

IV. MARKETING PRACTICES

A. Marketing Methods

National³⁶

Eight respondents report the use of the following methods of marketing group long-term care insurance in 2001:

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

Twenty-six respondents report the use of the following methods of marketing individual long-term care insurance in 2001:

- Five 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;
- Four use a combination of captive agents and brokers;
- Three use a combination of independent agents and captive agents;
- Three use a combination of independent agents, captive agents and brokers;
- Two use a combination of independent agents and brokers;
- One uses a combination of independent agents, brokers and associations; and
- One uses a combination of captive agents, brokers, direct marketing and associations.

Massachusetts^{37, 38}

Eight respondents report the use of the following methods of marketing group long-term care insurance in 2001:

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

³⁶ One group carrier that completed the survey no longer markets its group products and does not appear in statistical data after calendar year 1999.

³⁷ Two carriers are active only in the group market in Massachusetts.

³⁸ One group carrier that completed the survey no longer markets its group products and does not appear in statistical data after calendar year 1999.

Twenty-six respondents report the use of the following methods of marketing individual long-term care insurance in 2001:

- Five use independent agents for 100% of their marketing;
- Seven use captive agents for 100% of their marketing;
- One uses brokers for 100% of its marketing;
- Three use independent agents and brokers for their marketing;
- Three use independent agents and captive agents for their marketing;
- Two use independent agents, captive agents and brokers for their marketing;
- Four use captive agents and brokers for their marketing; and
- One uses captive agents, brokers and direct marketing for their marketing;

The respondents report the timeframe in which the following materials are provided to an individual applicant in Massachusetts in 2001:

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

- Twelve provide the guide at time of proposal;
- Six provide the guide at the first meeting;
- Four provide the guide during the application process;
- One provides the guide at the point of sale;
- One provides the guide at or prior to the application process;
- One provides the guide at time of solicitation; and
- One provides the guide before the application process.

Policy Illustration Form

- Fourteen provide the form at time of proposal;
- Three provide the form during the application process;
- Three provide the form at the time of any policy quote;
- Two provide the form at the time of any policy quote or first meeting;
- One provides the form at the point of sale;
- One provides the form at or prior to the application process;
- One provides the form at time of solicitation; and
- One provides the form before the application process.

Outline of Coverage

- Eleven provide the outline at time of proposal;
- Seven provide the outline during the application process;
- Three provide the outline before the application process.
- Two provide the outline at the first meeting;
- One provides the outline at the point of sale;
- One provides the outline at or prior to the application process; and
- One provides the outline at time of solicitation.

Disclosure Regarding Suitability Standards

- Ten provide the disclosure at time of proposal;
- Six provide the disclosure during the application process;
- Five noted it was not applicable or left the section blank;
- Two provide the disclosure at the first meeting;
- One provides the disclosure at the point of sale;
- One provides the disclosure at or prior to the application process; and
- One provides the disclosure at time of solicitation.

Guide to Health Insurance for People with Medicare

- Eleven provide the guide at time of proposal;
- Three provide the guide upon request;
- Four provide the guide during the application process;
- Two provide the guide at the first meeting;
- Two noted that it was not applicable or left the section blank;
- One provides the guide at the point of sale;
- One provides the guide during the first interview;
- One provides the guide at or prior to the application process; and
- One provides the guide at the time of solicitation if the applicant is eligible for Medicare.

Copy of Application

- Thirteen provide a copy upon delivery of the policy;
- Five provide a copy at time of proposal;
- Three provide a copy during the application process;
- Two provide a copy during the first meeting and upon delivery of the policy;
- One provides a copy at the time of application or policy delivery;
- One provides a copy at or prior to the application process; and
- One provides a copy at the time of solicitation.

Inflation Adjustment Benefit Information

- Twelve provide information at time of proposal;
- Eight provide information during the application process;
- Two provide information prior to the application process;
- One provides information at the point of sale;
- One provides information during the application process or with the delivery of the policy;
- One provides information at or prior to the application process; and
- One provides a copy at the time of solicitation.

Non-forfeiture Benefit Information

- Twelve provide information at time of proposal;
- Eight provide information during the application process;
- Two provide information at the point of sale;
- One provides information prior to the application process;
- One provides information during the application process or with the delivery of the policy;
- One provides information at or prior to the application process; and
- One provides a copy at the time of solicitation.

Home Health Care Benefit Information

- Thirteen provide information at time of proposal;
- Seven provide information during the application process;
- Two provide information prior to the application process;
- One provides information at the point of sale;
- One provides information during the application process or with the delivery of the policy;
- One provides information at or prior to the application process; and
- One provides a copy at the time of solicitation.

Policy and Riders

- Seventeen provide the policy and riders upon delivery of policy;
- Three provide the policy and riders at time of proposal;
- Two provide the policy and riders upon policy delivery or upon request if before policy delivery;
- One provides the policy and riders within 30 days of approval;
- One provides the policy and riders within fourteen days after policy issuance;
- One provides the policy and riders during the application process; and
- One provides the policy and riders prior to the application process.

Notice of Non-Payment of Premiums Before Lapse or Termination

Group Market^{39, 40}

Among group applicants purchasing long-term care insurance policies in Massachusetts during calendar years 2000 and 2001, **35%** and **23.8%**, respectively, elected the right to designate a person other than the policyholder to receive a notice of lapse or termination.

*Individual Market*⁴¹

Among individual applicants purchasing long-term care insurance policies in Massachusetts during calendar years 2000 and 2001, **63.9%** and **61.1%**, respectively elected the right to designate a person other than the policyholder to receive a notice of lapse or termination.

³⁹ Two group carriers reported they were unable to report designee information.

⁴⁰ One group carrier that completed the survey no longer markets its group products and does not appear in statistical data after calendar year 1999.

⁴¹ Five individual carriers reported they were unable to provide designee information.

B. Guidelines, Training & Practices

Training

Of those carriers that utilize agents in the Massachusetts group market, 3 respondents reported providing guidelines to agents for client suitability criteria.

Of those carriers that utilize agents in the Massachusetts individual market, 22 respondents reported providing guidelines to agents for client suitability criteria. Carriers used company-specific forms to determine appropriateness.

Those respondents utilizing a direct response method for marketing their long-term care products did not respond to the training questions.

Income and Asset Information

In the Massachusetts group market⁴², three respondents reported that they require no minimum guidelines for an applicant's income and assets. Five respondents have established suitability criteria as follows:

- One uses a minimum income of \$20,000 and net worth of \$20,000;
- One uses a minimum income of 7% of income and net worth of \$35,000;
- One uses a minimum income of \$40,000;
- One uses net worth of \$40,000; and
- One uses net worth of \$30,000.

In the Massachusetts individual market, eleven respondents report that they require no minimum guidelines for an applicant's income and/or assets. Seventeen respondents have established suitability criteria as follows:

- Four require a minimum income of 7% of income and net worth of \$30,000;
- Two require a minimum income of \$20,000 and net worth of \$30,000;
- One requires a minimum income of \$20,000;
- One requires a minimum net worth of \$30,000;
- One requires a minimum income of \$15,000 and net worth of \$30,000;
- One requires a minimum income of \$15,000 and net worth of \$50,000;
- One requires a minimum income of \$20,000 and net worth of \$20,000;
- Two require a minimum income of \$10,000 and net worth of \$20,000;
- One requires a minimum income of \$10,000 and net worth of \$50,000; and
- Three require a minimum income of 5%.

⁴² One group carrier that completed the survey no longer markets its group products and does not appear in statistical data after calendar year 1999.

C. Commissions

As identified in Exhibit 8, carriers report offering commissions for Massachusetts group long-term care insurance policies that range from 3% - 42% of premium. In the Massachusetts individual market, commissions range from 9% - 87% of premium.

EXHIBIT 8

LONG-TERM CARE INSURANCE

COMMISSIONS (as a percentage of premiums) PAID TO AGENTS OR BROKERS IN MASSACHUSETTS ⁴³

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

Group	1996	2001
Percent	New Policy	New Policy
None	4	2
1 - 10%	2	2
11 - 20%	1	2
21 - 30%	3	0
31 - 40%	1	0
41 - 50%	2	2
51 - 60%	-	0

Individual	1996	2001
Percent	New Policy	New Policy
N/A	-	3
none	-	0
1 - 10%	0	1
11 - 20%	0	0
21 - 30%	1	1
31 - 40%	6	6
41 - 50%	3	8
51 - 60%	4	5
61 - 70%	-	1
71 - 80%	-	1

⁴³ One group carrier that completed the survey no longer markets its group products and does not appear in statistical data after calendar year 1999.

D. Age Rating for Replacement Policies and Upgrades

1. When a policyholder allows an existing policy from one carrier to lapse and replaces the lapsed policy with a comparable new policy from a different carrier, carriers rate the new policy as follows:

*Group Market*⁴⁴

- Six respondents rate the new policy according to the current age;
- One respondent rates employer groups according to current age and group trusts or associations according to age at first purchase; and
- One respondent rates the new policy according to the age at first purchase.

Individual Market

- Twenty-five respondents rate the new policy according to the current age; and
- One respondent rates the new policy according to the age at the purchase of the lapsed policy.

2. When a policyholder allows an existing policy from one carrier to lapse and replaces the lapsed policy with a comparable new policy from the same carrier, carriers rate the new policy as follows:

*Group Market*⁴⁴

- Three respondents rate the new policy according to the current age;
- Four respondents rate the new policy according to the age at the purchase of the lapsed policy; and
- One respondent would not issue a new policy but rather an “upgraded” policy and be charged according to the age at first purchase for original coverage and at current age for the increased benefit.

Individual Market

- Twenty-one respondents rate the new policy according to the current age; and
- Five respondents rate the new policy according to the age at the purchase of the lapsed policy.

3. When a policyholder is issued a policy from one carrier and purchases an upgrade from a different carrier, the upgrade policy is rated as follows:

*Group Market*⁴⁴

- Seven respondents rate the new policy according to the current age; and
- One respondent indicated that the new policy will be rated according to the age at the purchase of the original policy.

Individual Market

- Twenty-five respondents rate the new policy according to the current age; and
- One respondent rates the new policy according to the age at the purchase of the lapsed policy.

⁴⁴ One group carrier that completed the survey no longer markets its group products and does not appear in statistical data after calendar year 1999.

4. When a policyholder is issued a policy from one carrier and purchases an upgrade from the same carrier, the upgrade is rated as follows:

*Group Market*⁴⁵

- Four respondents rate the new policy according to the current age; and
- Four respondents rate the new policy according to the age at purchase of the original policy.

Individual Market

- Nineteen respondents rate the new policy according to the current age;
- Five respondents rate the new policy according to the age at the purchase of the lapsed policy;
- One respondent indicated rates for the new policy according to the current age as well as an upgrade discount; and
- One respondent would not issue a new policy but rather an “upgraded” policy and be charged according to the age at first purchase for original coverage and at current age for the increased benefit.

⁴⁵ One group carrier that completed the survey no longer markets its group products and does not appear in statistical data after calendar year 1999.