

VI. MARKETING PRACTICES

All LTCI carriers that are operating in Massachusetts are required to comply with all relevant marketing and advertising requirements of the Massachusetts law and regulation.⁵⁵

A. Time in Market⁵⁶

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 in both the group and individual markets, started marketing LTCI as follows:

INDIVIDUAL MARKET

<u>Date</u>	<u>Companies</u>
Pre - 1986	9
1986 - 1989	14
1990 - 1992	13
1993 - 1996	7
1997 - 2000	23
2001 - 2008	8

GROUP MARKET

<u>Date</u>	<u>Companies</u>
Pre - 1986	4
1986 - 1989	21
1990 - 1992	5
1993 - 1996	2
1997 - 2000	5
2001 - 2008	1

B. States Where Marketed

Most of the companies marketing long-term care insurance in Massachusetts offer in many other states as well. The following chart illustrates how many states each company operates within:

Individual		Group		
<u>2004</u> ⁵⁷	<u>2008</u> ⁵⁸	<u>2004</u> ⁵⁹	<u>2008</u> ⁶⁰	
13	15	4	4	Number of companies writing LTCI in all 50 states;
10	5	2	3	Number of companies writing LTCI in 40-49 states;
1	1	0	0	Number of companies writing LTCI in 30-39 states;
1	0	0	0	Number of companies writing LTCI in 20-29 states;
1	0	0	0	Number of companies writing LTCI in 10-19 states; and
0	0	1	1	Number of companies writing in 1 or 2 states.

C. Methods of Marketing Products

Among those marketing individual LTCI policies in 2008, companies used the following sales channels:

<u>Massachusetts</u> ⁶¹	<u>National</u> ⁶²	
8	9	Number using captive/independent agents for 100% of marketing;
3	3	Number using brokers for 100% of marketing;
0	0	Number using direct marketing for 100% of marketing;
0	0	Number using associations to market product;
0	0	Number using consultants and requests for proposals;
7	6	Number using combination of agents, brokers and consultants; and
2	3	Number using combination of brokers and direct marketing.

Among those marketing group LTCI policies in 2008, companies used the following sales channels:

<u>Massachusetts</u> ⁶³	<u>National</u> ⁶⁴	
1	2	Number using captive/independent agents for 100% of marketing;
2	2	Number using brokers for 100% of marketing;
1	1	Number using direct marketing for 100% of marketing;
1	1	Number using associations to market products;
1	1	Number using consultants and requests for proposals;
1	1	Number using a combination of brokers and consultants; and
1	2	Number using a combination of brokers and direct marketing.

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 but one of the companies offers coverage on a guaranteed issue basis;⁶⁵
- All but one of the companies limits elimination periods to 100 days;⁶⁶ and
- All but one of the companies allows an insured to be reinstated following a lapse.⁶⁷

In addition, none of the group LTCI plans use post-claims underwriting, require an insured to have a hospital stay as a condition to receiving benefits for care in nursing home or for home health care, or contain any exclusions for mental or nervous conditions - although five of the companies do contain an exclusion for care associated with alcoholism or chemical dependency.

Offering Coverage Through Employers

Of the companies offering group long-term care insurance, all but one of the companies offers coverage only through employment-based health plans.⁶⁸ Among the employment-sponsored plans, the group LTCI companies⁶⁹ report that employers/unions have the following methods of paying the premium:

- 3 companies reported that the employee pays all of the premium;
- 2 companies reported that their plans are structured in various ways so that (1) the employee pays the entire premium; or (3) a premium sharing arrangement exists; and
- 1 company reported group sales but did not issue any employer or labor union group sales.

D. Commission Levels

According to the companies⁷⁰ that responded, 2008 initial commissions for Massachusetts individual plans ranged from 31% - 95%⁷¹ of premium and for group LTCI plans ranged from 2% - 20%⁷² of premium.

E. Use of Suitability Standards⁷³

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 individual⁷⁴ market, only 9 of the LTCI carriers use explicit suitability criteria to determine whether the coverage is suitable for the applicant:

- 1 requires a minimum income of \$10,000 and net worth of \$30,000;
- 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 for an individual (and a minimum income of \$40,000 and net worth of \$50,000 for a couple).
- 4 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 group⁷⁵ market, only 2 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
- 1 requires a minimum net worth of \$30,000.

F. Providing Consumer Disclosures

For 2008, companies reported that the following required materials were provided to an individual⁷⁶ applicant in Massachusetts at the noted times:

First Proposal	First Meeting	With Application	When Selling	
9	6	3	2	<i>Your Options for Financing Long-Term Care: A Massachusetts Guide</i>
12	5	3	0	Policy Illustration Form
8	2	8	2	Outline of Coverage
11	5	4	0	Suitability Disclosure
9	2	5	4	<i>Guide to Health Insurance for People with Medicare</i>
10	0	8	2	Information about option to buy inflation protection
10	0	8	2	Information about option to buy nonforfeiture benefits
10	0	8	2	Information about option to buy home health care benefits
3	1	1	0	Copy of application ⁷⁷
1	0	2	0	Copy of policy/certificate of coverage, as well as attached riders ⁷⁸

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

G. Switching or Upgrading Policies^{79, 80}

Unlike traditional health insurance products, long-term care insurance rates 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,⁸¹ 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, LTCI carriers would rate switching to replacement coverage with the same LTCI carrier based on the following:

- 95% would rate based on the insured's current age,
- 2.5% would rate based on the insured's current age, but with a discount; and
- 2.5% 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.

In the group market, upgrading policies with the same LTCI carrier is mostly⁸² 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:

- 45% would rate based on the insured's current age,
- 33% would rate based on the insured's age when purchasing the original LTCI policy,
- 11% would rate based on the insured's current age, but with a discount; and
- 11% 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,⁸³ 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,⁸⁴ 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^{85, 86}

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 were in Massachusetts in 2008, 2 companies marketing group LTCI and 6 companies marketing individual LTCI also offered an accelerated death benefit feature on life insurance products that they are offering in Massachusetts.