

VIII. CONCLUSION

Over 170,000 Massachusetts residents were covered under long-term care insurance plans as of December 31, 2012; this is an increase of 11% above the number covered 4 years prior. Approximately 62% of the covered lives have individual plans subject to Massachusetts Division of Insurance regulations; the remaining 38% are in employment-sponsored or association plans that are not subject to the same requirements.

In general, persons buying coverage in both the individual and group markets were buying richer and more expensive plans in 2012 than others were buying in 2008. There continues to be a wide gap in the level of benefits, premium cost and average age of those covered under group plans compared to those covered under individual plans. Additional research may be beneficial in future years to analyze the reasons that group benefit levels are much lower than what is being purchased by individual policyholders.

LTCI coverage is marketed by many companies through many different channels. LTCI carriers and their agents use required disclosure materials and some use suitability standards to assist buyers to understand the products that they sell. Nevertheless, three-year lapse rates stood at 11.6% for individual plans and 29.7% for group plans in 2012 for those who first bought individual policies in 2009. State agencies in collaboration with LTCI carriers should continue to expand the array of products that can assist applicants to understand the product and all possible alternatives prior to buying a policy.

Massachusetts is one of the few states that has yet to enact the NAIC Long-Term Care Insurance Model Act. If enacted, the Division of Insurance would have additional tools to strengthen its agent training requirements, rate review and the methods by which long-term care insurance is marketed.