

Draft date: 7/18/24

*2024 Summer National Meeting  
Chicago, Illinois*

**LONG-TERM CARE INSURANCE (B) TASK FORCE**

Tuesday, August 13, 2024

10:30 – 11:15 a.m.

McCormick Place Convention Center - S102 - Level 1

**ROLL CALL**

Andrew N. Mais, Chair	Connecticut	D.J. Bettencourt	New Hampshire
Grace Arnold, Vice Chair	Minnesota	Justin Zimmerman	New Jersey
Mark Fowler	Alabama	Alice T. Kane	New Mexico
Lori K. Wing-Heier	Alaska	Mike Causey	North Carolina
Barbara D. Richardson	Arizona	Jon Godfread	North Dakota
Ricardo Lara	California	Judith L. French	Ohio
Michael Conway	Colorado	Glen Mulready	Oklahoma
Trinidad Navarro	Delaware	Andrew R. Stolfi	Oregon
Karima M. Woods	District of Columbia	Michael Humphreys	Pennsylvania
Gordon I. Ito	Hawaii	Elizabeth Kelleher Dwyer	Rhode Island
Dean L. Cameron	Idaho	Michael Wise	South Carolina
Amy L. Beard	Indiana	Larry D. Deiter	South Dakota
Doug Ommen	Iowa	Carter Lawrence	Tennessee
Sharon P. Clark	Kentucky	Cassie Brown	Texas
Timothy J. Temple	Louisiana	Jon Pike	Utah
Robert L. Carey	Maine	Kevin Gaffney	Vermont
Joy Y. Hatchette	Maryland	Scott A. White	Virginia
Kevin P. Beagan	Massachusetts	Mike Kreidler	Washington
Chlora Lindley-Myers	Missouri	Allan L. McVey	West Virginia
Eric Dunning	Nebraska	Nathan Houdek	Wisconsin
Scott Kipper	Nevada	Jeff Rude	Wyoming

NAIC Support Staff: Jane Koenigsman/David Torian

**AGENDA**

1. Consider Adoption of its 2024 Spring National Meeting Minutes Attachment One  
—Paul Lombardo (CT)



2. Hear an Update on Long-Term Care Insurance (LTCI) Industry Trends  
—*Fred Andersen (MN)*
3. Consider Adoption of the Report of the Long-Term Care Actuarial (B) Working Group including Minutes—*Paul Lombardo (CT)*
4. Hear an Update on Consumer Education on Reduced Benefit Options (RBOs)—*Commissioner Trinidad Navarro (DE)*
5. Hear a Presentation from the NAIC Center for Insurance Policy and Research (CIPR) on the Results of the RBO and Consumer Notices Research Survey—*Brenda Rourke (NAIC) and Jeff Czajkowski (NAIC)*
6. Discuss Any Other Matters Brought Before the Task Force  
—*Paul Lombardo (CT)*
7. Adjournment

Attachment Two

## Draft Pending Adoption

Draft: 3/20/24

Long-Term Care Insurance (B) Task Force  
Phoenix, Arizona  
March 16, 2024

The Long-Term Care Insurance (B) Task Force met in Phoenix, AZ, on March 16, 2024. The following Task Force members participated: Andrew N. Mais, Chair, represented by Paul Lombardo (CT); Grace Arnold, Vice Chair, represented by Fred Andersen (MN); Lori K. Wing-Heier represented by Sara Bailey (AK); Mark Fowler represented by Sanjeev Chaudhuri (AL); Ricardo Lara represented by Ahmad Kamil (CA); Karima M. Woods represented by Philip Barlow (DC); Trinidad Navarro represented by Jessica Luff (DE); Gordon I. Ito represented by Lisa Zarko (HI); Doug Ommen represented by Andria Seip (IA); Dean L. Cameron represented by Shannon Hohl and Wes Trexler (ID); Amy L. Beard represented by Scott Shover (IN); Sharon P. Clark represented by Sean Orme (KY); Timothy J. Temple represented by Nina S. Hunter (LA); Gary D. Anderson represented by Kevin Beagan (MA); Timothy N. Schott represented by Marti Hooper (ME); Chlora Lindley-Myers represented by William Leung and Marj Thompson (MO); Jon Godfread represented by Chrystal Bartuska and Karri Morris (ND); Eric Dunning represented by Martin Swanson and Michael Muldoon (NE); Mike Causey represented by Robert Croom (NC); D.J. Bettencourt and Jennifer Li (NH); Alice Kane represented by Viara Ianakieva (NM); Scott Kipper (NV); Judith L. French represented by Craig Kalman (OH); Glen Mulready represented by Andy Schallhorn (OK); Michael Humphreys represented by Dave Yanick (PA); Elizabeth Kelleher Dwyer represented by Patrick Smock (RI); Larry D. Deiter represented by Jill Kruger (SD); Carter Lawrence represented by Scott McAnally (TN); Cassie Brown represented by R. Michael Markham (TX); Jon Pike represented by Tomasz Serbinowski, Ryan Jubber, Shelley Wiseman and Tanji Northrup (UT); Scott A. White represented by Julie Blauvelt (VA); Kevin Gaffney represented by Anna Van Fleet (VT); Mike Kreidler represented by Ned Gaines (WA); Nathan Houdek represented by Rebecca Rebholz (WI); Allan L. McVey represented by Joylynn Fix (WV); and Jeff Rude (WY).

### 1. Adopted its 2023 Fall National Meeting Minutes

Kruger made a motion, seconded by Gaines, to adopt the Task Force's Fall National Meeting minutes (*see NAIC Proceedings – Fall 2023, Long-Term Care Insurance (B) Task Force*). The motion passed unanimously.

### 2. Heard an Update on Long-Term Care Insurance Industry Trends

Andersen said various regulatory groups are monitoring trends impacting Long-Term Care Insurance (LTCI) industry and LTCI reserves. Four areas that are being monitored are: 1) cost-of-care inflation on LTCI products which can be highly impactful on inflation protected products, since cost-of-care inflation can affect financial losses which affects rates increases and reserve increases; 2) morbidity and incidence improvements where there is a wide variety of practices and experience across the industry impacts reserves; 3) rate increase approvals which impact reserve adequacy; and, 4) performance of assets supporting LTCI blocks including new alternative complex assets. He said the Valuation Analysis (E) Working Group's LTCI review group has been coordinating with the review group that reviews *Actuarial Guideline LIII—Application of the Valuation Manual for Testing the Adequacy of Life Insurer Reserves* (AG 53) filings to monitor asset trends in impacting LTCI.

### 3. Received an Overview of a Consumer Notices and Reduced Benefit Options (RBOs) Research Project

Brenda Rourke (NAIC) provided an overview of a research project being conducted by the NAIC Center for Insurance Policy and Research (CIPR) on reduced benefit options (Attachment One). Rourke said CIPR has developed a choice experiment designed to better understand what is driving consumer choices regarding reduced benefit options and test aspects of the communication checklists and principles. Two research questions

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have been developed. First, what is driving a consumer's choice to accept a rate increase or select a reduced benefit option. The second question is how the consumer's perceptions of the communication letter impact the choice the consumer makes. She said the letter was created by evaluating thirty-six letters from fifteen companies and fourteen state insurance departments. Because there are a small number of LTCI policyholders, it may be challenging to find people to participate in the research. She said they used a small group of subject matter experts to look at the types of scenarios the research could place a participant in to replicate the experience of a LTCI policyholder. The experiment will include a treatment group and a control group which allows for assessing the influence of the treatment on the consumer's choice. An example of this would be if having prior experience with rate increases influences the choice a consumer makes. For this study, CIPR will sample one thousand participants with ages fifty-five and over to ensure the sample represents the age group that would have or would buy LTCI. Of this, 65% of that sample will be aged sixty-five and over. There are a small number of policyholders in the U.S., so CIPR will oversample in states that have a higher number of LTCI policyholders, so that they can find participants that have LTCI and can conduct follow-up interviews about their experience. There are factors and measures included in the study outlined in the slides presented. The survey will be launched next week. The CIPR hopes to have results in April to present to the Task Force.

#### 4. Adopted Amendment to AG 51

Andersen said the amendment to *Actuarial Guideline LI—The Application of Asset Adequacy Testing to Long-Term Care Insurance Reserves* (AG 51) is intended to address inconsistencies and reporting of health business on different annual statement blanks. It clarifies that AG51 is required regardless of the blank the insurer files. This amendment has already been adopted by the Health Actuarial (B) Task Force as the work on the amendment was conducted while the Long-Term Care Actuarial (B) Working Group reported to the Health Actuarial (B) Task Force. This Task Force was also asked to adopt the amendment given the Working Group was moved under this Task Force.

Van Fleet made a motion, seconded by Kamil, to adopt the AG 51 amendment (Attachment Two). The motion passed unanimously.

#### 5. Adopted the Report of the Long-Term Care Actuarial (B) Working Group Report

Andersen said the Long-Term Care Actuarial (B) Working Group met March 15. During this meeting, the Working Group adopted its 2023 Fall National Meeting minutes and its Feb. 20 minutes. During the Feb. 20 call, the Working Group discussed the single LTCI multistate rate review (MSA) approach.

Andersen said during the March 15 meeting the Working Group) discussed the single LTCI MSA approach. The Working Group has been working toward building consensus on concepts to underly the single methodology to be in effect for the review of the multistate actuarial filings to get more buy-in on the methodology used. Under the MSA process, the insurer has the opportunity to make an initial filing, the MSA team of actuaries then develops a rate increase recommendation that state insurance regulators can use as they choose. A minority of rate increase filings come through the MSA process as most go directly to the state insurance department. The primary goal of the single methodology is to be in effect for the review of filings in the MSA process. A secondary goal is for states to approve rates in line with the MSA recommendation and perhaps consider adopting the MSA single method for their state specific filings. The result of all of these efforts is to get more uniformity in the methodologies and in the rate increase approvals. He said the Working Group exposed the Minnesota approach, with adjustments to align with agreed-upon concepts, for a 45-day public comment period ending May 3. The goal is to bring a single methodology to the Task Force later in the year.

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Andersen made a motion, seconded by Fix, to adopt the report of the Long-Term Care Actuarial (B) Working Group, including its minutes (Attachment Three). The motion passed unanimously.

### 6. Discussed Multistate Actuarial (MSA) Rate Review Matters

#### a. Single MSA Rate Review Methodology

Lombardo said a key topic for discussion is the development of a single rate review methodology. We have heard feedback from both industry and regulators that the dual methodologies that are currently used in the MSA process may be confusing and can result in differences in the final recommendations. There is a sense of needing to be more transparent. The results from the Minnesota and Texas methodologies have different results. The results are weighted based on the characteristics of the block of business. It is difficult to explain. Commissioners have spoken about the need to be more transparent and have a more explainable methodology, so that we get more buy-in on the MSA process from states.

Lombardo said last year the Working Group began discussing the development of a single methodology. He said the Working Group will work with stakeholders—regulators, industry, and consumer representatives—to get consensus on a single methodology. He said the exposure of the Minnesota method is a starting point. He said he believes it is urgent that we finalize this single methodology this year and that he desires this Task Force adopt a methodology by the Fall National Meeting.

Yanick said Pennsylvania supports the Working Group developing a single MSA approach that utilizes a transparent uniform model and appreciates the work that has been completed on this process so far.

Jan Graeber (American Council of Life Insurers—ACLI) said industry supports a single approach for an actuarially justified rate increase recommendation from the MSA Team. She said it would be helpful to industry if they had some understanding of how weights were applied in the MSA process. For example, understanding if there were categories or characteristics of the block where the Minnesota or Texas method was applied. Lombardo said we can have that conversation to describe those differences, but he does not want to spend a lot of time discussing the weighting since we are moving away from that and towards the single method. She said as the Working Group looks at adjusting the Minnesota method it would be helpful to industry to understand how the two methods were weighted before, for example, with a simple chart of characteristics for each method. Lombardo said it may not be a chart, but we could have a discussion. Muldoon said in his experience with a couple of the cases where results were mixed, there was not a scientific weighting. He said he does not feel a chart will yield much value but would be okay with some type of summary. Van Fleet said she agreed with Muldoon's comments and questions the relevance of such a chart or exercise since we are moving toward the goal of a single methodology that is transparent. She feels the single methodology is where the Working Group should focus its efforts.

#### b. 80+ Attained Age, Long Duration, and Cumulative Increases

Lombardo said while the Working Group has begun some discussions on 80+ attained age, long duration and cumulative increases, these topics impact the development of the single methodology. The Working Group will benefit from having direction from this Task Force on whether to continue to pursue these discussions and as necessary, bring these discussions to the Task Force for feedback from a broader group. He said nearly every state has dealt with these concerns and commissioners have raised these issues. These issues are also raised by our consumer representatives.

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Lombardo said that as discussions have started, one concern is of potential discrimination. He said at this point, he does not know what all of the characteristics of the methodology will be, but it will be handled in a fair and equitable manner and that there is a way to handle these issues in a non-discriminatory way.

Muldoon said they are supportive and feel an adjustment can be reached. He said the big question is going to be a policyholder age duration, or issue age or block adjustment.

Lombardo said hearing no objection on the second objective, that Task Force members agree that this objective is important and achievable.

Lombardo said the Working Group will move forward with having both of these matters discussed and hopefully reach consensus for consideration by this Task Force by the Fall National Meeting.

### 7. Discussed Timeliness of LTCI Rate Reviews

Andersen said that while regulators have put a lot of effort into discussing methodologies to get more uniform rates between states, another issue is the timeliness of reviews. Slow reviews can lead to higher loss ratios and higher rate increases in the future. Some review techniques may take more time and not have as much benefit in terms of more accurate results. One goal of the single methodology is to streamline the review, to be easy to calculate and transparent, so that is not the bottleneck. If a state's review takes a lot of time and has a lot of questions outside the template list of questions, he recommends consulting with fellow actuaries.

Andersen said another issue that impacts timeliness is the review of forms that is often done at the same time as actuarial reviews but performed by different staff. He recommends coordinating with forms review staff if there is a backlog of reviews. He recommends that Deputy Commissioners or appropriate management at the state insurance department informs the forms review staff about the efforts that are underway by the Working Group and this Task Force on the actuarial review so that they understand the importance of performing timely reviews.

Andersen said there is an ACA season from May-September where it may be difficult to get a rate review completed because many staff are focused on the ACA reviews during that time. He recommends states inform their insurers of the best window for insurers to file rate increase requests or for states to staff-up during these busy times.

Andersen said there may be some instances after the actuaries have completed their review, there may be a bottleneck at a higher level, Deputy Commissioner and Commissioner. He said it is important to engage the higher-level executives in the state insurance department to understand the timeliness of approvals and disapprovals.

Lombardo said he and Andersen have been active at different forums to engage with deputy commissioners and commissioners on these LTCI issues. He encourages states to talk to your commissioners about these issues. He said he and Andersen are available to states insurance departments that have questions or to have a conversation with deputy commissioners and commissioners to better explain these issues.

Lombardo asked and emphasized the need for members of the Task Force and each states' staff to be part of the process with the Working Group and stakeholders to achieve these goals.

Lombardo said the Northeast Zone has been meeting monthly to review rate filings presented by the states. It has had a great amount of success. States that present their rate filings and how they are doing their reviews have been extremely helpful to the entire zone and it has generated more consistent results within the zone. He said if

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other states are interested in learning about this process, please reach out to him or other states in the Northeast Zone.

**8. Discussed Other Matters**

Bonnie Burnes (California Health Advocates) said the consumer representatives sent a letter to the Senior Issues (B) Task Force asking the NAIC to take a leadership role in bringing together states, regulators, industry, and consumers together to discuss how states may think about financing long-term care in their states. The baby boomers are beginning to reach their eighties when care is often needed. There is an increasing number of elderly people in each state, and this presents a huge issue for states as these people are becoming a greater percentage of the population. This affects Medicaid programs and other areas of a state's economy. She said California has submitted a feasibility report to their legislature. Washington was first to introduce legislation and other states are mimicking Washington's approach.

Having no further business, the Long-Term Care Insurance (B) Task Force adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/B CMTE/LTCI TF/2024 SprNM LTCI TF/LTCITF 031624 Minutes.docx



# Results: RBO Letters and Choice

**Brenda Rourke PhD**

Communication Research Scientist, NAIC

**Florent Nkouaga PhD**

Postdoctoral Scholar, NAIC

**Brenda Cude PhD**

Consumer Representative, NAIC

**Jeff Czajkowski PhD**

Director CIPR, NAIC

**Dorothy Andrews PhD**

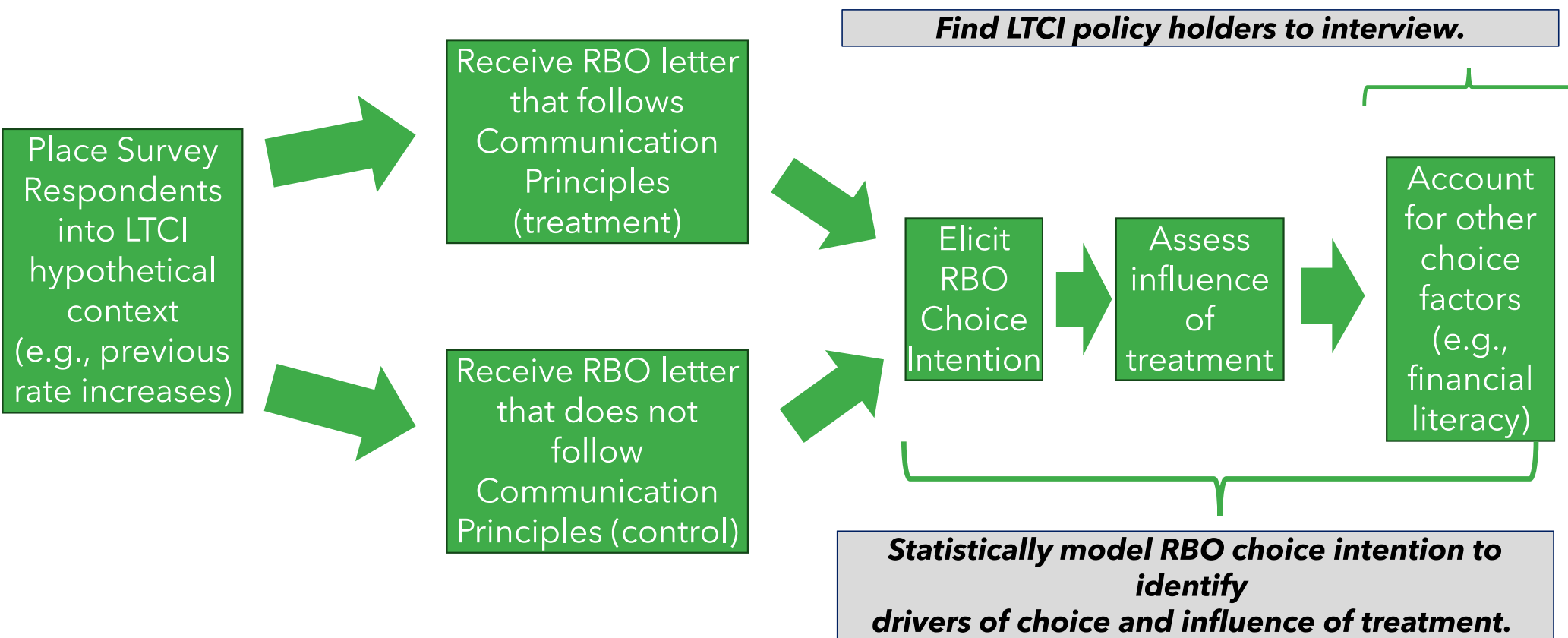
Senior Behavioral Data Scientist, NAIC

August 5, 2024

**NAIC** NATIONAL ASSOCIATION OF  
INSURANCE COMMISSIONERS



# Overview of the study:





# The participants:

Note: Half of the participants were placed in a context that asked them to imagine they are 80 years old.

**N= 1118**

Female = 581

Male = 537

<b>Zone</b>	<b>n</b>	<b>Percent</b>
Northeast	380	34%
Southeast	201	18%
Midwest	396	35%
Western	141	13%
<b>Total</b>	<b>1118</b>	

<b>Age</b>	<b>n</b>	<b>Percent</b>
55 - 64	385	34%
65 - 74	492	44%
75 - 84	220	20%
85 or older	21	2%
<b>Total</b>	<b>1118</b>	

**66% of the sample is 65 or older.**



# The interview participants:

## *9 Interviews Complete*

The interviews were one hour long and focused on:

- Perceptions of LTCI
- Their need for care
- Rate increases
- Perceptions of the RBO choice
- The letters they have received.

## Demographics

### Gender:

Female = 7

Male = 2

### Age:

65- 74 = 3

75 -84 = 6

### Income:

\$150,000 and over = 3

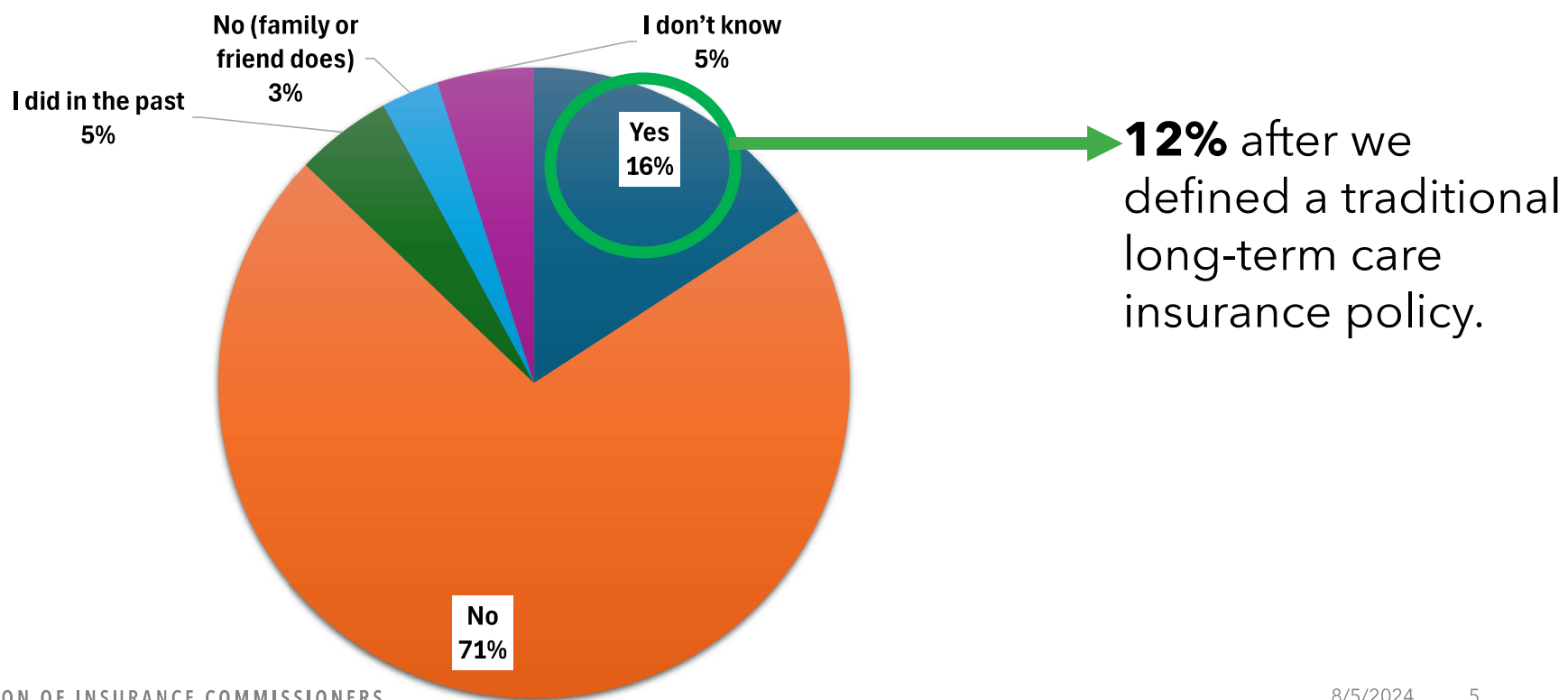
\$100,000 - 124,999 = 1

\$75,000 - 99,999 = 3

\$25,000 - 49,999 = 1

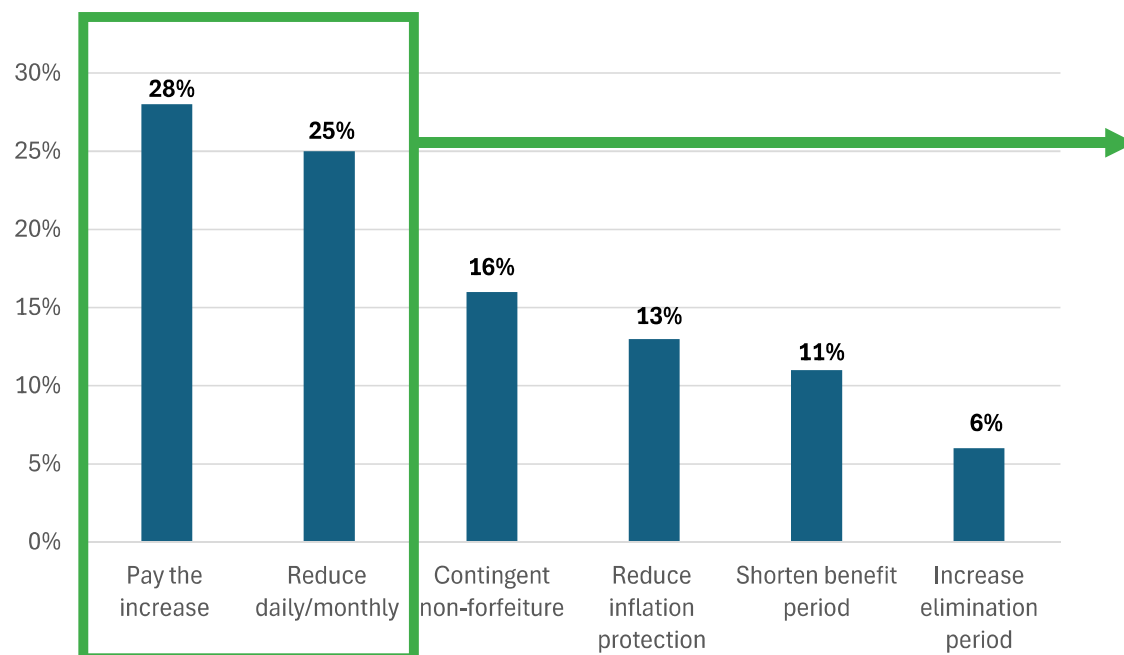
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# Survey Respondents: Percent of LTCI Policyholders

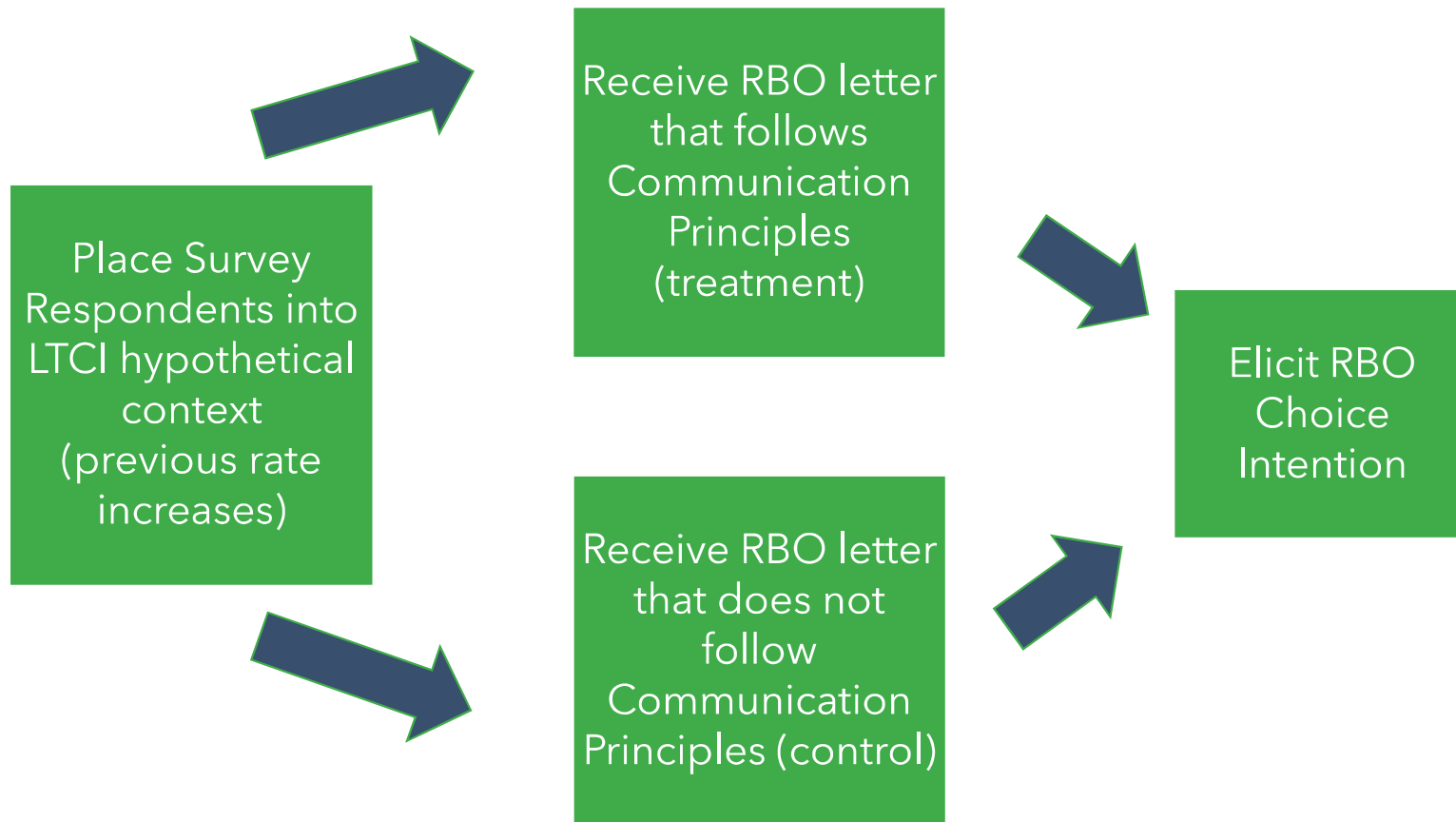




## RBO Choice:



- This pattern holds for those that have LTCI and those that do not.
- This is also consistent with previous LTCI reports.





## The Context and Letter:

- ✓ Participants were more likely to accept a rate increase if they were placed in the context that stated they had a prior rate increase.
- ✗ The letter that followed the communication principles and guidelines did not impact choice.

### Interview Responses:

- Participants in the higher income ranges had the means to manage the increase (for now).
- They see the value in the policy they have.
- They have spoken to trusted advisors about what they should do.



# Perceptions of the letter and the RBO choices:





## Overall perceptions of the letter and RBO's:

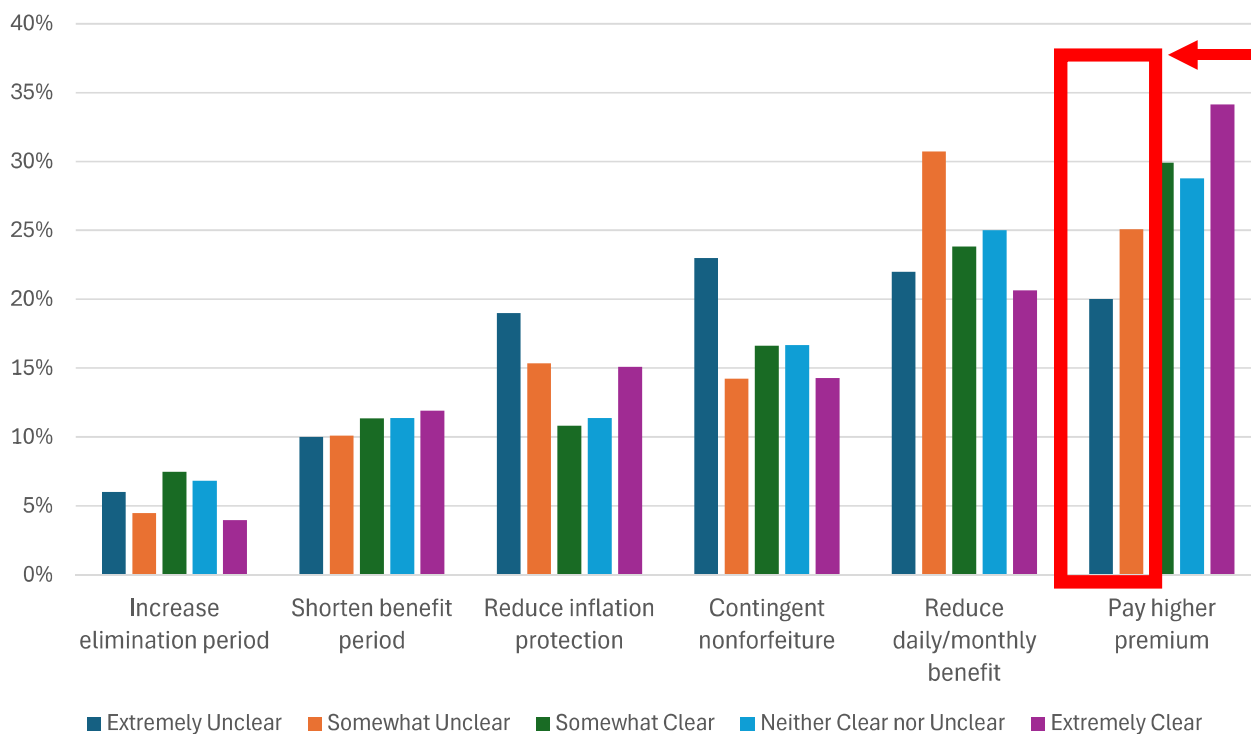
**43%** - *Indicated that the RBO choices were somewhat to extremely clear.*

**46%** - *The tone of the letter was unfair and unconcerned or somewhat unfair and unconcerned.*

**43%** - *The letter was clear and easy to read or somewhat clear and easy to read.*

**Note: Participants that received a letter that followed the checklist did rate the letter higher in clarity and readability.**

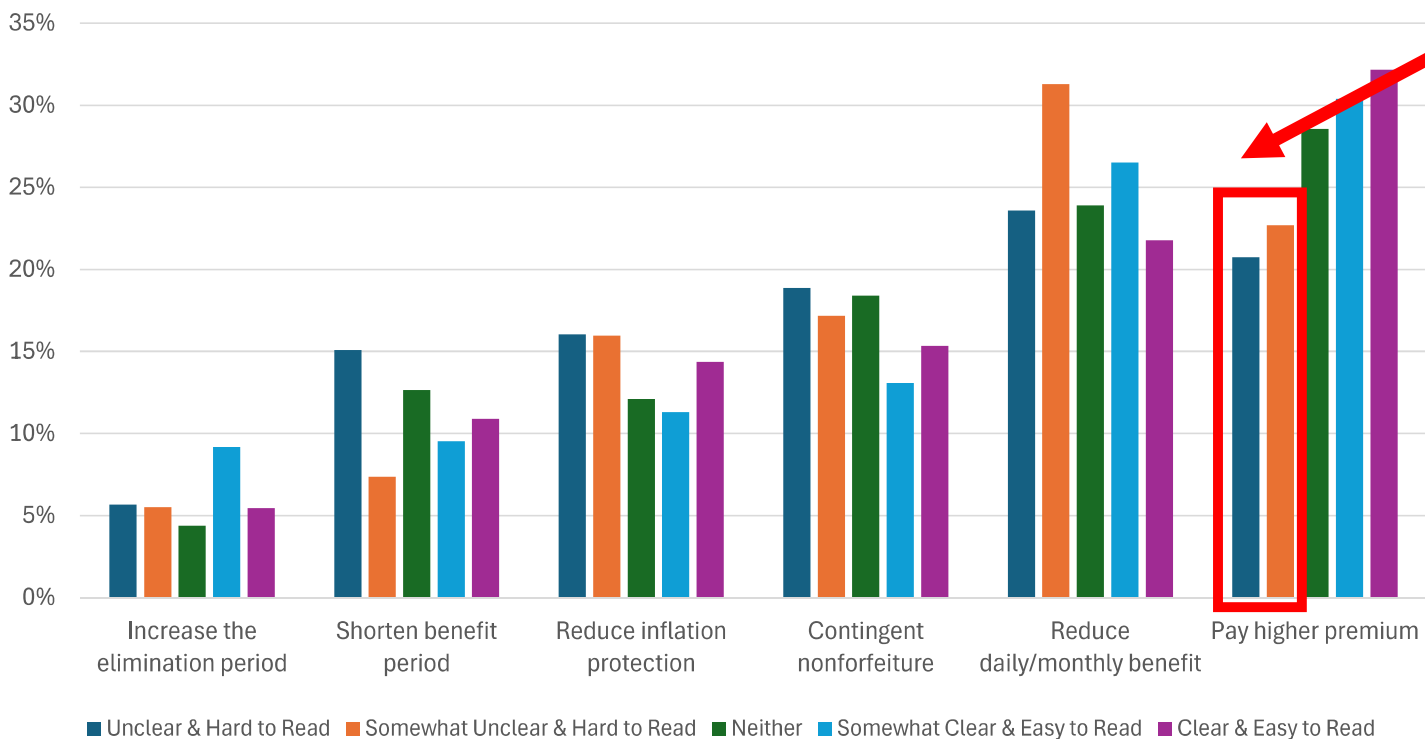
# Perceptions of the clarity of RBO options impacted choice:



*Those that felt the RBO options were **extremely unclear** were **less likely to select - pay the higher premium.***

# Perceptions of the letter:

*Those who felt the letter was **unclear and hard to read** were less likely pay the **higher premium**.*





## Interview Responses:

- They understand the letters because of their background but they have suggestions for improvement.
  - Tables and how the information is displayed.
  - Use simpler language to benefit the public.



# Attitudes and Control:



## Theory of Planned Behavior:

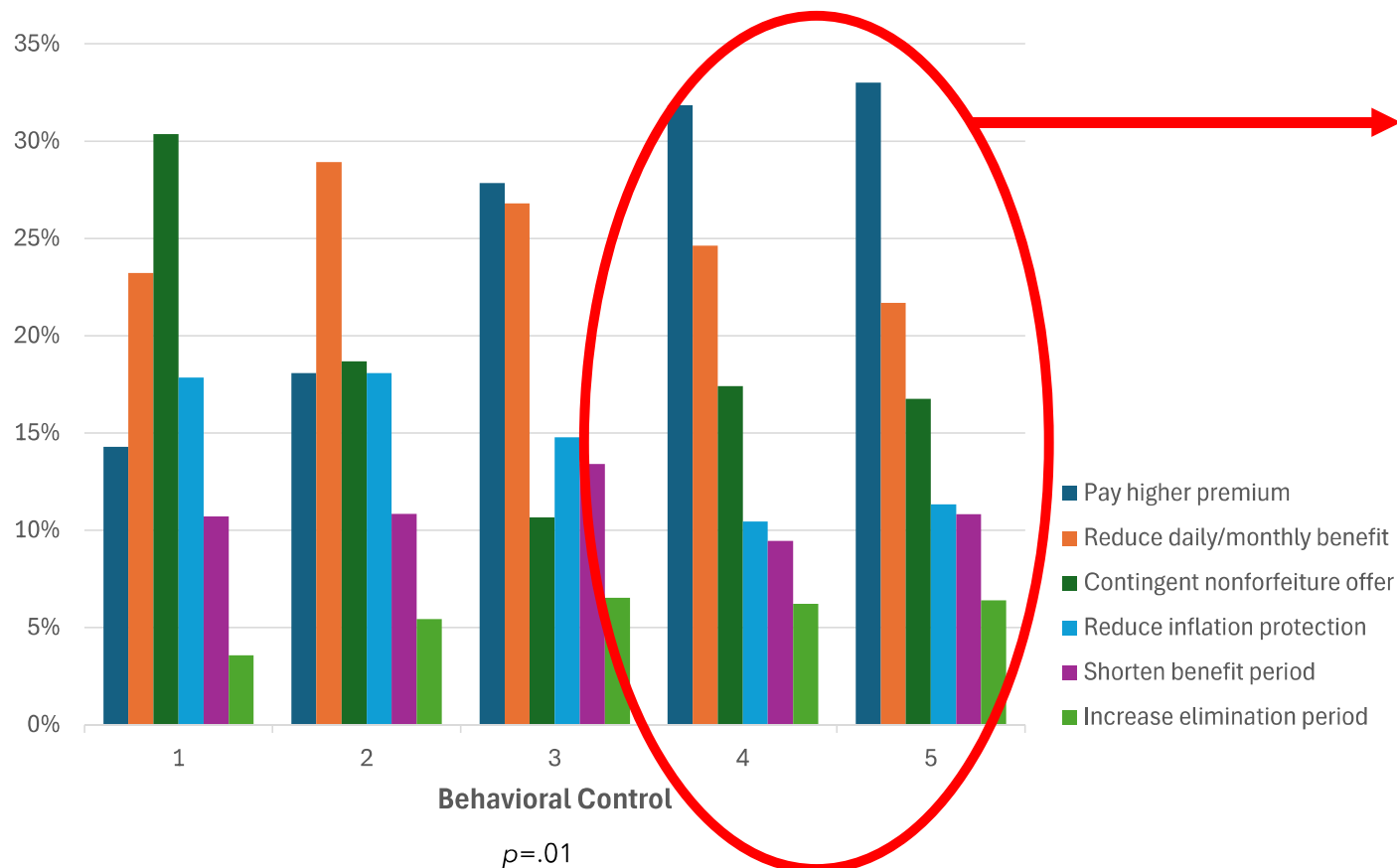
**54%** - **Behavioral Control:** *Felt extremely confident to somewhat confident and agreed that they understood the impact of the options and had the knowledge and skills to make this choice.*

**57%** - **Attitudes:** *Were displeased to somewhat displeased and felt the options were unjust.*

**55%** - **Normative Beliefs:** *Felt that others with long-term care insurance and those important to them would make the same choice.*



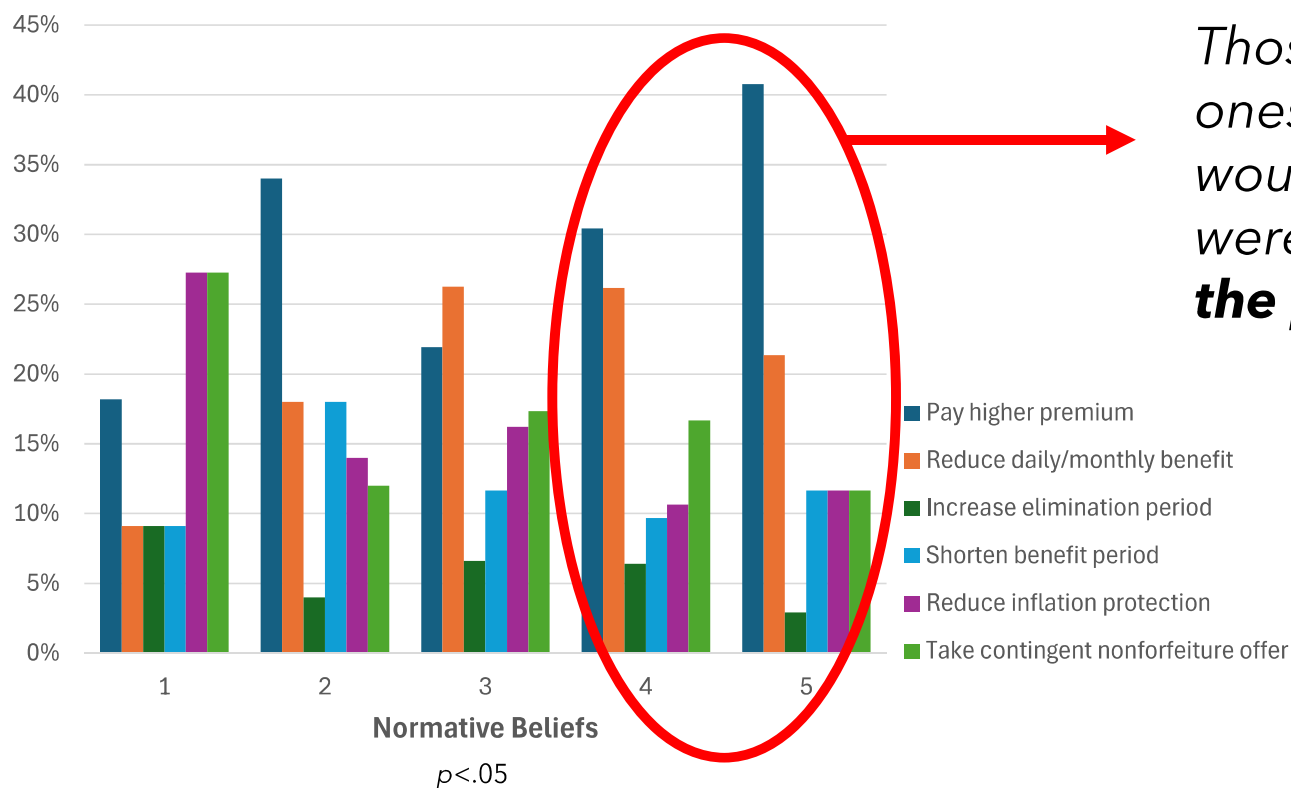
# Behavioral Control and Choice:



*Those who are confident and believe they have the knowledge and skills were also **more likely to take the premium increase.***



# Normative Beliefs and Choice:



*Those who believed their loved ones and others with LTCI would make the same choice were **more likely to choose the premium increase.***





# Financial Knowledge and Perceptions of Risk



## Financial knowledge and perceptions of risk:

- Those with more financial knowledge *are more likely to accept the premium increase.*
- Those that are less willing to take risk *are more likely to accept the premium increase.*
  - *62% of the sample are low risk takers.*
- As perceptions of the need for care increase so does the choice to *accept the higher premium.*



## Interview Responses:

- Several of the respondents said that they know they will need long-term care.
  - They have a medical condition.
  - They cared for others that needed this care.
- They want to decide where they go when they need care.
- They don't want to be a burden to their family (financially or physically).



## Summary of the Findings

### ***Participants were more likely to accept the rate increase if they:***

- Received a prior rate increase.
- Thought the letter was clear and easy to read.
- Thought the RBO options were clear.
- Said they had enough information and were in control of their choice.
- Had confidence and belief in their knowledge and skills.
- Believed their loved ones and other with LTCI would make the same choice.
- Had more financial knowledge.
- Were less likely to take risks.
- Believed they are likely to need long-term care

**The letter alone did not impact choice.**



## Next Steps:

- Continue to model the data using multivariate analysis.
- Perception of the clarity of the letters matters.
  - Are there ways to improve the checklist?
- Confidence in knowledge and skills is important.
  - Having enough information and financial knowledge.
  - Discuss ways to better educate policyholder about their choice.