

## VII. INFLATION COVERAGE

### A. Policyholders Purchasing Inflation Coverage

#### National<sup>60</sup>

As reported in Exhibit 12, **73.6%** of long-term care insurance policyholders purchased some type of inflation protection from carriers responding to the survey. Among group policies, **70.7%** of group policyholders purchased inflation protection. Among individual policies, **75.0%** of individual policyholders purchased inflation protection.

#### Massachusetts<sup>61, 62</sup>

As reported in Exhibit 12, **71.1%** of all long-term care insurance policyholders purchased some type of inflation protection from carriers responding. Among group policies, **60.5%** of group policyholders purchased inflation protection. Among individual policies, approximately **78.6%** of individual policyholders purchased inflation protection.

### B. Inflation Coverage Options

#### National<sup>63</sup>

Nationally, of policies initially issued during 2001, the percent of policyholders who chose inflation protection purchased the following types of inflation protection:

#### Group Policies Initially Issued in 2001

- 7.6%** of policyholders purchased inflation protection based on 5% simple interest rate;
- 15.5%** of policyholders purchased inflation protection based on the consumer price index;
- 27.6%** of policyholders purchased inflation protection based on 5% compound interest rate;
- 20.0%** of policyholders purchased inflation protection based on some other type of inflation protection; and
- 29.3%** of policyholders did not purchase any inflation protection.

#### Individual Policies Initially Issued in 2001

- 0.2%** of policyholders purchased inflation protection based on 3% simple interest rate;
- 24.2%** of policyholders purchased inflation protection based on 5% simple interest rate;
- 2.7%** of policyholders purchased inflation protection based on the consumer price index;
- 1.4%** of policyholders purchased inflation protection based on 3% compound interest rate;
- 45.2%** of policyholders purchased inflation protection based on 5% compound interest rate;
- 1.4%** of policyholders purchased inflation protection based on some other type of inflation protection; and
- 24.9%** of policyholders did not purchase any inflation protection.

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<sup>60</sup> One group carrier that completed the survey no longer markets its group products and therefore does not appear in statistical data after calendar year 1999.

<sup>61</sup> Two carriers are active only in the group market in Massachusetts.

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Massachusetts<sup>64, 65</sup>

In Massachusetts, of policies initially issued during 2001, the percentage of policyholders who chose inflation protection purchased the following types of protection:

Group Policies Initially Issued in 2001

- 11.3%** of policyholders purchased inflation protection based on 5% simple interest rate;
- 19.6%** of policyholders purchased inflation protection based on the consumer price index;
- 23.3%** of policyholders purchased inflation protection based on 5% compound interest rate;
- 6.3%** of policyholders purchased inflation protection based on some other type of inflation protection; and
- 39.5%** of policyholders did not purchase any inflation protection.

Individual Policies Initially Issued in 2001

- 0.1%** of policyholders purchased inflation protection based on 3% simple interest rate;
- 30.4%** of policyholders purchased 5% simple interest rate;
- 3.8%** of policyholders purchased the consumer price index;
- 0.3%** of policyholders purchased 3% compound interest rate;
- 43.7%** of policyholders purchased 5% compound interest rate;
- 0.4%** of policyholders purchased some other type of inflation protection; and
- 21.3%** of policyholders did not purchase any inflation protection.

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<sup>64</sup> Two carriers are active only in the group market in Massachusetts.

<sup>65</sup> One group carrier that completed the survey no longer markets its group products and does not appear in statistical data after calendar year 1999.

# EXHIBIT 12

## LONG-TERM CARE INSURANCE

### PERCENTAGE OF POLICYHOLDERS WHO PURCHASED INFLATION PROTECTION <sup>66</sup>

<b>National</b>		<b>1996</b>		<b>2001</b>	
	<b># Resp.</b>	<b>Mean Rate</b>	<b># Resp.</b>	<b>Mean Rate</b>	
Total	26	58.6%	34	73.6%	
Group	9	67.7%	8	70.7%	
Individual	17	52.9%	26	75.0%	

<b>Massachusetts</b>		<b>1996</b>		<b>2001</b>	
	<b># Resp.</b>	<b>Mean Rate</b>	<b># Resp.</b>	<b>Mean Rate</b>	
Total	22	69.4%	34	71.1%	
Group	9	64.9%	8	60.5%	
Individual	13	71.5%	26	78.6%	

Table Notes:

<b>1996 National</b>			<b>1996 Massachusetts</b>	
	<b>Range</b>	<b>Median Rate</b>	<b>Range</b>	<b>Median Rate</b>
Total	18 - 100%	56.0%	18 - 100%	60.0%
Group	17 - 100%	96.0%	17 - 100%	86.0%
Individual	13 - 100%	46.0%	13 - 100%	60.0%

<b>2001 National</b>			<b>2001 Massachusetts</b>	
	<b>Range</b>	<b>Median Rate</b>	<b>Range</b>	<b>Median Rate</b>
Total	9 - 100%	82.2%	2 - 100%	83.0%
Group	9 - 100%	99.0%	11 - 100%	100.0%
Individual	17 - 100%	79.1%	2 - 100%	79.4%

<sup>66</sup> One group carrier that completed the survey no longer markets its group products and does not appear in statistical data after calendar year 1999.