



STATEMENT OF THE AMERICAN COUNCIL OF LIFE INSURERS

Before The
Senate Industry, Business and Labor Committee

January 26, 2021

Senate Bill 2253 – An Act Imposing a Moratorium on the Sale of Long-Term Care Insurance Policies

Chairman Klein and members of the Senate Industry, Business and Labor Committee, the American Council of Life Insurers (ACLI) appreciates the opportunity to offer the following statement on Senate Bill 2253, which would impose a 3-year moratorium on the sale, of long-term care insurance policies. My name is Jan Graeber, and I am ACLI's Senior Actuary in charge of long-term care insurance issues. ACLI members are the leading writers of life insurance, annuities, disability income insurance, long-term care insurance and supplemental benefit insurance here in North Dakota and across the country.

Senate Bill 2253 would prohibit life insurers and fraternal benefit societies from selling, soliciting or negotiating a long-term care insurance policy to a resident of North Dakota until July 31, 2024, and authorize the legislature to consider studying the long-term care insurance market in the state. For the reasons set forth below, ACLI respectfully opposes Senate Bill 2253.

Current and Increasing Need for Long-Term Care Services

- Long-term care (LTC) insurance covers services that provide assistance to individuals with cognitive difficulties, and to those who are unable to perform activities of daily living, such as eating, bathing, or getting dressed.
- There is a misconception among many Americans that Medicare will cover their long-term care expenses.
- Currently, approximately 13 million Americans need long-term care. That number is expected to rise to 27 million by 2050.
- According to the American Association for Long-term Care Insurance, in 2018, long-term care insurance paid over \$10.3 billion in claims to over 300,000 policyholders.

Nationwide Long-Term Care Costs

- Adult day care costs approximately \$17,700 per year.
- An assisted living facility costs approximately \$42,000 per year.
- A private room in a nursing home costs approximately \$92,000 per year.
- Costs are growing approximately 3 percent per year.

- Unfortunately, few Americans have saved enough money to pay for outside help during their retirement.

Challenges

- Designing a level premium product is difficult due to the duration of the product (40 – 50 years) and the complexity of the actuarial contingencies that impact pricing have led to large rate increases.
- Containing cost on products with inflation protection and lifetime benefits.
- Moral hazard associated with LTC insurance, as it currently exists (i.e., use it or lose it).
- The difficulty associated with designing a stable product has led to a decline in insurers actively marketing LTC insurance.
- The analysis of decades of experience generated by older issue year policies has enabled LTC insurers to more accurately price newer issue year policies, making rate increases to them far less likely, and of a lesser magnitude.

LTC Market Innovation

- Combination Products
 - life insurance with a chronic illness riders
 - life insurance with long term care riders
 - life insurance policies with built-in benefits that can help pay for long term care expenses or similar types of expenses
 - annuities

Work at the National and State Levels

- NAIC LTC (EX) Task Force
- Federal Interagency Task Force on Long-Term Care insurance

Negative Impact of a Moratorium on North Dakota Consumers

- The moratorium would impact guaranteed renewable traditional stand-alone LTC, but would also prohibit sales of LTC riders that accelerate life insurance death benefits to pay for LTC services. These LTC riders add great flexibility to a life insurance policy, helping policyholders manage cash flows and avoiding the “use it or lose it” dilemma.
- LTC coverage provides 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.
- Falling back on self-funding will cause many individuals to rapidly deplete hard earned retirement savings, which may not only impact their life, but their spouse’s future financial security at a time when rejoining the workforce may not be an option.



- The moratorium could have adverse effects on North Dakotans who wish to protect themselves from LTC risks during the moratorium. During this period
- the consumer could develop a medical condition rendering them un-insurable after the moratorium period;
- North Dakotans wishing to purchase coverage would pay higher premiums by having to wait up to three years (based on issue-age premiums).

Mr. Chairman, we appreciate the opportunity to provide our comments on Senate Bill 2253, and stand ready to answer any questions you or Committee members may have.

Respectfully submitted,

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