

Draft date: 11/5/24

2024 Fall National Meeting
Denver, Colorado

LONG-TERM CARE INSURANCE (B) TASK FORCE

Sunday, November 17, 2024

10:15 – 11:15 a.m.

Gaylord Rockies Hotel—Aurora Ballroom C/D—Level 2

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
Holly W. Lambert	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
Marie Grant	Maryland	Scott A. White	Virginia
Michael T. Caljouw	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 Oct. 2 and Summer National Meeting Minutes
—Paul Lombardo (CT) Attachment One
Attachment Two



2. Consider Adoption of the Report of the Long-Term Care Actuarial (B) Working Group—*Fred Andersen (MN)*
3. Discuss the Long-Term Care Insurance (LTCI) Multistate Actuarial Rate Review Methodology—*Paul Lombardo (CT) and Fred Andersen (MN)*
4. Hear an Update from the NAIC Center for Insurance Policy and Research (CIPR) on the Reduced Benefit Options (RBOs) and Consumer Notices Research—*Brenda Rourke (NAIC)*
5. Hear an Update on LTCI Industry Trends—*Fred Andersen (MN)*
6. Discuss Any Other Matters Brought Before the Task Force—*Paul Lombardo (CT)*
7. Adjournment

Attachment Three

Draft: 10/4/24

Long-Term Care Insurance (B) Task Force
E-Vote
October 2, 2024

The Long-Term Care Insurance (B) Task Force conducted an e-vote that concluded Oct. 2, 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 Sarah Bailey (AK); Barbara D. Richardson (AZ); Karima M. Woods represented by Philip Barlow (DC); Trinidad Navarro represented by Sally Frechette (DE); Amy L. Beard represented by Scott Shover (IN); Sharon P. Clark (KY); Timothy J. Temple (LA); Kevin P. Beagan (MA); Joy Y. Hatchette represented by Brad Boban (MD); Robert L. Carey represented by Marti Hooper (ME); Chlora Lindley-Myers represented by William Leung (MO); Jon Godfread represented by Chrystal Bartuska (ND); Eric Dunning (NE); D.J. Bettencourt represented by Jennifer Li (NH); Scott Kipper (NV); Judith L. French represented by Laura Miller (OH); Glen Mulready represented by Andrew Schallhorn (OK); Elizabeth Kelleher Dwyer represented by Beth Vollucci (RI); Cassie Brown represented by R. Michael Markham (TX); Jon Pike (UT); Scott A. White represented by Julie Fairbanks (VA); Kevin Gaffney (VT); Mike Kreidler (WA); and Allan L. McVey represented by Joylynn Fix (WV).

1. Adopted a Recommendation for its 2025 Proposed Charges

The Task Force exposed a recommendation to the Health Insurance and Managed Care (B) Committee for the Long-Term Care Insurance (B) Task Force regarding its 2025 proposed charges for a 15-day public comment period that ended Sept. 27. The recommendation included: 1) disbanding the Task Force as of Dec. 31; 2) moving the Long-Term Care Actuarial (B) Working Group to report to the Health Actuarial (B) Task Force; and 3) moving remaining charges to the Senior Issues (B) Task Force and Health Actuarial (B) Task Force.

A joint comment letter was received from the American Council of Life Insurers (ACLI) and America's Health Insurance Plans (AHIP) requesting two edits (Attachment One-A). Lombardo and Andersen agreed to include the edits in the final recommendation for adoption.

A majority of the Task Force members voted in favor of adopting its 2025 recommendation with the edits from the ACLI and AHIP (Attachment One-B). The motion passed.

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

SharePoint/NAIC Support Staff Hub/Member Meetings/B CMTE/LTCITF/2024 Fall NM/minutes/LTCI(B)TaskForce_100224_Minutes.docx

Draft Pending Adoption

Draft: 8/19/24

Long-Term Care Insurance (B) Task Force
Chicago, Illinois
August 13, 2024

The Long-Term Care Insurance (B) Task Force met in Chicago, IL, Aug. 13, 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 Sarah Bailey (AK); Mark Fowler represented by Sanjeev Chaudhuri and Dusty Smith (AL); Barbara D. Richardson (AZ); Ricardo Lara represented by Ahmad Kamil (CA); Karima M. Woods represented by Philip Barlow (DC); Trinidad Navarro (DE); Gordon I. Ito represented by Kathleen Nakasone (HI); Doug Ommen represented by Andria Seip (IA); Dean L. Cameron represented by Weston Trexler (ID); Amy L. Beard represented by Scott Shover (IN); Sharon P. Clark represented by Shaun Orme (KY); Timothy J. Temple represented by Crystal Lewis and Frank Opelka (LA); Kevin P. Beagan (MA); Robert L. Carey represented by Marti Hooper (ME); Chlora Lindley-Myers represented by William Leung and Amy Hoyt (MO); Mike Causey represented by Robert Croom (NC); Jon Godfread represented by Chrystal Bartuska (ND); Eric Dunning represented by Martin Swanson and Maggie Reinert (NE); D.J. Bettencourt represented by Michelle Heaton and Jennifer Li (NH); Justin Zimmerman represented by Seong-min Eom (NJ); Scott Kipper represented by Jack Childress (NV); Judith L. French represented by Laura Miller (OH); Andrew R. Stolfi represented by Alex Cheng (OR); Elizabeth Kelleher Dwyer represented by Patrick Smock (RI); Michael Wise represented by Brian Fomby (SC); Larry D. Deiter represented by Jill Kruger (SD); Carter Lawrence represented by Scott McAnally (TN); Cassie Brown represented by R. Michael Markham and Debra Diaz-Lara (TX); Jon Pike represented by Tomasz Serbinowski, Ryan Jubber, Shelley Wiseman, and Tanji J. Northrup (UT); Scott A. White represented by Julie Fairbanks (VA); Kevin Gaffney represented by Isabelle Keiser and Marcia Violette (VT); Mike Kreidler represented by John Haworth (WA); Nathan Houdek represented by Darcy Paskey (WI); and Allan L. McVey represented by Joylynn Fix (WV).

1. Adopted its Spring National Meeting Minutes

Haworth made a motion, seconded by Bailey, to adopt the Task Force's Spring National Meeting minutes (*see NAIC Proceedings – Spring 2024, Long-Term Care Insurance (B) Task Force*). The motion passed unanimously.

The Task Force also met June 20 in regulator-to-regulator session, pursuant to paragraph 6 (consultations with NAIC staff members related to NAIC technical guidance) of the NAIC Policy Statement on Open Meetings.

2. Heard an Update on LTCI Industry Trends

Andersen said several factors impacting long-term care insurance (LTCI) company solvency and premium rates are being monitored. The rising cost-of-care inflation, particularly the impact on inflation-protected products, results in a higher portion of maximum daily benefits being utilized. This is a highly impactful trend, especially in home health care. Partially offsetting this trend is increased investment returns due to higher interest rates. There is still uncertainty in morbidity and morbidity incidence improvements. In certain circumstances, companies are allowed to model future rate increase approvals as part of reserve adequacy testing. Efforts to understand state insurance regulators' rate reviews and approvals, including what insurers plan to request, will help to ensure the modeling is correct. Another monitored area is the performance of assets supporting LTCI blocks of business, including insurers' investments in alternative complex assets. Finally, wellness initiatives and their impacts on long-term care (LTC) events are viewed as positive; however, the impact on net financial gains or losses from decreases in LTC events is still unknown.

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

Andersen said the Long-Term Care Actuarial (B) Working Group met Aug. 12. During this meeting, the Working Group discussed replacing the current LTCI multistate rate review approach with a single methodology within the Long-Term Care Insurance Multistate Rate Review Framework (LTCI MSA Framework). The Working Group received comments from state insurance regulators and interested parties on the methodology and agreed action needed to be taken. As blocks of business age for policyholders who have had policies for 20 or more years, are over the age of 80, and have faced cumulative rate increases of 400% or more (85/25/400 issue), there are concerns about these policyholders receiving future rate increases. There is consensus at the Commissioner, Task Force, and Working Group level that the 85/25/400 issue should be addressed. The Working Group exposed two alternative approaches from Minnesota and Missouri for a 45-day public comment period ending Sept. 27.

Serbinowski said the 85/25/400 issue is a policy issue for the Task Force rather than an actuarial issue. Lombardo said the cost-sharing aspect of the approach is included in the current LTCI MSA Framework, so the intent is not to introduce a new concept. He said many Commissioners have indicated the issue of cumulative rate increases should be addressed. In order to lower the slope of the cumulative rate increases at the 25-year duration, rate increases at earlier durations increase. The Working Group is cognizant that LTC policies are issue-age-rated, not duration-rated. The Working Group does not want to create a discrimination issue. Lombardo said this is a way to adjust the current methodology and develop an approach that Commissioners have been calling for. He said he and Andersen have had many conversations and given presentations to Commissioners on this issue and have not heard objections. He said he recognizes this issue is not actuarial but that actuaries work on policy issues as part of their daily role. Any proposal from the Working Group to update the LTCI MSA Framework would go through the Task Force, Health Insurance and Managed Care (B) Committee, and Executive (EX) Committee and Plenary.

Commissioner Navarro made a motion, seconded by Fix, to adopt the report of the Long-Term Care Actuarial (B) Working Group, including its Aug. 12 and July 2 minutes (Attachment One). The motion passed unanimously.

4. Received an Overview of Consumer Education on RBOs

Commissioner Navarro said Delaware recently implemented an education project on reduced benefit options (RBOs) in LTCI (Attachment Two). He said this presentation was well received by local media, the Alzheimer's Association, and other aging associations in Delaware. Genworth Life Insurance Company provided training for Delaware staff. The Delaware Department of Insurance (DOI) developed a new website. The first point of contact for consumers is the Delaware Medicare Assistance Bureau (DMAB). The next level of contact is the Delaware Consumer Services Division, and then the deputy attorney general that is assigned to the DOI. The DOI cannot offer financial advice but can explain LTCI and RBOs. The new website contains additional information links. Lombardo said he looks forward to hearing more from Delaware at a future meeting about how the new program is working.

5. Received a Presentation on the Results of the RBOs and Consumer Notices Research Project

Brenda Rourke (NAIC) provided an overview of the research project being conducted by the Center for Insurance Policy and Research (CIPR) on RBOs, consumer notices, and consumer choices (Attachment Three). Rourke said that, in summary, the study results indicated that participants were more likely to accept the rate increase over an RBO 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.

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- Had confidence and belief in their knowledge and skills.
- Believed their loved ones and others with LTCI would make the same choice.
- Had more financial knowledge.
- Were less likely to take risks.
- Believed they are likely to need LTC.

Rourke said the letter to consumers about the rate increase and RBOs alone did not impact consumers' choices. Rourke said the next steps for the study include: 1) continuing to model the data using multivariate analysis; 2) studying the perception of clarity of the letters and if there are ways to improve the current RBO checklists; and 3) discussing ways to better educate policyholders about their choices.

Lombardo said the CIPR will be asked to present the results of future work on this project during a future Task Force meeting.

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

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Results: RBO Letters and Choice

Brenda Rourke PhD

Communication Research Scientist, NAIC

Brenda Cude PhD

Consumer Representative, NAIC

Jeff Czajkowski PhD

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Florent Nkouaga PhD

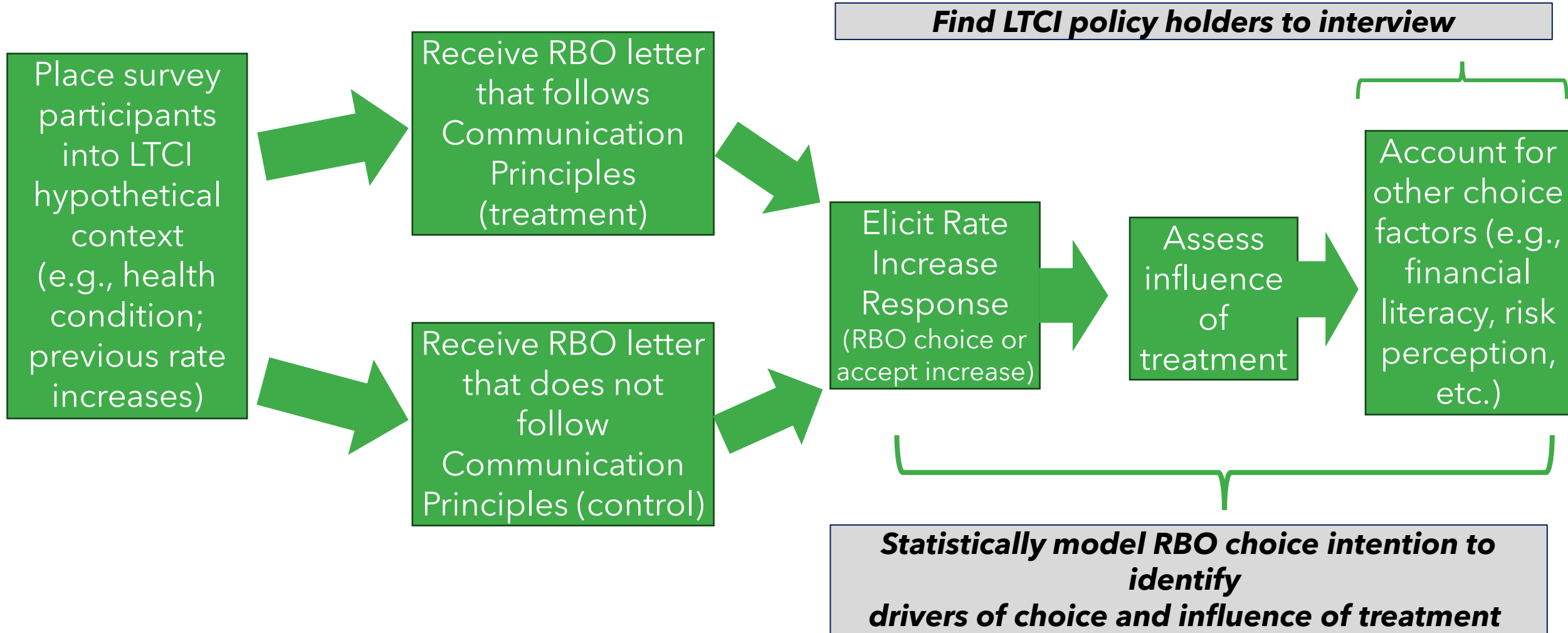
Postdoctoral Scholar, NAIC

Dorothy Andrews PhD

Senior Behavioral Data Scientist, NAIC



Overview of the study:





The Participants

N= 1118

Female = 581

Male= 537

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

Age	n	Percent
55 - 64	385	34%
65 - 74	492	44%
75 - 84	220	20%
85 or older	21	2%

Total 1118

66% of the sample is 65 or older.



Choice: Premium Increase, Contingent Nonforfeiture or Reduced Benefit Option (RBO)

Choices used in the models:

Participant Choice	Count	Percent
1. Pay the increase	314	28%
2. Contingent non-forfeiture	183	16%
3. Other RBO Choice	621	55%
Total	1118	



All Other RBO Choices	Count	Percent
Reduce daily/monthly benefit	282	25%
Reduce inflation protection	148	13%
Shorten benefit period	123	11%
Increase elimination period	68	6%
Total	621	55%



Modeling Choice

Every model includes the following:

1. The Conditions
2. Personal Characteristics
3. Demographics

Model 1: Perceptions of The Letter and The Context

Do perceptions of the letter, or having a prior rate increase explain the acceptance of the premium increase or a reduced benefit option?

Model 2: The Theory of Planned Behavior

Do attitudes, perceived behavioral control, and subjective norms explain the acceptance of the premium increase or a reduced benefit option?



Model 1:

Variables		Accept Premium Increase	Contingent Nonforfeiture	All Other Reduced Benefit Options
Conditions	Prior Rate Increase	✓*		- ✓*
	Type of Letter			
Perceptions of the Letter	Tone		- ✓*	
	Clarity	✓*		- ✓*
Personal Characteristics	Financial Knowledge	✓*	✓*	- ✓**
	Risk Perceptions	✓*		
	Risk Tolerance			
Demographics	Age			
	Gender	- ✓**	✓**	
	Education			
	Income			
	Total # of Savings Accounts			- ✓*



Model 1 Summary

1. Participants who thought the letter was clear were more likely to accept the premium increase or an RBO other than the CNF option.
2. Participants who were asked to assume a prior rate increase were more likely to accept the premium increase and less likely to accept the other RBOs.
3. Women were less likely to accept the premium increase and more likely to take the CNF option.
4. Financial knowledge was a significant predictor – Such that those that scored higher in financial knowledge were more likely to accept the premium increase or the contingent nonforfeiture option and they were less likely to accept any of the reduced benefit options.
5. Participants who were more likely to think they may need long-term care were also more likely to accept the premium increase.



Model 2:

		Accept Premium Increase	Contingent Nonforfeiture	All Other Reduced Benefit Options
Variables				
Conditions	Prior Rate Increase			- ✓ *
	Type of Letter			
Theory of Planned Behavior	Attitudes			✓ *
	Behavioral Control	✓ *		- ✓ **
	Normative Beliefs	✓ *		
Personal Characteristics	Financial Knowledge	✓ *	✓ *	- ✓ ***
	Risk Perceptions	✓ *		
	Risk Tolerance			
Demographics	Age			
	Gender	- ✓ **	✓ **	
	Education			
	Income			
	Total # of Savings Accounts			- ✓ *



Model 2 Summary

1. Participants with more positive attitudes were more likely to accept an RBO.
2. Participants who thought they had more behavioral control were more likely to accept the premium increase and less likely to choose an RBO.
3. Financial knowledge was a significant predictor in each model, but negatively related to choosing an RBO.
4. Participants who thought they were more likely to need long-term care were more likely to pay the higher premium.
5. Women are less likely to accept the premium increase and more likely to choose the CNF option.
6. Participants who were asked to assume a prior rate increase were less likely to select an RBO.



Results Summary

1. The clarity of the letters matters.

- We recommend revisiting the guidelines used to review rate increase letters to ensure the communication is accessible to the general population and uses “plain language” (Blaise, 2023).
 1. Plain language emphasizes brevity: short sentences, short paragraphs, and short sections.
 2. Plain language prefers using present tense verbs and active voice.
 3. Writing with simple words and phrases, minimizing jargon, abbreviations, and definitions exemplify plain language.

2. Greater perceived behavioral control and financial knowledge.

- Policyholders make different choices when they believe they have the skills and ability to make this choice.
 - Providing education and resources to help consumers make this choice is important.

3. Those who received a prior rate increase, and a greater perception of the risk of needing long-term care were more likely to keep their policy and pay the higher premium, regardless of age, income, or education.

**** A complete report of the findings from this work will be published by the end of the year.***



Looking Forward to 2025:

What we don't know:

1. How would modifying the language used in the letter (“plain language”, reading level, etc.) impact clarity and choice?

How to test this:

Test letters that use a lower reading level and remove complicated “insurance language” and jargon where applicable.

2. Should all rate increase letters include values for each of the options?

How to test this:

Provide letters with a table that shows the impact of each choice on their premium.



3. What additional criteria from the Principles and Guidelines could be tested and how will this impact clarity and choice?

How to test this: *Continue looking at consumer understanding and perceptions of RBO options by examining:*

1. *The perceived value of the options*
2. *The impact of the decision*



Reference Slide

From the Guidelines and Checklist:

From the Guidelines:

Understanding Policy Options

Insurers should consider communicating the impact of options by:

- Displaying the options in a way that enables policyholders to compare options, including details such as:
 - o Daily/monthly benefit.
 - o Benefit period.
 - o Inflation option.
 - o Maximum lifetime amount.
 - o Premium increase percentage and/or new premium.
 - o Nonforfeiture (NFO) or contingent nonforfeiture (CNF) amount.
 - o If the policy is Partnership qualified, changes to benefits may impact Partnership status.
 - o Current premium



From the Checklist

Readability and accessibility:

1. Is the communication easy to follow? Does it flow logically? Does it display the essential information and/or the primary action first (followed by the nonessential information)? Is the primary message of the communication presented first and clearly worded.
2. Are all technical insurance terms clearly explained in the communication?
3. Are all technical terms used consistently throughout the communication?
4. Is the communication in an easily readable font? For example: Is the type at least 11-pointtype?
5. Does the communication use headings to help the reader find information easily?
6. Is white space (margins, lines spacing, and spacing between paragraphs) sufficient and consistent?
7. Are tables, charts, and other graphics, easy to read and understand? (See question 18 for reference).
8. Are the grade level and reading ease scores appropriate according to state readability standards?
9. Are reduced benefit options clear and not misleading? For example: Are there side-by-side illustrations of options compared with current benefits?