CALIFORNIA HEALTH ADVOCATES
Medicare: Policy, Advocacy and Education

September 18, 2026

Ned Gains, Chair
Jom Godfried,Vice-Chair
NAIC Senior Issues Task Force Members

Re: Survey of State Review Processes of LTC Riders to Life Products and Annuities

Dear Chair Gaines, Vice Chair Godfred, and Members of the Task Force:

Thank you for undertaking the Survey of State Review Processes of LTC Riders to Life Products and Annuities. The survey shows that states take substantially different approaches to the filing, review, and approval of these hybrid life and annuity products with purported long-term care riders. The survey provides the foundation for future examination by the Task Force and other Committees of the NAIC.

The survey, however, has a threshold classification problem that should be resolved before the results are used to assess regulatory practices or develop policy recommendations. The survey does not distinguish between a rider intended to qualify as long-term care insurance under Internal Revenue Code § 7702B and an accelerated-death-benefit rider for chronic or terminal illness under Internal Revenue Code § 101(g). It also does not distinguish a pure acceleration-of-death-benefit rider from an extension-of-benefit or restoration rider that may provide benefits beyond the death benefit.

These are not interchangeable product categories. They may differ in tax treatment, product design, marketing limitations, consumer expectations, benefit triggers, disclosures, pricing, and application of LTC-specific consumer protections.

The importance of this distinction is supported by available market information indicating that chronic-illness acceleration riders represent a substantial share of individual life combination-product sales. LIMRA reported that chronic-illness acceleration riders represented more than two-thirds of all combination-product sales in 2020.[1] LIMRA also reported that nearly 559,000 individual life combination-product policies were sold in 2021 and that chronic-illness acceleration riders continued to dominate the acceleration-rider market.[2] The publicly available materials, however, do not identify the precise number of 2021 policies associated with each rider category. The survey likewise does not identify which product types are included in the category “LTC riders.”

These figures are useful industry estimates of new individual sales. They are not a public regulatory census of all policies in force, premium volume, benefit exposure, lapses, or claims.

There is little publicly available information about the experience of riders beyond initial sales data. That information remains unexplored territory.

Chronic Illness Riders

A LIMRA-reported figure for the first half of 2020 indicated that 81 percent of chronic-illness riders required no additional premium at issue.[3] That does not mean that the benefit is free as many consumers might assume. Nor is the benefit trigger identical to a 7702BLTC rider for long term care.

There is no known comprehensive public data source reporting the average or median discount applied across the chronic-illness rider market. Nor is there a public nationwide data set showing the actual difference between the benefit paid to consumers and the total death-benefit value lost by policyholders and their beneficiaries. Nor is there any publicly available data on the persistency or lapses of these products to determine if the benefits are accomplishing the financial goals of purchasers.

These are significant consumer-protection issues. A consumer knows that a rider has "no additional cost," but may not understand how much of the death benefit will be lost when benefits are elected. Depending on the product design, the financial cost may be imposed when benefits are accelerated through a discount, lien, interest charge, fee, or reduction in the residual death-benefit value. Similarly, they may not have anticipated the reduced amount of bnefit that ill be available to pay for care.

Variations in State Filing Processes

The survey does not reliably establish whether states are reviewing qualified LTC riders as LTC insurance, whether they are applying LTC standards to § 101(g) chronic-illness products, or whether identified exemptions are based on product design, statutory exclusions, state adoption of NAIC Model # 641, or insurer filing practices.

The survey also reveals substantial variation among states:

- Some states require a separate LTC filing, while others permit combined filings or allow carrier choice.
- Some states apply all or nearly all LTC consumer protections, while others apply only selected protections.
- Some states exempt accelerated-benefit riders from inflation protection, nonforfeiture, suitability, or selected disclosures.
- Some states require actuarial review and approval of LTC rider rates, while others do not apply LTC rate review to riders or permit changes within contractual maximums or variability provisions.
- Several states report little or no experience with rider rate-increase filings.

The Task Force should conduct a follow-up survey that begins with product classification. At a minimum, the survey should require states to identify whether the product is:

1. A qualified LTC insurance rider intended to meet IRC § 7702B;
2. A chronic-illness or terminal-illness accelerated-death-benefit rider intended to be treated under IRC § 101(g);
3. A product combining an LTC acceleration rider with an extension-of-benefit or restoration feature; or
4. Another living-benefit design.

For each category, states should identify:

- The required filing route and type of insurance designation;
- Whether a separate LTC filing is required;
- Whether an LTC reviewer and actuarial reviewer must approve the product;
- Every LTC consumer protection that applies;
- Every protection that does not apply and the specific legal authority for the exception;
- Whether the product may be marketed as long-term care insurance;
- Whether rates, charges, cost-of-insurance amounts, credited interest, or other non-guaranteed elements may change after issue; and
- Whether claim-time discounts, liens, fees, or death-benefit reductions are reviewed and disclosed.

Special attention should be given to chronic-illness riders offered with no additional premium at issue. Available industry reporting indicates that these products are common. In many cases, however, the cost may be imposed through a claim-time discount, lien, interest charge, fee, or reduction in residual death-benefit value. Consumers should receive clear, standardized disclosure of these features before purchase and again when deciding whether to elect benefits.

A revised survey that separates these product categories and requires legal citations for state practices would provide a much more reliable foundation for evaluating regulatory consistency, consumer protections, market data, and possible NAIC action.

Thank you for considering these comments.

Sincerely,



Bonnie Burns
California Health Advocates

Footnotes

1. LIMRA, “Sales of Life Combination Products Plummeted in 2020,” Aug. 5, 2021. LIMRA reported that approximately 421,000 individual life combination-product policies were sold in 2020 and stated that chronic-illness acceleration riders represented more than two-thirds of all combination-product sales. LIMRA source. □cite□□

2. LIMRA, “Sales of Life Combination Products Rebound in 2021,” Aug. 9, 2022. LIMRA reported nearly 559,000 individual life combination-product policies sold in 2021 and stated that chronic-illness acceleration riders continued to dominate the acceleration-rider market. LIMRA source. □cite□□
3. Living Benefit Review, “Wait, What? How Much ($) Can You Accelerate with a Chronic Illness Rider?” Feb. 26, 2021, citing LIMRA, *Life Combination Product Sales, 1st Half 2020*. The article reports that 81 percent of chronic-illness riders required no additional premium at issue. The underlying LIMRA report should be obtained and cited directly if available. Secondary source. □cite□□