

IV. MARKETING PRACTICES

A. Marketing and Disclosure Notices

1. Marketing Methods

National

According to the companies responding for 2004, the following methods were used in marketing group¹⁹ long-term care insurance:

- Two uses captive agents for 100% of its marketing;
- One uses a combination of brokers and associations;
- One uses brokers for 100% of its marketing;
- One uses consultants and a request for proposal process;
- One uses a combination of brokers and direct marketing; and
- One uses a combination of consultants and brokers for its marketing.

According to the companies responding for 2004, the following methods were used in marketing individual²⁰ long-term care insurance:

- One uses brokers for 100% of its marketing;
- Four uses captive agents for 100% of its marketing;
- Six uses captive agents for 100% of its marketing;
- Eight use a combination of captive agents and brokers;
- One uses a combination of independent agents and captive agents;
- One uses a combination of brokers, captive agents and associations;
- One uses a combination of Financial Intermediaries, Independent Producers & Dedicated Sales Specialists;
- One uses a combination of independent agents and brokers and associations.

Massachusetts

According to the companies responding for 2004, the following methods were used in marketing group²¹ long-term care insurance:

- One uses brokers for 100% of its marketing;
- One uses captive agents for 100% of its marketing;
- One uses consultants and a request for proposal process;
- One uses a combination of brokers and consultants for its marketing;
- One uses brokers and direct marketing for its marketing; and
- One uses brokers and associations for its marketing.

¹⁹ Seven companies could respond to this question; the remaining companies either were no longer offering coverage nationally in 2001 or they provided insufficient information and their data were not included in the summary statistics.

²⁰ Twenty-three companies could respond to this question; the remaining companies either were no longer offering coverage in nationally in 2004 or they provided insufficient information and their data were not included in the summary statistics.

²¹ Six companies could respond to this question; the remaining companies either were no longer offering coverage in Massachusetts in 2001 or they provided insufficient information and their data were not included in the summary statistics.

According to the companies responding for 2004, the following methods were used in marketing individual²² long-term care insurance:

- Four use independent agents for 100% of their marketing;
- Six use captive agents for 100% of their marketing;
- One uses brokers for 100% of its marketing;
- One uses a combination of Financial Intermediaries, Independent Producers & Dedicated Sales Specialists;
- Six use captive agents and brokers for their marketing;
- One uses brokers and independent agents; and
- One uses brokers and associations for their marketing.

2. Timing For Pre-Sale Disclosure Notices

According to the companies responding for 2004, companies provided the following timeframes that materials were provided to an individual²³ applicant in Massachusetts at the noted times:

Your Options for Financing Long-Term Care: A Massachusetts Guide

- Twelve provide the guide at time of proposal;
- Five provide the guide at the first meeting;
- Three provide the guide during the application process; and
- One provides the guide at time of solicitation.

Policy Illustration Form

- Twelve provide the policy illustration form at time of proposal;
- Five provide the policy illustration form at the first meeting;
- Three provide the policy illustration form during the application process; and
- One provides the policy illustration form at time of solicitation.

Outline of Coverage

- Twelve provide the outline of coverage at time of proposal;
- Five provide the outline of coverage at the first meeting;
- Three provide the outline of coverage during the application process; and
- One provides the outline of coverage at time of solicitation.

Disclosure Regarding Suitability Standards

- Twelve provide the suitability disclosures at time of proposal;
- Five provide the suitability disclosures at the first meeting;
- Three provide the suitability disclosures during the application process; and
- One provides the suitability disclosures at time of solicitation.

²² Twenty companies could respond to this question; 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 statistics.

²³ Twenty-one companies could respond to this question; 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 statistics.

Guide to Health Insurance for People with Medicare

- Twelve provide the guide at time of proposal;
- Five provide the guide at the first meeting;
- Three provide the guide during the application process; and
- One provides the guide at time of solicitation.

Copy of Application

- Twelve provide the application at time of proposal;
- Five provide the application at the first meeting;
- Three provide the application during the application process; and
- One provides the application at time of solicitation.

Inflation Adjustment Benefit Information

- Twelve provide the inflation information at time of proposal;
- Five provide the inflation information at the first meeting;
- Three provide the inflation information during the application process; and
- One provides the inflation information at time of solicitation.

Nonforfeiture Benefit Information

- Twelve provide the nonforfeiture benefit information at time of proposal;
- Five provide the nonforfeiture benefit information at the first meeting;
- Three provide the nonforfeiture benefit information during the application process; and
- One provides the nonforfeiture benefit information at time of solicitation.

Home Health Care Benefit Information

- Twelve provide the home health care benefit information at time of proposal;
- Five provide the home health care benefit information at the first meeting;
- Three provide the home health care benefit information during the application process; and
- One provides the home health care benefit information at time of solicitation.

Certificate and Riders

- Twelve provide the copies of the certificate and riders at time of proposal;
- Five provide the copies of the certificate and riders at the first meeting;
- Three provide the copies of the certificate and riders during the application process; and
- One provides the copies of the certificate and riders at time of solicitation.

Notice of Non-Payment of Premiums Before Lapse or Termination

*Group Market*²⁴

According to the companies who could respond regarding this notice, among Massachusetts group applicants purchasing long-term care insurance plans in Massachusetts during calendar years 2002 and 2004, **41.9%** and **49.4%**, respectively, elected the right to designate a person other than the insured to receive a notice of lapse or termination.

*Individual Market*²⁵

According to the companies who could respond regarding this notice, among Massachusetts individual applicants purchasing long-term care insurance plans in Massachusetts during calendar years 2002 and 2004, **58.5%** and **65.7%**, respectively elected the right to designate a person other than the insured to receive a notice of lapse or termination.

²⁴ Four companies could respond to this question for 2002; the remaining companies either were no longer offering coverage in Massachusetts in 2002 or they provided insufficient information and their data were not included in the summary statistics. Four companies could respond to this question for 2004; 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 statistics.

²⁵ Eighteen companies could respond to this question for 2002; the remaining companies either were no longer offering coverage in Massachusetts in 2002 or they provided insufficient information and their data were not included in the summary statistics. Fifteen companies could respond to this question for 2004; 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 statistics.

B. Guidelines, Training & Practices²⁶

Training

According to the companies responding for 2004, **4** companies utilize agents in the Massachusetts group²⁷ market and **3** companies reported providing guidelines to agents for client suitability criteria.

According to the companies responding for 2004 regarding the Massachusetts individual²⁸ market, **18** companies provided guidelines to agents for client suitability criteria while **3** did not provide guidelines for client suitability. Companies used company-specific forms to determine appropriateness.

One group carrier utilizing only a direct response method for marketing their long-term care products did not respond to the training questions.

Income and Asset Information

According to the companies responding for 2004, in the Massachusetts group²⁹ market, **4** companies reported that they require no minimum guidelines for an applicant's income and assets the remaining **2** companies have established the following suitability criteria:

- One uses a minimum income of \$10,000; and
- One uses a minimum income of minimum net worth of \$30,000.

According to the companies responding for 2004, in the Massachusetts individual³⁰ market, **13** companies report that they require no minimum guidelines for an applicant's income and/or assets. The remaining **7** companies have established the following suitability criteria:

- Three require a minimum income of 7% of income and net worth of \$30,000;
- Two require a minimum income of \$10,000 and net worth of \$30,000; and
- Two requires a minimum income of \$20,000 and net worth of \$20,000.

²⁶ According to 211 CMR 65.04, the term "agent" is defined as "[e]ither: (a) a person licensed as an insurance producer under M.G.L. c. 175, § 162I; or (b) any other person legally authorized to represent a carrier in the marketing of long-term care insurance.

²⁷ Seven companies could respond to this question; 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 statistics.

²⁸ Twenty-one companies could respond to this question; 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 statistics.

²⁹ Six companies could respond to this question; 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 statistics.

³⁰ Twenty companies could respond to this question; 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 statistics.

C. Commissions

According to the companies³¹ who could respond, commissions for Massachusetts group long-term care insurance plans range from 2% - 15% of premium. In the Massachusetts individual market, commissions range from 15% - 87% of premium.

³¹ Twenty-four companies could respond to this question; 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.

EXHIBIT 8

LONG-TERM CARE INSURANCE

COMMISSIONS PAID TO AGENTS OR BROKERS IN MASSACHUSETTS

Percent commissions paid to agents or brokers,
by companies in Massachusetts

GROUP PLANS

Percent	2001	2004
None	2	0
1 - 10%	2	5
11 - 20%	0	1
21 - 30%	0	0
31 - 40%	0	0
41 - 50%	2	0
51 - 60%	0	0

INDIVIDUAL PLANS

Percent	2001	2004
None	0	0
1 - 10%	1	0
11 - 20%	0	1
21 - 30%	1	0
31 - 40%	6	4
41 - 50%	8	7
51 - 60%	5	2
61 - 70%	1	2
71 - 80%	1	1
81 - 90%	0	1

NOTE: Totals are taken from survey data reported by those long-term care insurers with Massachusetts insureds.

D. Age Rating for Replacement Plans and Upgrades^{32, 33}

1. When an insured allows an existing plan from one company to lapse and replaces the lapsed coverage with a comparable new plan from a different company, companies have responded they would rate the new plan as follows:

Group Market

- Three companies rate the new plan according to the current age;
- One company rates the new plan according to age at first purchase;
- One company rates new employer group plans according to age at first purchase while it rates new association plans according to the current age; and
- One company rates the new plan at age of first purchase if the previous company transferred reserves.

Individual Market

- Twenty-one companies rate the new plan according to the current age.

2. When an insured allows an existing plan from one company to lapse and replaces the lapsed coverage with a comparable new plan from the same company, companies have responded they would rate the new plan as follows:

Group Market

- Three companies rate the new plan according to the current age; and
- Three companies rate the new plan according to the age at first purchase.

Individual Market

- Twenty companies rate the new plan according to the age at first purchase; and
- One company rates the new plan according to the age at first purchase with a discount.

3. When an insured is issued a plan from one company and purchases an upgrade from a different company, the companies have responded they would rate the upgrade plan as follows:

Group Market

- Four companies rate the new plan according to the current age;
- One company rates new employer group plans according to age at first purchase while it rates new association plans according to the current age; and
- One company rates the new plan according to the age at first purchase.

Individual Market

- Twenty-one companies rate the new plan according to the current age.

³² Six companies writing group plans 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.

³³ Twenty-one companies writing individual plans 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.

4. When an insured is issued a plan from one company and purchases an upgrade from the same company, the companies have responded they would rate the upgrade as follows:

Group Market

- Four companies rate the new plan according to the current age; and
- Two companies rate the new plan according to the age at first purchase.

Individual Market

- Eighteen companies rate the new plan according to the current age;
- One company rates the new coverage according to the age at first purchase;
- One company indicated rates for the new plan according to the current age as well as an upgrade discount; and
- One company would not issue a new plan but rather would issue an “upgraded” plan and charge the insured according to the age at first purchase for original coverage and at current age for the increased benefit.