



LTCI Rate Increase Letters and Choice

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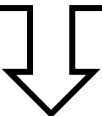
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NAIC  NATIONAL ASSOCIATION OF
INSURANCE COMMISSIONERS



Faced with rate increases, LTCI policyholders have choices, including reduced benefit options (RBOs)

	Company	Premium Increase	Reduce Benefits	Annual Premium	Maximum Lifetime Benefit	Value Indicator	Check ONE Box
CURRENT COVERAGE		----	----	\$3,782	\$367,000	22.40	
OPTION 1 (DEFAULT)		+0.0%	-15.5%	\$3,782	\$320,000	18.93	1
OPTION 2A		+0.0%	-32.8%	\$3,782	\$252,000	15.04	2A
OPTION 2B		+25.0%	-23.7%	\$4,728	\$287,000	13.68	2B
OPTION 2C		+50.0%	-12.3%	\$5,673	\$321,000	12.77	2C
OPTION 2D		+75.0%	-5.3%	\$6,619	\$356,000	12.12	2D
OPTION 2E		+89.5%	-0.0%	\$7,166	\$376,000	11.82	2E

NAIC LTCI RBO Guidance

- RBO Principles – Adopted Nov. 2020
 - https://content.naic.org/sites/default/files/inline-files/Two_RBO%20Principles_Adopted_TPR.pdf
- RBO Communication Principles – Adopted Nov. 2020
 - https://content.naic.org/sites/default/files/inline-files/Three_RBO_Communication_Principles_Adopted_TPR.pdf
- RBO Communication Checklists – Adopted Nov. 2021; Amended March 2023
 - https://content.naic.org/sites/default/files/inline-files/LTC%28EX%29TF_RBO_Communication_Checklist_3.13.23%20Adopted.docx
- LTC Wellness Issues
 - https://content.naic.org/sites/default/files/inline-files/LTC%20wellness%20program%20issues%20-%20120721%20RBO%20SG%20-%20adopted_0.docx



Central Regulatory Questions

When LTCI policyholders are presented with a rate increase and RBO choices:

- What do they choose to do? & Which factors influence their choices?
- What is consumer understanding and perception of RBO choices?

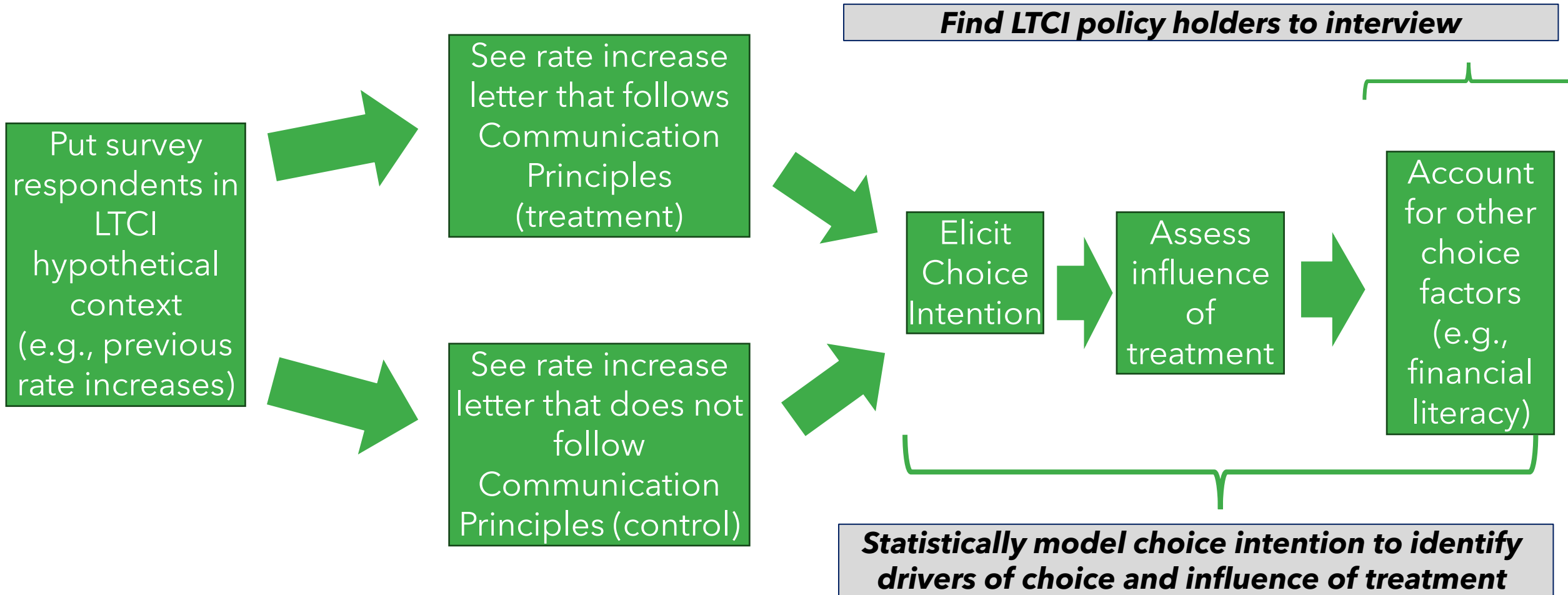
As State DOIs have incorporated some of the Communication Principles and Checklists into their review process, how effective are these components? Specifically for checklist categories:

- Understanding Policy Options
- Communication Touch and Tone

How to best address these questions?



LTCI RBO Choice Selection Experiment





Previous CIPR Research

Qualitative interviews with 14 financial planners (Cude, Groshong, & Burns, 2022)

- Focused on client experiences with rate increases and reduced benefit options

Key takeaways

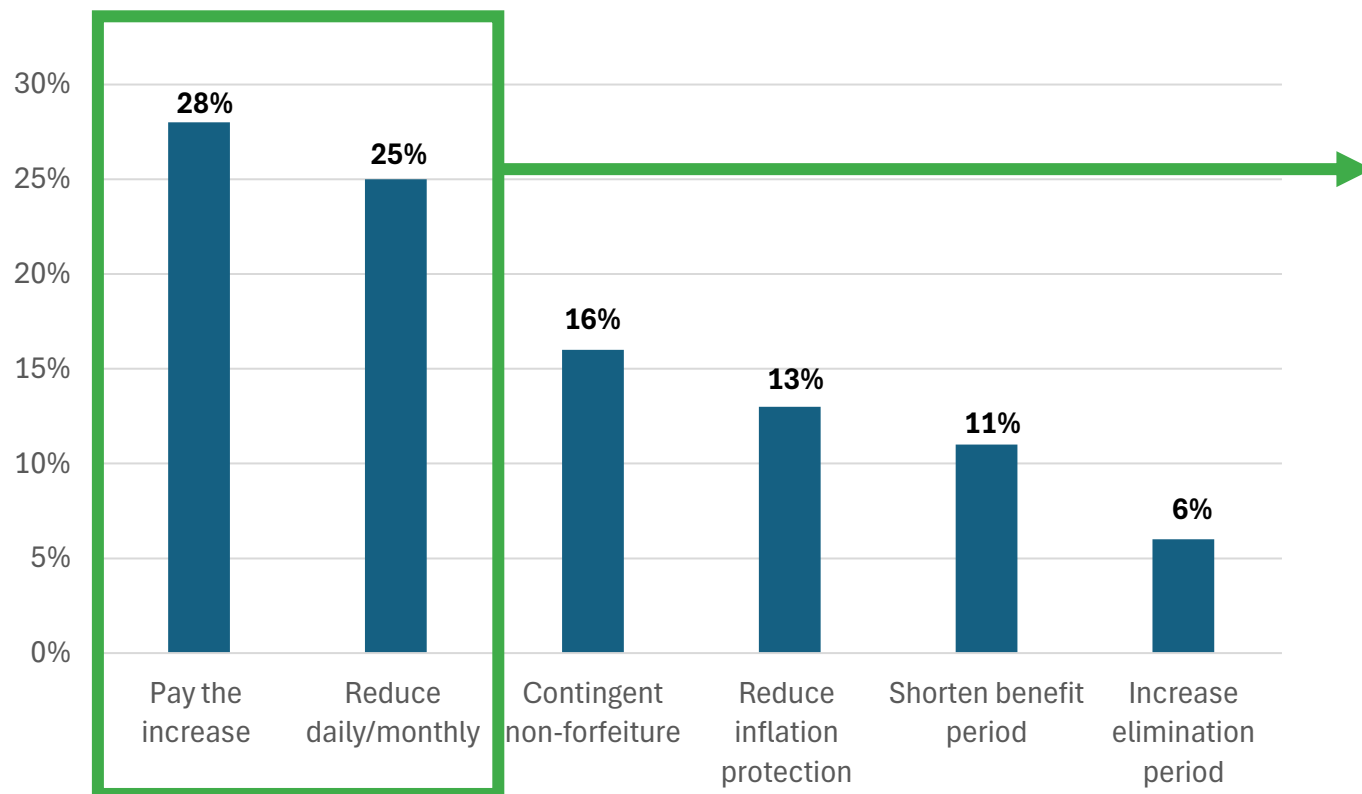
- The notices don't help customers understand the RBO options
 - Policyholders understand the communication and not the repercussions
- The notices create undue stress and false impressions
 - The result is amplified emotions and a sense of urgency
 - All the options aren't listed
- Policyholders aren't prepared
 - The options are presented out of context
 - Policyholders don't understand future implications

Confusion and anger



Response to Rate Increase

1,118 respondents
66% older than 65
12% had traditional LTCI



- This pattern holds for those with LTCI and those with no coverage
- This result is also consistent with previous LTCI reports



Statistical Analyses Results Summary

- Participants were **more likely** to accept the premium increase if they:
 - Were asked to assume a prior rate increase
 - Thought the letter was clear
 - Answered more of the financial knowledge questions correctly
 - Thought they would need long-term care in the future
 - Had more positive attitudes about their choices
 - Thought they had more behavioral control about their LTCI choices
- Participants were **less likely** to accept the premium increase if they were female

**CIPR will
publish a
report with
complete
findings
soon.**



Implications of Results

- Prior rate increases: Sunk cost fallacy
- Clear letter: Could influence trust as well as empowerment
- Financial knowledge: Perhaps better understand choices as well as own financial situation
- Anticipate future LTC needs: Increases perceived value of LTCI
- Positive attitudes about their choices: More accepting of rate increase
- Greater behavioral control about LTCI choices: Confidence



Implications of Results (cont'd)

- Gender: Women may plan to rely on family more than men. Also, may think they have longer to plan. Were more likely to accept contingent nonforfeiture offer, perhaps thinking that would cover needs.
- Income might not be the right measure of financial resources.



What Can Regulators Do?

- **Continue to improve the Checklist for Premium Increase Communications**
 - Tables that clearly illustrate the impact of choices on premiums
 - Simpler language with less jargon
 - ✓ Plain language emphasizes brevity: short sentences, short paragraphs, and short sections.
 - ✓ Plain language prefers using present tense verbs and active voice.
 - ✓ Writing with simple words and phrases, minimizing jargon, abbreviations, and definitions exemplify plain language.



What Can Regulators Do? (cont'd)

- **More education and information about making choices**
 - What explains rate increases?
 - How can I assess the options?
 - Who can help me with this choice? (Partnerships with SHIP, financial planning associations)
 - Gender-specific communications?



Next Steps for CIPR

- Release report
- Continue to engage with the SITF in conjunction with their 2025 charges

“Develop appropriate regulatory standards and revisions, as necessary, to the NAIC models, consumer guides, and training material on LTCI, including the study and evaluation of evolving LTCI product design, rating, suitability, and other related factors. Monitor ongoing research and maintenance of guidance regarding reduced benefit options (RBOs) and make necessary modifications to the *Long-Term Care Insurance Model Act* (#640) and the *Long-Term Care Insurance Model Regulation* (#641). Work with federal agencies, as appropriate.”



Potential Research Questions:

1. How would modifying the language used in the letter (“plain language”, reading level, etc.) impact clarity and choice?

How to test this:

Test letters that use a lower reading level and remove complicated “insurance language” and jargon where applicable.

2. Should all rate increase letters include values for each of the options?

How to test this:

Provide letters with a table that shows the impact of each choice on their premium.

3. What additional criteria from the Principles and Guidelines could be tested and how will this impact clarity and choice?

How to test this: *Continue looking at consumer understanding and perceptions of RBO options by examining:*

1. *The perceived value of the options*
2. *The impact of the decision*



Please use the link or QR Code to provide feedback to CIPR on future research topics.

https://naic.sjc1.qualtrics.com/jfe/form/SV_d5VmiycdHoR7l3g

