# AUTHORITY

The Long-Term Care Insurance Reduced Benefit Options (RBO) (EX) Subgroup is composed of regulators from 17 state insurance departments. It has been tasked with assisting the Long-Term Care Insurance (EX) Task Force in completing the following charge:

*Identify options to provide consumers with choices regarding modifications to long-term care insurance (LTCI) contract benefits where policies are no longer affordable due to rate increases.*

The workstream members have established the following as part of the work plan to complete the charge:

* Evaluate quality of consumer notices and reduced benefit options materials presented to policyholders
* Consider the relevant lessons learned and consumer focus group studies from the Penn Treaty liquidation
* Review existing reduced benefit option consumer notice checklists or principle documents from multiple states (VT, TX, NE, PA)
* Address pertinent comments submitted on the reduced benefit option principles document

# INTRODUCTION

This document seeks to provide guiding principles in answering this question:

What are the recommendations for ensuring long-term care insurance policyholders have maximized opportunity to make reduced benefit decisions that are in their best interest?

National Association of Insurance Commissioners (NAIC) Principles on Long-Term Care Reduced Benefit Options Presented in Policyholder Notification Materials

**RECOMMENDS** that insurance companies adhere to these fundamental principles.

**CALLS ON** all insurance companies to consider the following principles in communicating reduced benefit options available to consumers in the event of a rate increase.

**UNDERLINES** the following principles are complementary and should be considered as a whole.

# Filing Rate Action Letters

Insurers should consider:

* Sending rate actions after the state has approved the rate action filing.
* Making the rate action effective on a policy anniversary date.
* Mailing rate increase notification letters 45-60 days prior to the date(s) a rate actions becomes effective.
* Sending rate increase notifications each year for rate increases that are phased-in over multiple years.
* Disclosing all associated future planned rate increases approved by the regulators in the initial and phased-in rate increase notification letters.
* Filing rate action letter templates in the SERFF rate increase filing to include statements of variability and sample letters highlighting the differences between the communications.
* Presenting innovative options to the state regulators prior to filing new reduced benefit options.
  + This enables the regulators to evaluate potential anti-selection, adverse morbidity, and implications to the consumer and future claims experience.

# Readability and Accessibility

Insurers should consider:

* Drafting a rate action letter that is easy to follow, flows logically, and displays the essential information and/or the primary action first, followed by the nonessential information.
* Presenting the reduced benefit options in a way that is comprehensible, memorable, and adjusted to the needs of the audience.
* The letter should consider the use of plain language, headers, maximized white space, appropriate font size and reading level for the intended audience.
* Utilizing bullets, illustrations, and graphs or charts enabling a side-by-side comparison.
* Including definitions of complex terms and if a term, subject, or warning is repeated throughout the communication, consider making the language consistent throughout the document.
* Including Q&A’s that are succinct but answer the commonly asked questions in plain language.
* Providing accessibility of its online and written material to all interested parties, to include those with disabilities such as blindness or low vision, deafness and hearing loss, learning disabilities, cognitive limitations, limited movement, speech disabilities, photosensitivity and combinations of these.
* Offering translation services for policyholders for whom English is not a first language.

# Identification

Insurers should consider drafting the reduction benefit communication in a way that assistances the policy holder in understanding:

* What is happening?
* Why it is happening to them?
  + Ensure the letter does not negatively reference the department of insurance
* When is it happening?
* What can they do about it?
* How do they take action?

# Communication Touch and Tone

Insurers should consider:

* Drafting the communication in a way that helps the policy holder envision or reflect on the reason(s) why they purchased a long-term care insurance policy.
* Conveying as much empathy as possible regarding the impact a rate action(s) may have on the policy holder(s).
* Presenting all the reduced benefit options fairly, refraining from the use of bolding, repeating, or emphasizing one option over another.
* Displaying the ability to maintain current benefits and pay the increased premium before other options.
* Using word choices that appreciates how those words could influence a policy-holder’s decision.
  + For instance, consider using “Now” instead of “Must” or “Mitigation Options”, “Offset Premium Impact” or “Manage an Increase” instead of “Avoid an Increase”

# Consultation and Contact Information

The insurer should consider listing multiple contacts in the communication in an easy to identify location to include the phone number, email address, and website information when available. For example:

* Customer Service
* Lapse Notifier
* The Producer
* Department of Insurance
* Area Agency on Aging
* State Health Insurance Assistance Program (SHIP)

The insurer should consider suggesting the policy holder consult with one or more sources, such as:

* Family members
* Lapse Notifier
* The Producer
* Financial Advisor
* Certified Personal Accountant or Tax Advisor (in the event there are cash buy outs offered)

# Understanding Policy Options

## Insurers should consider the presentation of the communication by:

* Identifying what necessitated the communication on the first page.
  + For example, the header could say, “Your Long-Term Care Premiums Are Increasing”.
* Including the reduced benefit options with the rate action letter.
* Limiting the number of options displayed on the letter to no more than four or five.
* Identifying which reduced benefit option(s) have limited timeframes.
* Advising they can ask about reducing their benefits at any time regardless of a rate increase.
* Providing enough information in the communication to make a decision.
  + If supplemental materials (e.g. insurer’s website) are provided, they would enhance the policy holder’s understanding, but not be necessary to use when making a decision.

## Insurer should consider indicating the window of time to act by:

* Clearly indicating what the policy holder’s premium will increase to and by when.
* Displaying the due date(s) in an easy to identify location and repeat it multiple times throughout the document.
* Clearly differentiating due date(s) for each reduction option if available for a limited time.

## Insurers should consider including disclosures regarding rate increase history:

* Disclosing that future rate actions could occur
* Advising if prior rate actions have or have not occurred to include:
  + - Policy form(s) impacted
    - Calendar year(s) the policy form(s) was available for purchase
    - Percent of increase approved to include the minimum and maximum if it varied by benefit type
* Reminding policy holders that their policy is guaranteed renewable

## Insurers should consider advising policy holders of their current benefits:

* For example, the communication could disclose the policy holder’s current benefits to include:
* Daily maximum amount
* Inflation option
* If Partnership protection applies
* Current pool of benefits (reflective of approximate amount available for claim)
* If inflation applies, also include the projected pool of benefits five and fifteen years into the future.

Insurers should consider personal needs decision making by:

* Only listing reduced benefit options that are available to the policy holder.
* Calling on the policy holder to reflect on how each option could impact them personally.
* Prompting the policy holder to consider their unique situation to include their current age, health conditions, financial position, availability of caregivers, spouse or partner impacts, and the potential need for institutionalized care.
* Informing the policy holder of factors that impact long-term care costs, such as:
* The average cost of care for in-home care, assisted living, and nursing home in their area.
* The inflation rate of the cost of care for in-home and nursing home care in their area.
* The average age and duration of a long-term care claim for in-home and nursing home care.
* Factors that influence the age, duration, and cost of a claim.
* Disclosing when a reduction option falls below the cost of care in their area.
* Calculating the number of days or months a paid-up option could cover based on the cost of care in their area.
* Buy Out or Cash Out Disclosures
  + The cash offerings should disclose to the policy holder that the option could result in a taxable event and they should consult with their certified personal accountant or tax advisor before electing this option

## Insurers should consider the value of each option by:

* Disclosing if the reduced benefit options are not actuarially equivalent.
* Including a value indicator for each option that shows the value of expected benefits in relation to premium.
* Limiting reduced benefit options that have lower value to policy holders, such as eliminating the option to reduce the daily benefit amount.
  + Consumer studies show policy holders would only reduce the daily amount as a last option to keep their policy affordable (Penn Treaty).
* Reminding the policy holder if reducing to the lowest option available, they may have limited options to mitigate future rate increases.

## Insurers should consider communicating the impact of each option by:

* Displaying the options in a way that enables the policy holder to compare each option side-by-side to include details such as:
  + Daily/Monthly Benefit
  + Benefit Period
  + Inflation Option
  + Maximum Lifetime Amount
  + Value Indicator
  + Premium Increase Percent
  + Benefit Decrease Percent
  + NFO or CNF Amount
  + If Still Partnership Qualified
  + Current Premium
  + New Premium
* Projecting how a reduction of the inflation protection could impact the premium and future coverage amounts by:
  + Illustrating the change in the benefit pool out five and fifteen years into the future revealing how the inflation is being recalculated if going back to original benefit amount.
* Providing a series of questions to help policy holders contemplate the pros and cons of each option, such as:
  + What will happen if they take no action?
  + What happens if they make no payment before the policy anniversary date?
  + If they accept the full increase without reducing their benefits, how will they handle potential future rate increases?
  + If they elect the cash buy out, there could be tax implications.
  + If they elect a paid up nonforfeiture option, how long will the reduced benefit last if they had a claim?
  + If they were to increase their elimination period from 30 days to 100 days, do they have enough funds to cover those expenses?
  + Partnership policies: Will reducing the benefits remove partnership qualification? If so, the letter should explain how their asset protection is removed or reduced.

## When rate actions span over multiple years, insurers should consider:

* Disclosing the full rate increase amount, how it is spread out across multiple years, and all associated future planned rate increases approved by regulators.
* Specifying if the premium increase referenced is the first, second, third, last, etc.
* Offering contingent nonforfeiture based on the full increase amount and offered with each phase of the rate action.
* Notifying policyholders 45-60 days in advance of each phase of the rate increase.