

Long-Term Care Consumer Disclosures
Senior Issues (B) Task Force
Distributed for comment – 11/23/11

The Senior Issues Task Force has discussed challenges in the marketplace surrounding rate increases for long-term care insurance policies. The Task Force believes that companies should provide clear and concise information to existing insureds when communicating rate increases. The NAIC Long-Term Care Insurance Model regulation already requires statements alerting consumers of the potential that premium rates may change.

Recommendations:

- #1: Where a company secures state approval of a rate increase the Task Force believes that the following disclosures should be provided.
- a) In situations where a company seeks state approval of a rate increase, but regulators deny the requested increase and instead approve a different rate increase, the Task Force believes there should be greater disclosure made to the affected consumer that the company sought and was denied the original rate increase. The company shall disclose the amount of the premium increase requested, the fact that this increase was not approved by state regulators, the reason (if available) that the state did not approve this amount, and the subsequently approved increase.
 - b) In situations where a company implements a rate increase, the company shall disclose:
 - the amount of the insured's premium prior to the new rate increase;
 - the amount of the insured's premium as reflected in the new rate increase;
 - the percentage increase in the insured's premium as a result of the new rate increase; and
 - c) In situations where the state and company have agreed to spread out an increase over two or more years, the consumer should have full disclosure of this arrangement at the outset.
- #2: Existing required rate history disclosures should be improved so the consumer is made aware of the level of increase sought by the company and the level of increase approved.

Implementation and Considerations:

The Task Force recommends inclusion of this information in a guidance paper to state regulators to ensure compliance with existing disclosure requirements and extending these disclosure requirements to all long-term care insurance products.

In doing so, the NAIC should:

- Consider that rate increases are typically approved one year at a time, and therefore it may be unclear at the time of a rate increase whether the company will seek a subsequent rate increase.
- Consider that in situations where the state and the company are aware that there is a strong likelihood of a subsequent rate increase, that information should be clearly communicated to the consumer.
- Consider the factors that may have led the company to seek the larger increase and whether alternative types of disclosure may be necessary for some situations. Keep in mind that companies may have other tools at their disposal to mitigate the need for future rate increases, or the size of future rate increases, and companies should not be obligated to disclose the possible approaches they may utilize in dealing with the size or timing of future rate increases.
- Consider that states have existing statutory authority (through Unfair Trade Practices and other mechanisms) to review rate communication letters and are encouraged to review such letters for completeness and accuracy and for disclosure of common components. While we recognize that not every rate increase will have the same characteristics; states will want to ensure that adequate disclosure is provided for each unique rate situation.

Insurance Departments should continue to review existing communications used by companies to communicate rate increases. Certain common components should be addressed in such communications: the amount of the increase, how it impacts the insured, what options are available to the insured, and company contact information so the insured may discuss the communication and available options.