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Long-Term Care Insurance Reduced Benefit Options (EX) Subgroup

Conference Call

September 15, 2020

The Long-Term Care Insurance Reduced Benefit Options (EX) Subgroup of the Long-Term Care Insurance (EX) Task Force met via conference call Sept. 15, 2020. The following Subgroup members participated: Jessica K. Altman, Chair, and Shannen Logue (PA); Perry Kupferman (CA); Phillip Barlow (DC); Trinidad Navarro (DE); Andria Seip (IA); Robert H. Muriel (IL); James J. Donelon (LA); Karen Dennis (MI): Fred Andersen (MN); Rhonda Ahrens (NE); Hodgen Mainda (TN); Tomasz Serbinowski (UT); Scott A. White (VA); Anna Van Fleet (VT); Michael Bryant (WA); and Joylynn Fix (WV). Also participating were: Karl Knable (IN); and Matt Gendron (RI).

1. Adopted its Aug. 24 Minutes

The Subgroup met Aug. 24 to discuss comments received on the draft Reduced Benefit Options (RBO) Principles document.

Mr. Andersen made a motion, seconded by Mr. Muriel, to adopt the Subgroup’s Aug. 24 minutes (Attachment). The motion passed unanimously.

2. Discussed Comments Received on the Draft RBO Principles Document

Jan Graeber (American Council of Life Insurers—ACLI) gave an overview of a comment letter (Attachment) that was submitted by ACLI and America’s Health Insurance Plans (AHIP) that was submitted in response to the public exposure of a draft RBO Principles document.

3. Discussed a Draft RBO Consumer Notices Principles Document

Commissioner Altman presented a draft RBO Consumer Notices Principles document (Document) (Attachment), a draft checklist (Attachment) and three associated sample policyholder letters (Attachment, Attachment, Attachment). She said none of the documents have been exposed for public comment. She said Ms. Logue and Ms. Van Fleet will give overviews of the documents, and they will be exposed for public comment after all the documents have been explained.

Ms. Logue and Ms. Van Fleet gave an overview of the Document. Ms. Logue said during the exposure of the RBO Options document, comments were made on the importance of how RBOs are presented and explained to policyholders, and that those comments were considered as a part of the drafting process for the Document. She said sample letters were drafted to demonstrate the application of principles in the Document to actual communications with policyholders.

Ms. Logue said the checklist is a combination of principles found in the Document and elements from checklists currently used by various states.

Ms. Van Fleet gave an overview of the three sample letters. She said she believes there are three different categories of policyholders: 1) those with inflation protection; 2) those with an unlimited benefit period; and 3) those without inflation protection. She said that the three different types of policyholders need different information to make an informed RBO choice and that having three distinct letter types helps to ensure that only relevant information is presented in order to reduce confusion that may be caused by extraneous information.

Mr. Gendron asked if research has been conducted that determines if the order in which RBO types are presented affects which RBO is elected and, if so, whether the order of presentation should be an element of the principles. Ms. Logue said she is not aware of any such research. Ms. Van Fleet said she thinks accepting the rate increase and keeping current benefits should be the first option presented, and the nonforfeiture option should be the last option presented. Ms. Ahrens said no RBO should be portrayed as being a better value than retaining current benefits. She said that assigning value to any RBO is very difficult, as the value of any given RBO varies among policyholders. She said she agrees that accepting the rate increase and keeping current benefits should be the first option presented.

Mr. Knable asked how the letters can be structured so policyholders are very clear as to when and how much rate increases will be. Ms. Van Fleet said she thinks that the grid at the top of the letters clearly illustrates when increases are scheduled to occur and how much the increased premium will be.

Birny Birnbaum (Center for Economic Justice—CEJ) asked: 1) for the three categories of policyholders identified for the three letters, what the age, cognitive ability and reading comprehension characteristics are of each category; 2) whether documentation of consumer testing of RBO communication presentation can be produced; 3) what relationship the most frequently elected RBO has to a policyholder’s election of the RBO that best suits them; and 4) if testing of the hypothesis that order of RBO presentation affects rates of RBO type election is anticipated. Commissioner Altman said the consumer testing referenced relates to that conducted for Penn Treaty and that she will determine if this is information that can be shared publicly. She said the Subgroup has considered consumer testing of various RBO communications and that a determination of whether consumer testing will be conducted will be made as the Subgroup progresses with its work on the Document. She said she thinks information about RBO type election by policyholders has been gathered from regulators’ observations of policyholder behavior.

Ms. Van Fleet said the letters have not been Flesch-tested for readability. She said she used existing content from insurer communications as a starting point where applicable. She said she made attempts to simplify the language, and she asked that any plain language experts that participate in the Subgroup conference calls offer their assistance in further simplifying the letters. She said principles in the Document call for accessibility for all policyholders.

Commissioner Altman said another Subgroup conference call will be scheduled to continue discussion of the Document and letters.

Having no further business, the Long-Term Care Insurance Reduced Benefit Options (EX) Subgroup adjourned.

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