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

Conference Call

October 1, 2020

The Long-Term Care Insurance Reduced Benefit Options (EX) Subgroup of the Long-Term Care Insurance (EX) Task Force met via conference call Oct. 1, 2020. The following Subgroup members participated: Jessica K. Altman, Chair, and Shannen Logue (PA); Lori K. Wing-Heir (AK); Perry Kupferman (CA); Phillip Barlow (DC); Trinidad Navarro (DE); Andria Seip (IA); Rich Piazza (LA); Karen Dennis (MI): Fred Andersen (MN); Rhonda Ahrens (NE); Larry D. Deiter (SD); Hodgen Mainda (TN); Tomasz Serbinowski (UT); Scott A. White (VA); Anna Van Fleet (VT); Mike Kreidler (WA); and Joylynn Fix (WV).

1. Adopted its Sept. 15 Minutes

The Subgroup met Sept. 15 to discuss a draft Reduced Benefit Options (RBO) Consumer Notices Principles document (Consumer Document).

Mr. Andersen made a motion, seconded by Mr. Piazza, to adopt the Subgroup’s Sept. 15 minutes (Attachment XX). The motion passed unanimously.

2. Discussed Penn Treaty Materials

Ms. Logue gave an overview of a Pennsylvania Insurance Department Long-Term Care Insurance (LTCI) RBO Letter Best Practices document (Attachment XX) that resulted from focus groups and telephonic interviews with policyholders conducted by Penn Treaty to evaluate potential rehabilitation plan options, including necessary benefit and rate changes. She said this work was done during the Penn Treaty rehabilitation and liquidation period from 2009 to 2017.

Mr. Kupferman asked if the actual policyholder election of a cash buyout option was as high as the 20% indicated in the survey of policyholders and if the cash buyout option benefited Penn Treaty financially. Ms. Logue said she does not know if the company benefited financially, and the actual policyholder uptake of the cash buyout option was closer to 12%.

Bonnie Burns (California Health Advocates—CHA) asked what it means to convert a policy from non-tax qualified to tax qualified. Ms. Logue said it may have been intended to convert from a tax qualified policy to a non-tax qualified policy, and she will investigate the possible error and determine exactly what is being offered to policyholders.

Birny Birnbaum (Center for Economic Justice—CEJ) asked what influence the value indicators presented for each option influenced by policyholder RBO election. Ms. Logue said she will contact Penn Treaty staff and ask if they have this information. Mr. Birnbaum said the differences in value indicators implies that the various options are not actuarially equivalent. He said the options should all provide value that is equal across the selections.

Commissioner Altman said she believes the research conducted by Penn Treaty was intended to ensure clarity in its communications to policyholders, and the results of actual communications and election of RBOs was not evaluated in depth. She said because of this, some of Mr. Birnbaum’s questions may not be able to be answered.

3. Discussed a Draft Consumer Document

Commissioner Altman presented a draft Consumer Document (Attachment XX) and a draft checklist (Attachment XX). She asked if state insurance regulators have any questions about the Consumer Document and if there is anything that should be revised before it is exposed for public comment. Ms. Ahrens said the document should be reviewed for the proper usage of “should,” “must” and “consider” as they apply to the principles.

Jan Graeber (American Council of Life Insurers—ACLI) said the ACLI wants to know how the Subgroup envisions the Consumer Document being used. She asked if the Subgroup views the principles as considerations for insurers or as requirements. Commissioner Altman said the Subgroup intends to use the Consumer Document as a way to inform the Multistate Actuarial LTCI Rate Review Team (MSA Team) of considerations when reviewing RBOs and their communication, realizing that the ultimate decision concerning all aspects of the rate increase determination is the decision of each state. She said the Subgroup will need to work with other NAIC groups to determine if elements of the Consumer Document, as well as the RBO Principles Document, will need to be incorporated into relevant NAIC model laws and regulations.

Mr. Andersen said after exposure comments have been received, the Subgroup will be in a better position to determine if the Consumer Document is intended as guidance or as something more prescriptive. He said the Subgroup desires greater uniformity, but the ultimate decision is to be made by each individual state.

Commissioner Altman said the main purpose of the Consumer Document is to inform the MSA Team of aspects the Subgroup believes need to be considered in RBO review, but it can also be used as a resource for states apart from advisory opinions produced by the MSA Team.

Ms. Van Fleet said the checklist is intended as a tool for state insurance regulators that will help them to ask all the questions needed to do a thorough RBO communications review.

Commissioner Altman asked if sample letters should be a part of the formal Consumer Document product. Mr. Birnbaum said the CEJ supports the inclusion of sample letters. The Subgroup determined that sample letters will be developed after the Consumer Document has been completed so it can inform the content of the sample letters.

4. Exposed a Draft Consumer Document and RBO Principles Document

Commissioner Altman said the Subgroup will formally expose the Draft Consumer Document and Draft RBO Principles Document for a 30-day public comment period.

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

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