ACTUAL TESTIMONY ON MAY 9, 2016

Good morning, and thanks for the opportunity.

My remarks today are meant to supplement my April 12 written testimony. I address two of the eight questions proposed in the Forum invitation, as those are the ones that pertain to the breadth of my experience.

FIRST, as Background to my remarks:

My perspective is that of a policy holder (consumer). I became interested in this complex issue, as I genuinely *care* that many folks are being impacted by it—many perhaps far more severely than I. I have no other agenda.

Question 1: What is my personal experience with long-term care insurance (LTCI):

I signed up for a LTCI policy June 23, 2005. My decisions about coverage were based on helpful information provided on-line by many agencies, including the National Association of Insurance, the Maine Bureau of Insurance and others, to insurance companies themselves. The benefits I chose were grounded in deliberate research, and what I felt could be reasonably afforded *over time* during my working years and beyond during non-income bearing years (retirement). I also considered my family. Knowing I might experience occasional premium rate increases, my research also focused on what those might be based on historical evidence. So you see, I did my homework—something I would expect of any company who hoped to sell a *long-term* policy. After all, this was no small investment. I chose certain benefits—e.g. 60 days waiting window to onset of service (aka "elimination period"), 3 year benefit period, a 100% stay- at-home benefit, and a 5% benefit amount with 3% policy limit compound inflation, to name a few.

In a circular letter dated March 16, '15, I was informed by LTCI provider, John Hancock, that I was subject to a 23% increase in my premium. To avoid the increase completely, I was offered the option to reduce the annual inflation rate from 5% compound to 3.9% compound on my next policy anniversary of June 23, 2015, with the inflation rate on my policy limit remaining at 3%. My alternative options to reduce premium costs were to reduce coverage: e.g. to opt to reduce my current monthly benefit, benefit period, elimination period, riders and/or riders. Nothing was mentioned in the circular about how all this would affect the current Maine partnership status that the policy enjoyed. It was at that point, I got involved--trying to amass as much information I could about the subject. (By the way, premium increase rumors circulated well in advance of receipt of that letter thru the media and thru on line resources. That's not a good thing.) I decided to pay the increase because I was very influenced by what I have seen among friends and relatives who have worked to assure a quality of life in their senior years and not be a burden to their families. No, I didn't sign a Faustian pact—at least, not yet. But the future is very uncertain, given this scenario, and that doesn't feel good. Plus, in terms of insurance rates, if the compound rate falls below 3%, individuals will lose their Maine Partnership status. While I continued my current level of coverage, despite the rate increase, I know of others who have experienced step increases over several years that have forced them to reduce daily benefits, or number of years of coverage. Some of those people are seated here today.

As information, I reviewed the filing thru the SERFF site of the NAIC, that was submitted by John Hancock for my class of policy, LTC-03 in 2013. In that filing, the company mentions in Section 16, the following": *In order to limit the magnitude of the rate increase at the older ages, we reduced the rate increase to 15% at ISSUE AGE 77, 10% AT ISSUE AGE 78, and 5% at ISSUE AGE 79; there will be no increase for issue ages 80 and about.* Well…that sounds good and even kind; but this is an **ISSUE age** for older consumers. I purchased my policy well before age 77. There is apparently a great deal of inequity in terms of reward for planning ahead.

Question 2: What is needed to improve LTCI Consumer Protections and Claim practices?

1. To assure all decisions regarding impact to consumers honor this criterion: That the results of poor market forecasting and management practices that characterized the sale of LTCI policies in the 1980s not be placed upon the "backs" of the consumers who held, hold, and will hold such insurance now and in the future. That is simply unacceptable.

2. To develop an integrated data base that would be helpful to consumers, and possibly agencies that to assess in a holistic manner the long term effects of insurance company rate increases. As example, we all can access specific filings by insurance companies for rate increases. These companies make their case for why they need a rate increase. Filings are expected to include sufficient supporting information that the rates are not "excessive, inadequate or unfairly discriminatory." At the minimum, they are required to include an analysis of actual and projected experience with respect to morbidity, mortality, lapsation & other factors. However, the reality is that this information is only a snapshot in time of a block of consumers of a particular insurance company. It would be very difficult to build a complete picture of the age, demographic profile for the State of Maine, and compare that to other States based on the information provided. Why is that so important? That takes me to the next point.

3. To recognize that this is not just a State problem, and to bring in all resources, including Federal, that will provide deeper and holistic analysis into this issue, to include further analysis of the management practices of the insurance companies requesting the premium rate increases. Census reports show that by 2050, 20% of the U.S. population will be over 65 (https://www.census.gov), and even though the majority of individuals in the U.S. say they want to die at home, only 25% actually do (R. Kott, 2016).[1] So figuring out solutions to this complex issue appears to need to transcend the State level. Those individuals without sufficient funds or some type of LTC back-up plan will eventually fall upon the "system"

[1] In "medicine: Mortal Thoughts," *The University of Chicago Magazine,* Winter, 2016.

(e.g., Maine Care, etc.) for assistance. The strain on the system will continue to be a significant national problem over time.

4. (a) Support of premium rate "capping" legislation seems like an attractive potential solution to the rate increase issue. That would be true, *only if* the guidelines are clear, fair, and equitable, *and* based on analysis of pertinent data—my previous comments. Capping, applied haphazardly—based only on issue dates, or other partial pictures, is not a solution. (b) To uphold the adage: *Something is not better than nothing*.[2]

5. To develop other creative products that will encourage Federal and State tax incentives to those who plan for their long-term health care. That may mean to discover other sectors related to investments that are viable, and possibly offer competition to insurance companies. It could also mean investigating products that involve direct agreements with nursing home and home health care providers.

Thanks for your consideration.

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[2] Note: The 2015 figures regarding the total number of Long Term Care policies held in the State of Maine (as reported by Insurers to the Maine Bureau of Insurance) is 33,218. This includes both group (13,599) and individual (19,619). However, demographic information on those policy holders is and will be critical to generate a capping plan that is fair to both policy holders and insurance companies.