

HOUSE BILL 1516

Presented by: **Chrystal Bartuska**
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Before: **House Industry, Business and Labor Committee**
 Representative Louser, Chairman

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Good morning, Chairman Louser and members of the committee. My name is Chrystal Bartuska, and I am the Life/Health Division Director of the North Dakota Insurance Department. I am here today in support of House Bill 1516.

House Bill 1516 is a bill that allows for some stricter guardrails around long term care (LTC) policy pricing. I am sure you have all heard of the increases that some of your constituents have received as a result of their LTC policy premiums changing. You may remember last session there was a bill to place a moratorium on LTC policies that got turned into a study, but unfortunately that study was not chosen by legislative management for the interim.

The LTC market is a very difficult market for the consumer. The older policies were not priced to compensate for lapse rates, mortality rates, and the cost of LTC facilities. Commissioner Godfread has been vocal about the overall initial pricing of these policies. We are told numerous times at the time of the initial product filing that the companies are confident of their actuarial assumptions and then two to ten years later they are asking for increases on the policies.

This bill would put stricter requirements around those said assumptions. Companies would be required to meeting the standards on page 5 of the bill. One of the major rate impacts of these older policies is that the companies priced the products with the assumption that a certain percentage of consumers would lapse their policies, however it has been proven over the years that consumers maintain these policies. This then negatively impacts the initial pricing and prompts the companies to ask for rate

increases. The second part referenced on page 5, line 3 refers to mortality which we defined in order to appropriately define ultimate lapse rates.

I would like to point out that House Bill 1516 only impacts stand-alone LTC policies and will not impact what are called hybrid LTC insurance. You will see on page 2, line 17 we define hybrid LTC and they are exempt from these new requirements as those policies are not designed and priced the same. These policies are LTC riders attached to a life or annuity product. So essentially the values in the life and annuity help fund these riders.

I would also like to point out that this bill is for policies approved by our office after July 31, 2023 and will not impact any products on the market right now. We feel if they are priced on a more conservative actuarial assumption this will help curb some of the issues with LTC going forward to prevent the issues from continuing into the future with LTC rate increases.

Thank you, I am happy to answer any questions that you may have.