



**National Association *of*
Insurance Commissioners**

Long Term Care Data Call & Analysis Report

**Adopted by
Health Insurance and Managed Care (B) Committee
Market Regulation and Consumer Affairs (D) Committee**

May 9, 2008

Executive Summary

This report is an analysis of the data received from twenty-three long-term care insurance companies that responded to a Long Term Care insurance data call by the Senior Issues (B) Task Force and the Market Analysis (D) Work Group. The data requested is for individual LTC policies and does not include group LTC policy information. The data was collected by the domiciliary states for each company under their statutory authority. The data from the companies was not audited. A follow-up questionnaire was sent regarding claim denial information and to confirm if the companies surveyed reported their claims information on a per person or a per bill basis.

1. Policies

- All policy types showed a decrease in the total number of policies in force at the beginning of the year except for Comprehensive Policies in Force at the Beginning of the Year for Policies Issued in 1995 & After. (Table 1, Page 7)
- Comprehensive Policies in Force at the Beginning of the Year for Policies Issued in 1995 & After have the most policies of any category with over 2.3 million in 2004, 2.5 million in 2005, 2.6 million in 2006 and 2.8 million in 2007. (Table 1, Page 7)
- Home Health Care Policies are the smallest percentage of Long Term Care (LTC) policies. (Table 1, Page 7)
- The percentage change in policies from 2004 to 2007 ranged from a decrease of 28.6% for Home Health Care in Force at the Beginning of the Year Prior to 1995 to a 19.1% increase in Comprehensive Policies in Force at the Beginning of the Year for Policies Issued in 1995 & After. (Table 1, Page 7)
- The LTC market currently only shows one area of growth, which is Comprehensive Policies. (Table 1, Page 7)
- Total policies in force at the beginning of each year increased by 8.9% since 2004 to over 3.7 million policies. (Table 1, Page 7)
- Over 770,000 individual LTC policies were issued from 2004 to 2006. The majority of the policies issued were comprehensive policies (91.6%). Table 2, Page 8)
- New policies issued per year for each type are decreasing with nursing home policies having the largest decrease of 56% since 2004. (Table 2, Page 8)

2. Lapse Statistics

- The number of LTC policies lapsing each year and the lapse ratio for each policy type are decreasing. (Table 3, Page 8)
- The lapse ratio in each year for policies issued prior to 1995 was higher than policies issued in 1995 and after. (Table 3, Page 8)
- The combined lapse ratio decreased each year. (Table 3, Page 8)
- The actual lapse ratio for individual companies varied with lapse ratios ranging from below 1% to over 9%.

3. Premiums

- Total direct written premium for all individual LTC insurance policies increased by 8.5% from approximately \$4.1 billion in 2004 to \$4.5 billion in 2006. (Table 4, Page 9)
- Direct written premiums (DWP) for comprehensive policies increased each year and continue to be the majority (83%) of the total LTC coverage premium. Direct written premium for comprehensive policies increased from 79% of the LTC market in 2004 to 83% (\$3.7 billion in premium) in 2006. (Table 4, Page 9)
- Premiums for policies with nursing home only coverage decreased each year and now make up 13% of the LTC market. Since 2004, premiums decreased 13.5%. (Table 4, Page 9)
- Premiums for policies with home health care only coverage decreased 4.8% since 2004. (Table 4, Page 9)

- Direct Written Premium Per Policy in Force was relatively level for each policy type. (Table 5, Page 10)
- Home health care policies had the highest DWP per policy each year. (Table 5, Page 10)
- Comprehensive policies were the only policy type with an increase in DWP per policy (3.9% since 2004). (Table 5, Page 10)

4. Complaints

- Total complaints reported directly to the companies increased since 2004 from 1,785 to 3,983 or 123.1%. (Table 6, Page 11)
- Claim complaints increased the most since 2004 from 708 to 1,279 or 174.7%. (Table 6, Page 11)
- Complaints reported to states department of insurance fluctuated with a significant increase in 2005 (2,938 complaints) but a decrease in 2006 (2,377 complaints). (Table 6, Page 11)
- Complaints per 10,000 policies increased since 2004 from 5.0 to 10.6 or 112.7%. (Table 6, Page 11)
- Complaints per \$10 million in premium increased since 2004 from 4.3 to 8.8 or 105.7%. (Table 6, Page 11)
- Claim complaints per 10,000 claims received increased since 2004 from 11.3 to 27.0 or 138.9%. (Table 6, Page 11)
- Although the number of complaints and the increase in the number of complaints compared to the total number of policies written, renewed and in force and the increasing number of claims filed may not be statistically significant, the increasing trends in the number and type of complaints is worth noting.

5. Claims

- Total claims received increased from 627,577 in 2004 to 719,726 in 2006 or by 14.7% since 2004. (Table 7, Page 13)
- Claims received for comprehensive policies increased by 27.0% since 2004. (Table 7, Page 13)
- Claims received for nursing home policies increased by 11.0% since 2004. (Table 7, Page 13)
- Claims received for home health care (HHC) policies decreased in 2005 but increased slightly in 2006. Since 2004, home health care claims decreased by 7.8%. (Table 7, Page 13)
- Claims paid for all policy types increased since 2004 from \$1.9 billion to \$2.4 billion or 26.2%. (Table 8, Page 13)
- Claims paid for each type of policy increased each year with comprehensive payments increasing the most by 43%. (Table 8, Page 13)
- The combined total average paid per claim increased from \$2,999 in 2004 to \$3,301 in 2006. This was a 10.1% increase. (Table 9, Page 14)
- The Industry Average payout per claim varied considerably by policy type with nursing home insurance policies having the highest average payout of \$4,192 in 2006. However, for nursing home insurance policies, the average payout decreased 2.6% since 2004. (Table 9, Page 14)
- The number of claims denied increased for each type of policy as the number of claims received increased. Nursing home policy claim denials increased by 594 denials or by 15.7% since 2004, comprehensive policy claim denials increased by 6,544 denials or by 51.5% since 2004, and home health care policy claim denials increased by 664 denials or by 19.5% since 2004. (Table 10, Page 14) Comprehensive policies account for the largest increase in claim denials because it is the largest segment of the LTC insurance industry. Table 7 shows that claims received increased by 83,814 claims or by 27.0% for comprehensive policies.
- The total percent of claims denied for all policies increased since 2004 from 3.2% to 3.9%. (Table 11, Page 15)

- The percent of claims denied for comprehensive policies increased since 2004 from 4.1% to 4.9%. (Table 11, Page 15)
- Both home health care and nursing home policies had an increase in the percent of claims denied in 2005 and a decrease in 2006. (Table 11, Page 15)
- Nursing Home Claims had the highest percentage of dollars paid for claims of the DWP with each year's ratio above 100%. (Table 12, Page 16)
- Comprehensive LTC insurance business had the lowest percentage of dollars paid for claims of the DWP with each year's ratio at 37% or less. (Table 12, Page 16)
- Each type of policy increased each year in the percentage of dollars paid for claims of the DWP. (Table 12, Page 16)
- Home Health Care policies had the highest number of claims received per policies in force at nearly a 1:1 ratio each year. (Table 13, Page 17)
- Comprehensive policies had the lowest ratio of claims received per policy in force at the end of the year. (Table 13, Page 17)
- Claim submissions not paid due to the elimination period increased each year for each policy type as an increasing number of policies entered into claims status. (Table 14, Page 17)
- Total claims paid within 60 days increased by 37.9% and claims paid beyond 60 days decreased by 38.9% since 2004. (Table 15, Page 18)
- Claims paid beyond 60 days decreased for HHC and nursing home claims but increased slightly for comprehensive claims. Total comprehensive claims (Table 7) increased significantly so the slight increase in claims paid beyond 60 days for this policy type is expected. (Table 15, Page 18)
- The Percentage of Claims Paid Beyond 60 Days decreased each year for each policy type. (Table 16, Page 19)

6. Cost Containment Expenses

- Cost containment expenses per earned premium increased slightly for each type of policy for the three year period reviewed. (Table 17, Page 20)
- Cost containment expenses are practices designed to minimize costs to both the insured individual and the insurance company. For the LTC data call, cost containment expenses were reported in accordance with SSAP no. 85 Claim Adjustment Expenses and Amendments to SSAP no. 55, Unpaid Claims, Losses, and Loss Adjustment Expenses per state. Cost containment expenses increased for each policy type since 2004. Claim dollars paid (Table 8) showed that the total dollar amount paid for claims for each policy type increased each year. For the period of the Data Call, claims paid grew for all policy types with HHC at 5.6%, Comprehensive 43.4%, and Nursing Home at 8.1%. It is important to compare these growth/decline percentages since 2004 with the growth of the cost containment expenses since 2004. The growth in cost containment expenses was HHC 54.5%, Comprehensive 59.2%, and Nursing Home 24.6%. This comparison shows that cost containment expenses are growing at a faster rate than claim payments (See graph on page 21).
- The amount spent for cost containment expenses when compared to the amount spent on claims has increased each year for each policy type. (Table 18, Page 21)

Analysis of the data submitted by the twenty-three companies indicates that the individual Long Term Care insurance industry is continuing to grow with the majority of the growth in comprehensive policies. Policies issued for each policy type have decreased each year of the data call. The growth of the market has been helped by a decrease in policies lapsing. Complaints have increased each year with the majority of complaints due to claims. Claims for comprehensive and nursing home policies have increased each year. The total dollar amount paid for claims has increased each year for each type of policy. This is expected with comprehensive policies as this market continues to grow. Increases in the amount paid for the other policy type claims may be due to an increase in the cost of medical care, home health care, and assisted living care. As the insureds covered by older blocks of LTC insurance (issued prior

to 1995) mature, then increases in the amount paid for claims on those older blocks of business should be expected. Total claim denials have increased for each type of policy which may relate to the increase in complaints regarding claims. However, the percentage of claims denied for all policy types combined increased by only 0.7% since 2004. Claims paid within 60 days has increased and the percentage of claims paid beyond 60 days does not indicate an industry issue as each policy type percentage decreased each year and is below 1%. Cost containment expenses have increased substantially greater than the increase in claims payments which may indicate that companies are allocating more resources to the claims adjudication process in order to more accurately and efficiently process claims.

For data elements 39-41, the data call requested statistics for claims denied and partially denied. An issue occurred regarding what constituted a partial denial as companies interpreted the definition of a partial denial differently. Several companies included partial denials where the company paid the full amount owed under the policy but denied the portion which was above the allowable amount. For example, the policy paid \$100 per day for a room and the company paid the \$100 of a \$150 per day charge. Another issue arose when a company included situations where they paid on a pro-rated basis and the company included the portion not covered as a partial denial. Due to these issues, a decision was made to include only full denials in the report and analysis. A follow-up survey regarding these data elements occurred and the results changed due to the elimination of the partial denials. Several companies which had very high denial percentages when including partial denials reduced their denial percentages drastically when only including full denials. A review of the data noted that these same companies had relatively high complaints and high complaint ratios (per 10,000 policies, per \$10 million in premium, and per 10,000 claims received).

INTRODUCTION

It has come to the attention of state insurance regulators that some long-term care insurance policyholders are having difficulties in accessing their long-term care insurance benefits. This issue was highlighted in a March, 2007 *New York Times* article. Additionally, in June 2007, the NAIC responded to a request by Senator Charles Grassley (IA) requesting long-term care insurance complaint data. We also understand that Congress may hold hearings on long-term care insurance and that the Government Accountability Office has interviewed a number of select states regarding their long-term care insurance regulatory activity. Because of this, the Market Regulation and Consumer Affairs (D) Committee and the Senior Issues (B) Task Force sought information from Long Term Care insurance carriers in the individual LTC insurance market that were ranked in the top twenty-five nationally in market share by premium volume. The participating states collected the data as prescribed by the NAIC written directions and these states transmitted the data to the NAIC without any analysis of the data collected.

The state of domicile for each company ranked in the top twenty-five forwarded the Long Term Care Insurance Data Call to their respective insurer(s). The timeline for the data call was:

- Issuance of the data call by September 12, 2007.
- Companies complete and return the data to their domiciliary states by November 15, 2007.
- The Collaborative Action Designee (CAD) for each state forwards the data to the NAIC by November 21, 2007.

Below is the list of companies grouped by the State of Domicile. The list below is based on the **2006 Schedule T Premiums within the FDR database.**

State of Domicile	Cocode	Company Name	2006 Market Share
CT	80926	Genworth Life & Health Ins Co	4%
CT	87726	Metlife Ins Co of CT	3%
CT	60054	Aetna Life Ins Co	1%
DE	70025	Genworth Life Ins Co	16%
IA	64130	Life Investors Ins Co Of Amer	2%
IA	67121	Transamerica Occidental Life Ins Co	1%
IA	86231	Transamerica Life Ins Co	1%
IL	61263	Bankers Life & Cas Co	6%
IL	20443	Continental Cas Co	6%
IL	25178	State Farm Mut Auto Ins Co	1%
MA	65099	John Hancock Life Ins Co	11%
MA	65935	Massachusetts Mut Life Ins Co	1%
ME	62235	Unum Life Ins Co Of Amer	4%
MN	65005	RiverSource Life Ins Co	2%
MN	90611	Allianz Life Ins Co Of North Amer	2%
NE	65595	Lincoln Benefit Life Co	1%
NE	71412	Mutual Of Omaha Ins Co	1%
NJ	68241	Prudential Ins Co Of Amer	2%
NY	65978	Metropolitan Life Ins Co	7%
NY	72990	Genworth Life Ins Co of NY	1%
NY	66915	New York Life Ins Co	1%
PA	63282	Penn Treaty Network Amer Ins Co	3%
PA	76325	Conseco Senior Health Ins Co	3%
WI	56014	Thrivent Financial For Lutherans	2%
WI	69000	Northwestern Long Term Care Ins Co	1%

Twenty-three of the companies listed above completed the LTC Insurance Data Call for individual LTC insurance policies and this totaled 78% of the LTC market share. Aetna Life Insurance Company (60054) reported that it did not have any individual policies of long term care insurance during the period of time of January 1, 2004 to December 31, 2006. Genworth Life & Health Insurance Company (80926) stated that it had reported incorrectly in its financial annual statements and that it did not have any long term care insurance premium.

The Data Call and Definitions are attached to this report.

DATA ISSUES

Issues with the data submitted include the following:

Data #	Description	Issue
25-30	Written & Earned Premiums	<ul style="list-style-type: none"> One company was unable to separate written or earned premiums into policy type for 2004. The data for 2005 and 2006 was used to estimate what amount of the 2004 premium should be assigned to each policy type. One company was unable to separate written or earned premiums into policy type for 2004, 2005, and 2006. Upon follow-up, the company provided percentages for each year's premiums and the premium was apportioned to the policy type by these percentages.
31-34	Consumer Complaints	<ul style="list-style-type: none"> One company did not have consumer complaint data for 2004. One company had to complete a random sampling of complaints and estimate the number of complaints for each complaint type.
36-38	Claims Received	<ul style="list-style-type: none"> One company stated initial claims may include multiple bills under one transaction. Three companies based statistics on the number of payments during the year. Twelve companies based this information on a per person basis and eleven on a per bill basis.
39-41	Claims Denied	<ul style="list-style-type: none"> Three companies reported an entire claim being denied versus a bill being denied. Twelve companies based this information on a per person basis and eleven on a per bill basis.
42-44	Claims Submissions Not Paid Due to the Elimination Period	<ul style="list-style-type: none"> Two companies stated they did not track this information. Twelve companies based this information on a per person basis and eleven on a per bill basis.
48-50	Claims Paid Within 60 Days	<ul style="list-style-type: none"> Four companies were unable to track this information. One company provided this information for 2006 but not 2004 or 2005.
51-53	Claims Paid Beyond 60 Days	<ul style="list-style-type: none"> Four companies were unable to track this information. One company provided statistics but questioned the validity of claims data over two years old. One company provided this information for 2006 but not 2004 or 2005.
54-56	Cost Containment Expenses	<ul style="list-style-type: none"> Four companies did not track cost containment expenses.

ANALYSIS

For this report, the analysis is based on the twenty-three companies that submitted data. The data was aggregated for each company and for each data year (2004, 2005, and 2006). The data was then aggregated for each data year so different years of data for the combined companies could be trended. The data is for individual LTC insurance policies and does not include group LTC insurance policy information. The next sections break down the different categories of data. The data from the companies was not audited.

1. Policies

Data was requested for Home Health Care only policies (HHC), Comprehensive policies (Comp) and for Nursing Home only policies. Analysis of the data showed that:

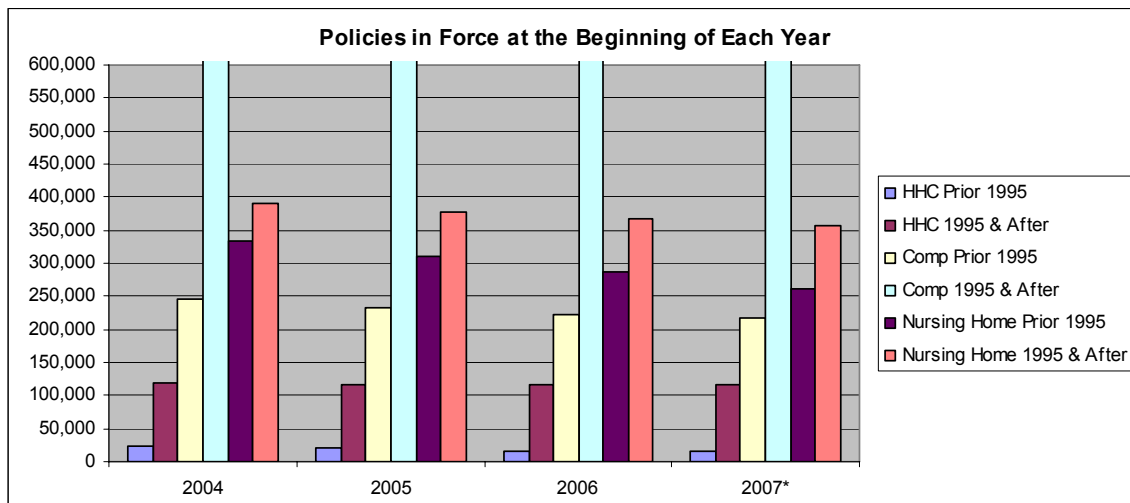
- All policy types showed a decrease in the total number of policies in force at the beginning of the year except for Comprehensive Policies in Force at the Beginning of the Year for Policies Issued in 1995 & After.

- Comprehensive Policies in Force at the Beginning of the Year for Policies Issued in 1995 & After have the most policies of any category with over 2.3 million in 2004, 2.5 million in 2005, 2.6 million in 2006 and 2.8 million in 2007*.
- Home Health Care Policies are the smallest percentage of LTC insurance policies.
- The percentage change in policies from 2004 to 2007* ranged from a decrease of 28.6% for Home Health Care in Force at the Beginning of the Year Prior to 1995 to a 19.1% increase in Comprehensive Policies in Force at the Beginning of the Year for Policies Issued in 1995 & After.
- The LTC market currently only shows one area of growth which is in comprehensive policies.
- Total policies in force at the beginning of each year increased by 8.9% since 2004 to over 3.7 million policies.

Table 1 Policies in Force at the Beginning of Each Year

Year	HHC in Force Beg of Yr Issued Prior to 1995	HHC in Force Beg of Yr Issued 1995 & After	Comp in Force Beg of Yr Issued Prior to 1995	Comp in Force Beg of Yr Issued 1995 & After	Nursing Home in Force Beg of Yr Issued Prior to 1995	Nursing Home in Force Beg of Yr Issued 1995 & After	Total
2004	22,394	118,480	245,268	2,352,040	332,952	389,342	3,460,476
2005	19,859	116,881	233,214	2,522,271	309,415	378,560	3,580,200
2006	16,600	115,517	221,473	2,665,203	286,902	366,903	3,672,598
2007*	15,993	115,253	216,840	2,801,427	261,221	356,314	3,767,048
% Change since 2004	-28.6%	-2.7%	-11.6%	19.1%	-21.5%	-8.5%	8.9%

*NOTE: The 2007 data are the number of policies in force at the end of 2006. The ending number of policies in force for a year became the total for the number of policies in force at the beginning of the following year. This allowed this table to have one additional year of data (2007).



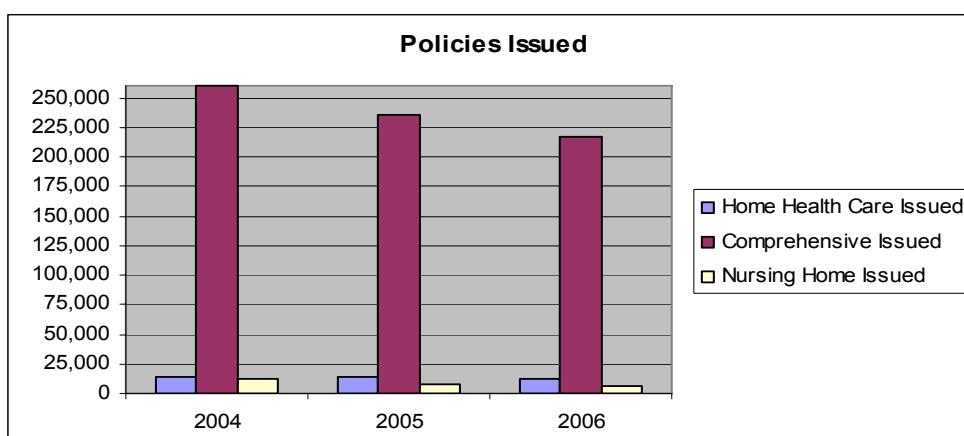
*NOTE: Comp 1995 & After is over 2.3 million for each year.

*NOTE: The 2007 data are the number of policies in force at the end of 2006.

Table 2 Policies Issued

- Over 770,000 individual LTC insurance policies were issued from 2004 to 2006. The majority of the policies issued were comprehensive policies (91.6%).
- New policies issued per year for each type decreased with nursing home policies having the largest decrease of 56% since 2004.

Year	Home Health Care Issued	Comprehensive Issued	Nursing Home Issued	Total Issued
2004	13,100	259,480	12,432	285,012
2005	14,450	235,414	8,167	258,031
2006	11,792	217,660	5,456	234,908
% Change Since 2004	-9.98%	-16.12%	-56.11%	-17.58%



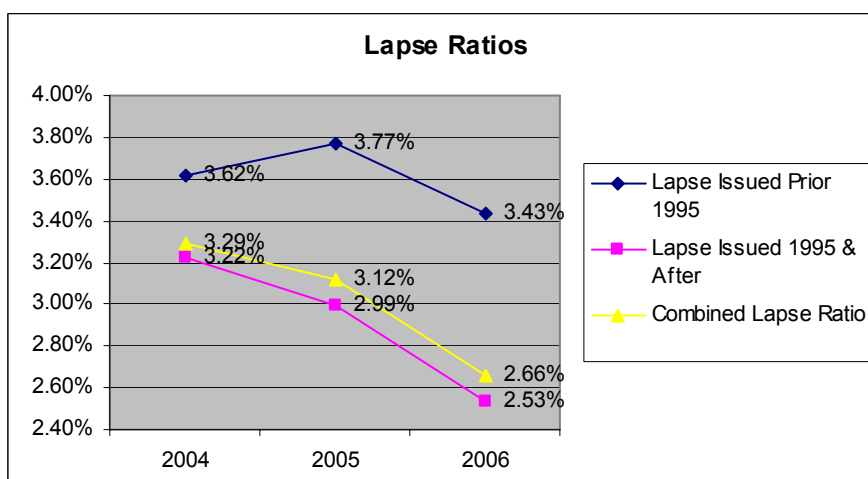
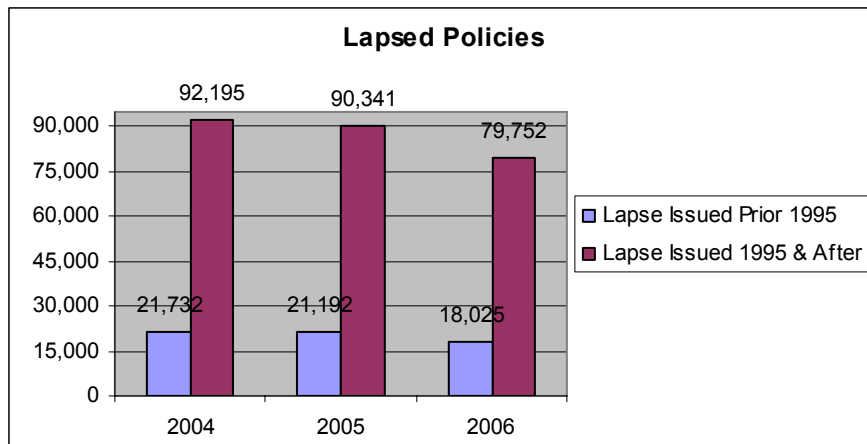
2. Lapse Statistics

- The number of LTC insurance policies lapsing each year and the lapse ratio for each policy type decreased.
- The lapse ratio in each year for policies issued prior to 1995 was higher than policies issued in 1995 and after.
- The combined lapse ratio decreased each year.
- The actual lapse ratio for individual companies varied with lapse ratios below 1% and over 9%.

Table 3 Lapsed Policies and Lapse Ratios

Year	Lapsed Policies Issued Prior to 1995	Lapse Ratio for Policies Issued Prior to 1995	Lapsed Policies Issued 1995 and After	Lapse Ratio for Policies Issued 1995 and After	Combined Lapse Ratio
2004	21,732	3.62%	92,195	3.22%	3.29%
2005	21,192	3.77%	90,341	2.99%	3.12%
2006	18,025	3.43%	79,752	2.53%	2.66%

Note: Lapsed policies may include those that lapsed due to death of the policyholder



3. Premiums

- Total direct written premium for all individual LTC insurance policies increased by 8.5% from approximately \$4.1 billion in 2004 to \$4.5 billion in 2006.
- Direct written premiums for comprehensive policies increased each year and continue to be the majority (83%) of the total LTC insurance premium. Direct written premiums for comprehensive policies increased from 79% of the LTC insurance market in 2004 to 83% (\$3.7 billion in premium) in 2006.
- Premiums for policies with nursing home only coverage decreased each year and now make up 13% of the LTC insurance market. Since 2004, premiums decreased 13.5%.
- Premiums for policies with home health care only coverage decreased 4.8% since 2004.

Table 4 Direct Written Premiums

Year	Direct Written Premium HHC Only	Direct Written Premium Comp Only	Direct Written Premium Nursing Home Only	Total
2004	\$181,759,550	\$3,297,894,211	\$683,960,254	\$4,163,614,015
2005	\$176,104,149	\$3,536,558,837	\$647,537,330	\$4,360,200,316
2006	\$173,124,046	\$3,750,958,192	\$591,428,395	\$4,515,510,633
% Change Since 2004	-4.8%	13.7%	-13.5%	8.5%

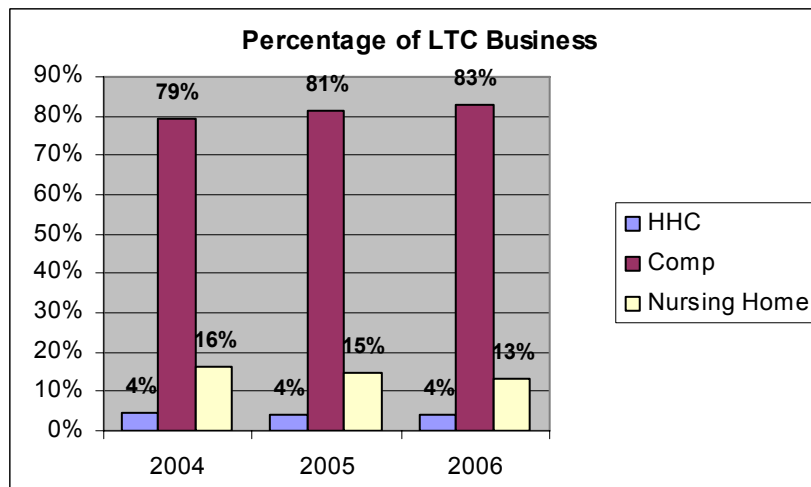
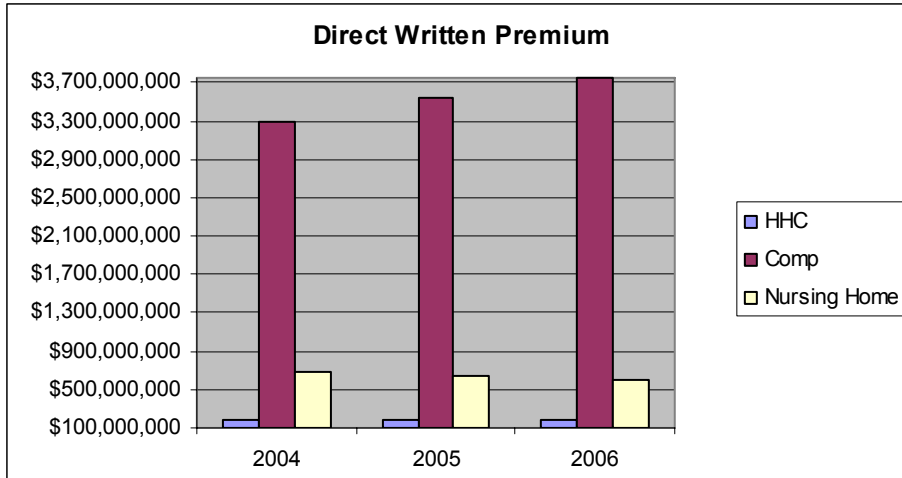
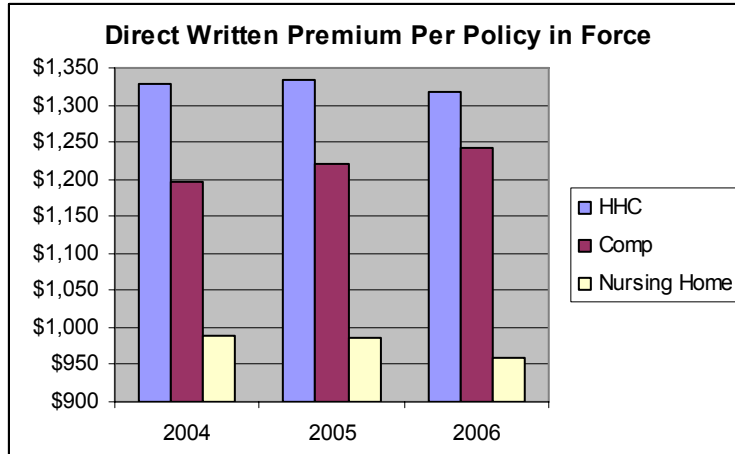


Table 5 Direct Written Premium (DWP) Per Policy

- Direct Written Premium Per Policy in Force was relatively level for each policy type.
- Home health care only insurance policies had the highest DWP per policy each year.
- Comprehensive policies were the only policy type with an increase in DWP per policy (3.9% since 2004).

Year	HHC DWP per Policy in Force	Comp DWP per Policy in Force	Nursing Home DWP per Policy in Force
2004	\$1,329	\$1,196	\$988
2005	\$1,333	\$1,222	\$985
2006	\$1,319	\$1,243	\$958
% Change Since 2004	-0.8%	3.9%	-3.0%



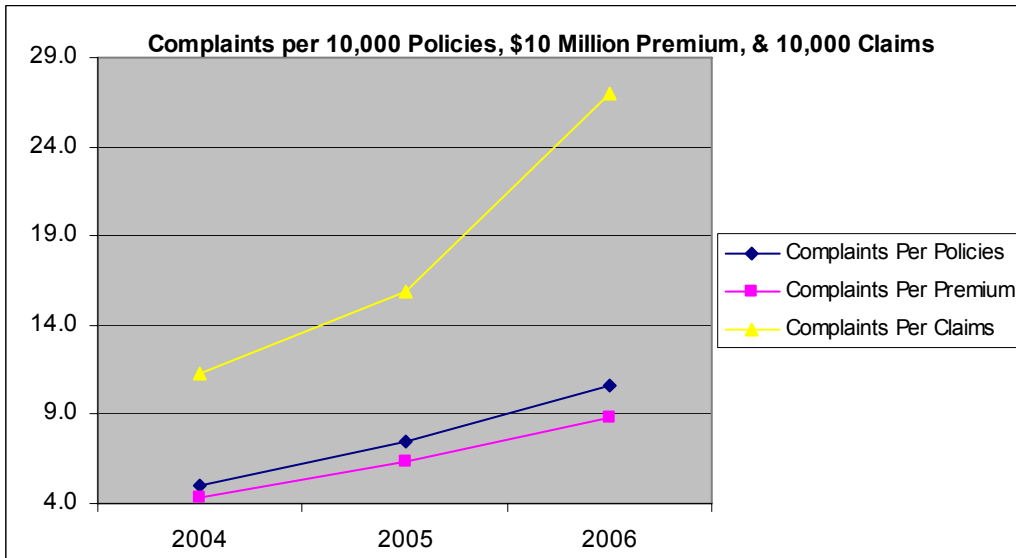
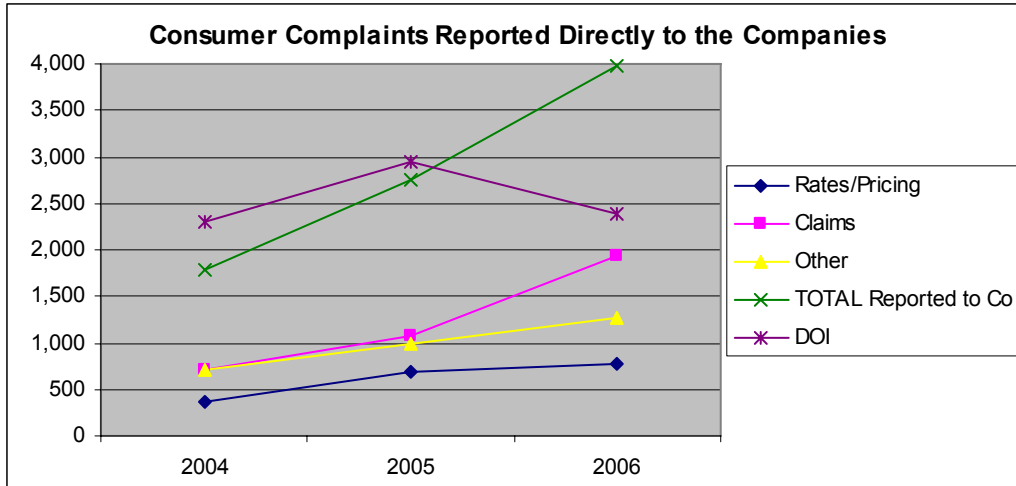
NOTE: DWP Per Policy in Force was calculated as DWP per policy type / Total Policies in Force at the End of the Year (includes both policies issued prior to 1995 + 1995 and after)

4. Complaints

- Total complaints reported directly to the companies increased since 2004 from 1,785 to 3,983 or 123.1%.
- Claim complaints increased the most since 2004 from 708 to 1,279 or 174.7%.
- Complaints reported to state departments of insurance fluctuated with a significant increase in 2005 (2,938 complaints) but a decrease in 2006 (2,377 complaints).
- Complaints per 10,000 policies increased since 2004 from 5.0 to 10.6 or 112.7%.
- Complaints per \$10 million in premium increased since 2004 from 4.3 to 8.8 or 105.7%.
- Claim complaints per 10,000 claims received increased since 2004 from 11.3 to 27.0 or 138.9%.

Table 6 Complaints

Year	Rates /Pricing	Claims	Other	TOTAL Complaints Reported to the Companies	DOI Complaints	Complaints per 10,000 Policies in Force	Complaints per \$10 Million in Premium	Claim Complaints per 10,000 Claims Received
2004	363	708	714	1,785	2,306	5.0	4.3	11.3
2005	682	1,071	1,000	2,750	2,938	7.5	6.3	15.9
2006	779	1,945	1,279	3,983	2,377	10.6	8.8	27.0
% Change Since 2004	114.6%	174.7%	79.1%	123.1%	3.1%	112.0%	104.7%	138.9%



5. Claims

Tables 7 – 16 contain information pertaining to claims.

Table 7 Claims Received

- Total claims received increased from 627,577 in 2004 to 719,726 in 2006 or by 14.7% since 2004.
- Claims received for comprehensive policies increased by 27.0% since 2004.
- Claims received for nursing home policies increased by 11.0% since 2004.
- Claims received for home health care policies decreased in 2005 but increased slightly in 2006. Since 2004, home health care claims have decreased by 7.8%.

Year	Claims Received HHC	Claims Received Comp	Claims Received Nursing Home	Total
2004	140,799	310,692	176,086	627,577
2005	126,816	363,407	184,476	674,699
2006	129,809	394,506	195,411	719,726
% Change Since 2004	-7.8%	27.0%	11.0%	14.7%

NOTE: One company stated initial claims may include multiple bills under one transaction. Three companies based statistics on the number of payments during the year. Twelve companies based this information on a per person basis and eleven on a per bill basis.

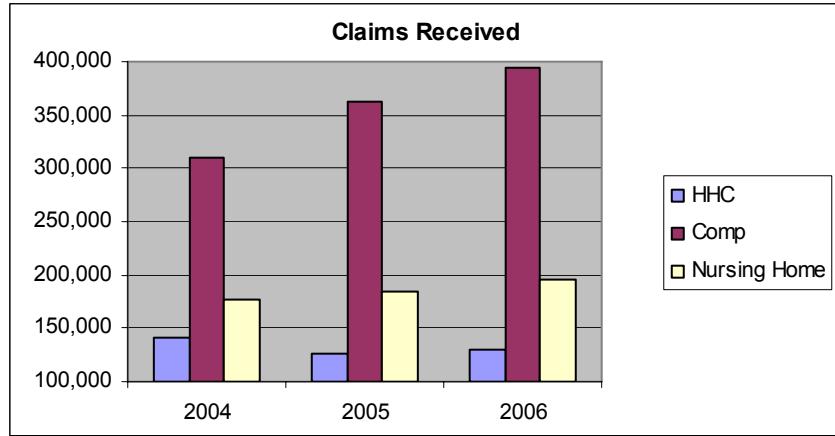


Table 8 Claims Paid (Dollars)

- Claims paid for all policy types increased since 2004 from \$1.9 billion to \$2.4 billion or 26.2%
- Claims paid for each type of policy increased each year with comprehensive payments increasing the most by 43%.

Year	Claims Paid HHC	Claims Paid Comp	Claims Paid Nursing Home	Total Paid
2004	\$145,928,060	\$978,306,973	\$757,970,045	\$1,882,205,078
2005	\$150,741,629	\$1,182,910,103	\$792,428,978	\$2,126,080,709
2006	\$154,065,923	\$1,402,596,021	\$819,092,173	\$2,375,754,118
% Change Since 2004	5.6%	43.4%	8.1%	26.2%

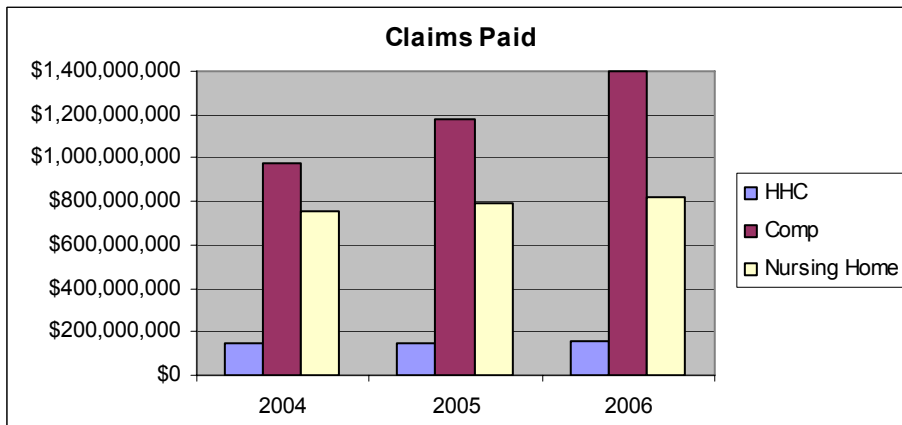


Table 9 Industry Average Paid Per Claim

- The combined total average paid per claim increased from \$2,999 in 2004 to \$3,301 in 2006. This was a 10.1% increase.
- The Industry Average payout per claim varied considerably by policy type with nursing home insurance policies having the highest average payout of \$4,192 in 2006. However, for nursing home insurance policies, the average payout decreased 2.6% since 2004.

Year	HHC Amount Paid Per Claim	Comp Amount Paid Per Claim	Nursing Home Amount Paid Per Claim	Total Amount Paid Per Claim
2004	\$1,036	\$3,149	\$4,305	\$2,999
2005	\$1,189	\$3,255	\$4,296	\$3,151
2006	\$1,187	\$3,555	\$4,192	\$3,301
% Change Since 2004	14.6%	12.9%	-2.6%	10.1%

Note: The average dollar amounts paid per claim in Table 9 is the ratio of total claims paid and the number of claims received. It represents the average payment per claim.

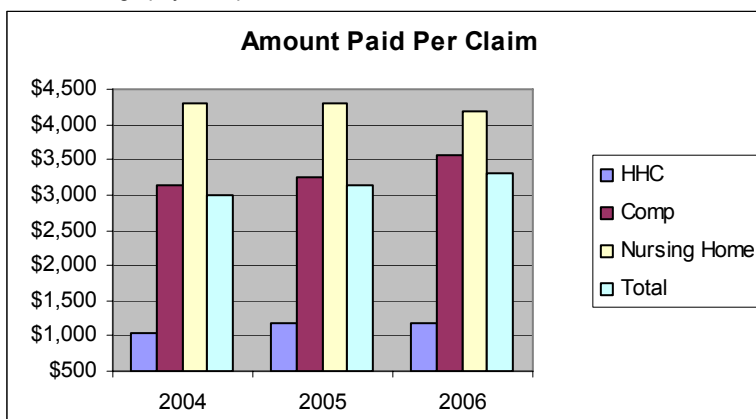


Table 10 Claims Denied

- The number of claims denied increased for each type of policy as the number of claims received increased. Nursing home policy claim denials increased by 594 denials or by 15.7% since 2004, comprehensive policy claim denials increased by 6,544 denials or by 51.5% since 2004, and home health care policy claim denials increased by 664 denials or by 19.5% since 2004. Comprehensive policies account for the largest increase in claim denials because it is the largest segment of the LTC insurance industry. Table 7 shows that claims received increased by 83,814 claims or by 27.0% for comprehensive policies.

Year	Claims Denied HHC	Claims Denied Comp	Claims Denied Nursing Home	Total Denied
2004	3,404	12,707	3,791	19,902
2005	4,607	17,266	3,776	25,649
2006	4,068	19,251	4,385	27,704
% Change Since 2004	19.5%	51.5%	15.7%	39.2%

NOTE: Three companies reported an entire claim being denied versus a bill being denied.

For data elements 39-41, the data call requested statistics for claims denied and partially denied. An issue occurred regarding what constituted a partial denial as companies interpreted the definition of a partial denial differently. Several companies included partial denials where the company paid the full amount owed under the policy but denied the portion which was above the allowable amount. For example, the policy paid \$100 per day for a room and the company paid the \$100 of a \$150 per day charge. Another issue arose when a company included situations

where they paid on a pro-rated basis and the company included the portion not covered as a partial denial. Due to these issues, a decision was made to include only full denials in the report and analysis. A follow-up survey regarding these data elements occurred and the results changed to eliminate partial denials. Several companies which had very high denial percentages when including partial denials reduced their denial percentages drastically when only including full denials. One issue is that these same companies had relatively high complaints and high complaint ratios (per 10,000 policies, per \$10 million in premium, and per 10,000 claims received).

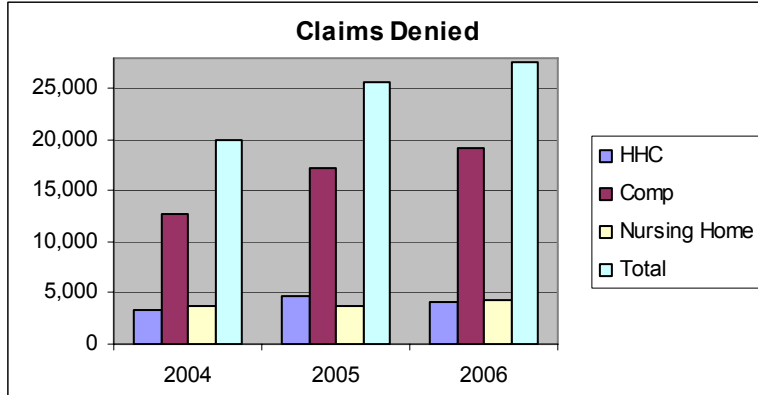


Table 11 Percent of Claims Denied

- The total percent of claims denied for all policies increased since 2004 from 3.2% to 3.9%.
- The percent of claims denied for comprehensive policies increased since 2004 from 4.1% to 4.9%.
- Both home health care and nursing home policies had an increase in the percent of claims denied in 2005 and a decrease in 2006.

Year	HHC Percent of Claims Denied	Comp Percent of Claims Denied	Nursing Home Percent of Claims Denied	Total Percent of Claims Denied
2004	2.4%	4.1%	2.2%	3.2%
2005	3.6%	4.8%	2.1%	3.8%
2006	3.1%	4.9%	2.2%	3.9%
% Change Since 2004	29.3%	19.3%	4.2%	21.5%

NOTE: The percent of claims denied was calculated as: Number of Claims denied per policy type / number of claims received per policy type. This ratio shows the percentage of claims denied of the total claims received.

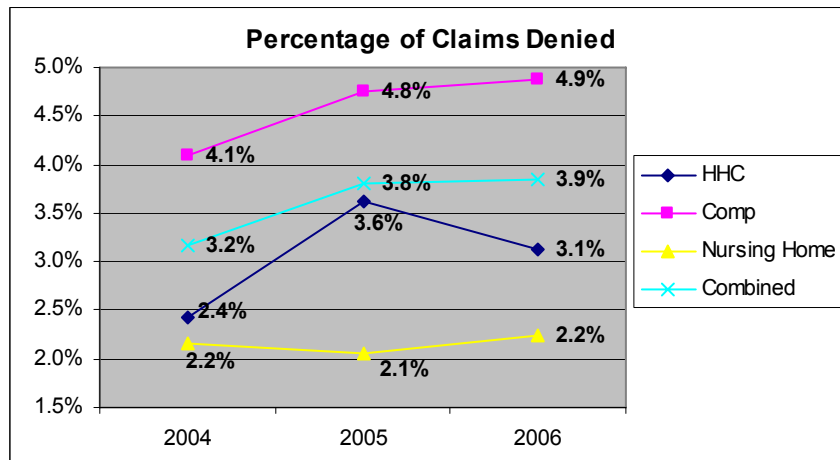


Table 12 Ratio of Claims Paid Per Direct Written Premium (DWP)

- Nursing Home Claims had the highest percentage of dollars paid for claims of the DWP with each year's ratio above 100%.
- Comprehensive LTC insurance business had the lowest percentage of dollars paid for claims of the DWP with each year's ratio at 37% or less.
- Each type of policy increased each year in the percentage of dollars paid for claims of the DWP.

Year	Ratio of Home Health Care Claims Paid (\$) per DWP	Ratio of Comp Claims Paid (\$) per DWP	Ratio of Nursing Home Claims Paid (\$) per DWP
2004	80.0%	30.0%	111.0%
2005	86.0%	33.0%	122.0%
2006	89.0%	37.0%	138.0%
% Change Since 2004	11.3%	23.3%	24.3%

Note: Nursing Home insurance coverage is the oldest type of policy of the three product types in this market. Funding for claims from older business comes in large part from the release of active life reserves, which have been accumulated from past premiums and investment income on those reserves. The low paid loss ratios for the comprehensive business does not necessarily indicate that insurers are receiving large profits from this type of policy. For newer policies, premiums are set aside by insurers to fund active life reserves which will ultimately be used to pay claims in the future. The paid loss ratios do not reflect the build-up and subsequent release of active life reserves which needs to be considered when reviewing these ratios.

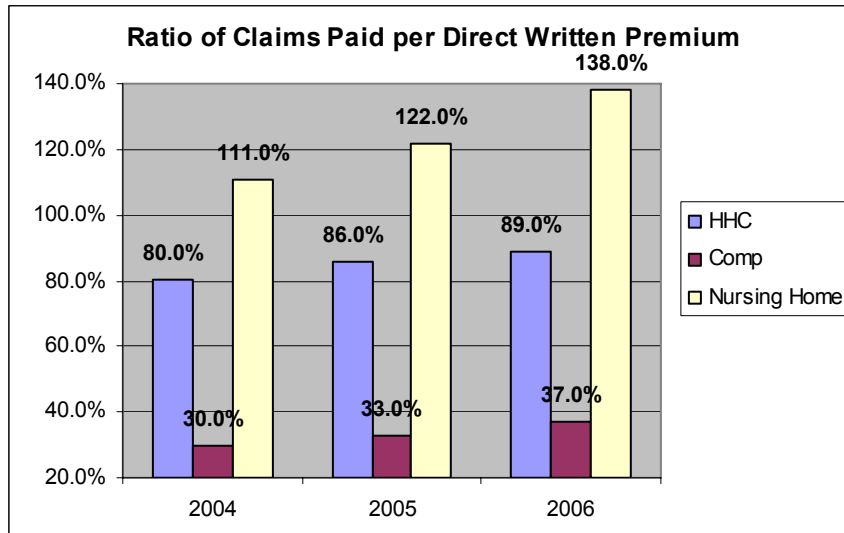
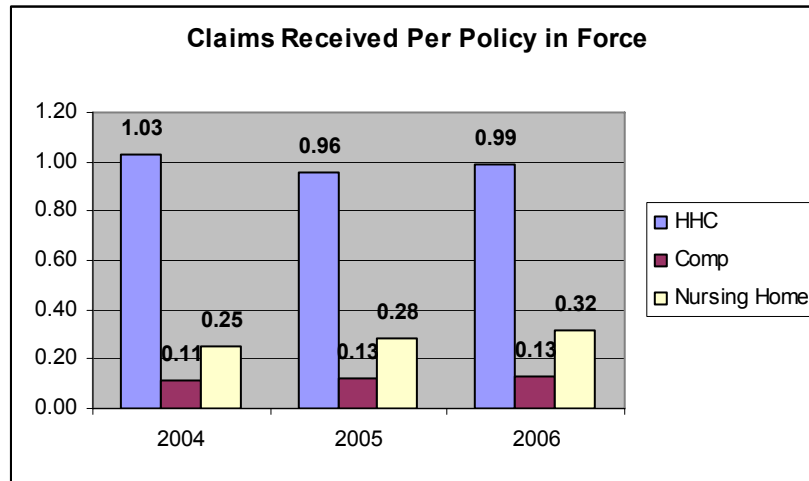


Table 13 Claims Received Per Policies in Force at the End of the Year

- Home Health Care policies had the highest number of claims received per policies in force at nearly a 1:1 ratio each year.
- Comprehensive policies had the lowest ratio of claims received per policy in force at the end of the year.

Year	HHC Claims Received Per Policy in Force	Comp Claims Received Per Policy in Force	Nursing Home Claims Received Per Policy in Force
2004	1.03	0.11	0.25
2005	0.96	0.13	0.28
2006	0.99	0.13	0.32
% Change Since 2004	-3.9%	15.6%	24.4%



NOTE: Graph calculated as Claims Received / Total Policies in Force at the End of the Year

Table 14 Claim Submissions Not Paid Due to the Elimination Period

- Claim submissions not paid due to the elimination period increased each year for each policy type as an increasing number of policies entered into claims status.

Year	HHC Claims Applied to the Elimination Period	Comp Claims Applied to the Elimination Period	Nursing Home Claims Applied to the Elimination Period
2004	1,157	9,947	5,464
2005	1,356	11,142	5,743
2006	1,346	13,676	6,431
% Change Since 2004	16.3%	37.5%	17.7%

NOTE: Two companies stated they did not track this information. Twelve companies based this information on a per person basis and eleven on a per bill basis.

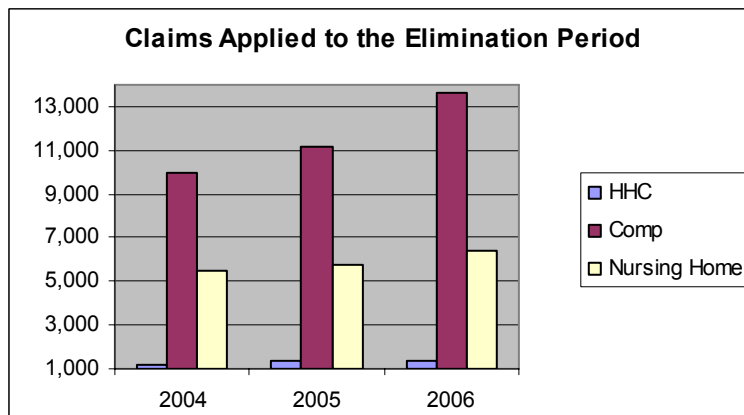


Table 15 Claims Paid Within 60 Days and Beyond 60 Days

Several companies were unable to differentiate between the 60 day timeframe. Many others stated all of their payments were made within 60 days. From review of the data, it does not appear payments beyond 60 days are a significant issue. When reviewing this data, it is important to compare it with the total number of claims received for each policy type (Table 7). Total claims received (Table 7) increased for each policy type in 2006.

- Total claims paid within 60 days increased by 37.9% and claims paid beyond 60 days decreased by 38.9% since 2004.
- Claims paid beyond 60 days decreased for HHC and nursing home claims but increased slightly for comprehensive claims. Total comprehensive claims (Table 7) increased significantly so the slight increase in claims paid beyond 60 days for this policy type is expected.
- The Percentage of Claims Paid Beyond 60 Days has decreased each year for each policy type.

Year	Claims Paid Within 60 Days HHC	Claims Paid Beyond 60 Days HHC	Claims Paid Within 60 Days Comp	Claims Paid Beyond 60 Days Comp	Claims Paid Within 60 Days Nursing Home	Claims Paid Beyond 60 Days Nursing Home	All Claims Paid Within 60 Days	All Claims Paid Beyond 60 Days
2004	129,359	3,337	204,451	2,859	167,539	1,844	501,349	8,040
2005	109,690	1,699	222,899	2,201	170,237	1,344	502,826	5,244
2006	125,877	548	368,144	3,106	197,175	1,255	691,196	4,909
% Change Since 2004	-2.7%	-83.6%	80.1%	8.6%	17.7%	-31.9%	37.9%	-38.9%

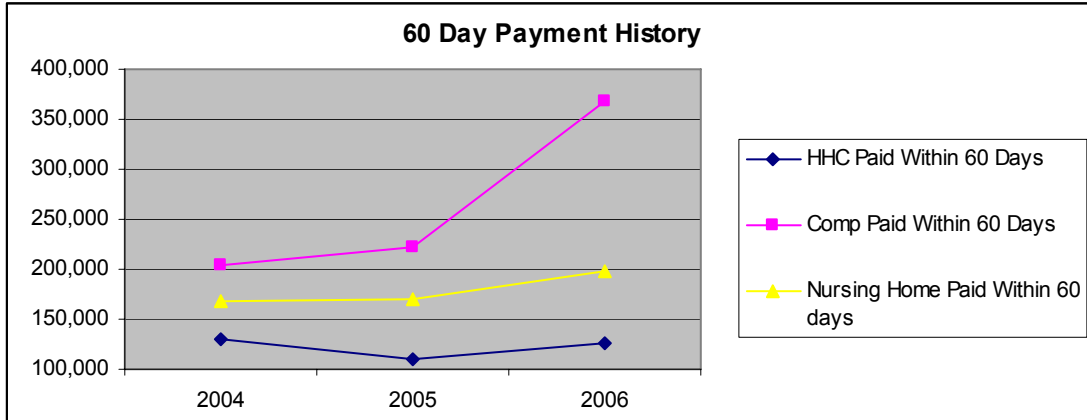
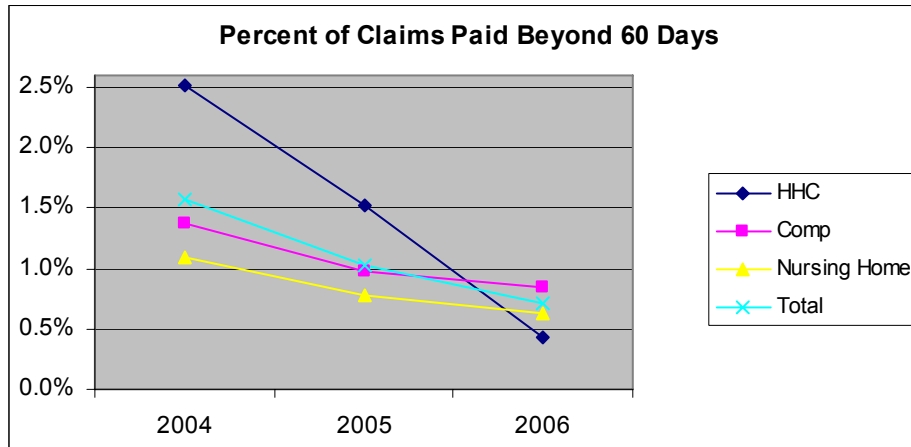


Table 16 Percentage of Claims Paid Beyond 60 Days

- The Percentage of Claims Paid Beyond 60 Days decreased each year for each policy type.

Year	Percent of HHC Claims Paid Beyond 60 Days	Percent of Comp Claims Paid Beyond 60 Days	Percent of Nursing Home Claims Paid Beyond 60 Days	Percent of Total Claims Paid Beyond 60 Days
2004	2.5%	1.4%	1.1%	1.6%
2005	1.5%	1.0%	0.8%	1.0%
2006	0.4%	0.8%	0.6%	0.7%
% Change Since 2004	-82.9%	-39.1%	-42.2%	-55.3%



Note: Percent of Claims Paid Beyond 60 Days = Claims Paid Beyond 60 Days / (Claims Paid Within 60 Days + Claims Paid Beyond 60 Days)

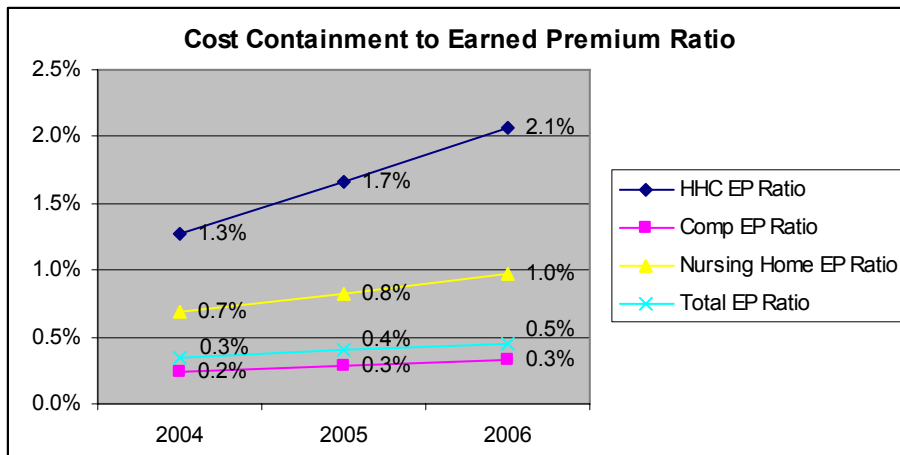
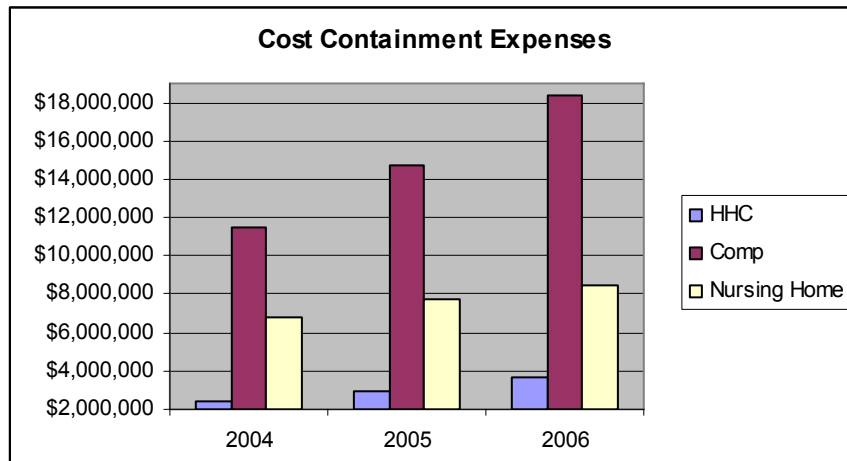
6. Cost Containment Expenses

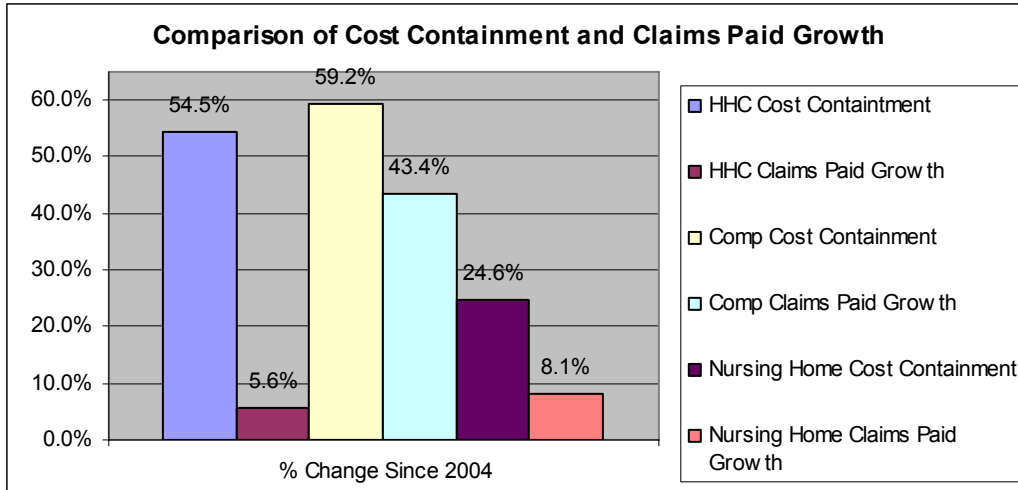
Four companies reported that they did not track cost containment expenses. In addition, six companies reported \$0 for cost containment expenses.

- Cost containment expenses per earned premium increased slightly for each type of policy for the three year period reviewed.
- Cost containment expenses are practices designed to minimize costs to both the insured individual and the insurance company. For the LTC data call, cost containment expenses were reported in accordance with SSAP no. 85 Claim Adjustment Expenses and Amendments to SSAP no. 55, Unpaid Claims, Losses, and Loss Adjustment Expenses per state. Cost containment expenses increased for each policy type since 2004. Claim dollars paid (Table 8) showed that the total dollar amount paid for claims for each policy type increased each year. For the period of the Data Call, claims paid grew for all policy types with HHC at 5.6%, Comprehensive 43.4%, and Nursing Home at 8.1%. It is important to compare these growth/decline percentages since 2004 with the growth of the cost containment expenses since 2004. The growth in cost containment expenses was HHC 54.5%, Comprehensive 59.2%, and Nursing Home 24.6%. This comparison shows that cost containment expenses are growing at a faster rate than claim payments (See graph on page 21).

Table 17 Cost Containment Expenses

Year	HHC Cost Containment (CC) Expenses	HHC Earned Premiums (EP)	HHC CC / EP Ratio	Comp Cost Containment (CC) Expenses	Comp Earned Premiums	Comp CC / EP Ratio	Nursing Home Cost Containment (CC) Expenses	Nursing Home Earned Premiums (NH)	NH CC / EP Ratio	Total CC / EP Ratio
2004	\$2,369,259	\$185,928,865	1.3%	\$11,516,247	\$4,821,605,707	0.2%	\$6,791,263	\$977,890,996	0.7%	0.3%
2005	\$2,946,172	\$177,385,683	1.7%	\$14,757,563	\$5,236,516,644	0.3%	\$7,716,636	\$930,476,772	0.8%	0.4%
2006	\$3,660,743	\$177,396,926	2.1%	\$18,338,724	\$5,656,129,614	0.3%	\$8,465,074	\$874,087,258	1.0%	0.5%
% Change Since 2004	54.5%	-4.6%	61.9%	59.2%	17.3%	35.7%	24.6%	-10.6%	39.4%	31.5%





Note: Direct Written Premium Growth percentages are from Table 8.

Table 18 Ratio of Cost Containment Expenses to Claims Paid

- The amount spent for cost containment expenses when compared to the amount spent on claims has increased each year for each policy type.

Year	Ratio of Cost Containment Expenses for Home Health Care Policies to Claims Paid	Ratio of Cost Containment Expense for Comp Policies to Claims Paid	Ratio of Cost Containment Expenses for Nursing Home Policies to Claims Paid
2004	1.62%	1.18%	0.90%
2005	1.95%	1.24%	0.97%
2006	2.37%	1.30%	1.03%
% Change Since 2004	46.3%	10.2%	14.4%

NOTE: The data from the companies was not audited. This report is an analysis of the data received by the twenty-three companies that responded to the individual LTC data call.