



**Statement of  
America's Health Insurance Plans and  
The American Council of Life Insurers**

**House Committee Industry, Business and Labor**

**Public Hearing on House Bill 1516**

**An Act Concerning Long-Term Care Insurance Pricing Methodology**

To: Chairman Louser and members of the House Committee on Industry, Business and Labor

America's Health Insurance Plans (AHIP)<sup>1</sup> and the American Council of Life Insurers (ACLI)<sup>2</sup> appreciate this opportunity to present our concerns with [House Bill 1516](#), "An Act Concerning Long-Term Care Insurance Pricing Methodology." The legislation would require companies to price long-term care insurance products (except for hybrid LTC) with a 0% ultimate lapse rate, and the initial premium rate schedule must include a margin for moderately adverse experience of at least 30% of lifetime claims. For the following reasons, AHIP and ACLI respectfully oppose HB 1516.

The changes proposed by HB 1516 will substantially increase the price of new LTC products, and therefore stifle innovation and reduce choice for North Dakotans. This would occur at a time when the need for LTC services is higher than ever before and continuing to grow.

A margin of 30% of lifetime claims is excessive and will make LTC products unaffordable for most consumers. In recent years the NAIC Model Regulation for LTC insurance adopted a standard that a margin for moderately adverse experience shall not be less than 10% of lifetime claims. This standard

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<sup>1</sup> AHIP is the national association whose members provide health care coverage, services, and solutions to hundreds of millions of Americans every day. We are committed to market-based solutions and public-private partnerships that make health care better and to help create a space where coverage is more affordable and accessible for everyone.

<sup>2</sup> The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 280 member companies represent 94 percent of industry assets in the United States.

was fully vetted by both regulatory and industry actuarial experts. There is no evidence that the current NAIC Model standard should be increased.

Companies should base LTC product pricing assumptions, including ultimate lapse rates, on actuarially sound assumptions that consider appropriate company and LTC industry experience. The NAIC is currently in the process of updating minimum tables for lapse and mortality rates to be used in the reserving of new LTC policies sold, using a [study](#) and recommendations developed by the LTC Valuation Work Group of the American Academy of Actuaries (AAA) and Society of Actuaries (SOA). The Lapse and Mortality tables recommended in this study include margins for adverse deviation.

LTC coverage provides insurance benefits for LTC expenses, thus providing protection to an individual's assets in the event of a LTC event. Absent of a well thought out strategy for a future LTC event to generate income to fund caregiving costs, North Dakotans could become an increased burden to state and federal social programs (i.e., Medicaid), shifting more responsibility and cost to taxpayers.

For these reasons, we urge the Committee to reject the legislation. Thank you for the opportunity to comment.