

VI. MARKETING PRACTICES

All LTCI carriers that are operating in Massachusetts are required to comply with all marketing and advertising requirements of the relevant Massachusetts laws and regulations.⁴⁹

A. Time in Market⁵⁰

A majority of the carriers indicate they have been marketing LTCI for more than ten years; however, a significant number of new companies began offering individual coverage after 1997. Companies participating in this survey started marketing LTCI as follows:⁵¹

INDIVIDUAL MARKET

<u>Date</u>	<u>Companies</u>
Pre - 1986	3
1986 - 1989	6
1990 - 1992	3
1993 - 1996	4
1997 - 2000	13
2001 - 2008	9
2009 - 2012	2

GROUP MARKET

<u>Date</u>	<u>Companies</u>
Pre - 1986	3
1986 - 1989	8
1990 - 1992	3
1993 - 1996	1
1997 - 2000	3
2001 - 2008	0
2009 - 2012	0

B. States Where Marketed

Most of the companies marketing long-term care insurance in Massachusetts offer in many other states as well. In fact, of the responding companies that offer individual products, all of them indicated that they market in at least 46 states, while eight of the carriers market in all states. Of the responding companies that offer group products, all market in at least 48 states, while two of the carriers market in all states.⁵²

C. Methods of Marketing Products⁵³

Among those marketing individual LTCI policies in 2012, companies used the following sales channels:

<u>Massachusetts</u> ⁵⁴	<u>National</u> ⁵⁵	
5	5	Number using captive/independent agents for 100% of marketing;
1	1	Number using brokers for 100% of marketing;
0	0	Number using direct marketing for 100% of marketing;
0	1	Number using associations to market product;
4	4	Number using combination of agents, brokers and consultants; and
1	1	Number using combination of brokers and direct marketing.

Among those marketing group LTCI policies in 2012, companies used the following sales channels:

<u>Massachusetts</u> ⁵⁶	<u>National</u> ⁵⁷	
1	0	Number using brokers for 100% of marketing;
0	0	Number using direct marketing for 100% of marketing;
1	1	Number using a combination of brokers and consultants;
1	2	Number using a combination of brokers and direct marketing; and
2	2	Number using some other sales channel.

Group Plan Designs

In Massachusetts, individual LTCI plans are subject to prior approval and the benefit and disclosure requirements outlined in 211 CMR 65.00. Although group LTCI plans are not subject to prior review and there are no existing laws or regulations that apply, group LTCI plans have benefit designs that are comparable to what is offered in the individual LTCI market.

The following indicates some of the features of the group LTCI plans:

- All of the companies offer coverage on a guaranteed issue basis;⁵⁸
- All of the companies limit elimination periods almost entirely to 100 days;⁵⁹ and
- All of the companies allow an insured to be reinstated following a lapse.⁶⁰

In addition, none of the group LTCI plans uses post-claims underwriting, requires an insured to have a hospital stay as a condition to receiving benefits for care in nursing home or for home health care, or contains any exclusions for mental or nervous conditions.

Offering Coverage Through Employers

Of the companies offering group long-term care insurance, all but one of the companies offer coverage only through employment-based health plans.⁶¹ Among the employment-sponsored plans, the group LTCI companies⁶² report that employers/unions have the following methods of paying the premium:

- 3 companies reported that the employee pays all of the premium; and
- 1 company reported group sales but did not issue any employer or labor union group sales.

D. Commission Levels

According to the companies⁶³ that responded, 2012 initial commissions for Massachusetts individual plans ranged from 40% - 63%⁶⁴ of premium and for group LTCI plans ranged from 5% - 15%⁶⁵ of premium.

E. Use of Suitability Standards⁶⁶

Those buying long-term care insurance will likely pay premiums for many years before ever qualifying for benefits and the product is only appropriate for those who can afford to pay the premiums for an extended period of time. Many companies have so-called “suitability” standards that they use in the application process to determine whether the coverage is suitable for an applicant based on the applicant’s income and assets when applying for coverage. There are not any suitability requirements under Massachusetts law or regulation.

In the Massachusetts individual⁶⁷ market, only 11 of the LTCI carriers use explicit suitability criteria to determine whether the coverage is suitable for the applicant. For example:

- 1 requires a minimum income of \$10,000 and net worth of \$20,000;
- 2 require a minimum income of \$16,000 and net worth of \$50,000;
- 1 requires a minimum income of \$20,000 and net worth of \$30,000;
- 2 require a minimum income of 7% of premium and a net worth of \$30,000; and
- 1 requires only a minimum net worth of \$30,000.

In the Massachusetts group⁶⁸ market, only 3 of the group companies report that they use explicit suitability criteria to determine whether the coverage is suitable for the applicant:

- 1 requires a minimum income of \$10,000; and
- 2 require a minimum net worth of \$30,000, with 1 of these additionally requiring a minimum income of \$20,000.

F. Providing Consumer Disclosures

For 2012, companies reported that the following required materials were provided to an individual⁶⁹ applicant in Massachusetts at the noted times:

<u>First Proposal</u>	<u>First Meeting</u>	<u>With Application</u>	<u>When Selling</u>	
7	2	2	0	<i>Your Options for Financing Long-Term Care: A Massachusetts Guide</i>
10	0	1	0	Policy Illustration Form
6	0	4	2	Outline of Coverage
5	1	6	0	Suitability Disclosure
5	2	4	0	<i>Guide to Health Insurance for People with Medicare</i>
8	0	4	2	Information about option to buy inflation protection
7	0	4	2	Information about option to buy nonforfeiture benefits
7	0	3	2	Information about option to buy home health care benefits
1	1	1	0	Copy of application ⁷⁰
0	0	1	2	Copy of policy/certificate of coverage, as well as attached riders ⁷¹

There is no requirement that the noted material be provided through group plans.

G. Switching or Upgrading Policies^{72, 73}

Unlike traditional health insurance products, rates for long-term care insurance products are commonly based upon the age of insureds when they first bought the original policy. If insureds want to switch to a different equivalent replacement plan or upgrade to a richer plan, they may need to pass a company’s medical underwriting guidelines and may need to pay rates that reflect older current ages.

Switching to a New Policy or Upgrading a Policy within the Same Company

In the individual market, with few exceptions,⁷⁴ switching to equivalent replacement policies and upgrading policies with the same LTCI carrier would be rated based upon the current age of the insured, rather than the insured’s age when purchasing the original LTCI policy.

In the individual market, all LTCI carriers would rate switching to replacement coverage with the same LTCI carrier based on the insured’s current age.

In the group market, upgrading policies with the same LTCI carrier is mostly⁷⁵ rated based upon the current age of the insured, rather than the insured’s age when purchasing the original LTCI policy.

In the group market, LTCI carriers would rate switching to replacement coverage with the same LTCI carrier based on the following:

- 80% would rate based on the insured’s current age; and
- 20% would rate based on the insured’s age when purchasing the original LTCI policy, provided that the reserves associated with the insured were properly transferred.

Switching to a New Policy with a Different Company

In the individual market, switching to equivalent replacement policies and upgraded policies with a new LTCI carrier, with few exceptions,⁷⁶ would be rated based upon the current age of the insured, rather than the insured's age when purchasing the original LTCI policy.

In the group market, switching to equivalent replacement policies and upgraded policies with a new LTCI carrier, with few exceptions,⁷⁷ would be rated based upon the current age of the insured, rather than the insured's age when purchasing the original LTCI policy.

H. Offering Accelerated Death Benefits with Life Insurance Products^{78, 79}

Many life insurance companies offer an accelerated death benefit feature that allows the life insurance to accelerate a portion of the death benefit if the insured is chronically ill and funds are used for federally qualified long-term care services. In states that have created laws similar to the NAIC Long-Term Care Insurance Model Act, these accelerated death benefit products may be marketed as long-term care insurance products; absent the relevant provisions of the NAIC Act, these products may not be permitted to be marketed as long-term care insurance products.

Among companies who sold LTCI in Massachusetts in 2012, no companies marketing group LTCI and five companies marketing individual LTCI also offered an accelerated death benefit feature on life insurance products that they offered in Massachusetts.