

Long Term Care Insurance

Joint Interim Banking and Insurance Committee

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Long Term Care Insurance

- In General
 - Long term care insurance is an insurance product sold to individuals through either an individual or group plan to help pay the costs of long term care (“LTC”) when an individual meets certain conditions.
- Two Main Goals
 - Provide funds to cover LTC costs; and
 - Protect assets for individual that want to bequeath to their families.

Long Term Care Insurance - Provisions

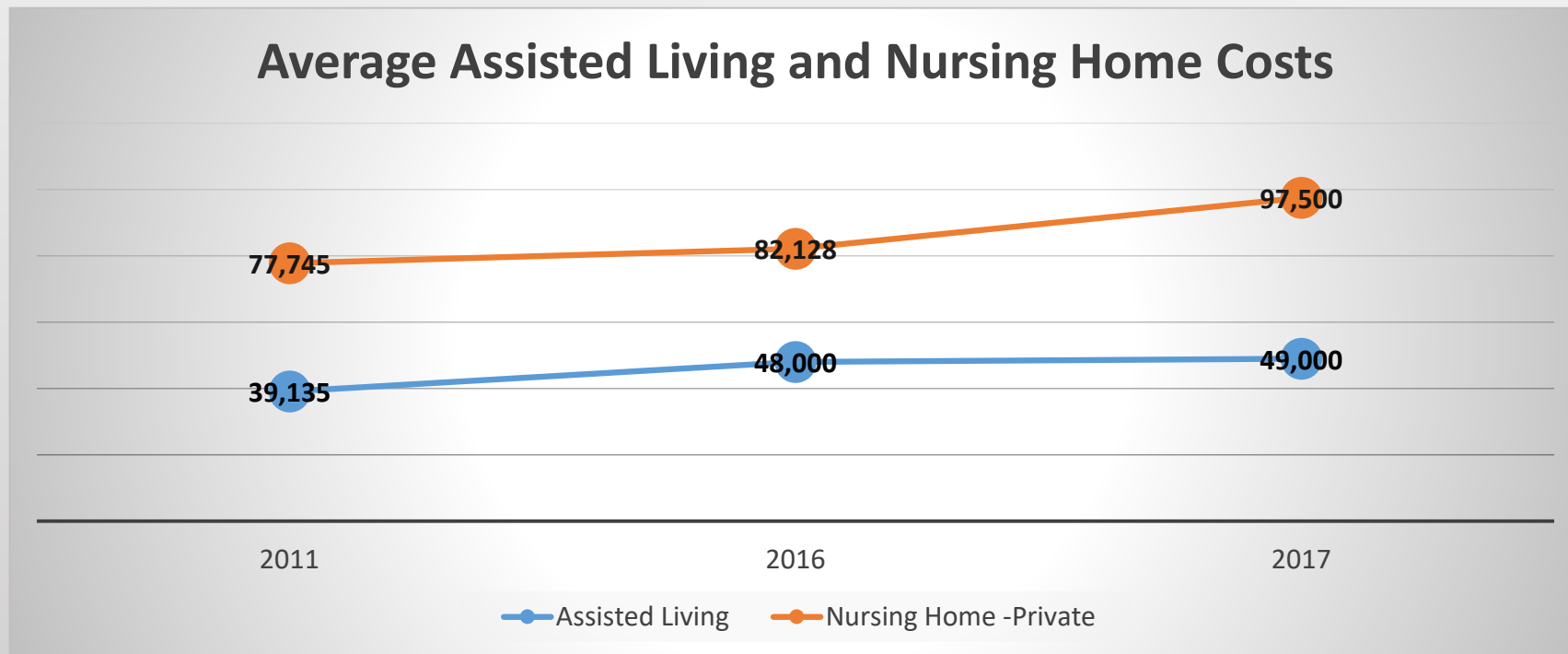
- **Benefits**
 - Will pay up to a daily benefit amount (DBA) to reimburse for the actual costs of LTC.
 - Can be used to pay for services received from home health care, respite care, hospice care, personal care at home, assisted living facilities, adult day care centers, and nursing homes.
 - Benefits can be paid for a certain specified period (ex. 3 years) or unlimited.
- **Conditions**
 - Typically a policyholder must have limitations requiring assistance to perform two or more activities of daily life or severe cognitive impairment.
 - Waiting Period/Elimination Period – May require a passage of time before benefits become compensable.
 - Deductibles
- **Guaranteed Renewable**
 - Only cancelable at the option of the insured OR by the insurer for non-payment of premium.
- **Level Funding Premium**
 - The premium paid varies by the age of the policyholder at the time of purchase. It is not intended to increase based on the actuarial assumptions, but it is not guaranteed.
- **Inflation Protection Benefit**
 - Policies must offer a 5% inflation protection rider. DBA would increase with this amount annually to confront inflation.

Long Term Care Insurance – Distribution

- Individual
 - Individuals can purchase a standalone product through properly licensed agents or directly through a company's website.
- Group
 - Some coverage may be offered through employers or an association
 - Ex. Federal Long Term Care Insurance Program
 - Federally created program open to federal employees, retirees, and spouses. With 270,000 members, it is the largest group LTCI program.
- Hybrid
 - Growing portion of the market.
 - LTCI is packaged as a rider in life insurance and annuity products. LTC expenses can be paid as an accelerated death benefit for a specific period up to the benefit amount.

Long Term Care Insurance - Value

- Long Term Care is expensive
 - Assisted Living Facility and Nursing Home average costs continue to increase*



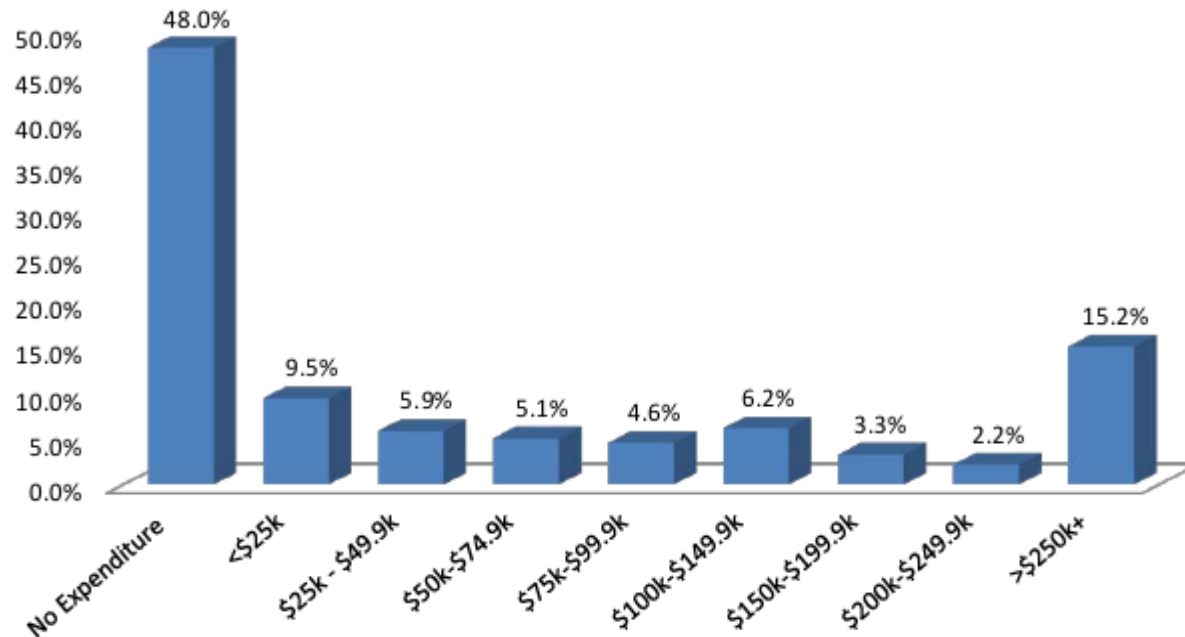
*Cost figures provided by: 5/10/11 Louisville Business Journal Article, Genworth Financial Inc. Survey, 2016 survey by longtermcare.gov, and 2017 Genworth Study

Long Term Care Insurance – LTC Usage

- LTC Need
 - Slightly more than half of individuals turning 65 will have a high need for LTC over their lifetime (52%)
 - Average LTC is expected to last two years.

**Figure 11: Expected LTC Costs From Age 65 to Death for Those Turning 65 in 2015—2019
(Thousands)**

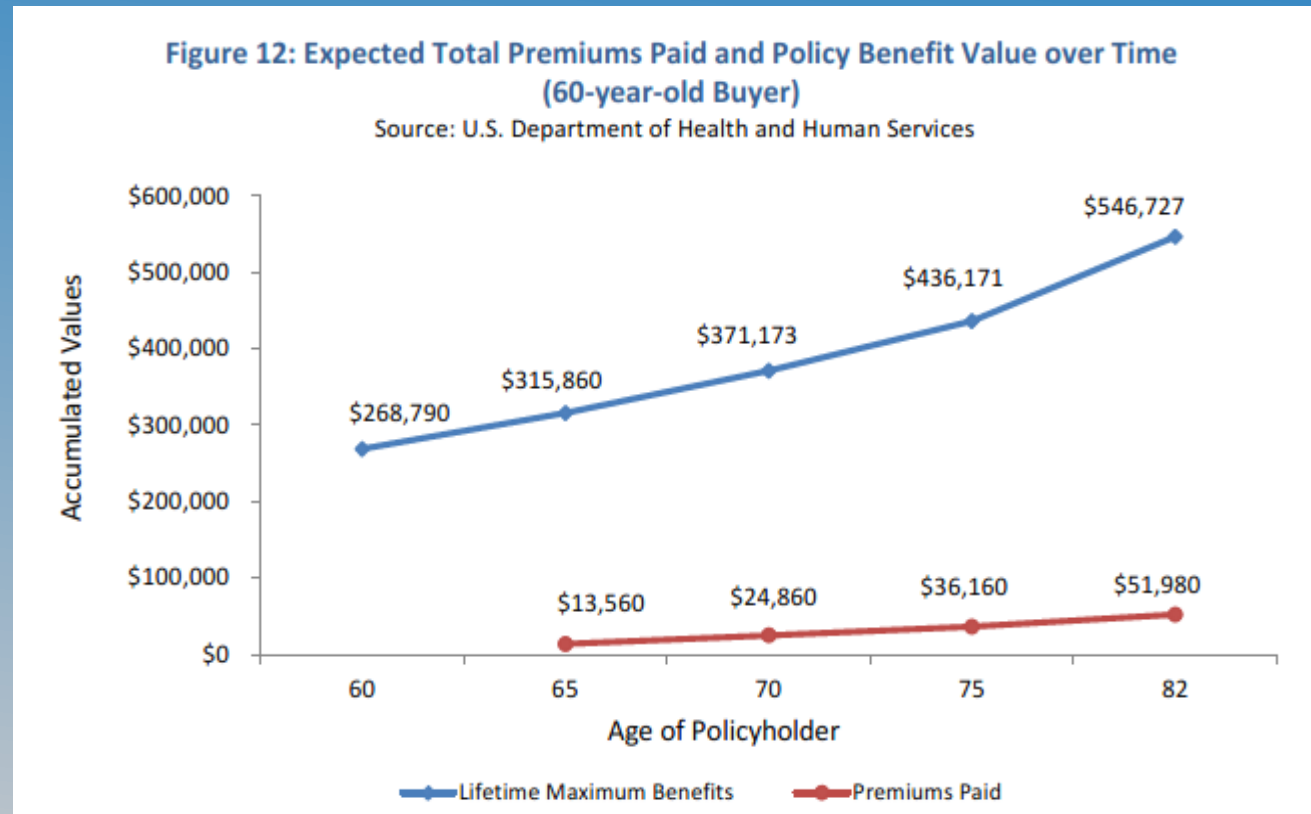
Source: U.S. Department of Health and Human Services



*Figure courtesy of NAIC & CIPR: The State of Long Term Care Insurance (2016)

Long Term Care Insurance - Benefits

- Even as premiums escalate, the potential value of LTCI continues to exceed the premiums paid.
- Individuals could attempt to save money instead of premium, but would generally fall substantially short of the funds necessary to pay claims.



Long Term Care Insurance – KY Market

- Number of Carriers
 - Nationwide the amount of insurers actively writing long term care insurance has decreased:
 - Approximately 150 in the 1990s to approximately 15 currently.
- Kentucky
 - 2017 NAIC Reporting
 - Demonstrates 69,838 inforce policies in Kentucky
 - 50,598 individual
 - 18,880 group
 - Premiums v. Claims
 - Varies by individual company
 - 119M in premium v. 108M in claims.

Long Term Care Insurance - Rate Review

- The Department of Insurance is required to review and approve every rate increase. The mission is to protect consumers through the fair regulation of insurance markets, which requires us to ensure insurers remain financially solvent to pay claims.
- Department of Insurance takes this review very seriously, and relies heavily upon experienced actuaries for assistance.
- Additional comments from Dave Dillon regarding LTC in Kentucky and rate methodology.