

NAIC Senior Issues Task Force  
Public Hearing  
on

# Long Term Insurance

The Evolution of the NAIC Model Act and Regulation

By

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# Introduction

- The long-term care insurance market has evolved over the last 25 years
- As the market has evolved, so has the regulatory framework for the product
- The legislative history of the NAIC LTCI model act and regulation reflects the regulatory response to the evolving marketplace

# NAIC LTCI Model Act

- Adopted in December of 1986
- The Act was amended 16 times since its initial adoption through March, 2009

# NAIC LTCI Model Regulation

- First Adopted in December of 1987
- Through September of 2009, the Model Regulation was amended 22 times

# Evolution of the NAIC LTCI Models

- The problem with nursing home insurance
- When nursing home insurance became long term care insurance
- The medical model and the life insurance model for covering long term care
- Federal interest in LTCI
  - Pepper Commission
  - HIPAA

# Evolution of the NAIC LTCI Models

- “If states can’t regulate this product, we will”  
– Congress
- NAIC responds to the challenge of addressing the regulation of the long term care insurance
- Starting in 1985 and beyond the models have been regularly updated in response to federal law (HIPAA, for example) and dislocations in the market (benefit triggers)

# Evolution of the NAIC LTCI Models

- Definition of long term care insurance
- Pre-existing condition limitations
- Incontestability period
- Non-forfeiture option
- Contingent non-forfeiture
- The saga of rate stability
- Inflation protection
- Unintentional lapse
- Consumer disclosure provisions

# Evolution of the NAIC LTCI Models

- Voluntary reduction in benefits to mitigate premium increases
- Benefit triggers
  - Activities of Daily Living (ADLs)
  - Cognitive Impairment
- Benefit standards – the least benefit cannot be less than 50% of the highest benefit



# Evolution of the NAIC LTCI Models

- Federal law impact on long term care insurance
- HIPAA
  - Tax-qualified long term care insurance
  - Standards for tax-qualified policies
- Partnership Policies
  - Preserving assets for qualified policyholders
  - Deferring Medicaid costs for states

# Conclusion

- Funding the nation's long term care costs
- Square peg in a round hole
- Chronic vs. Acute
- Problems with the medical insurance model

# Conclusion

- The market has changed considerably in the last 20 years
  - Consolidation
  - Nature of the policyholder has changed
- The product, with its consumer protections has improved considerably
- Its reputation, although improved, is still challenged
- It may be time to look at a new regulatory response to long term care insurance

# Questions