NAIC Senior Issues Task Force
Public Hearing on
Long Term Insurance

The Evolution of the NAIC Model Act and Regulation
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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