

November 8, 2020

Commissioner Jessica Altman, Chair

Members of The Long Term Care Reduced Benefits Subgroup (Ex TF)

Reduced Benefit Options Workstream (#3)

Re: Draft RBO Principals and RBO Consumer Notices Principles

Dear Commissioner Altman:

We appreciate the work of the sub-group in laying out draft principals for state insurance departments to consider when evaluating Reduced Benefit Options (RBO) and RBO Notices to policyholders.

In regard to: *Principles on Long-Term Care Reduced Benefit Options Presented in Policyholder Notification Materials*

We are generally in agreement with the principals listed in this document. However a request that insurers consider using or complying with these principles has no strength of regulation or regulatory compliance. The issues that resulted in this workstream came directly from complaints about the complexity and variations of current notices, and questions and problems stemming from these notices. Stronger regulatory action and requirements are unquestionably necessary, and we hope the group takes a much stronger approach to the use and application of these principals.

In regard to: *Reduced benefit options associated with long-term care insurance (ltci) rate increases*

The sub-group has been discussing how to evaluate RBO options that might be offered and how information about those options should be conveyed to policyholders. California Health Advocates (CHA) submits these comments based on our observations and experiences with clients referred to us by our SHIP network (HICAP). We will submit comments and questions on the draft document in track changes separately from these comments.

We have seen an increasing number of complex premium increase notices with varying numbers of RBO options and premium offsets. The length and complexity of these premium increase notices are difficult for policyholders to evaluate. They and their family members are often overwhelmed by dense language and mysterious choices in a multipage notice with text and boxes. Policyholders are unable to weigh the value of any RBO against the amount of premium reduction offered, and sometimes make questionable choices based on dollars and dollar savings without understanding the impact of changes to their benefits.

Suggested Standards for Policyholder Notices

We have some broad suggestions and examples regarding the format and content of notices that notify policyholders of a premium increase, and subsequent options that might be exercised to reduce the amount of an increase. Some of these suggestions have been submitted in prior comments. Here are some examples to consider:

* A notice should begin with a cover page that clearly identifies the broad topics included in the notice and the pages where each broad topic can be found. Each technical word should be bolded and the reader referred to a glossary included in the notice.
	+ Each page should have a title to reflect the information on that page, for example: These Are Your Options To Reduce The Amount Of Your Premium Increase
* RBOs should be expressed in simple clear language: Your premiums will increase to $$$ on 00-00-00. Here is the premium you pay now ($$$ box) and the benefits you have now (listed). You have until 00-00-00 to make any changes and reduce the increased premium. This is the amount of premium ($$$$) you will pay if you don’t make any changes to your benefits.
* Readers should be directed to specific pages for specific information: See page XX for options you have to reduce the amount of the new premium and how each of these choices affects the premium you will pay on 00-00-00.
	+ Here is where you can get help understanding these choices.
	+ See page XXXXX to understand why your premium is increasing. You will find other important information on this page.
* Text and boxes on each page should be expressed in simple, easy to understand language and there should be clear separation between each item and cell. Each box should be clearly labeled and each cell should have white space and bold lines between each cell.

From our experience we know that changes like these will help policyholders and their family members understand and choose the most suitable options for their individual circumstances.

Industry Data

We have previously commented on information that we believe regulators should have about RBOs, premium reductions, and policyholder actions and reactions to these offers. We believe that regulators need greater understanding of the effect of premium increases and policyholder actions as a result of those increases. For instance, we hear frequently that “most people pay the increased premium.” We are not aware of any available information about policyholders who don’t pay the increase, what actions were taken by policyholders to avoid an increase, or what actions might occur in the months following an increase.

* Which RBOs are exercised more frequently than others?
* If insurers offer the reduction or elimination of less common benefits such as return of premium, or some other contractual option like limited pay, what effect do those benefits have on premium increases, premium reductions, and lapses immediately or later?
* Do insurers offer a full range of RBO options with each incremental increase, or only with an initial rate increase? Do RBO offers change with subsequent increases? Are policyholders notified in a clear and prominent way about known rate increases or the potential for future rate increases as part of their RBO decisions?
* If insurers offer a cash benefit option how is the amount of that option calculated? What questions do policyholders ask about this RBO and how frequently is this option exercised?
* How many Partnership policyholders have lost asset protection by exercising an RBO? Which states have the highest number of lost Partnership asset protection?
* How often do insureds or their family members request reductions outside of the limited application of a premium increase? Are such requests granted?
* What percentage of policyholders, in a class or within a policy form, lapse with the first, second, or third premium increase?
* Do lapses increase in six to 12 months following a premium increase? What age ranges account for the most lapses? What is the age range for the highest and lowest numbers of lapses?
* Do insurers notify the agent of record when a premium increase is imposed? Does an agent get a list of their clients being affected by a rate increase and information about RBO offers? What happens to orphaned policyholders when an agent of record is no longer available? Is an agent’s commission affected by the RBO choices a policyholder makes?

Pricing, Value, and Premium Reductions

We are concerned about the value of each RBO offered and how values are assigned to each option. There aren’t clear measurements for the value of one option over another, nor is it clear if an insurer benefits from one option more than another.

There are many questions that remain to be answered about how premium reductions are calculated and how some options may affect the remaining pool of insureds over time. These pricing issues are critically important for policyholders with legacy policies of long duration as those pools grade down to increasingly smaller numbers of insureds over time and the risk of future increases grows larger.

We look forward to continuing discussions of these issues. Thank you for the opportunity to comment and I look forward to continued discussion of these issues.

Sincerely,



Bonnie Burns, Consultant

California Health Advocates