

## VII. INFLATION COVERAGE

### A. Insureds Purchasing Inflation Coverage

#### National<sup>42</sup>

According to the companies responding regarding inflation coverage, **68.0%** of new long-term care insurance insureds purchased some type of inflation protection. Among group plans, **53.5%** of new group insureds purchased inflation protection. Among individual plans, **78.9%** of new individual insureds purchased inflation protection.

#### Massachusetts<sup>43</sup>

According to the companies responding regarding inflation coverage, **63.1%** of all new long-term care insurance insureds purchased some type of inflation protection. Among group plans, **36.8%** of new group insureds purchased inflation protection. Among individual plans, approximately **80.6%** of new individual insureds purchased inflation protection.

### B. Inflation Coverage Options

#### National

Nationally, of plans initially issued during 2004, the percent of insureds who chose inflation protection purchased the following types of inflation protection:

#### Group Plans Initially Issued in 2004

- 6.0%** of insureds purchased inflation protection based on 5% simple interest rate;
- 3.2%** of insureds purchased inflation protection based on the consumer price index;
- 22.4%** of insureds purchased inflation protection based on 5% compound interest rate;
- 21.9%** of insureds purchased inflation protection based on some other type of inflation protection; and
- 46.5%** of insureds did not purchase any inflation protection.

#### Individual Plans Initially Issued in 2004

- 0.3%** of insureds purchased inflation protection based on 3% simple interest rate;
- 19.3%** of insureds purchased inflation protection based on 5% simple interest rate;
- 0.1%** of insureds purchased inflation protection based on the consumer price index;
- 2.5%** of insureds purchased inflation protection based on 3% compound interest rate;
- 45.2%** of insureds purchased inflation protection based on 5% compound interest rate;
- 11.6%** of insureds purchased inflation protection based on some other type of inflation protection; and
- 21.1%** of insureds did not purchase any inflation protection.

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<sup>42</sup> Thirty-two companies could respond to these questions; the remaining companies either were no longer offering coverage nationally in 2004 or they provided insufficient information and their data were not included in the summary statistic.

<sup>43</sup> Thirty-seven companies could respond to these questions; the remaining companies either were no longer offering coverage in Massachusetts in 2004 or they provided insufficient information and their data were not included in the summary statistic.

### Massachusetts

In Massachusetts, of plans initially issued during 2004, the percentage of insureds who chose inflation protection purchased the following types of protection:

#### Group Plans Initially Issued in 2004

- 4.0%** of insureds purchased inflation protection based on 5% simple interest rate;
- 3.9%** of insureds purchased inflation protection based on the consumer price index;
- 21.1%** of insureds purchased inflation protection based on 5% compound interest rate;
- 7.8%** of insureds purchased inflation protection based on some other type of inflation protection; and
- 63.2%** of insureds did not purchase any inflation protection.

#### Individual Plans Initially Issued in 2004

- 0.2%** of insureds purchased inflation protection based on 3% simple interest rate;
- 20.1%** of insureds purchased 5% simple interest rate;
- 1.1%** of insureds purchased 3% compound interest rate;
- 49.9%** of insureds purchased 5% compound interest rate;
- 0.1%** of insureds purchased 10% compound interest rate;
- 9.2%** of insureds purchased some other type of inflation protection; and
- 19.4%** of insureds did not purchase any inflation protection.

EXHIBIT 12

LONG-TERM CARE INSURANCE

PERCENTAGE OF INSURED  
WHO PURCHASED INFLATION PROTECTION

<b>National</b>	<b>2001</b>	<b>2004</b>
	<b>Mean Rate</b>	<b>Mean Rate</b>
Total	73.6%	68.0%
Group	70.7%	53.5%
Individual	75.0%	78.9%

<b>Massachusetts</b>	<b>2001</b>	<b>2004</b>
	<b>Mean Rate</b>	<b>Mean Rate</b>
Total	71.1%	63.1%
Group	60.5%	36.8%
Individual	78.6%	80.6%

NOTE: Totals are taken from survey data reported by those long-term care insurers with Massachusetts insureds. Data from companies that do not have Massachusetts insureds are not reflected in totals.