

NAIC Long-Term Care Innovation Subgroup Public Hearing

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At the NAIC Summer 2016 National Meeting, the Long-Term Care Innovation (B) Subgroup held a public hearing as part of an initiative to address the challenges facing the private LTC market. With baby boomers retiring at a rate of 10,000 per day, and under 10 percent having any form of LTC coverage, the subgroup seeks to develop actionable, realistic policy options to increase take-up rates for private LTC insurance and create a stronger market by examining potential product modifications, reduction of regulatory barriers, and appropriate incentives. An array of insurance industry participants, regulators, consumer representatives offered thoughtful comments, highlighted below.

Product innovations

- Moving from today's level premium construct to an annual re-rating approach, as level premiums have proven incompatible with insurers' 30-plus year risk horizon on interest rate, lapse, morbidity, and mortality assumptions; alternatively, index premiums and benefits to reduce consumers' inflation risk and insurers' required reserves.
- Combination products (such as LTC extension of benefit or accelerated death benefit riders) that reduce insurers' overall risk volatility and provide flexibility to consumers;
- "Lifestage" products that provide life insurance protection through a specified age, with pre-funded LTC benefits thereafter.
- Simpler, lower cost, lower benefit products could be offered at a more attractive price point for consumers, and could also allow wider distribution through direct marketing or exchanges.
- Very low cost, limited benefit "worksite" policies targeted to younger employees, with periodic windows to increase coverage amounts.

Regulatory innovations

- Increase number of states that allow filings through IIPRC. Clearer regulatory guidelines for rate increases. Eliminate certain required product features, such as mandatory 5 percent inflation offer.
- Re-engineer point-of-sale disclosure requirements.

Appropriate incentives

- Permit payment of LTC premiums from retirement accounts with no early withdrawal penalties.
- Eliminate 7.5 percent of AGI limitation on tax deductibility of premium payments.
- Provide legal incentives to employers that sponsor retirement plans providing LTC insurance on an opt-out basis (such as fiduciary safe harbor).

The NAIC is devoting substantial resources toward this effort, which hopefully will benefit consumers and industry.

