assumption for conservatism has not been included. Including a non-cancellable morbidity margin in the projections is unnecessary as the decision to make the rates non-cancellable is not based on an expected or required return on the business.

In establishing the assumptions described in this section, the policy design, underwriting, and claims adjudication practices for the above-referenced policy forms were taken into consideration. Appendix A to this memorandum provides a description of the development of and justification for the assumptions used in this filing.

7. Marketing Method

These policy forms were marketed by New York Life career agents and independent brokers.

8. Underwriting Description

These policies were individually underwritten with selective use of underwriting tools, which may have included face-to-face assessments and reviews of medical records. Four underwriting classes were utilized depending on the applicant's medical history.

9. Premiums

Premiums are unisex and payable for life except if the policy becomes paid up as described in Section 3 above. The premiums may vary by policy form, issue age, underwriting classification, benefit level, inflation option, premium mode, marital status, elimination period, benefit period, and optional coverages chosen.

A multi-life discount is also applied where policies were marketed on other than a one to one basis.

10. Issue Age Range

Issue ages are from 18 to 85.

11. Area Factors

Area factors are not used for the above listed policy forms.

12. Premium Modalization Rules

The following modal factors and percent distributions (based on the nationwide in-force insured count as of December 31, 2018) are applied to the annual premium (AP):

Premium Mode	Modal Factors	Percent Distribution
Annual	1.00*AP	33.6%
Semi-Annual	0.51*AP	5.6%
Quarterly	0.26*AP	7.4%
Monthly	0.09*AP	53.4%

13. Reserves

Active life reserves have not been used in this rate increase analysis. Claim reserves as of December 31, 2018 have been discounted to the incurral date of each respective claim and included in historical incurred claims. Incurred but not reported (IBNR) reserve balances as of December 31, 2018 have been allocated to a calendar year of incurral and included in historic incurred claims.

14. Trend Assumptions

As this is not medical insurance, an explicit medical cost trend is not included in the projections.

15. Demonstration of Satisfaction of Loss Ratio Requirements

Exhibit I provides actual and projected experience using current assumptions. Actual experience is provided from inception through 2018 and then projected on a seriatim basis for 75 years using the current assumptions described above in Section 6. The actual experience and projections have been restated to reflect a rate level approved in Maryland on a nationwide basis. The restated nationwide projections assume the previously approved rate increases in Maryland were implemented on each policy's first anniversary on or after the effective date of the increase. The after increase projected experience reflects the requested increase on a seriatim basis. The projections reflecting the rate increase assume that the increase is effective on each policy's first anniversary on or after January 1, 2020, but no sooner than 12 months after the prior rate increase was effective. The projections reflecting the rate increase also assume that no increase is applied to policyholders subject to the attained age carve-out.

Values in Exhibit I are shown (a) before and (b) after the requested rate increase. Included are calendar year earned premiums, incurred claims, end of year lives, annual loss ratios, and cumulative loss ratios. As shown in Exhibit I, the anticipated lifetime loss ratio with and without the requested rate increase exceeds the minimum loss ratio required by regulation.

Exhibit II provides a demonstration that the requested rate increase meets the 58%/85% minimum loss ratio test under moderately adverse conditions as required by post-rate stability regulation. This exhibit shows that the sum of the accumulated value of incurred claims without the inclusion of active life reserves, and the present value of projected incurred claims, without the inclusion of active life reserves, will not be less than the sum of the following:

1. Accumulated value of the initial earned premium times 58%,
2. 85% of the accumulated value of prior premium rate schedule increases,
3. Present value of projected initial earned premium times 58%, and
4. 85% of the present value of projected premium in excess of the projected initial earned premium.

The historical and future projected incurred claims were increased by 5.0% from the best-estimate projections in Exhibit I to reflect assumptions that include moderately adverse conditions (equates to a 5% deterioration in the lifetime loss ratio). Present and accumulated values in Exhibit II are determined at the maximum valuation interest rate for contract reserves over the issue period, which varies by issue year from 3.5% to 5.5%. The values shown in Exhibit II do not tie to those in Exhibit I because of differences in the interest rates used to accumulate and discount the values and because the incurred claims in Exhibit II are increased by 5.0% to reflect moderately adverse experience.

16. Actual-to-Expected Experience

Actual experience and projections in Exhibit I have been restated to reflect a rate level approved in Maryland on a nationwide basis as described in section 15 above. Expected experience in Exhibit I uses the actual policies sold and projects from issue on a seriatim basis using the original pricing assumptions.

Exhibit III provides a comparison of the current and original pricing assumptions that underlie the actual and expected experience described above.

17. History of Previous Rate Revisions

One prior increase has been approved and implemented on these policy forms. A 15.0% increase was approved on June 21, 2013 and implemented on each contract's next billing anniversary beginning January 11, 2014 for all policyholders.

18. Analysis Performed to Consider a Rate Increase

Exhibit I demonstrates that experience has been more adverse from that expected using original pricing assumptions as the actual-to-expected (A:E) loss ratios exceed 1.0. The premium rate increase currently being requested is necessary due to higher than expected policy persistency and higher projected claims.

Exhibit IV provides an analysis of actual and projected nationwide experience with respect to changes in interest, lapse (combination of voluntary lapse and benefit expiry), mortality, and morbidity and how changing each assumption from original pricing to current impacts the projected lifetime loss ratio. The current and original pricing assumptions are provided in Exhibit III.

For the business subject to rate stability regulation, an analysis of the projected loss ratio compared to that assumed at the time of original pricing revealed that experience has unfolded more than moderately adverse and crossed the original pricing threshold for which the company could consider a rate increase.

At the time the original rate schedule was priced, the management of New York Life determined that a rate schedule increase would be considered if there was a 5% increase in the original pricing lifetime loss ratio. Section 15 demonstrates that the lifetime loss ratio is well in excess of this assumed original pricing threshold. That is, the before increase A:E exceeds 1.05.

19. Average Annual Premium in Maryland (Based on December 31, 2018 In-Force)

Before increase: $1,919
After increase**:** $2,464*
**After increase average annual premium assumes rate increase implementation on policy anniversary date on or after January 1, 2020.*

20. Proposed Effective Date

This rate increase will apply to policies on their first policy anniversary date following at least a 60-day policyholder notification period following approval, but no sooner than January 1, 2020. Should a phased-in rate increase be approved, the company will notify policyholders of the series of rate increases at the time of implementation of the first year's rate increase. No policyholder will receive more than one increase during a 12-month period.

21. Distribution of Business as of December 31, 2018 (Based on Nationwide In-Force Insured Count)

By Issue Age:

Issue Ages	Nationwide Percent Distribution	Maryland Percent Distribution
< 45	13.4%	16.6%
45 - 49	13.5%	14.1%
50 - 54	21.3%	22.3%
55 - 59	21.3%	23.8%
60 - 64	17.1%	13.7%
65 - 69	9.4%	6.2%
70 - 74	3.2%	2.7%
75 - 79	0.7%	0.6%
80 +	0.1%	0.0%

By Elimination Period:

Elimination Period	Nationwide Percent Distribution	Maryland Percent Distribution
20-day	7.7%	4.2%
30-day	0.4%	0.0%
60-day	1.9%	0.0%
90-day	87.3%	93.2%
180-day	2.7%	2.6%

By Benefit Period:

Benefit Period	Nationwide Percent Distribution	Maryland Percent Distribution
1-Year	0.0%	0.0%
2-Year	1.6%	1.5%
3-Year	16.1%	20.7%
4-Year	3.0%	5.1%
5-Year	17.0%	19.3%
Unlimited	62.3%	53.4%

By Inflation Protection Option:

Inflation Option	Nationwide Percent Distribution	Maryland Percent Distribution
None	0.2%	0.8%
Simple	13.6%	21.1%
Compound	17.9%	27.3%
GPO	68.3%	50.8%

By Home Care (HC) Coverage Type:

HC Coverage Type	Nationwide Percent Distribution	Maryland Percent Distribution
Comprehensive	96.0%	98.5%
Nursing Home	4.0%	1.5%

22. Number of Insureds and Annualized Premium (Based on December 31, 2018 In-Force)

The number of insureds and annualized premium that will be affected by this rate increase filing are:

Attained Age	Maryland		Nationwide	
	Number of Insureds	Annualized Premium	Number of Insureds	Annualized Premium
<74	442	$655,484	16,737	23,387,432
74+	325	$816,737	16,851	38,814,618
Total	767	$1,472,221	33,588	62,202,050

23. Actuarial Certification

I am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries, and I meet the Academy's qualification standards for preparing health rate filings and to render the actuarial opinion contained herein.

This memorandum is in compliance, where applicable, with Actuarial Standard of Practice No. 8, "Regulatory Filings for Health Benefits, Accident and Health Insurance, and Entities Providing Health Benefits" and No. 18, "Long-Term Care Insurance" as adopted by the Actuarial Standards Board. This filing deviates from ASOP #12, section 3.2.1 as noted above.

I have relied on projection information provided by Amy Pahl, FSA, MAAA of Milliman Inc., who used data and assumptions from New York Life in developing those projections.

I hereby certify that, to the best of my knowledge and judgment, this rate submission is in compliance with the applicable laws and regulations of the State of Maryland and the rules of the department of insurance, except this filing deviates from MD Article - Insurance §18-116 as noted above.

In my opinion, the rates are not unfairly discriminatory and the gross premiums are not excessive and bear reasonable relationship to the benefits, based on the lifetime loss ratio exceeding the minimum loss ratio requirement. This filing will enhance premium adequacy, but may not be sufficient to certify that rates will remain stable under moderately adverse conditions, however, New York Life has elected to take a unique approach to our current request for a premium rate increase by guaranteeing premium rates in the future where the full amount of our requested premium increase is approved.

Sheryl M Babcock

Sheryl Babcock, FSA, MAAA
Corporate Vice President and Actuary, New York Life Insurance Company

Date: December 12, 2019