NAIC

CENTER FOR INSURANCE POLICY AND RESEARCH

# Long-Term Care Insurance Rate Increases and Reduced Benefit Options: Insights from Interviews with Financial Planners

November 2022

**Authors:**

Brenda J. Cude, Ph.D., NAIC Consumer Representative; Professor Emeritus, Department of Financial Planning, Housing, and Consumer Economics, University of Georgia

Lisa Groshong, Ph.D.

Bonnie Burns, NAIC Consumer Representative

## Acknowledgments and NAIC Disclaimer

**Disclaimer**: This study reflects the opinions of the authors and is the product of impartial research. It is not intended to represent the positions or opinions of the NAIC or its members, nor are any of its contents an official position of the NAIC or any of its members or staff. Any errors are the sole responsibility of the authors.

**Acknowledgments**

The authors would like to thank the Financial Planning Association, a membership organization for CERTIFIED FINANCIAL PLANNER™ professionals and those engaged in the financial planning process. The FPA promoted the opportunity to participate in the research through its existing communications channels, which included newsletters, social channels, and chapter emails. We would also like to thank the financial planners who participated in the interviews.

**Suggested Citation**

Cude, B. J., Groshong, L., & Burns, B. (2022). *Long-term care insurance rate increases and reduced benefit options: Insights from interviews with financial planners*. Center for Insurance Policy and Research (CIPR) Research Report.

**About the Center for Insurance Policy and Research**

The National Association of Insurance Commissioners' (NAIC) Center for Insurance Policy and Research (CIPR) presents in-depth, independent research, the purposes of which are to: facilitate discussion and advance thinking on insurance topics; promote action on current and emerging insurance issues; and inform and disseminate ideas among regulators, consumers, academics, and financial services professionals.

The above purposes are accomplished through the CIPR's events, research publications, newsletter and website, the Journal of Insurance Regulation, and extensive research library holdings.

**CIPR studies are available at no cost on the CIPR website.**

**About the NAIC Consumer Representatives**

The National Association of Insurance Commissioners' (NAIC) Consumer Participation Program promotes consumer representation and interaction with NAIC members by providing an opportunity for individuals to participate in NAIC meetings, provided they represent consumer interests and meet established criteria for appointment.

# Table of Contents

**Long-Term Care Insurance Rate Increases and Reduced Benefit Options: Insights from Interviews with Financial Planners**

## Executive Summary

As early as the 1970s, U.S. individuals and families could purchase long-term care insurance to plan for future long-term care costs. While initially the policies primarily paid benefits for nursing home care, those sold more recently cover other long-term care services, for example, home health care. Today this type of long-term care insurance policy is frequently described as traditional and standalone to distinguish it from newer hybrid policies that combine long-term care coverage with other types of coverage, typically life insurance.

Many traditional long-term care insurance purchasers kept their policies, owning them (and paying premiums) for decades. Now, many policyholders have received notices that their premiums will increase, often dramatically. For example, media reports of premium increases of 80% and even more than 100% are not uncommon.

The rate increase notices include choices for long-term care insurance policyholders to consider that would offset part or all of the announced premium increase. These choices are known as *reduced benefit options* and usually include reducing the maximum benefit period or the daily, weekly, or monthly benefit amount. Policyholders also may be given the option to reduce the maximum policy benefit to the total of past premiums paid (known as contingent nonforfeiture) and pay no future premiums. Analyzing whether to reduce policy benefits and, if so, which ones, or to pay a higher premium is a very complex choice for a typical policyholder, especially without expert assistance.

Since 2020, the National Association of Insurance Commissioners' (NAIC) Long-Term Care Insurance (EX) Task Force has examined the issues surrounding reduced benefit options and possible regulatory responses. Among its work products[1] are:

- An *RBO Principles Document* that gives guiding principles for regulators to communicate to insurers regarding filing rate increase notices.
- *Principles for Reduced Benefit Options (RBO) Associated with LTCI Rate Increases,* which offers recommendations to ensure that long-term care insurance policyholders have opportunities to make reduced benefit decisions that are in their best interest.
- *Checklist for Premium Increase Communications* for state insurance department staff to use when it reviews insurance company rate increase notices to consumers.

However, the NAIC has not attempted to directly examine consumer response to long-term care insurance rate increase notices. This report describes a study that is a first step to fill that gap. The report describes the major takeaways from interviews with 14 financial planners. Interviews with financial planners are an indirect route to examine consumer responses to rate increase notices. However, all of the financial planners had experience advising clients who had received long-term care insurance rate increase notices that included reduced benefit options.

Following established qualitative research methodology, we identified three major categories of themes from the interviews:

[1] Available on NAIC's Long-Term Care Insurance Task Force webpage.

- Financial planner perceptions of client motivations to buy and keep long-term care insurance.
- Financial planner perceptions of insurance company rate increases, reduced benefit options, and client reactions to them.
- Financial planner advice to clients about rate increase notices and reduced benefit options.

Overall, we found that financial planners described client motivations to buy and keep long-term care insurance as related to four major themes:

- Financial security, primarily related to preserving assets.
- Choice and control about the type and quality of long-term care they might receive.
- Concern for family and experience with long-term care.
- Limited options to finance long-term care if they give up or reduce the benefits of their current insurance policy.

Financial planner perceptions of insurance company rate increases and reduced benefit options and client reactions to them related to five major themes:

- Some rate increases should have been avoidable, either because insurance companies could have absorbed more, if not all, of the rate increases or because state insurance regulators should have refused to approve rate increases.
- Rate increase notices presented basic information accurately, but the information was inadequate to make a decision. For example, financial planner

clients said the notices did not include a satisfactory explanation as to why premiums were increasing.

- Notices may create false impressions or undue stress for clients. Examples given were notices that presented reduced benefit options as the client's only options rather than as examples or deadlines that created an unnecessary and false sense of urgency.
- Clients were largely unprepared to make decisions about rate increases, lacking contact with the agent who sold the policy, financial knowledge, and knowledge about their own policy. The typical emotional response to a rate increase notice made a rational decision more difficult.
- Policyholders and those who advise them need additional resources to assist in making decisions.

Regarding the third category of themes from the interviews, financial planner advice to clients about responding to a long-term care insurance rate increase notice, there were two themes:

- Most financial planners advised their clients to keep their policies without adjusting the benefits and pay the higher premium, if at all possible.
- When financial planners recommended accepting a reduced benefit option, it was often either to drop the inflation rider or to reduce the benefit period.

The report concludes with recommendations for state insurance regulators and the NAIC regarding rate increase notices and reduced benefit options. Key recommendations include:

- State insurance regulators should fully use of NAIC's *Checklist for Premium Increase Communications* when reviewing long-term care insurance rate increase notices.
- State insurance regulators should work to expand the advisors available to assist policyholders with a decision about a long-term care insurance rate increase by:
    - Requiring, by rule or regulation, that policyholders have the right to authorize insurance companies to release policy information to a professional advisor.
    - Ensure that Senior Health Insurance Programs (SHIP) counselors are prepared to advise long-term care insurance policyholders.
- NAIC should explore ways to facilitate the creation of smart disclosures to assist policyholders in making decisions about reduced benefit options. For example, with the input of personal information, the disclosure could narrow the choice of reduced benefit options to those most relevant to the policyholder. The first step for NAIC would be to identify what data would be needed, what data are available, and whether those data are available in standardized, machine readable form so they could be used to build interactive tools to assist consumers.

- NAIC should revise its *Checklist for Premium Increase Communication.* The research revealed revisions that would clarify whether reduced benefit options in a rate increase notice are the policyholder's *only* options or examples, whether there is a firm deadline by which the policyholder *must* act, and the consequences of dropping or adjusting inflation protection. We also recommend adding two items to the checklist*.* One would encourage rate increase notices to include a reminder to the policyholder to keep their policy in an easily accessible location. A second recommended addition to the notices would remind policyholders to identify a third party to be notified if premiums are not paid.

# Introduction

As early as the 1970s, U.S. individuals and families could purchase long-term care insurance to plan for future long-term care costs. Initially, the policies primarily paid benefits for nursing home care if the policyholder met specific prescribed benefit triggers. With time, long-term care insurance policies have extended the types of care covered to include other long-term care services, for example, home health care. Today this type of policy is frequently described as traditional and standalone to distinguish it from newer hybrid policies that combine long-term care insurance with other types of coverage, typically life insurance.

Many traditional long-term care insurance purchasers kept their policies, now owning them (and paying premiums) for decades. In fact, the lapse rate for traditional long-term care insurance policies has been much lower than insurers anticipated when they first offered the product.

Now, years after buying the policy and paying the same premium year after year, many policyholders have received notices that the premiums for their long-term care insurance policy will increase. Some have received multiple notices over time or notices of a current as well as a future increase. Some of the premium increases are dramatic. For example, media reports of premium increases of 80% and even more than 100% are common.

The rate increase notices include choices for long-term care insurance policyholders to offset part or all of the announced premium increase. These choices are known as *reduced benefit options.* The rate increase notices explain (in varying degrees of detail) policy benefits that could be reduced and the impact of those reductions on future premiums. Policyholders also may have the option to reduce the maximum policy benefit to the total of past premiums paid (known as contingent nonforfeiture) and pay no future premiums. Analyzing whether to reduce policy benefits and, if so, which ones or to pay a higher premium is a very complex choice for a typical policyholder, especially without expert assistance.

In 2020, the National Association of Insurance Commissioners (NAIC) formed a Reduced Benefit Options Subgroup within the Long-Term Care Insurance (EX) Task Force to examine issues surrounding reduced benefit options and possible regulatory responses. Its charge was to: *Identify options to provide consumers with choices regarding modifications to long-term care insurance (LTCI) contract benefits where policies are no longer affordable due to rate increases.*

The Reduced Benefits Option Subgroup concluded its work in 2022. In 2020, it produced an *RBO Principles Document* that gave guiding principles for regulators to communicate to insurers regarding filing rate increase notices. The subgroup also created the document *Principles for Reduced Benefit Options (RBO) Associated with LTCI Rate Increases.* The document states that it is intended to answer this question: *What are the recommendations for ensuring long-term care insurance policyholders have maximized opportunity to make reduced benefit decisions that are in their best interest?* In 2021, in response to its charge, the subgroup produced a *Checklist for Premium Increase Communications*, a document for state insurance department staff to use when it reviews insurance company rate increase notices to consumers. Finally, it created the document *Issues Related to LTC Wellness Benefits* to increase clarity to regulators and industry regarding issues related to innovative long-term care wellness programs. These resources are available on NAIC's Long-Term Care Insurance Task Force webpage.

However, the NAIC has not attempted to directly examine consumer response to long-term care insurance rate increase notices. This report describes a study that is a first step to fill that gap. The report describes the major takeaways from interviews with 14 financial planners. Interviews with financial planners are an indirect route to examining consumer responses to rate increase notices. However, all financial planners had experience advising clients who received long-term care insurance rate increase notices that included reduced benefit options. The report concludes with recommendations for state insurance regulators and the NAIC regarding rate increase notices and reduced benefit options.

# Background about Long-Term Care Insurance

## Traditional Standalone Long-Term Care Insurance Policies

The NAIC's (2019) *Shopper's Guide to Long-Term Care Insurance* describes the policy terms of a traditional standalone long-term care insurance policy. Two important policy terms are the maximum benefit limit (commonly stated in years but sometimes as a total dollar amount) and the daily/weekly/monthly benefit limit, typically stated as a dollar amount. Neuhauser (2012) states that most traditional long-term care insurance policies treat coverage as pooled coverage, defined as a multiple of the daily benefit amount and the benefit period.

Long-term care insurance policies have benefit triggers that determine eligibility to receive benefits (NAIC, 2019). Insurers often use Activities of Daily Living (ADLs) as benefit triggers. A common standard is being unable to do two of six (bathing, continence, dressing, eating, toileting, and transferring) ADLs without human assistance for 90 days.

Traditional long-term care insurance policies also feature an elimination (or deductible) period, stated as a number of days. Benefits begin at the end of the elimination period, which may be counted in “calendar days” or “service days” (NAIC, 2019).

Traditional long-term care insurance policies also must offer inflation protection. With automatic inflation protection, the benefit amounts go up automatically each year, typically by a fixed percentage (often 3%) for a period of time (often 10 or 20 years). In a policy with special offer inflation protection, the policyholder can choose to increase benefits from time to time. A tax-qualified long-term care insurance policy offers certain federal income tax advantages, specifically the opportunity for a taxpayer who itemizes deductions to deduct part or all of the premium paid for the policy (NAIC, 2019).

Long-term care insurance companies medically underwrite coverage. Some companies will not sell coverage to individuals with certain preexisting conditions or may charge those individuals higher premiums (NAIC, 2019).

Cohen (2016) described the characteristics of an individual who bought long-term care insurance by purchase year from 1990 to 2010. Over that period, the average purchaser age decreased (from 68 years old in 1990 to 59 years old in 2010). The median income of a purchaser dramatically increased – from $27,000 in 1990 to $87,500 in 2010. Purchasers also were much more likely to be college educated and employed in 2010 than in 1990.

According to Cohen (2016), sales of traditional standalone long-term care insurance policies peaked in 2003. In subsequent years, especially after 2010, sales of hybrid policies that combine long-term care insurance with another insurance benefit, typically life insurance, have outpaced those of traditional policies (Bodnar, 2016). The number of insurance companies offering traditional policies has declined precipitously, from an estimated 125 in 2000 to fewer than 15 by 2014 (Cohen, 2016). The U.S. Department of Treasury (2020) reported that the downward trend in sales of traditional policies accelerated between 2014 and 2018.

## Rate Increases on Traditional Standalone Long-Term Care Insurance Policies

In recent years, many policyholders with traditional standalone long-term care insurance policies have received notices indicating their insurance premiums will increase, often substantially. A report of a long-term care insurance data call to the NAIC Long-Term Care Insurance Task Force (2021) described more than 3,500 approved rate increases nationwide for long-term care insurance policies. The average single requested rate increase was 78%, while the average single approved rate increase was 37%. The average cumulative approved rate increase was 112%. The average policyholder attained age in the most rate increased[2] blocks was 74.8 years old, ranging from 72.7 to 76.8 years old. Of the inforce policies in the most rate increased blocks, more than 70% had an inflation rider and more than 35% had a lifetime benefit period (Long-Term Care Group [LTCG], 2021).

Explanations for the rate increases typically are associated with the limited data on which pricing assumptions for the product were based (U.S. Department of Treasury, 2020). A consequence of the limited data was that insurance companies:

- Underestimated morbidity, or the number of policyholders who would need long-term care and for how long;

[2] Defined as the insurance company's block with the largest past percentage rate increase (Personal communication, Matthew Morton, November 18, 2022).

- Overestimated lapse rates, or the number of policyholders who would voluntarily drop their policies.

The recent low-interest rate environment also has been cited as a reason for rate increases, as the low interest rates reduced the income insurers earned against their assets (King, 2016).[3]

The LTCG (2021) provided evidence that rate approval levels are inconsistent by state, suggesting that policyholders in states where higher rates are approved subsidize policyholders in other states. The report also concluded that “the cost of a nursing home does not appear to be a primary predictor of state LTC experience” (Slide 3).

## Reduced Benefits Options to Offset Rate Increases

Rate increase notices offer policyholders options to reduce policy benefits and offset some or all of the announced premium increases. NAIC’s *Model Long-Term Care Insurance Regulation 641* (NAIC, 2017) states that at least one of the reduced benefit options must be either a reduction in the maximum benefit or a reduction in the daily, weekly, or monthly benefit amount.

NAIC’s (2020) *Principles for Reduced Benefit Options (RBO) Associated with LTCI Rate Increases* described the most common reduced benefit options as:

- Reduce the daily benefit.
- Decrease the benefit period/maximum benefit pool.
- Reduce inflation protection going forward while preserving accumulated inflation protection.

[3] See King (2016) for an excellent explanation of the basics of pricing long-term care insurance.

- Increase the elimination period.
- Choose the contingent nonforfeiture benefit – Claim amount can be the sum of past premiums paid. The policyholder only receives that benefit if they qualify for a claim.

The less-common reduced benefit options mentioned in the same document were a cash buyout and a co-pay percentage on benefits.

Thus, rate increases in the long-term care insurance market present significant concerns. Long-term care insurance policyholders who receive rate increase notices must make a complex decision about whether to keep the policy and pay higher premiums, reduce the benefits and, if so, which ones, to offset some or all of the announced rate increase, or drop the coverage. State insurance regulators must balance policyholder and insurer interests to maintain the industry's solvency while respecting the importance of a long-term care insurance as part of an individual's or family's financial plan.

# Research Methodology

## Interviews with Financial Planners

In this project, qualitative data were collected via interviews with 14 key informants, specifically financial planners who have worked with long-term care insurance policyholders. We expected financial planners would understand not only the financial aspects of the long-term care insurance policyholder experience but also the client's complete financial plan.

The financial planners were recruited through the Financial Planning Association (FPA), a membership organization for CERTIFIED FINANCIAL PLANNER™ professionals and those engaged in the financial planning process. The FPA promoted the opportunity to participate in the research through its existing communications channels, which included newsletters, social channels, and chapter emails.

The financial planners who were interested in participating in the research were asked to complete an online survey. The questions in the survey were designed to ensure that those selected had worked with clients who had long-term care insurance policyholders. We sought financial planners who could answer yes to each of the following three screening questions:

- Have you regularly worked with long-term care insurance policyholders or people requesting information about long-term care insurance?
- Have you commonly worked with long-term care insurance policyholders who received a notice about a premium increase?
- Have you commonly worked with long-term care insurance policyholders who were offered options to avoid a premium increase?

Fourteen financial planners met the criteria, and the second author scheduled interviews. Twelve of the 14 completed an online survey that collected information about the planners and their practices. The financial planners represented a mix of geographic regions, including rural and urban locations, and males and females. Nine of the 12 planners had more than 20 years of experience in the industry. All but one used a fee-based business model, with fees typically based on Assets under Management; one financial planner's practice was commission-based. Ten of the 12 financial planners held the CERTIFIED FINANCIAL PLANNER™ designation; seven also were licensed insurance agents, and six held other professional designations. Six planners said they worked with fewer than 50 clients, while five worked in a firm that served 50 to 100 clients, and one worked in a firm with 500 to 1000 clients.

All but two financial planners provided their clients a range of financial planning services, typically about estate planning, investments, insurance, retirement planning, and taxes. Four focused on a specialized clientele, described as women, older adults, divorce planning, and, in one case, long-term care planning. All of the financial planners indicated that they followed a fiduciary standard.

The report's first and second authors created a semi-structured script asking the financial planners about their clients' experiences with rate increases and reduced benefit options. (See the appendix for the interview script.) The second author conducted the interviews via Webex in October and December 2021 and January 2022.[4] On average, the interviews were about 45 minutes to an hour. The researchers recorded each interview and created a written transcript of each.

## Data Analysis

The report's first and second authors analyzed the transcripts independently using a thematic content approach (Braun & Clarke, 2006) to identify nascent themes, identifying bits of data that represented the themes across research participants. The second author and her assistant coded the interview transcripts using NVivo analysis software (QSR International Pty.

[4] The University of Georgia Institutional Review Board reviewed the project and classified it "Not Human Subjects Research."

Ltd.). The first and second authors then used the codes to develop higher-order themes (Brower & Jeong, 2008), discussing and resolving interpretive disagreements.

## Emergent Themes from Interviews with Financial Planners

We grouped the emergent themes from the interviews into three overall categories:

- Financial planner perceptions of client motivations to buy and keep long-term care insurance.
- Financial planner perceptions of insurance company rate increases, reduced benefit options, and client reactions to them.
- Financial planner advice to clients about responding to rate increase notices and reduced benefit options.

### Financial Planner Perceptions of Client Motivation to Buy and Keep Long-Term Care Insurance

The interviews with financial planners confirmed what is already known about why people bought traditional standalone long-term care insurance (Dorn et al., 2007; Grote, 2011). Four major themes emerged related to financial planners' perceptions of client motivations to buy and keep long-term care insurance:

- Financial security.
- Choice and control.
- Concern for and experience with family members.
- Limited options to finance long-term care without their current insurance policy.

## Financial Security

One theme was financial security. Financial security refers to clients' desire to use insurance to pay for long-term care if they need it while preserving their assets. As one financial planner described it, they "*just don't want to spend their own money on long-term care."* The financial planners grounded their observations about clients' financial motivations in their frequent descriptions of those who owned long-term care insurance policies as middle-class consumers of moderate means when they bought their policies. One financial planner said, "*We had very, very modest people getting LTC. I remember the first policies we did … those policies were dirt cheap, typically a thousand dollars (in premium a year) or less. And we could give them to a much broader spectrum of clients*." For these individuals, financing long-term care on their own might require using all of their assets.

Financial planners quickly observed that the financial situations of individuals buying long-term care insurance today differ from those who bought policies decades ago. Today's long-term care insurance purchasers have higher incomes and net worth than purchasers in previous decades. The planners often described the clients to whom they now recommended long-term care insurance as having assets valued between $250,000 and $1 million. The financial planners we interviewed said that clients with more than $3 to 5 million in assets can self-insure. However, they noted that some high net worth clients might value long-term care insurance as a way to preserve their estate or make care easier when navigating long-term care services.

The change over time in the financial situation of long-term care insurance policyholders is, in part, driven by an increase in long-term care insurance premiums. The NAIC has reported that between 1990 and 2015, the average annual long-term care insurance premium more than doubled (Papp, 2022).

Some financial planners mentioned gender as a critical consideration in the financial motivation to buy and keep a long-term care insurance policy. One observed that women are more likely to require long-term care support, and men are less likely to qualify for long-term care insurance. Because women often outlive their husbands, they face the possibility of spending down their assets to pay for the husband's care, leaving nothing to support the surviving spouse. One planner said, "*I talk about the perils of self-funding (long-term care). And particularly the perils for the wife. Usually, the wife is gonna be there to help take care of the husband and she's gonna outlive him. So what's gonna happen to her? If they have to spend money for his care, that's gonna diminish the amount of assets.*"

### Choice and Control

Choice and control was another emergent theme related to financial planner perceptions of client motivation to buy and keep long-term care insurance. Their clients want alternatives to nursing homes and options enabling them to guide their own care. A financial planner said, "*The monetary thing is there, no doubt. But it's really about maintaining a quality end to your life."* One financial planner mentioned that news stories about conditions in nursing homes during the pandemic had strengthened client resolve to keep the insurance policy they have now, despite rate increases.

### Concern for Family and Experience with Long-Term Care

An important motivation to buy and keep long-term care insurance was related to concern for and experience with family members. Financial planners consistently reported that clients saw insurance as a way to avoid becoming a burden on family. A financial planner described one client who could self-insure but chose to buy insurance: "*His statement to me was 'I don't ever want to become a burden on any of my family members. I want to know that there's an 800 number that I can have my niece or nephew or sibling contact and start coordinating my care.' He almost had a phobia about being burdensome, and yet he had so much money.*"

The financial planners also reported that experience with family members who needed long-term care, especially for extended periods, as with Alzheimer's disease and dementia,[5] motivated clients to buy and keep insurance. As one financial planner said, "*It's not because they saw a commercial and thought, oh, that's a good idea. I need some of that. It's because they lived it.*"

### Limited Options to Finance Long-Term Care without Current Policy

A motivation to keep an existing long-term care insurance policy was the lack of other options to finance long-term care. Financial planners described it as "too late'" for policyholders to apply for a new policy. The financial planners said clients who expressed an interest in buying long-term care insurance at retirement age or later found it difficult to qualify for coverage. "*What we're finding,*" one financial planner said, "*is that, particularly with my clientele, they're now above the optimal age to buy long-term care or have preexisting conditions that would preclude them. You don't buy long-term care with people in their*

[5] Coe et al.'s (2015) research confirms that family experience with long-term care influences the decision to purchase insurance.

*seventies, it's not viable.*" Even if one could buy a new policy, it is doubtful that the premiums would be less for coverage comparable to an existing policy.

One option that traditional long-term care insurance policyholders might consider is replacing that policy with a hybrid policy. All of the financial planners we interviewed mentioned hybrid policies. The financial planners were sharply divided in their opinions about standalone policies versus hybrid policies.

Those who recommended hybrid policies to their clients typically mentioned three reasons for their recommendations:

- Clients who want to purchase long-term care insurance could qualify for a hybrid policy but not a traditional policy because of health conditions or age.[6]
- Clients do not want to "waste" premiums if they never need to use the policy for long-term care. A policyholder will get some value from a hybrid policy if only from the non-long-term care aspect, typically life insurance. In this sense, hybrid policies also appeal to clients with low risk tolerance. One financial planner described his response to clients who did not want to "waste" premiums on a traditional standalone policy because they might never use the coverage. He told them, "*I would argue you would **want** to waste your long-term care insurance premiums, because that means you had a long, healthy life and you went quickly versus getting it dragged out.*"

[6] Braun et al. (2019) proposed that rejections are the main reason long-term care insurance take-up rates are less than 10% among U.S. adults over age 62. Their model estimated that insurers would reject between 36% and 56% of applicants for long-term care insurance between ages 55 and 66, the most common ages for application.

- Unlike a traditional long-term care insurance policy, financial planners said the rates for a hybrid policy would never increase.

Nearly as many financial planners interviewed had misgivings about hybrid policies. The primary reason they gave for their reservations about hybrid policies was that they were more complicated than standalone policies. They thought a hybrid policy made it difficult for them and their clients to be confident that they understood how and when the policy would pay benefits as well as the policy's value. Also, they described hybrid policies as generally only available to clients with a substantial amount of cash on hand. One planner observed that "*most people don't have a hundred thousand dollars lying around that they can just plop into an insurance policy. That's the problem with all these new products; they're only designed for people who have quite a bit of money rather than trying to design a product that everybody can afford.*"

Financial planners often described a mix of motivations that led to purchasing and/or keeping a policy. For example, one financial planner's description of their conversations with clients touched on three themes: "*Almost all … (were) either convinced that they could lose a ton of money that they had built up through a long-term care event, or they had to have had someone go through that in their family and recognized the need because they weren't able to pay for that care out of pocket or their family member had to go on Medicaid and then couldn't choose what facility to be in or choose to have at home care.*"

## Financial Planner Perceptions of Insurance Company Rate Increases, Reduced Benefit Options, and Client Reactions to Them

Five major themes emerged related to financial planner perceptions of rate increases, reduced benefit options, and client reactions to them:

- Some rate increases should have been avoidable.
- Rate increase notices presented basic information accurately, but the information was inadequate to make a decision.
- Notices may create false impressions or undue stress for clients.
- Clients are largely unprepared to make decisions about rate increases, lacking contact with the agent who sold the policy, financial knowledge, and knowledge about their own policy. The typical emotional response to a rate increase notice made a rational decision more difficult.
- Policyholders and those who advise them need additional resources to assist in making decisions.

### Some Rate Increases Should Have Been Avoidable

All of the financial planners' clients who owned long-term care insurance policies had received rate increase notices, especially those who had owned their policies for more than 10 years. Financial planners cited increases of up to 500%. Their experience is consistent with other descriptions of rate increases (Darnell, 2021).

Some financial planners thought some rate increases should have been avoidable. They said the carriers could and should have absorbed more, if not all, of the rate increases. One said, "*No one disputes rate hikes are a way of life, no matter what you're buying, but this is way, way outta control.*"

Some financial planners thought state regulators should have done more to limit rate increases. One financial planner said regulators justified allowing rate increases to keep insurers in the market, "*but they left anyway.*"

### Rate Increase Notices Presented Basic Information Accurately, But the Information Was Inadequate to Make a Decision

The financial planners we interviewed described rate increase notices as presenting basic information accurately. As one financial planner said, "*The notices communicate that rates are increasing. But they don't necessarily help the client understand the reduced benefit options to manage the premium.*" One financial planner said she thought her clients "*may understand the communication … but not the repercussions*" of the decision. Another said the communications are not "*broken down enough… as clients think in very simple non-insurance terms.*" Several planners also said clients want to know why premiums are increasing and the notices do not explain that, at least not in a way their clients understand.

### Notices May Create False Impressions or Undue Stress for Clients

Some financial planners thought some aspects of rate increase notices might create false impressions or undue stress for clients. They thought some notices amplified the policyholder's emotional reaction by creating a false sense of urgency to make a decision. One described the notices as "*coming across as a drop-dead moment.*" Some considered the notices' wording to be "enticements" to opt out of the policy and choose the contingent nonforfeiture benefit for a paid-up policy. One financial planner said, *"The first thing they (the insurance companies) want to do is buy you out."*

Some financial planners questioned whether the options offered were in the company's best interest or the policyholder's best interest and suggested that the two might not be the same. One said that "*the carrier has a vested interest in the policyholder's decision regarding lowering benefits*." Darnell (2021) supported this view, noting that policies may have large built-in contract reserves to pay future benefits. Darnell suggests carriers have a vested interest in policyholders reducing benefits because the carrier collects the decrease in the contract reserve.

Several financial planners discussed the number of reduced benefit options mentioned in the rate increase notice, asking questions such as "*How many options are enough? How many are too many*?" They also commented that some notices list a limited number of options and incorrectly imply those are the only options available to the policyholder.

### Clients Are Largely Unprepared to Make Decisions about Rate Increases

Another theme in the financial planner interviews was that they believed their clients to be largely unprepared to make decisions about rate increases. They gave several reasons to support this observation. The financial planners said it was unlikely that policyholders were still in contact with the agent who sold them the policy, either because the book of business was sold or the agent was retired or deceased. Because the financial planners we interviewed had not sold the policy to the client, they had limited access to policy information directly from the insurance company. Some clients said they did not have a copy of the policy.

Financial planners typically characterized their clients as lacking the knowledge to process the information about their options to reduce or avoid premium increases. The general lack of financial literacy in the United States compounds the problem. For example, in 2022 the FINRA Foundation reported empirical data that indicated that respondents with more financial knowledge were more likely to exhibit positive financial behaviors, such as establishing an emergency fund (Lin et al., 2022). However, only 36% demonstrated knowledge, indicating they understood probabilities. On average, the respondents only correctly answered 2.58 of the five financial knowledge questions (Urban & Valdes, 2022). In addition, the terminology and policy benefits in long-term care insurance differ from those used in other insurance products, making it more difficult for policyholders to understand their coverage.

Another financial planner reaction to rate increase notices referred to policies purchased many years earlier. While a few financial planners said their clients expected rate increases, most said their clients were resentful about the increases: "*No one told me there could be rate increases.*" Even if the policyholder initially understood that rate increases were possible, they likely have forgotten that information along with most of what they may have known about the terms of their policy. Thus, unless the notice included at least a basic description of the terms of the policy, the financial planners' clients found it difficult to put the options to reduce benefits into context.

Future premium increases are often predicted in the same multipage document. Thus, policyholders may need help understanding both the immediate and the future implications of choosing one reduced benefit option over another. For instance, a very large future premium increase stated in the text may steer policyholders toward a paid-up option. Flexibility to respond to possible future rate increases is another consideration. If a policyholder reduces a daily benefit or maximum benefit period to the bare minimums to offset a rate increase, that action likely limits or eliminates their options to respond to a future rate increase.

All of the financial planners described their clients' emotional responses to a rate increase notice. Often the emotional reaction was so strong it overwhelmed the client's ability to respond rationally. Financial planners said policyholders are often confused and angry, which keeps them from focusing rationally on the issue. One financial planner said of their clients, "*They are just beside themselves with frustration*." Another described clients as "*despairing*."

Another financial planner observation was about the emotional response to a rate increase fueled by the perception of it as "sudden" after many years of paying the same premium. The policyholders' experience paying a "level" premium has reinforced their perceptions that their premium would not increase. Policyholders contrasted the sudden increase with the more incremental increase in other expenses over time. They also compared the rate increase to their experience with other insurance products. One financial planner added, "*They knew that the cost of their life insurance didn't go up and that the cost of some of their other insurance products was guaranteed not to go up.*" Also, their financial circumstances have probably changed in the years since their initial purchase, sometimes because they have retired and now live on a fixed income. Other policyholders may have experienced increases in their assets' value. Thus, a rate increase notice requires the policyholder to reevaluate their financial plan to pay for long-term care, especially if their financial situation has changed since they bought the policy. Their decision to buy long-term care insurance is something they would prefer not to revisit.

Financial planners emphasized the importance of helping clients step back to look at the rate increases and reduced benefit options rationally. A strong emotional response often clouds judgment. One financial planner said he tries to approach such conversations with humor: "*What I do is turn around that anger and say, 'Who is the dummy?' They made a blanket bet on people getting old and staying healthy or even taking their offer. They're the ones that should be angry because they're the ones that made a bad business decision. You should be happy because we made a good business decision.*"

### Policyholders and Those Who Assist Them Need Additional Resources

Regarding the final theme, financial planners seemed especially frustrated that their clients could not ask the agent who sold the policy for assistance because the agent typically was no longer associated with the insurance company. Because the financial planner had not sold the policy, they said they could not access important information about the policy directly from the insurance company.

Some financial planners thought that long-term care insurance companies should have tools on their websites to explain rate increases and reduced benefit options. Others said their clients do not use websites but thought financial planners would use online tools.

Several financial planners thought the ideal might be not to offer any options in the rate increase notices but to encourage the consumer to talk with someone about their options. They argued that the policyholder needs personalized advice to make a decision. Financial planners said they consider the client's personal situation when advising them about rate increases and reduced benefit options. Client characteristics that often influenced financial planners' recommendations were the client's age and health; their financial assets, income, and net worth; and their family medical and support history.

## Financial Planner Advice to Clients about Rate Increases and Reduced Benefit Options

Two themes emerged regarding financial planner advice to clients in response to a rate increase.

- Financial planners advised clients to keep the policy if at all possible and pay the higher premium.
- If a client must choose a reduced benefit option to reduce the premium, financial planners advise dropping the inflation rider or reducing the benefit period to offset some of the rate increase and keep the policy.

### Keep the Policy with Its Current Benefits and Pay the Higher Premium

All of the financial planners we interviewed recommended that their clients maintain their long-term care insurance policy with its current benefits and pay the higher premium if possible. Recall, however, that clients of financial planners are likely in a better financial position to pay the higher premium than other long-term care insurance policyholders.

Reasons financial planners offered for their recommendation to keep the policy as is included:

- The policy was likely underpriced from the beginning. However, policyholders may not be swayed by this argument as they made their purchase decision based on whether the premium at the time of purchase fit their budget then. It likely is not helpful to tell a policyholder that they "should" have been paying a higher premium earlier.

- If the policy has an inflation rider, the daily benefits have increased with time, and the policy is worth much more now than it was initially.
- Most policyholders have limited options to replace the policy with another policy or another approach to finance long-term care. Thus, keeping their existing coverage may be their only option to use long-term care insurance to pay for care.
- The premium increase is likely small relative to the benefit, considering that some policyholders are nearing the age where a claim is more likely. However true this may be, it does not matter to a policyholder who cannot pay the higher premium or would have to reduce their standard of living to pay it.

### If a Policyholder Must Choose a Reduced Benefit Option, Financial Planners Recommended Dropping the Inflation Rider or Reducing the Benefit Period

If a policyholder must choose a reduced benefit option rather than paying a higher premium, financial planners typically recommended one of the following (depending on the policy and the client's situation):

- Drop the inflation rider or change the method from compound to simple. Financial planners most often offered this advice if the client was older. The rationale was that clients typically had held the policy for many years, and thus the daily benefit is now generous due to annual inflation adjustments.
- Reduce the benefit period, especially if the daily benefit has increased due to an inflation rider. A few financial planners described the benefit of this approach when

benefits are pooled. For example, suppose one client has a $100 daily benefit for four years – that is access to $146,000 in benefits. Another client has a $200 daily benefit for two years – also access to $146,000 in benefits. But, the second client would not have to pay any of the covered costs out of pocket for the first two years on claim after the elimination period as long as the daily cost is less than $200. Moreover, he can "bank" the difference to functionally extend the benefit period.

Both recommendations are consistent with those of respected financial planning authorities such as Kitces (2013). Nawrocki (2012) also suggested that maintaining an insurance policy, even with fewer benefits, would still give policyholders access to services that a policy might include, such as care coordination.

None of the financial planners said they would advise their clients to drop the policy. However, a few did say they would consider different options if their client's assets have decreased since they bought the policy to, for example, delay using Medicaid. Some said they discussed other ways to supplement their clients' long-term care insurance benefits. For example, they might discuss a cash value life insurance policy or a reverse mortgage, especially if the client chooses to reduce their policy's daily benefit or maximum benefit period.

## Limitations

It is important to state that we do not think that what we learned from the financial planners is universally applicable to long-term care insurance policyholders. Because this was qualitative research, the results cannot be generalized to all clients of financial planners or all long-term care insurance policyholders.

In addition, there are two important caveats related to learning about long-term care insurance policyholders' experiences by interviewing financial planners:

- Financial planners' clients likely have more assets than some other long-term care insurance policyholders. Thus, they likely have more options to not only pay a rate increase but also to finance long-term care using other financial resources.
- It seems likely that clients of financial planners would assume their financial planner could advise them about their response to the rate increase. Other long-term care insurance policyholders may not have a relationship with a professional from whom they could seek advice about this decision. For example, if their personal insurance agent (for homeowners and auto insurance, perhaps) does not sell long-term care insurance, it is unlikely they are qualified to offer advice. Thus, policyholders who do not work with a professional advisor may approach the decision differently than those who do, and some may ignore the rate increase notice.

In a September 21, 2020, letter to the NAIC's Long-Term Care Insurance Reduced Benefits Options Subgroup, Bonnie Burns, a nationally-known expert on long-term care insurance and a co-author of this study, highlighted several ways in which the reactions of a policyholder who does not consult a professional will likely be similar to and differ from those the financial planners described. She wrote:

- Policyholders of advanced age have difficulty processing complex choices and often fail to act. Notices that run to multiple pages with dense text and boxes are difficult for many older and sometimes even younger readers to interpret.

- Policyholders, and sometimes family members, react in frustration by stating they will just cancel the policy. This fairly frequent reaction is often in response to a very large rate increase, and an individual being overwhelmed by the density of the language and the mysterious choices in a multipage notice.
- Policyholders who did not respond to a notice will sometimes ask for help after premiums have increased for several months and have had a noticeable effect on their budget. People who pay quarterly or semi-annually may simply stop paying an unaffordable premium. Family members are often not aware that this has occurred until later.
- Family members acting on behalf of an elderly family member have little understanding of long-term care insurance or the relative value of each option offered, and will look for the option with the most premium reduction: "the most bang for the buck." That option is often the elimination of inflation protection without understanding the effect on future or past benefits.
- Family members sometimes act on behalf of an elderly relative, often very late in the process or after a deadline, when the policyholder may have fewer choices to reduce the impact of an increased premium.
- Many policyholders have premiums set up as "auto pay," a process that is difficult to change or turn off and complicates discussions about reductions or changes in premium payments.

- Family members often ask for help after a policyholder has made a decision that is not in their best interest, with varying responses from insurers willing to make adjustments to those prior decisions.
- Family members and policyholders often react to explanations about the reason for an increase by asking why they are paying for the mistakes an insurer has made. They believe they are paying to maintain the insurer's profitability, and are skeptical of explanations to the contrary.
- Policyholders and others tend to miss important information that is not immediately obvious, such as the likelihood of future rate increases or an increase that is spread over several years. This is sometimes because the placement of this information is in a long paragraph of information or explanation.

Other limitations of the study are identified below.

- Most of the financial planners we interviewed were not familiar with partnership policies. Consequently, this research provides no insights into reduced benefit options for partnership policies, which help the policyholder manage the financial impact of spending down assets to meet Medicaid eligibility standards (NAIC, 2019).
- We did not discuss with the financial planners that we interviewed the long-term care insurance policies in the closed block administered by Senior Health Insurance of Pennsylvania (SHIP). Nor did we discuss policies impacted by class action lawsuits; decisions about rate increases and reduced benefit options for these policies are likely more complicated than those discussed in our financial planner interviews.

This research also did not attempt to assess the impact of any of the work of the NAIC's Reduced Benefit Options Subgroup. Research with that goal in mind likely would require an experimental approach. For example, researchers could give long-term care insurance policyholders a rate increase notice at two points in time: before a state insurance regulator has reviewed it using the *Checklist for Premium Increase Communications* and after. Researchers could then compare policyholder understanding of the information in the two notices.

## Recommendations for State Insurance Regulators about Rate Increase Notices and Reduced Benefit Options

We recommend the following actions for state insurance regulators regarding long-term care insurance rate increase notices and reduced benefit options:

- Make full use of NAIC's *Checklist for Premium Increase Communications* (NAIC, 2021) when reviewing rate increase notices. The checklist offers many criteria that, if followed, would lead to improved communication with policyholders. For example, one item in the checklist states specifically that communications should "present options fairly and without subtle coercion." Another item is, "Are the options represented fairly? Options are **not** presented fairly if one option is emphasized, mentioned multiple times, placed in a more prominent position, or bolded when the other options are not." A third reads, "Are the number of options presented reasonable? If there are more than 5, engage with insurer to understand what is being presented." Given the financial planners' concerns about how rate increase notices present reduced benefit options, attention to that aspect of the notice seems essential.

How reduced benefit options are presented also influences policyholder understanding of the information. For example, it may be unclear when the policyholder can change *any* of the terms of their policy, not just the terms presented in the notice. Wording such as the following illustrates a way to emphasize when reduced benefit options in the notice are merely examples:

*You have options to reduce your new premium. Here is one example.*

| *If you're comfortable changing your benefits from lifetime coverage to six years of benefits, your new premium will be lower. The rest of your benefits will stay the same.* | |
|---|---|
| *Your premium today for unlimited benefits* | *Your premium for 6 years of benefits* |
| *$9,000 annually* | *$7,000 annually* |

*Here is another example……*

*You can call customer service at 800-000-0000 to ask about other changes you can make to reduce the new premium.*

The concrete example in the table helps the policyholder contextualize the information. Note that the example also includes the original policy benefits, information the policyholder may not have readily available.

- State insurance regulators should work to expand the advisors available to assist policyholders with a decision about a long-term care insurance rate increase. Ultimately, the financial planners suggested that a decision about reduced benefit options is so complex that counseling is required to assist the policyholder. One recent report suggested that more Americans turn to family and friends (56%) and prayer (29%) than to a professional (27%) for financial advice (Nationwide, 2022). While family and friends may be supportive and prayer comforting, consumers need advice from objective professionals to assist them in making sound decisions.

The financial planners reported that it is rare that the agent who initially sold the long-term care insurance policy is available. Other experts (other insurance agents, financial planners, attorneys) could advise long-term care insurance policyholders. But they often cannot get information about the policy from the insurance company, information they would need to be truly helpful to the policyholder. Nor may an insurance agent who writes, for example, auto insurance coverage, have any expertise to assist a policyholder with a decision about long-term care insurance.

States can take two actions to expand the scope of advisors available to assist consumers. One is to ensure, by rule or regulation, that policyholders have the right to authorize insurance companies to release policy information to a professional advisor.

Another way that states can expand the scope of advisors is to ensure that Senior Health Insurance Program (SHIP) counselors are prepared to advise long-term care insurance policyholders. In two-thirds of the states, SHIP counselors are located in agencies other than Departments of Insurance. Departments of Insurance should open the lines of communication with those agencies and partner to provide training as well as standby technical assistance to the SHIP counselors.

## Recommendations for NAIC's Long-Term Care Insurance Task Force

We have two recommendations for NAIC's Long-Term Care Insurance Task Force. The first is to explore (perhaps in coordination with NAIC's Cybersecurity, Innovation, and Technology (H) Committee) ways to facilitate the creation of smart disclosures to assist policyholders in making decisions about reduced benefit options. For example, with the input of personal information, the disclosure could narrow the choice of reduced benefit options to those most relevant to the policyholder. In a very simple example, a smart disclosure might provide the cost of care where the policyholder would seek that care. The tool then could indicate how that cost compares to the policyholder's daily benefit and, if it compares favorably, suggest evaluating an option to reduce the benefit period. Alternatively, a smart disclosure might suggest whether to consider dropping inflation protection based on the policyholder's age and current benefit amount. Ultimately, the policyholder would still have to make the decision but could have tailored information to narrow the choices to those most applicable to their situation. The first step for NAIC would be to identify what data would be needed, what data are available, and whether those data are available in standardized, machine readable form so they could be used to build interactive tools to assist consumers.

A second recommendation is to use the knowledge generated by this research to improve NAIC's *Checklist for Premium Increase Communications.* The checklist is organized into 12 sections. The phrases in bold below refer to those sections; numbers refer to checklist items.

- Revise the **Readability and Accessibility** #15 item to read: Are there side-by-side illustrations showing how the RBOs impact the policy benefits and premiums?
- Revise the **Identification** #19 item to read: Does the communication clearly indicate its purpose is to inform the consumer of a rate increase?
- Add an item to **Identification** #23 -- Does the communication clearly indicate whether the RBOs listed are the policyholder's *only* options or if they are *examples* of options? If the identified RBOs are examples, then they should be clearly described as such

throughout the communication. If the identified RBOs are examples, does the communication clearly indicate how the policyholder can learn about other options?

- Add to the **Identification** #24 item: Does the communication make it clear if there is a deadline to elect an option? If there is no deadline, the communication should avoid creating a false sense of urgency to act.
- Revise the **Consultation and Contact Information** item #35 to add "someone who could advise as to the impact on eligibility for public benefits."
- Revise the **Understanding Options - Impact of Decisions** item #54 to read: Does the notice include a declarative statement about whether dropping or adjusting inflation protection results in the loss of some or all of the accumulated benefit amount?
- Add: Does the notice include a reminder to the policyholder to keep the notice and attach it to the policyholder's long-term care insurance policy? Does the notice encourage the policyholder to keep the policy and related documents in an easily-accessible location (**not** in a safe deposit box) and inform the appropriate individuals about where the policy can be found?
- Add: Does the notice include a reminder that the policyholder can identify a third party to be notified if premiums aren't paid and information about how to make that election?

## Conclusions

Rate increases on long-term care insurance policies threaten the financial security of individuals and families who plan to rely on them to help with the cost of their future care. The rate increases also further undermine Americans' trust in the insurance industry.

In this study, we interviewed 14 financial planners who had worked with clients who had received at least one notice of a rate increase on their long-term care insurance policies. Overall, we found that financial planners believed policyholders were largely unprepared to make decisions about rate increases. While the insurance company notices may have presented basic information about the rate increase, they did not, and perhaps cannot, present all of the information needed to decide whether to retain the policy as is or choose a reduced benefit option to offset at least some of a premium increase. The decision requires a thorough evaluation of the policyholder's age and health; financial assets, income, and net worth; and family medical and support history. Policyholders typically lack the knowledge to make such a complex evaluation independently.

State insurance regulators can help policyholders in two ways that would expand the scope of advisors available to help them with a long-term care insurance decision. One is to ensure, by rule or regulation, that the policyholder can authorize the insurance company to release policy-specific information to a designated professional advisor. This authorization is essential because the insurance agent who sold the policy is usually no longer affiliated with the company and cannot assist the policyholder. Another action state insurance regulators can take is to ensure that State Health Insurance Program (SHIP) counselors are prepared to advise long-term care insurance policyholders. In states where SHIPs are located in agencies other than the Department of Insurance, Departments of Insurance should provide training and standby technical assistance to SHIP counselors.

NAIC's Long-Term Care Insurance Task Force can explore (perhaps in coordination with NAIC's Cybersecurity, Innovation, and Technology (H) Committee) ways to facilitate the creation of smart disclosures to assist policyholders as they make decisions about reduced benefit options. For example, a policyholder could enter information into the smart disclosure that could tailor available reduced benefit options to the policyholder's personal situation. Personalizing the reduced benefit options to those most relevant to the policyholder would reduce the complexity of the decision.

The research also suggests improvements to NAIC's *Checklist for Premium Increase Communications.* The revisions we recommend would create greater clarity in several areas. One is to clarify whether reduced benefit options in a rate increase notice are the policyholder's *only* options or examples. Another is whether there is a firm deadline by which the policyholder *must* act. A third is the consequences of dropping or adjusting inflation protection. We also recommend adding two items to the checklist. One would encourage rate increase notices to include a reminder to the policyholder to keep their policy in an easily accessible location. A second would encourage a reminder to the policyholder to identify a third party to be notified if premiums are not paid.

# References


Bodnar, V. (2016, May). Insurer in-force long-term care insurance management. In *The state of long-term care insurance: The market, challenges, and future innovations.* National Association of Insurance Commissioners and the Center for Insurance Policy and Research. https://content.naic.org/sites/default/files/inline-files/cipr_current_study_160519_ltc_insurance_0.pdf

Braun, R. A., Kopecky, K. A., & Koreshkova, T. (2019). Old, frail, and uninsured: Accounting for features of the U.S. long-term care insurance market. *Econometrica, 87*(3), 981-1019. https://doi.org/10.3982/ECTA15295

Braun, V., & Clarke, V. (2006). Using thematic analysis in psychology. *Qualitative Research in Psychology, 3*(2), 77-106. https://doi.org/10.1191/1478088706qp063oa

Brower, R. S., & Jeong, H.-S. (2008). Grounded analysis: Going beyond description to derive theory from qualitative data. In S. Brandler, C. R. Roman, G. J. Miller, & K. Yang (Eds.), *Handbook of research methods in public administration* (pp. 823-839). Taylor & Francis Group.

Coe, N. B., Skira, M. M., & Van Houtven, C. H. (2015). Long-term care insurance: Does experience matter. *Journal of Health Economics, 40,* 122-131. https://doi.org/10.1016/j.jhealeco.2015.01.001

Cohen, M. A. (2016, May). The state of the long-term care insurance market. In *The State of long-term care insurance: The market, challenges, and future innovations.* National Association of Insurance Commissioners and the Center for Insurance Policy and Research. https://content.naic.org/sites/default/files/inline-files/cipr_current_study_160519_ltc_insurance_0.pdf

Darnell, R. W. (2021, June). Long-term care and actuarial equivalence. *Long-Term Care News.* https://www.soa.org/sections/long-term-care/long-term-care-newsletter/2021/june/ltc-2021-06-darnell/

Dorn, M. E., Sharpe, D. L., Dickey, G., & Herring, D. D. (2007). Understanding the determinants of a long-term care insurance purchase. *Journal of Financial Planning, 30*(11), 38-46.

Grote, J. (2011, May). Keeping ahead of the long-term care domino. *Journal of Financial Planning, 24*(5), 22-28.

King, E. (2016, November). Long-term care insurance pricing basics. *CIPR Newsletter,* pp. 11-13.

Kitces, M. E. (2013, April). 5 ways to handle a long-term-care insurance rate increase. *Journal of Financial Planning, 26*(4), 26-29.

Lin, J. T., Bumcrot, C., Mottola, G., Valdes, O., Ganem, R., Kieffer, C., Lusardi, A., & Walsh, G. (2022). *Financial capability in the U.S.: Highlights from the FINRA Foundation National Financial Capability Study* (5th Ed). FINRA Investor Education Foundation. https://finrafoundation.org/sites/finrafoundation/files/NFCS-Report-Fifth-Edition-July-2022.pdf

Long-Term Care Group, Inc. (2021, June 25). *NAIC LTC data call Workstream #6 suggested public presentation*. https://content.naic.org/sites/default/files/inline-files/4-Data%20Review%2020210625%20-%20Public%20Version.pdf

National Association of Insurance Commissioners. (2021). *Checklist for premium increase communications.* https://content.naic.org/sites/default/files/call_materials/LTC%28EX%29TF_RBO_Communication_Checklist_10.19.2021_Clean.docx

National Association of Insurance Commissioners. (2020). *Principles for reduced benefit options (RBO) associated with LTCI rate increases*. https://content.naic.org/cmte_ex_ltci_tf.htm

National Association of Insurance Commissioners. (2019). *A shopper's guide to long-term care insurance.* https://content.naic.org/sites/default/files/publication-ltc-lp-shoppers-guide-long-term.pdf

National Association of Insurance Commissioners. (2017). *Model long-term care insurance regulation 641.* https://content.naic.org/model-laws

Nationwide. (2022, August 23). *More Americans turning to family, friends, prayer than advisors for financial advice.* https://www.prnewswire.com/news-releases/more-americans-turning-to-family-friends-prayer-than-advisors-for-financial-advice-301610816.html

Nawrocki, T. (2012, May). Seeking alternatives to long-term care insurance. *Journal of Financial Planning, 25*(5), 20-25.

Neuhauser, K. L. (2012, November). Long-term care: Helping clients make the right choices. *Journal of Financial Planning,* 44-53. https://www.financialplanningassociation.org/article/journal/NOV12-long-term-care-helping-clients-make-right-choices

Papp, J. (2022, April 27). Lawmakers, regulators seek long-term care insurance solutions: Pressure for government to close widening gap in coverage. *Roll Call.* https://rollcall.com/2022/04/27/lawmakers-regulators-seek-long-term-care-insurance-solutions/

Urban, C., & Valdes, O. (2022, August). Why is measured financial literacy declining and what does it mean? Maybe we just don't know. *FINRA Investor Education Foundation Insights: Financial Capability.* https://www.finrafoundation.org/sites/finrafoundation/files/Why-Is-Measured-Financial-Literacy-Declining.pdf

U.S. Department of Treasury. (2020, August). *Long-term care insurance: Recommendations for improvement of regulation.* https://home.treasury.gov/system/files/136/Report-Federal-Interagency-Task-Force-Long-Term-Care-Insurance.pdf

## Appendix: Financial Planner Interview Script

Please tell us about your experience with clients who have long-term care insurance.

- What are the primary reasons they bought the insurance?
- Could you describe the characteristics of clients for whom you think LTCI is important?
- Have many of your clients who have long-term care insurance received notices of rate increases? To the best of your memory, what was the largest increase any of your clients received? What are typical rate increases?
- What LTCI companies do you have the most experience with?

**Rate increase/ RBO notices**

Now let's talk about your experiences with clients who have received notices of LTCI rate increases and have been offered reduced benefit options

- In the survey, we asked you about your client's reactions to rate increases. You said they were typically [FILL IN THE BLANK].
- What reduced benefit options were your clients typically offered?
- How well do you think your clients understood the insurance company communications about rate increases?
- How well do you think your clients understood the insurance company communications about RBOs?
- Which types of reduced benefit options (e.g., shorten duration, reduce daily benefits, or other strategies) do you typically advise policyholders to consider?
- Does your advice vary much based on the clients' characteristics?
- Are there reduced benefit options that you think most clients should ignore?
- Are there reduced benefit options that you think most clients should consider?

What information about RBOs do insurance companies provide to your clients?

- How useful do you think that information is?
- Do you think there are ways that information and/or the way it is delivered could be improved to be more useful to you and your clients?
- What types of clients do you encourage to keep LTCI even if they must accept an RBO?
- Are there types of clients that you encourage to drop their coverage rather than accept an RBO?
- Does your advice differ depending on the age or financial position of clients?
- If so, how?

**RBOs**

We're very interested in knowing more about how clients make decisions about RBOs.

- Could you tell us who else your clients typically talk with about the proposed rate increases and decisions they have to make?
- For example, do they call the company? Or talk with their family?
- Are there typically others they talk with who are helpful? If so, who would that be and how are they helpful?
- What about other types of assistance have your clients sought as they make decisions about rate increases and RBOs? For example, do clients typically call their insurance department, or a senior health insurance counselor, or visit websites? If so, are there any particular resources your clients (or you) have found helpful?

**Partnership policies**

We know that Partnership Policies are available in some states. Do you have experience working with clients who have received RBOs and have Partnership policies? If so, what was their experience like?

**Decisions about RBOs**

- Let's talk a bit more about your clients who had to make decisions about RBOs
- What did most of your clients who were offered a reduced benefit option do?
- For clients who chose an RBO, what was the process like?
- What did the clients have to give up to maintain their LTCI policy?
- In hindsight, do you think they make a good choice? Why or why not?
- Are there other financial planning strategies that you typically discuss or advise clients to take after they have accepted an RBO or let their LTCI insurance lapse in response to a rate increase?
- If so, what are those?

**Your own perceptions**

We're almost finished, but I'd like to ask you to talk a bit about your own perceptions of long-term care insurance.

- What are your own questions about LTCI?
- Do you feel like you are able to keep up with changes?
- Where do you seek information to help your clients?