CERTIFICATION FOR LONG-TERM CARE

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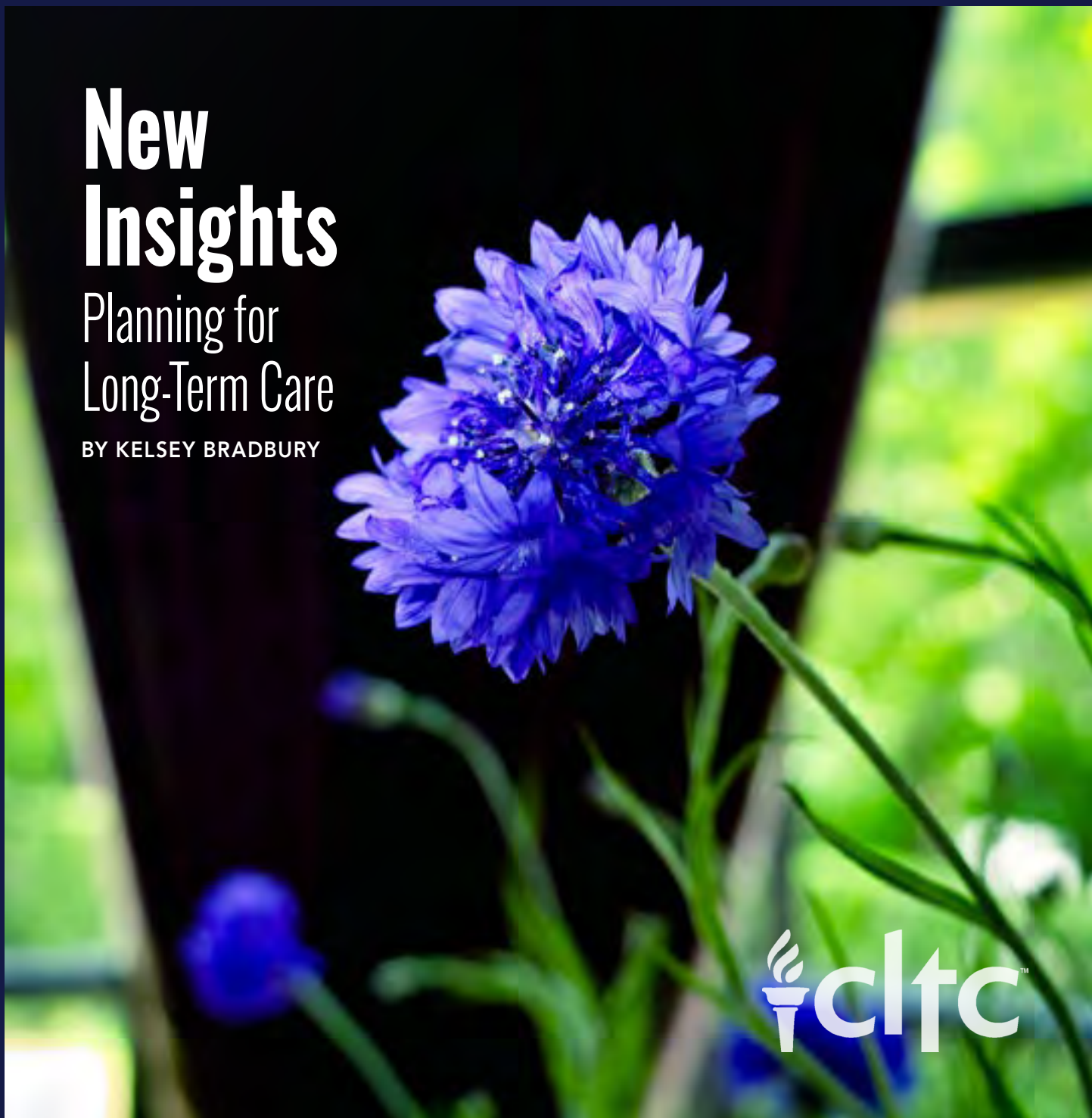
CLTC DIGEST

QUARTER TWO 2024



New Insights

Planning for Long-Term Care

BY KELSEY BRADBURY

INSIDER'S *Note*

This 2024 spring edition of the *Digest* addresses some of the recurring questions we get at CLTC® from our members. And understandably, they aren't easy topics to get your arms around:

- How to address the gap in viable LTC funding options for Middle America?
- What's the impact to consumers if a carrier can't meet its obligations?
- What are the actuarial mechanics that underpin LTC insurance?
- How are consumers and financial planners thinking about long-term care insurance today?

As has become our habit, we also share a case study; this quarter's is about a worksite sale and how HR and the overall educational strategy of the campaign contributed to a very successful outcome.

Needless to say, there is a lot of valuable information packed into this edition. As always, a big "thank you" to all our authors who shared their experience and insights so that we may better understand this industry we are all so passionate about.

Enjoy!

Celeste

Celeste Cobb, CLTC®
Director of Education

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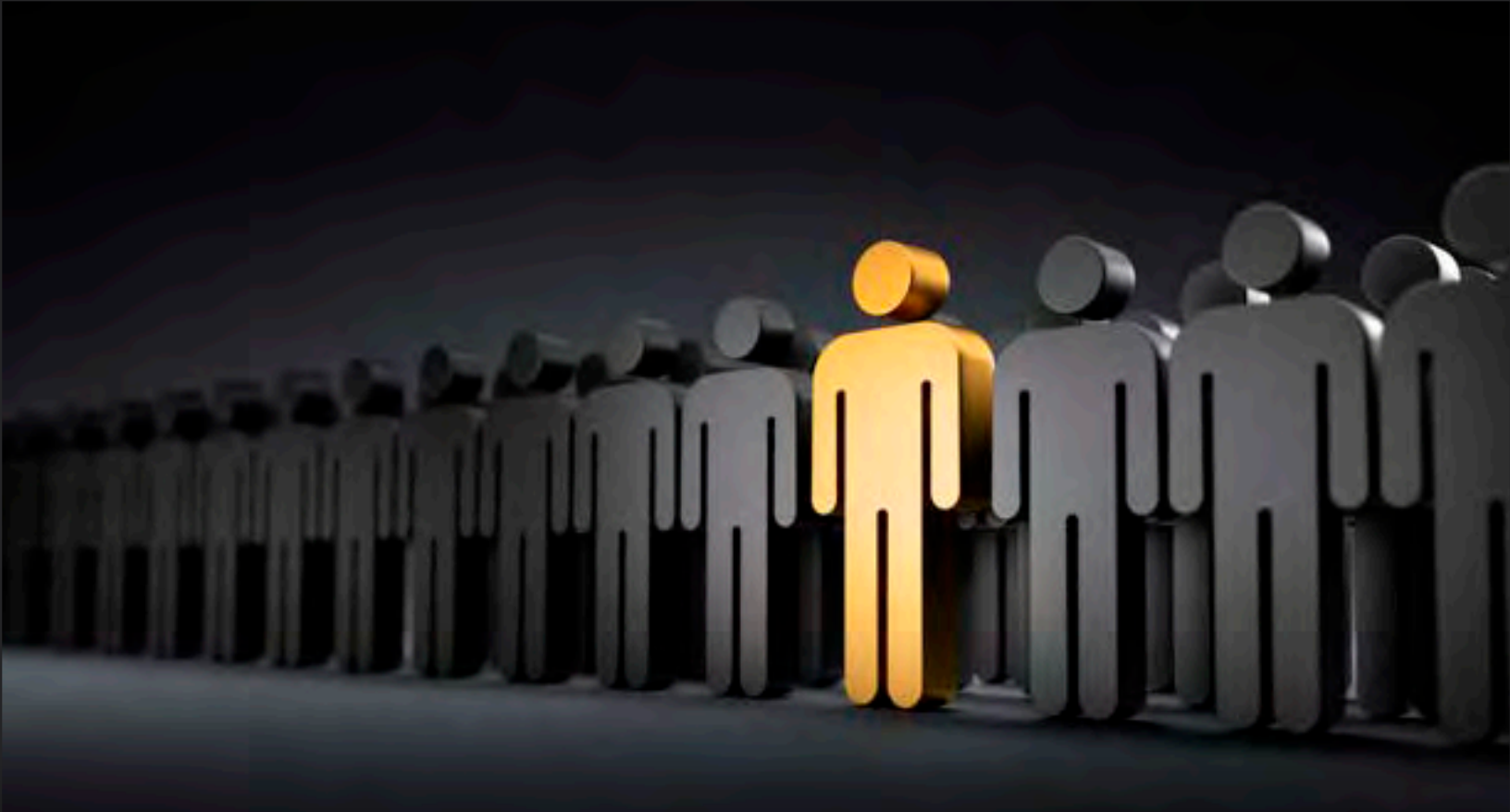

Minding the Gap

New Long-Term Care Solutions for Middle America

By Elizabeth Christofer

According to the U.S. Department of Health and Human Services, the majority of Americans will need long-term care services and supports (LTCSS) at some point in their lives; yet, **less than 5%** currently have an insurance policy to cover these costs which average $50,000-$100,000 annually (depending on care setting).

This disparity speaks to both a lack of preparedness among most Americans to cover extended care, as well as a lack of insurance options in the market. Here, we highlight some of the issues facing both middle-income consumers and LTCi insurers and urge action in the private and public sectors alike to address this significant coverage gap.

WHY DOES MIDDLE AMERICA HAVE SO FEW OPTIONS?

The current landscape looks like this: On one end of the spectrum, we find low-income Americans for whom private insurance or self-funding are simply not an option. For this group, Medicaid is the largest payer of LTCSS

in skilled nursing facilities. On the other end of the spectrum are high-income Americans who have the resources to afford private insurance, or even pay out-of-pocket for the costs of home or facility-based care.

Stuck on the sidelines are middle-income Americans. We define this segment of the population as individuals earning between $50,000 and $150,000 annually. Insurance premiums were likely out of reach in terms of disposable income during prime working and family-raising years, and later in life, age and chronic conditions may have resulted in increased monthly premiums and few coverage options.

Some turn to Medicaid spend down—a lengthy process of depleting assets over several years to qualify for the state-specific programs. This process can be challenging without the guidance of an elder law attorney, and depletes any savings meant for personal use in retirement, a surviving spouse, or to pass onto loved ones.

Further complicating matters, Medicare does not cover long-term care services and supports despite one in three Americans believing it does.

This leaves a massive and costly blind spot for middle-income Americans, which needs to be addressed through private and public sector collaboration.

There is likely to be increased strain on state programs, as more Americans turn to Medicaid spend down. Addressing these issues will take work. The Washington Cares (WACares) Fund, and other pending state legislative endeavors, are examples of necessary starting points to address this growing financial issue.

NEW SOLUTIONS TO ADDRESS THE GAP

We'd like to frame this discussion with the belief that 'some' coverage is better than no coverage for middle-income Americans. By evolving beyond the 'all or nothing' mindset, we can design and offer meaningful benefits at affordable rates. Through private sector innovation, and legislative actions at the state level, such as expanding the definition of 'qualified plans', we can offer more feasible solutions to close the Middle America gap.

While short-term home health care solutions can provide relevant coverage to fill gaps in savings, with less stringent underwriting and lower monthly premiums, these policies face a challenging regulatory environment, and are not available in many states across the US. Lower face value policies with simplified underwriting processes can still provide families with great financial relief during times of need for aging adults. Offering more Americans some level of coverage, even if for a year or less of care, will limit the need to deplete savings and rely on limited Medicaid funding to access necessary care.

When it comes to extended care, the need to shed outdated mindsets is crucial. As seen through new state LTC programs like the Washington Cares Fund (which offers $36,500 to state residents), lower face amounts can still offer meaningful support and ease the burden both on Medicaid and on individuals.

Additional private offerings can offer more widespread support for Americans nationwide and offer more flexibility for coverage amounts, care settings, and pricing.

To further support middle America in affording these costs, state tax plans like the WA Cares Fund could expand definitions for allowable exemptions. Today, the WA Cares Fund allows only traditional and hybrid LTCi policies as exemptions from the income tax. Allowing lower face value policies, with benefits comparable or greater than the publicly funded option, the public sector could further encourage private sector innovation and offer constituents greater flexibility in their long-term financial planning.

HCG Secure's products are just a few examples of the types of private plans helping to ease this burden on individuals and state governments. Through simplified underwriting, high acceptance rates, flexible and lower face amounts, and additional planning and support services, individuals can fund a plan while maintaining a financially sound plan as they age and their needs evolve. These products offer face values up to $150,000—**enough to cover about 2-3 years of in-home care**—do not require medical exams, and guarantee premiums for the life of the policy.

One of HCG's products, GTL Life Select, is a whole life insurance plan with accelerated benefits for chronic conditions and terminal illness, and unlike short-term plans, is available in 48 states, excluding just New York and, for now, California (targeting a 2Q24 approval from the state DOI).

HCG will continue to develop innovative products for middle-income Americans, and as regulatory and state legislation moves to offer greater flexibility, we hope other product developers and insurance carriers will follow suit.

Elizabeth Christofer is the Chief Operating Officer at HCG Secure, a product and solution builder transforming the aging at-home experience. She has over 25 years of experience across business analysis, global healthcare consulting, and program management. Prior to HCG Secure, she was the Vice President of Global Healthcare Delivery, Innovation Research & Development at UnitedHealth Group.

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Understanding the Actuarial Mechanics of LTCi

By Robert Eaton, FSA, MAAA

Long-term care insurance (LTCi) companies provide protection for consumers by charging premiums for many years and paying—often large—benefits typically later in life when people are more likely to need long-term care (LTC). Consumers benefit from paying premiums to pre-fund this protection, and from the insurer's ability to spread the risk across a large group of policyholders. Because not all policyholders will have a long-term care claim, the LTC insurer can charge a lower premium than if they were insuring just one or a few individuals.

HOW PRE-FUNDING WORKS

Every LTCi policy premium payment is used as follows:

- A large portion of the premium is set aside in an account that grows over time with interest, and is referred to as the policy reserve.
- Another part goes to pay the company's expenses, e.g., keeping the lights on in the office, paying people to underwrite the policy and administer benefits, and paying the premium taxes states assess.
- Another portion is used to pay commissions for the agent, broker or salesperson to deliver the policy to the customer and maintain a relationship over time.
- Finally, the insurer collects a profit in exchange for bearing these risks and ensuring that shareholders maintain interest in the endeavor.

RESERVES

Let's talk a bit more about policy reserves as they serve a critical purpose. They are a "savings account" of sorts to pay for future long-term care benefits for customers. Actuaries have established a few different types of reserves. The primary LTC insurance reserves are the following:

- The policy reserve described above - this is sometimes referred to as the 'active life reserve' or 'contract reserve';
- The 'disabled life reserve' which is an additional fund set aside to pay benefits for policyholders already on claim;
- An 'incurred but not reported' ("IBNR") reserve which represents some pending claims that likely happened before a certain date but haven't yet been filed with the company; and
- A 'premium deficiency' reserve that a company must set aside if its current premiums are insufficient to cover estimated future benefits and expenses—even after accounting for all other reserves.

PRE-FUNDING AND THE LOSS RATIO

Each premium paid by a policyholder goes to fund one or all of some of these reserve 'accounts', and over the life of a customer, the balance of the reserves increases from additional premiums plus interest earned by the carrier on the invested reserves. Note that even single-premium and limited pay policies have a significant portion of the premium allocated to reserves which also continues to grow from investment earnings even after premium payments stop.

LTCi premiums are priced today to be level over the life of the policy, though the story of Traditional-LTCi is one of how these level premiums in past years were not ultimately sufficient to cover expected costs.

LOSS RATIO

The 'loss ratio' is an insurance concept that means the ratio of benefits divided by premiums, over a certain period of time. When a LTCi policy is first sold, the company has an actuarial expectation of the total benefits they will pay over time, and the total premiums they will collect. The ratio of those total benefits to premiums is called the 'lifetime loss ratio'. To calculate the lifetime loss ratio, we need to consider the concept of the time value of money, namely that the company views a dollar of benefits paid out in 10 years differently than a dollar paid out today. As do you and I, by the way—we would both likely prefer a dollar today, to invest or earn modest savings account growth and become greater—than a dollar in 10 years. A LTCi policy's reserves is in essence a 'savings account' that grows over time in this example.

To give an idea of what loss ratios look like, the National Association of Insurance Commissioners (NAIC) once set the standard that most LTC insurance policies would need to meet a lifetime loss ratio of 60%, that is—adjusted for the time value of money—for every $100 of premiums collected over the life of the policy, the company would pay out $60 in benefits. That standard is still in place in a few states, but that single standard has mostly been replaced with the notion that the company can set premiums where

they'd like in relation to benefits (noting that companies are bound by competitive pressures), and the company cannot raise the premiums unless adverse claims experience emerges.

When an insurer's lifetime loss ratio is 60%, this does not imply that each and every year a LTC insurer takes in $1,000, it must also pay out $600. Early on in the life of policies sold, say to a group of 55- or 60-year-olds, the insurer expects to pay almost no claims because the policyholders were recently underwritten and found to be healthy. The insurer instead takes the premium paid and sets the reserves aside for future claims. So, in the first five years of a policy, in any single year, the ratio of *paid* benefits to premiums is expected to be very low, even 0%.

Therefore, the ratio of paid benefits to premiums in a given year is not a great way to think holistically about the LTCi pricing agreement. We should account for the part of premiums that are set aside in reserves to pay for future benefits. Recognizing those contributions provides a fuller picture of the nature of pre-funding.

THE DISHWASHER LOSS RATIO EXAMPLE

Say I have a rainy-day fund set aside for when my appliances finally break down. I pitch in $300 each year knowing that it's likely I'll have to replace a dishwasher or washing machine before I move out of the house. Each year I contribute to the fund, and it grows. Finally, after six years my dishwasher kicks it. I've got about $1,800, excluding any interest I've earned over time, to help me buy a new one (let's say a new dishwasher costs about that much).

If I look at each of the calendar years leading up to my dishwasher breaking, I've not received any 'benefits' from my savings fund, I've only kept paying into it. My "dishwasher loss ratio" is 0% each calendar year until year six when I have to buy a new dishwasher; in that year my dishwasher loss ratio skyrockets to 600%. (In year six I contributed $300 to my 'dishwasher reserve,' but it paid out $1,800; $1,800/$300 = 6.0 or 600%.)

But the 'lifetime loss ratio' of my dishwasher savings account is 100%; I'm made whole. And if you consider that I may have earned interest on my savings, I'm slightly ahead.

If I took a census of all my neighbors and their rainy-day appliance funds, some years we'd have very low dishwasher loss ratios and other years they'd be high, and probably growing over time as more dishwashers stopped working and they were replaced. But as long as we set our contributions at a reasonable level, the neighborhood as a whole likely has a good lifetime 'dishwasher loss ratio'.

REPORTING NECESSITIES AND MISUNDERSTANDINGS

The NAIC requires insurers to report annually on all sorts of statistics about their LTCi business. One of the statistics that comes from the reports is the 'Direct Loss Ratio' during a calendar year—this is also referred to as the 'paid loss ratio.' See the link below for an example of this report from 2022[1].

It's critical to understand that the 'Direct Loss Ratio' shown in the NAIC's annual LTCi Experience Report is only a "snapshot" of that single year's loss ratio—benefits paid divided by premiums received only in that one year. This is not the 'lifetime loss ratio.'

Some readers may see an annual paid loss ratio that is very low and assume the insurance company is underpaying claims or is not paying out enough in benefits and is therefore overly "profitable." For an insurance policy that is an annual, 'claims-based' contract (think of your auto and homeowner's policy, or health insurance), that skepticism could be well-placed. However, for a long-duration policy like a LTC insurance contract, the annual paid loss ratio is only part of the picture. The reader must combine this with an understanding of the savings account for future benefits—the reserves—or else the annual paid loss ratio doesn't make sense.

Reserves grow in early years and—after usually many decades—the reserve is drawn down to pay for long-term care benefits. In early years the annual paid loss ratio is expected to be small—even significantly less than 100%, and in later years the paid loss ratio is expected to be large—well above 100%.

Misunderstanding the difference between this annual paid 'direct loss ratio' and the reserve-supported 'lifetime loss ratio' can create false assumptions about the health of a LTCi carrier's block of business.

A recent article in *Life Annuity Specialist*[2] examines the 2022 NAIC LTC Experience report and states, "For the 20 biggest companies by number of people covered, the total direct loss ratio rose to 116.7% in 2022, up from 109.9% the year before... That means for each dollar in earned premium, they spent almost $1.17 on claims alone…"

While this data is factually correct regarding the annual 'direct loss ratio,' it can be easy to misinterpret it to wrongly assume that some LTCi carriers are losing money at a faster rate. As reported in that NAIC document, a 'direct loss ratio' of more than 100% does not imply that a LTC carrier is losing money.

Seeing an annual paid loss ratio that is growing makes sense, and in fact it is expected as part of the LTC insurer's plan that every year. As a block of insurance policies ages, that the average paid loss ratio will increase. A LTCi block of business could still be profitable even if this annual 'direct loss ratio' is growing, and even if it is greater than 100% of the premiums collected in a single year.

So long as the reserves are sufficient, they are used—the account will be drawn down—to pay for policyholder obligations. Recall that my dishwasher loss ratio was 600% one year, and yet the total rainy-day fund was enough to meet my needs. It is the 'lifetime loss ratio' that matters most in this context.

BEDTIME READING

For a more detailed description of all of the topics introduced here, I welcome you to read the textbook *Insuring Long-Term Care*[3], published by Actex. That text is used as a reference book for actuarial students sitting for exams and contains a more technical and complete description of these concepts.

Robert Eaton, FSA, MAAA is a principal and consulting actuary in Milliman›s Tampa practice. He focuses on life and long-term care insurance as well as combination life and health products. Robert works in pricing, valuation, mergers and acquisitions, and in predictive analytics. He manages Milliman's LTC Advanced Risk Analytics (LARA) product and is the editor of the Actex textbook *Insuring Long-Term Care*.

1 "Long-Term Care Insurance Experience Reports for 2022", NAIC, https://content.naic.org/sites/default/files/publication-ltc-lr-care-experience-report.pdf

2 [behind a paywall] *Loss Ratios Worsen at Four-Fifths of Largest Long-Term-Care Insurers*, Life Annuity Specialist January 4, 2024, Aaron Smith, Retrieved on April 1, 2024. https://www.lifeannuityspecialist.com/c/4372424/567644

3 Insuring Long-Term Care, Actex, Eaton and Morton, https://www.actexmadriver.com/orderselection.aspx?id=453149337

New Insights

Planning for Long-Term Care

RESEARCH PROVIDED BY LINCOLN FINANCIAL GROUP

By Kelsey Bradbury

With a record number of baby boomers reaching age 65 in 2024, planning for long-term care is becoming more important. Lincoln Financial Group recently canvassed consumers and financial professionals to take a pulse on how people are thinking about long-term care today, including needing care, providing care, planning for care, and the financial solutions that can ease the burden.

Throughout the 2023 survey, one thing was clear from both consumers and financial professionals: the pandemic brought more attention and awareness to the topic of long-term care. Though we didn't cover recent legislation in our survey, we know that any time a topic is covered in the news it enhances awareness—bringing long-term care planning even more top of mind, particularly in certain states.

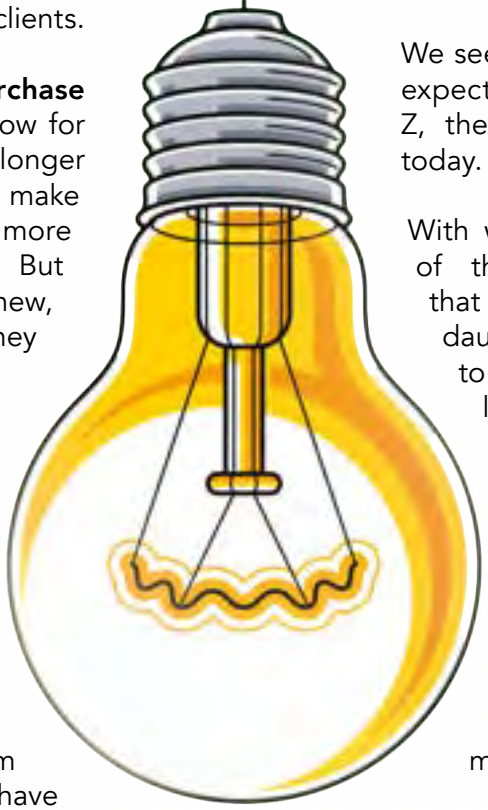
Americans need help getting the long-term care conversation started, and financial professionals have an important role to play. Ninety-two percent of clients believe financial professionals should discuss long-term care plans, and 79% say it's an expectation. Despite this, long-term care continues to be under-discussed—only 45% of clients say they've talked about long-term care planning with their financial professional.

Interestingly, consumers feel differently about having a conversation about long-term care with their family versus having the conversation with their financial professional. The emotional component—the idea that it's difficult to think or talk about—is a prominent barrier to having discussions with family, but it's not a common barrier for clients talking to their financial professional.

When we asked financial professionals why they think their clients avoid talking about long-term care and then compared it to why clients say they aren't talking to their financial professionals, we saw a big mismatch on a couple of items. Clients don't avoid the topic of long-term care because they think they won't need it or because they find it too difficult to talk about. Instead, a main reason why clients aren't talking about long-term care is because their financial professional hasn't brought it up.

Including family members in a conversation about long-term care is a win-win-win for clients, their families and financial professionals. Ninety-two percent of adult children say that having a long-term care plan for their parents would give them more peace of mind, and 99% of financial professionals who've discussed long-term care planning say those discussions strengthen their relationships with clients.

Consumers' top barrier to purchase is affordability. Products that allow for lower premiums spread out over a longer period of time are designed to make long-term care funding solutions more accessible to more consumers. But products like this are still fairly new, and not all consumers are aware they exist.



Reducing the burden of taxes also appeals to consumers—both from a financial perspective and because consumers prefer simplicity, and taxes can be complicated. However, most consumers don't think about the tax implications of a long-term care event or the taxes associated with different long-term care funding solutions. Only 1 in 8 have even considered this aspect of planning.

There were some sobering statistics from financial professionals about the impact of long-term care events on their clients' retirement. Financial professionals report that when uninsured clients have a long-term care event, it can more than double the withdrawal rate from their investment portfolio. Yet most consumers don't see a long-term care event as a retirement risk concern. It's important to help consumers understand the connection between long-term care planning and retirement planning—and to include long-term care in a holistic retirement planning discussion.

Finally, the caregiving burden is more likely to be placed on women. Seventy-seven percent of women assume the responsibility of caring for a loved one experiencing a medical event would fall on them as opposed to just 64% men.

These expectations are coming from the family, and they also reflect deep-seated cultural norms and beliefs about gender. Two-thirds of consumers say that parents expect more help with long-term care from daughters than from sons. And the same number say they believe women are just better at providing long-term care than men.

We see these gender norms and familial expectations play out even among Gen Z, the youngest generation of adults today.

With women feeling particularly aware of the burden of long-term care that may fall on them—or on their daughters—they're also more likely to appreciate help planning for long-term care. Our research even shows that discussing long-term care planning with women clients can lead to greater referrals—women who have discussed long-term care with their financial professional are 1.5x more likely to have recommended their financial professional to a friend or family member.

Long-term care is an important topic to include in holistic financial planning, and it's only becoming more important as baby boomers continue to age. A long-term care funding plan allows clients and their families to enjoy more peace of mind and a more secure retirement strategy. In the wake of the pandemic, consumers are more attuned to the need for long-term-care, but not necessarily more likely to be having planning conversations. Financial professionals have an important role to play in fostering long-term care planning conversations with clients and their families, and educating consumers about the different solutions and funding options available.

Those who help foster conversations see stronger relationships with their clients and more referrals from their female clients in particular.

I'll leave you with what I most hope you take away:

1 The game has changed when it comes to long-term care conversations. We no longer need to do as much work to convince consumers they need to plan for long-term care —they understand, and they really want to have those discussions with their financial professionals and with their family. What they need now is a little motivation and guidance.

2 Clients expect financial professionals to bring up long-term care planning, and bringing family members into the conversation can be great value-add for relationships across generations. These conversations are especially meaningful and appreciated among female clients.

3 When having conversations with clients, financial professionals can add value by helping clients think through the tax implications of different funding solutions and introduce them to products that allow them to invest earlier with lower premiums over longer periods of time.

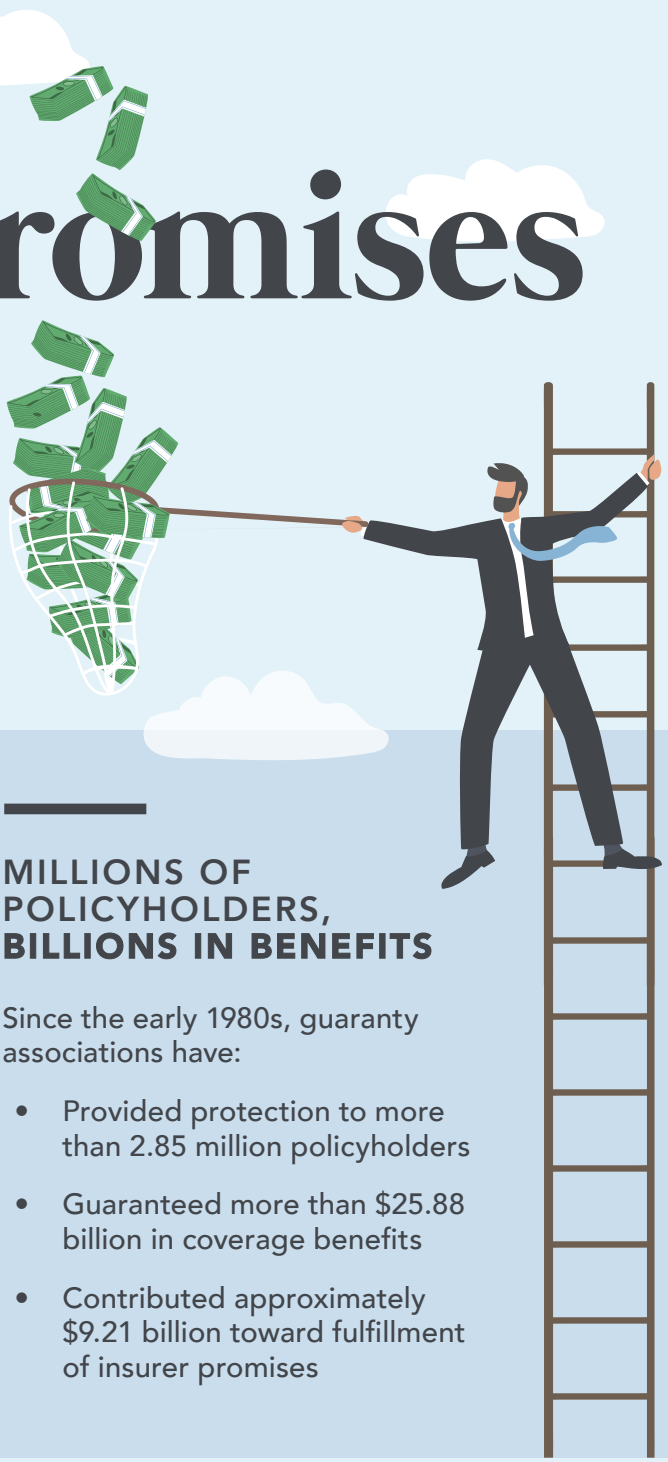
4 And finally, consumers may have a blind spot when it comes to the financial risk of long-term care expenses in retirement; they underestimate the costs of long-term care, and may not realize the extent to which a long-term care event could have an impact on their retirement plans. An effective strategy to help bridge that gap—and to make long-term care feel like more of a priority—is to include long-term care funding solutions as part of holistic retirement planning conversations.

See Lincoln's complete Planning for Long-Term Care 2023 research findings here.

Kelsey Bradbury is Assistant Vice President, Market Intelligence and Thought Leadership at Lincoln Financial Group. She is the primary architect of Lincoln's Long-Term Care study, Wellness@Work Study, and Consumer Sentiment Tracker, which examine motivations and behaviors as U.S. consumers spend, save, invest, learn, and plan for the future. These comprehensive research programs provide insight into generational, gender-based, ethnicity-based, attitudinal, and lifestyle segments of the U.S. population. Kelsey's recent areas of focus include consumer concerns and priorities amidst the current economic climate, experience planning for and transitioning to retirement, and the short-term and long-term impact of the COVID-19 pandemic on consumer

Keeping Promises

Article provided by
National Organization of Life
and Health Insurance Guaranty
Associations (NOLHGA)



Learning that your life, annuity, or health insurance company has been placed in liquidation (similar to a company going bankrupt) can be frightening, but policyholders can take comfort in knowing **the guaranty association safety net will be there when they need it.**

Guaranty associations don't sell insurance, but by continuing coverage for policyholders of a liquidated insurer and providing benefits under its policies, state life and health insurance guaranty associations play a vital role in standing behind the promises made by the insurance industry.

Each state, along with the District of Columbia and Puerto Rico[1], has a nonprofit life and health insurance guaranty association to protect its residents if a life or health insurance company licensed in the state is liquidated by a court. When this occurs, affected associations are triggered to provide benefits to policyholders living in their states. If the company does not have enough funds to meet its obligations to policyholders, each guaranty association collects funds from its other member insurance companies to ensure that the eligible claims of resident policyholders continue to be paid to the limits of its law.

Each state's guaranty association law is based on a version of the National Association of Insurance Commissioners' (NAIC's) Life and Health Insurance Guaranty Association Model Act, which has been updated several times since its creation in 1971. Because of this, the core protections offered by the guaranty system safety net are similar no matter where policyholders live.[2] Some states provide additional benefits to their residents, but as the charts in this brochure illustrate, the

MILLIONS OF POLICYHOLDERS, **BILLIONS IN BENEFITS**

Since the early 1980s, guaranty associations have:

- Provided protection to more than 2.85 million policyholders
- Guaranteed more than $25.88 billion in coverage benefits
- Contributed approximately $9.21 billion toward fulfillment of insurer promises

1. The Puerto Rico Life & Disability Insurance Guaranty Association is not a member of NOLHGA. For more information on the Puerto Rico association, call 787.775.1184.
2. The NAIC Model Act and the state laws provide certain limitations and exclusions on coverage, including an aggregate coverage limit that may apply in certain instances. Anyone with specific coverage questions should contact the guaranty association of the state where they reside. Contact information for all guaranty associations can be found at www.nolhga.com

foundation of coverage provided by the guaranty association system stretches across the nation.

It's important to note that policyholders will always receive 100% of their covered policy benefits up to the guaranty association's coverage limit (in most states, coverage of more than one policy is subject to an aggregate limit per person). Policies with benefits higher than the guaranty association's coverage limit may have a claim to receive a share of their benefits from the remaining assets in the liquidated company. Also, guaranty association coverage limits are applied on a "per person, per company" basis. Policyholders who have received guaranty association protection are eligible to receive the same protection again in the unlikely event that they have a policy with another insurer that is liquidated.

For life, annuity, and some health policies (such as long-term care policies), guaranty associations may also provide continuing coverage—a vital aspect of the safety net. In many cases, it would be difficult for people whose company has failed to find comparable coverage elsewhere. When a failure does occur, guaranty associations often fund the transfer of the policies of a liquidated insurer (including the policies of those who might otherwise be uninsurable) to a financially sound insurer. In other cases, guaranty associations simply provide covered benefits directly.

The guaranty system safety net has evolved over the years as guaranty associations have become more experienced in meeting the needs of policyholders of failed insurers. One major step in this evolution was the creation of the National Organization of Life & Health Insurance Guaranty Associations (NOLHGA) in 1983. NOLHGA was created to help state guaranty associations deal efficiently with the large-scale challenges presented by the failure of a national insurance company that affects policyholders in many states.

To contact your state's life and health insurance guaranty association, please visit the NOLHGA website (www.nolhga.com) and click on Policyholder Information for a menu of association website links.

LIFE INSURANCE

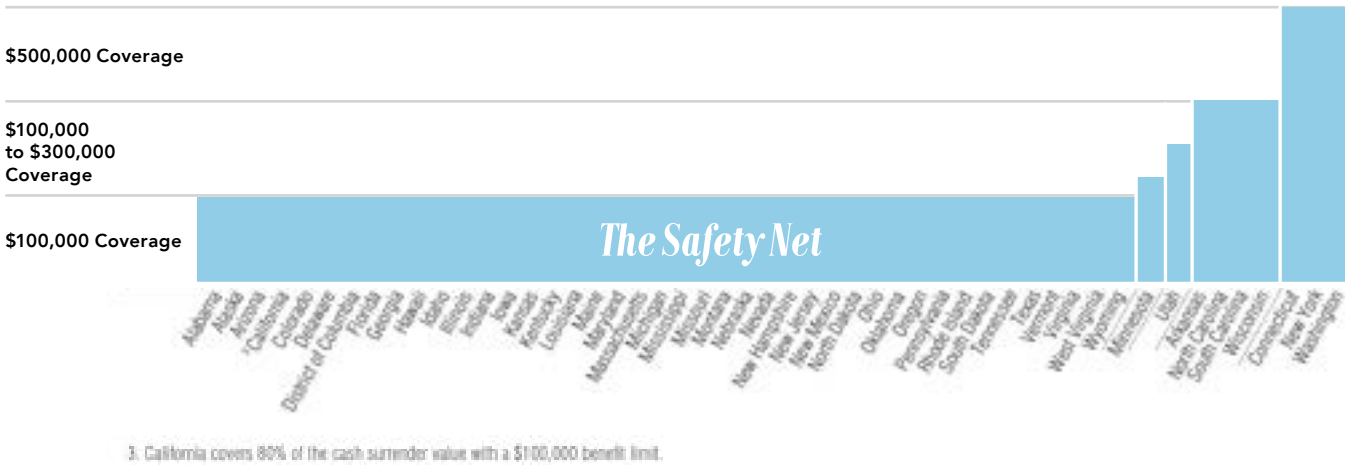
All NOLHGA's member guaranty associations offer resident policyholders up to $300,000 for life insurance death benefits and $100,000 for net cash surrender and net cash withdrawal values. Some states provide even more protection to their policyholders. The guaranty association laws of some states limit the interest rate that may be covered by the association.

Policyholder Protection: Life Insurance Death Benefits

1. California covers 80% of death benefits with a $300,000 benefit limit.
2. In Utah, the $500,000 limit applies if death occurs before the guaranty association is triggered. If death occurs after triggering, the benefit is limited to the covered portion of the policy as defined by statutory reference to the covered cash value (see next chart).

LIFE INSURANCE

Policyholder Protection: Life Insurance Net Cash Surrender & Net Cash Withdrawal Values



3. California covers 80% of the cash surrender value with a $100,000 benefit limit.

HEALTH INSURANCE

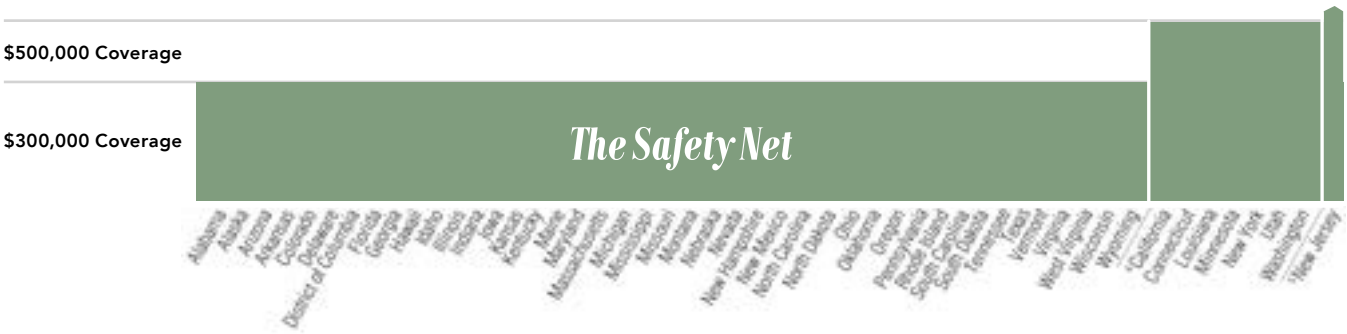
As the following charts show, most of NOLHGA's member guaranty associations offer three levels of health benefits at or greater than the following:

- $500,000 for basic hospital, medical, and surgical insurance or major medical insurance (this is referred to as a "health benefit plan" in some state statutes)
- $300,000 for long-term care insurance and disability income insurance
- $100,000 for other covered health insurance

Some guaranty associations have added Health Maintenance Organizations (HMOs) as guaranty association members and offer the same three levels of health benefit protection for those policies. Contact your state's guaranty association (go to www.nolhga.com and click on Policyholder Information) to determine if it provides coverage to HMOs.

Policyholder Protection: Basic Hospital, Medical, and Surgical Insurance or Major Medical Insurance Benefits

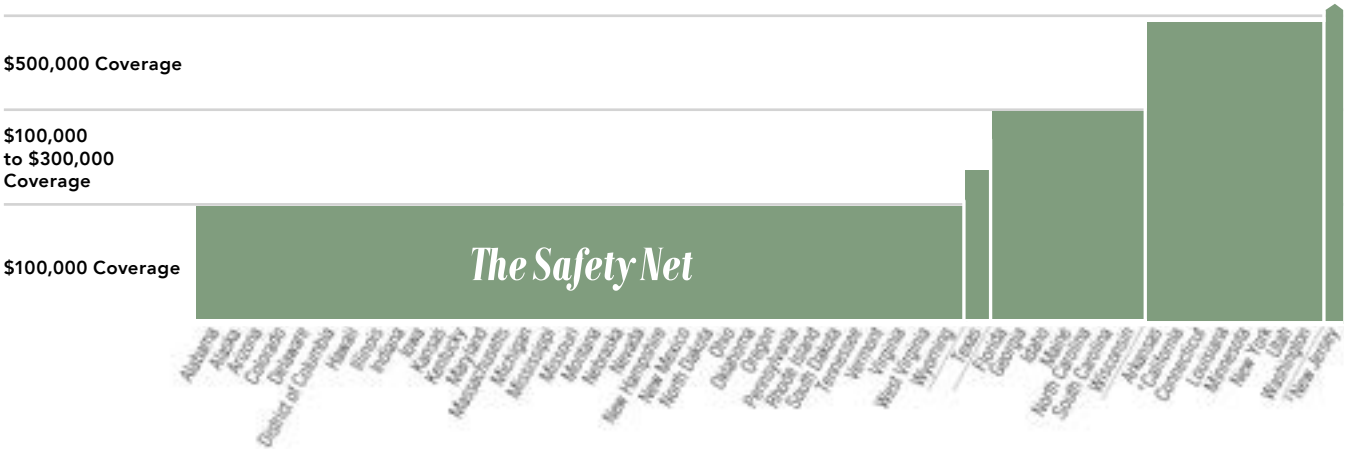
Policyholder Protection: LTC and Disability Income Insurance Benefits*



* Some states may apply lower coverage benefits to long-term care (LTC) policies depending on the effective date of the state's statutory increase in LTC coverage benefits. If you have a question about the amount of LTC benefits for a particular insolvency case, please contact your state's guaranty association.

4. California's health insurance benefit protection has increased from the January 1, 1991, statutory amount of $200,000 based on changes in the health-care cost component of the Consumer Price Index and is locked in for a particular insolvency on the date of liquidation. As of June 30, 2023, the amount of benefit protection for health insurance was $647,083. Benefit protection for an insolvency occurring after June 30, 2023, could increase or decrease depending on changes in the health-care cost component of the Consumer Price Index.
5. New Jersey sets no dollar cap on its medical coverage, covering claims up to the limits of the policy but limiting the benefit to 80% if the provider seeks coverage as opposed to the insured. New Jersey also applies other exclusions and limitations as stated in its statute.

Policyholder Protection: Other Health Insurance Benefits**



** Coverages not defined as disability income, basic hospital, medical, and surgical insurance; major medical insurance; or long-term care insurance.

4. California's health insurance benefit protection has increased from the January 1, 1991, statutory amount of $200,000 based on changes in the health-care cost component of the Consumer Price Index and is locked in for a particular insolvency on the date of liquidation. As of June 30, 2023, the amount of benefit protection for health insurance was $647,083. Benefit protection for an insolvency occurring after June 30, 2023, could increase or decrease depending on changes in the health-care cost component of the Consumer Price Index.
5. New Jersey sets no dollar cap on its medical coverage, covering claims up to the limits of the policy but limiting the benefit to 80% if the provider seeks coverage as opposed to the insured. New Jersey also applies other exclusions and limitations as stated in its statute.

All NOLHGA's member guaranty associations offer resident policyholders $250,000 or more in benefits for annuities.[6] The guaranty association laws of some states limit the interest rate that may be covered by the association.

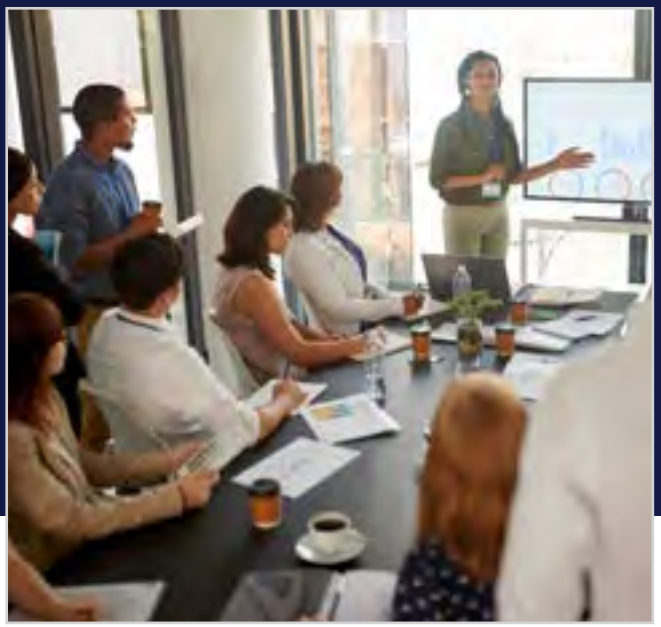
Policyholder Protection: Annuity Benefits

6. The above protection applies to individual annuity contracts or group annuity certificates which are issued to and owned by an individual or under which the insurer guarantees annuity benefits to an individual under the contract. The protection is subject to applicable limits and exclusions on coverage, including an exclusion for portions of an annuity contract not guaranteed by the insurer or under which the risk is borne by the contract owner.
7. California covers 80% of the annuity contract value with a $250,000 benefit limit.
8. In these states, the $250,000 benefit limit applies if the annuity is deferred. If the annuity is in payout status, a $300,000 limit applies.
9. In Minnesota, the benefit is $410,000 for structured settlements and for annuities that have been annuitized for not less than lifetime or for a period certain not less than 10 years.
10. North Carolina applies a $300,000 annuity limit except in the case of structured settlement annuities (SSAs), for which the limit is $1 million.
11. In New Jersey, the $500,000 benefit limit applies if the annuity is in payout status. If the annuity is deferred, a $100,000 limit applies.

nolhga.com

The National Organization of Life and Health Insurance Guaranty Associations (NOLHGA) is a voluntary association made up of the life and health insurance guaranty associations of all 50 states and the District of Columbia. NOLHGA was founded in 1983 when the state guaranty associations determined that there was a need for a mechanism to help them coordinate their efforts to provide protection to policyholders when a life or health insurance company insolvency affects people in many states.

NOTE: The information and charts provided in this report are general in nature and are based on information available as of September 15, 2023. They are not intended as legal advice, and no liability is assumed in connection with their use.



LTC CASE STUDY
Driven by Personal Experience

By Donna Bowman, CLTC®
Senior National Education Consultant
AGIS Network

WHO

A law firm based in Los Angeles, CA, with offices in Chicago, Dallas, Houston, New York, San Diego, San Francisco, and Washington, DC.

Total Eligible	**1,833**
Average Age	46
Male / Female	48% M / 52% F
Average Tenure	8.3 years

WHY

The firm had never offered a long-term care policy to their partners, associates, and employees. As employees began to have more personal experience with caregiving and the financial difficulties it can create, they began to inquire about having LTCi as a company benefit. With multiple offices in California, the discussions about potential long-term care legislation were also a factor.

THE SOLUTION

Universal Life Policy with LTC Rider

For the firm's consideration, AGIS Network provided plans for two traditional worksite LTC carrier plans, and four life with LTC rider plans. The four life with LTC rider plans included whole life, term, and universal life choices. The firm ultimately chose the universal life with LTC rider because of the features included.

- **Guaranteed Issue:** Aged 18-64; up to $200K. Amounts available up to $300K with underwriting questions.
- **Aged 65-75:** Up to $300K with additional medical questions. (No LTC for those aged 71-75.)
- **Spouses/Domestic Partners:** Aged 18-75; $10K to $300K with simplified issue.
- **Children aged newborn to 22;** grandchildren aged newborn to 18: Amount dependent upon age at enrollment.
- **Universal Life (UL) Insurance:** Permanent life insurance protection up to age 100.
- **LTC Protection:** Monthly benefit equal to 4% of the death benefit.
- **Extension of LTC Benefits:** Extends benefits up to 25 months for a total of up to 50 months.
- **Cash Value Death Benefit Restoration:** As the monthly LTC benefit is paid out, the death benefit is restored to its original value, ensuring the beneficiary receives the full value of the life insurance proceeds.

- **Benefit for Terminal Illness:** Use 75% of the death benefit when life expectancy is 24 months or less.
- **Portable**
- **No Payroll Deduction:** Paid using personal checking or saving account.
- **LTC Claim Payment Method:** Monthly indemnity.

WHEN

The enrollment took place during the firm's annual open enrollment for all benefits. The Director of HR Operations was highly engaged and the champion of the LTC benefit offering. He led a team of HR professionals and attended open enrollment meetings at each of the firm's locations to present the information about the new benefit. AGIS Network educators were also able to attend and present at selected locations.

The Director of HR Operations also secured time to meet with the partners of the firm to introduce the benefit to them. His involvement and cheerleading for the benefit offering were crucial to the success of the enrollment. AGIS Network also provided webinars, Q&A sessions, and one-on-one appointments scheduled at the employees preferred time.

The Life with LTC rider was announced with the following information:

Enrollment for an Exclusive Life with Long-Term Care Plan AVAILABLE NOW!

Growing older is inevitable. While you may envision your older years as your golden years, life may have different plans. Are you and your family prepared for an unexpected death, or the sudden or gradual need for care due to a stroke, heart attack or simply aging?

The cost of care continues to grow regardless of whether you need in-home care, or facility-based care such as a nursing home or an assisted living facility.

Does your financial plan include benefits to help offset the rising cost of long-term care services, as well as permanent, affordable life insurance that will protect your family in the event of your passing?

THE RESULTS

Total Applications	**285**
Average/Application	$2,245

Age		**Death Benefit**
Minimum	24	$10,000
Maximum	70	$300,000
Avergage	**49**	**$120,689**

KEY TAKEAWAYS

- The firm heard and listened to the needs coming from their employee base.
- The buy-in and involvement of the HR team from the top down. The team knew the value of long-term care coverage and they spotlighted this plan during their annual enrollment period.
- In-person meetings at all locations were a big win and having the presentations in person structured the enrollment for success.
- People respond and are more engaged with in-person meetings.
- Webinars and call center access allowed employees to attend educational webinars and the AGIS Network staff was able to give individual attention to answer employee questions one on one.