

December 8, 2022

Commissioner Marlene Caride, Chair

NAIC Senior Issues Task Force

Re: Models 640 and 641

Dear Commissioner Caride:

California Health Advocates has commented extensively on NAIC Models 640 and 641 over many years. We have long standing experience with the marketing, sales, benefits, and premiums of long-term care insurance and have commented for decades on these issues and on the experience of consumers with these products. We have witnessed the evolving structure of these products from the early 1980’s to the present. We are deeply concerned that the current models do not adequately reflect the current marketplace. In addition we believe there are huge holes in regulatory requirements that disadvantage consumers. We do not believe that these models adequately reflect the marketplace or the benefits being added to or combined with life and annuity products of multiple design platforms and benefits.

Consumers are being asked to invest in products with two, sometimes three complicated types of coverage rolled into one. For instance consumers buying life insurance with an accelerated death benefit for long-term care expenses are unaware that the death benefit upon which their long-term care benefits are based seldom increases over their lifetime even as their cash value may grow. Twenty years from now their static long-term care benefit will be inadequate to pay for their care. Consumers buying indexed variable life products --combining life, investments, and long-term care benefits-- have even less understanding of how the various components of this product will be available to pay for care decades later. Indeed, many agents do not understand the products they sell well enough to explain the various components of these products and the amount of long-term care expenses that will be covered decades later.

A cursory review of the comments that were recorded during the many calls of the now defunct Model Review Subgroup reveals the many ways the current models do not adequately address the evolving marketplace. At a bare minimum, current disclosures are completely inadequate for the purpose of helping applicants to understand how their long-term care costs will be protected by the benefits of combination life and annuity products they buy for that purpose.

A subgroup on benefit options evaporated, leaving that topic to the discretion of insurers. Policyholders are receiving premium increase notices and various options to reduce the impact of that new cost in return for giving up benefits they previously purchased. They have few if any ideas about how to exercise those options to their best advantage. Again, the models do not address these issues.

We hope the task force will consider bringing these models up to date.

Sincerely,

Bonnie Burns