

**A REPORT BY THE SUPERINTENDENT OF INSURANCE
TO
THE GOVERNOR AND THE LEGISLATURE
ON
THE IMPLEMENTATION OF LEGISLATION
PERMITTING APPROVAL OF
CERTAIN LONG TERM CARE HEALTH INSURANCE PLANS**

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INSURANCE DEPARTMENT
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David A. Paterson
Governor

Eric R. Dinallo
Superintendent

To Governor David A. Paterson and the Legislature:

A report and recommendations of the Superintendent of Insurance on the implementation of Chapter 245 of the Laws of 1986 permitting approval of certain long term care health insurance plans is herewith submitted in accordance with the provisions of such act.

Respectfully submitted,

Eric R. Dinallo
Superintendent of Insurance

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EXECUTIVE SUMMARY

Purpose of this Report

The Superintendent is required to make this biannual report to the Governor and the Legislature regarding long term care insurance, including but not limited to a description of the plans authorized to issue long term insurance, factors contributing to or impeding the development of the enrollment in such plans, the adequacy of consumer information in relation to insurance coverage for long term care services, and such recommendations as the Superintendent may deem appropriate.

General Background

The Insurance Department approved the first long term care plans in 1986. These plans were somewhat limited in amount and in the type of services covered. The number of insurers offering long term care policies continued to grow through 1990.

In 1991, the Insurance Department promulgated regulations establishing minimum standards and disclosure requirements for long term care insurance. After the promulgation of the regulation, the number of insurers in the long term care market decreased. In 1993, ten insurers were writing individual long term care policies and four insurers were writing group long term care policies in New York State. Currently, nineteen insurers are writing individual long term care policies and seven insurers are writing group long term care policies in New York State. The total enrollment in long term care insurance policies has continued to increase modestly. As of December 31, 2006, there were 291,556 persons enrolled in non-Partnership policies and 55,515 persons enrolled in Partnership policies.

New York State Partnership for Long Term Care Insurance

In an effort to encourage more New Yorkers to purchase long term care insurance, New York established the New York State Partnership for Long Term Care Insurance in 1989. Under the program, New York State residents who purchase qualified long term care insurance policies will, upon exhaustion of the policy benefits, be able to protect all or part of their assets in qualifying for Medicaid assistance.

State and Federal Legislation to Encourage the Development of Long Term Care Plans

In 1996, the federal government enacted the Health Insurance Portability and Accountability Act (HIPAA) which, in part, provided federal tax incentives for purchasing long term care insurance. Pursuant to the law, benefits received by a chronically ill individual under a "qualified" long term care insurance contract are excludable from income if the payments are based on actual expenses incurred. In 1997, New York State enacted legislation providing favorable state income tax treatment for those persons purchasing long term care policies that qualify for the federal income tax deduction. Also in 1997, New York State enacted legislation aimed at promoting the development of a broader and more integrated continuum of long term care, financed by

a range of private, public and public/private options, including the development of continuing care retirement communities (CCRCs).

In 2000, New York State increased the tax deduction caps by allowing businesses and individuals to take a tax credit equal to 10% of their long term care insurance premiums. In 2002, the legislature extended this tax credit to New York State residents covered under a federally qualified out-of-state group long term care insurance contract. In 2004, New York State's tax credit for the purchase of long term care insurance was increased from 10% of premiums to 20% of premiums.

To further encourage the purchase of long term care insurance, New York enacted the New York Public Employee and Retiree Long Term Care Insurance Plan (NYPERL), which was implemented in 2002. NYPERL offers long term care coverage to State employees, retirees and eligible family members under a group policy issued to the State of New York. The full cost of the plan, including coverage of eligible family members, is paid by the employee or insured person and can be deducted from the employee's salary. Local governments and other public and quasi-public employers may participate in NYPERL if the employer is eligible for the State's health insurance program and the governing body elects to participate.

In 2005, the Insurance Department promulgated regulations that provided for three new long term care insurance product designs for the New York State Partnership program. Two of the new product designs provide dollar for dollar asset protection in addition to the two product designs that provide total asset protection.

Legislation was enacted in 2004 requiring the New York State Insurance Department, in conjunction with the State Office for the Aging and the Department of Health, to study and develop investment product options for insurance policyholders to adequately prepare for the costs of long term care. The legislation instructed the agencies to analyze the long term care insurance market, with an emphasis on affordability, adequacy of benefits, the underwriting process, and dispute resolution. The Department's first step in completing this legislative mandate was to compile a survey of all insurers that have marketed long term care insurance in New York State. The survey was designed to obtain firm data about the development of the long term care insurance market and the current status of the market. The study, entitled "Long Term Care Insurance Options in New York State," was issued in early 2006, and is available at <http://www.ins.state.ny.us/ltc/ltrcpt05.pdf>.

Factors Contributing to or Impeding the Development of Long Term Care Plans

The five key factors directly affecting the development of the enrollment in long term care insurance contracts in New York are consumer awareness, data needs and services, underwriting and policy design, the regulatory environment and marketing concerns. Progress has been made in all of these areas, which has encouraged the development of long term care insurance contracts in New York State.

Recommendations and Anticipated Actions to be Taken by the Insurance Department

Long term care insurance plans are no longer considered to be experimental products. Long term care insurance has developed into a viable product, and insurers continue to offer a variety of benefit packages containing more comprehensive coverage.

To further encourage the development and purchase of such policies, the Department of Insurance makes the following recommendations:

- An intense, concerted, long range consumer education campaign is essential to effectuating a culture change with respect to the private financing of long term care services. The Department of Insurance, Department of Health and Office for the Aging should continue their efforts to inform the public of the limitations of existing health insurance contracts and governmental programs related to long term care services, the favorable federal and state tax treatment of premiums and benefit payments for qualified long term care insurance, and the advantages of purchasing a long term care policy qualifying under the New York State Partnership.
- New York State should increase its efforts to educate the public that New York's tax credit for long term care premiums provides a substantial benefit to New Yorkers. Essentially, the state will support New Yorkers' efforts to plan for the future by paying 1/5 of the bill for their long term care insurance premiums. This credit is available to anyone paying premiums, including children who pay for coverage on behalf of their parents.
- The federal government should be encouraged to:
 - 1) allow an above-the-line deduction or tax credit for long term care premiums and
 - 2) allow long term care insurance to qualify as part of a Cafeteria Plan under Section 125 of the Internal Revenue Code to allow before-tax deduction for premiums.
- The long term care insurance industry should be encouraged to emphasize the marketing and sale of basic long term care type coverage that would be affordable for more middle-class New Yorkers. (Such basic type coverages are permissible under current New York State Insurance Department regulations, but are not heavily marketed by long term care insurers).

The Department will take the following actions:

- Continue to review the minimum standards for the form, content and sale of long term care insurance and amend them as necessary to incentivize the sale of meaningful long term care insurance to as many New Yorkers as possible;

- Periodically update the Department's "A Consumer Guide to Long Term Care Insurance in New York";
- Continue to work with the Department of Health and Office for the Aging in publicizing and answering questions from the public on the New York State Partnership for Long Term Care;
- Continue to provide information and assistance to senior citizens concerning long term care insurance and other coverage available to the elderly, such as Medicare supplement insurance; and
- Continue to provide guidance to the industry and to engage in prompt discussions between the industry and the Department with regard to the marketing of long term care insurance.

Purpose of Report

Chapter 245 of the Laws of 1986 added a new Section 1117 to the New York Insurance Law to permit certain insurers authorized by the Superintendent to issue contracts providing benefits for long term care. This legislation, provided, in part, that, "on or before January first, nineteen hundred eighty-eight, and biannually thereafter, the superintendent of insurance shall report to the governor and the legislature on the implementation of this act, including but not limited to a description of the plans authorized pursuant to this act, factors contributing to or impeding the development of the enrollment in such plans, the adequacy of consumer information in relation to insurance coverage for long term care services, and such recommendations as the superintendent may deem appropriate."

Objective of the Legislation Permitting Approval of Certain Long Term Care Health Plans

The objective of the legislation was to help solve the problem of financing long term care by encouraging the development of and enrollment in various plans of insurance coverage for services provided in residential health care facilities and community based settings in order to help solve the problem of financing long term care. The legislative intent specifically stated that private health insurance for long term care services is generally unavailable to the citizens of this state.

General Background

Long term care insurance plans were first approved by the Insurance Department during 1986 and 1987. These plans provided benefits that were somewhat limited in amount and in the type of services covered. Only a few insurers showed initial interest in writing long term care insurance. In order to encourage more insurers to offer such plans, the Insurance Department did not, at that time, establish minimum standards, but approved the plans under Section 1117 of the Insurance Law, which allowed flexibility in approving innovative products.

In 1991, following a public hearing, the Insurance Department promulgated the Sixteenth Amendment to Insurance Department Regulation 62 (11 NYCRR Part 52), which established minimum standards and set forth disclosure requirements for long term care insurance. The regulations took effect on January 1, 1992.

In establishing the minimum standards, the Insurance Department recognized that long term care insurance should provide a comprehensive range of benefits. The Department was also aware that such a benefit package could price many persons out of the long term care insurance market. The Department was also mindful that consumers have differing needs and desires concerning coverage of long term care services. Therefore, in order to allow insurers some flexibility in designing benefit packages to meet the varying needs of the public, and to provide meaningful coverage that is affordable to the greatest number of consumers, the Department established four categories of insurance policies providing long term care type benefits:

1. Long Term Care Insurance must provide at least 24 months of coverage which meets one of the following options:
 - Coverage of all levels of care in a nursing home of at least \$100 per day for policies sold in the New York City metropolitan area (the counties of Bronx, Kings, Nassau, New York, Queens, Richmond, Suffolk, Rockland and Westchester) and \$70 per day for all other parts of New York State; home care coverage of at least 50% of the daily indemnity amount provided for care in a nursing home.
 - Coverage of all levels of care in a nursing home and coverage of home care, both at no less than 60% of the reasonable charge.
 - Coverage of all levels of care in a participating nursing home (one which has contracted with an insurer to provide services to their policyholders) at no less than 75% of the negotiated rate. For non-participating nursing homes, payment must be no less than 50% of the reasonable charge or \$55 per day, whichever is less. Coverage of home care by a participating home care provider at no less than 75% of the negotiated rate. For non-participating home care providers, payment must be no less than 50% of the reasonable charge or \$30 per day, whichever is less.
2. Nursing Home and Home Care Insurance must provide at least 12 months of coverage for custodial care services of at least \$50 a day while confined in a nursing home and coverage for custodial care services in a private home of at least \$25 per day.
3. Nursing Home Insurance Only must provide at least 12 months of coverage for custodial care services of at least \$50 per day in a nursing home.
4. Home Care Insurance Only must provide at least 12 months of coverage for custodial care services of at least \$25 per day in a private home.

The Department evaluated other specified benefits but decided that, in order to keep policies affordable, to allow flexibility for insurers in designing products, and to allow consumers to purchase only the coverage they need, the Department would not mandate that certain benefits be included in the policies, but merely that they be offered. The benefits which must be offered include:

- An inflation protection benefit, which must be offered with all types of policies. The insurer must offer either increased benefit levels of five percent or in proportion to the increase in the Consumer Price Index for All Urban Consumers published by the Bureau of Labor Statistics, compounded annually. The insurer may also offer guarantees to the insured individual the right to periodically increase benefit levels without providing evidence of insurability or health status so long as the option has not been declined for three consecutive times.

- A nonforfeiture benefit, which must be offered with long term care insurance policies. The insurer must offer reduced paid-up insurance, whereby the insured still retains a long term care insurance policy, with the benefits reduced by a percentage stated in the policy or certificate.

After the promulgation of the Sixteenth Amendment to Regulation 62, the number of insurers in the New York long term care market temporarily decreased, but has since increased. In December 1987, eight insurers offered long term care insurance policies in New York, and by 1991, fifteen carriers had approved individual policies and fourteen insurers had approved group policies for sale in New York. In 1993, one year after promulgation of the regulation, ten insurers were writing individual and four insurers were writing group long term care policies in New York. At the end of 1994, fifteen insurers were writing individual and eight insurers were writing group long term care insurance in New York State. Currently, nineteen insurers are writing individual and seven insurers are writing group long term care insurance in New York State. (See page 12 for current information.)

The Insurance Department has not amended the long term care insurance minimum standards since their promulgation. The current regulation allows the flexibility to develop meaningful policies with benefits geared to specific needs and to provide consumers with necessary protections in the purchase of insurance policies covering long term care services.

The New York State Partnership for Long Term Care Insurance

In an effort to encourage more New Yorkers to purchase long term care insurance, New York established the New York State Partnership for Long Term Care Insurance. Due to many federal regulatory hurdles that had to be overcome, the actual implementation of the Partnership Program did not begin until 1993. The Partnership Program originally provided that New York State residents who purchased a qualified policy or certificate providing long term care insurance would, once the benefits from the policy or certificate were exhausted, be eligible for Medicaid assistance without spending down their assets. Income, however, would still have to be contributed toward the cost of care, in accordance with regular Medicaid rules.

Under the original Partnership Program, the Insurance Department promulgated Regulation 144 (11 NYCRR Part 39), which established minimum standards for a qualified policy or certificate under the program. The regulations required that the following benefits be provided:

- Coverage of all levels of care in a nursing home of at least \$100 per day for 1993, and increasing by 5%, compounded annually. For 2008, the minimum daily amount for care in a nursing home is \$208.
- Home care coverage must be provided in an amount that is 50% of the minimum required nursing home care benefit. Home care benefits are payable when services are provided in the insured's home, in a group setting such as an adult day care center, or where human assistance is needed to

aid the insured in necessary travel, such as to a physician's office. The home care benefit must cover skilled nursing care, home health care, personal care, adult day care and assisted living care.

- Respite care must be provided for at least 14 days annually and must be payable at the nursing home daily benefit amount.
- Alternate care benefits must be covered when the insured is in a hospital awaiting the availability of nursing home or home care services. Benefit payments must be in the amount of the nursing home daily benefit.
- Inflation protection must be included so that benefits increase by at least 5%, compounded annually, for life. Inflation protection benefits are not mandatory if the policy is purchased at age 80 or over.
- Waiting periods of more than 100 days are not permitted.

The minimum standards and benefit levels under the Partnership Program are more stringent than the minimum standards for non-Partnership policies. The comprehensive benefits and stricter standards are necessary in order to protect the viability of the New York State Medicaid Program, which is legally bound to provide benefits on a special eligibility basis after the benefits of the qualified long term care policy or certificate are exhausted.

The Department promulgated the Second Amendment to Regulation 144 amending the minimum standard regulations in 2005 in response to a desire by long term care insurers participating in the Partnership Program to expand the products available under the Partnership to include other product designs. The regulation amendment allowing products with less comprehensive benefits was promulgated after discussions with the Department of Health, the Office of Medicaid Management, and the State Office for the Aging and representatives of insurance companies participating in the Partnership.

Since some of the new products permitted under the Second Amendment to Regulation 144 may provide less comprehensive benefits than the original product, the Partnership Program will now allow persons who purchase Partnership-approved long term care policies to protect all or part of their assets in qualifying for Medicaid assistance once the benefits under the long term care policy are exhausted. The long term care policies which can now be approved under the Partnership Program may have maximum policy benefits which are expressed either in the number of days or years of nursing home and home care benefits, or can be expressed as an overall dollar amount which is determined by multiplying the daily benefit amount chosen, times the number of days benefits are to be provided.

The amended regulations required that, in order for long term care insurance policies to be approved under the Partnership Program, they must contain one of the following benefits:

- A lifetime maximum nursing home benefit of at least 1½ or 3 years providing coverage of all levels of care in a nursing home of at least \$208 per day for 2008, and increasing by 5% compounded annually. If the policy is purchased at age 80 or older, the 5% compound annual increase is optional. The insured must be allowed to substitute home care benefits on the basis of two home care days for one nursing home day.

Home care coverage must be provided in an amount that is 50% of the minimum required nursing home care benefit (\$104 per day in 2008) and is payable when services are provided in the insured's home, in a group setting such as an adult day care center, or where human assistance is needed to aid the insured in necessary travel, such as to a physician's office. The home care benefit must cover skilled nursing care, home health care, personal care and assisted living care.

- A lifetime maximum of either 2 or 4 years, which can be expressed as an overall dollar amount by multiplying the daily benefit amount (\$208 for 2008) times the total number of days of benefits (either 730 or 1,460 days).

The nursing home and home care daily benefit amounts must be at least \$208 for 2008, and increasing by 5% compounded annually. If the policy is purchased at age 80 or older, the 5% compound annual increase is optional. (Note that in these policies the home care daily benefit amount is the same as the nursing home amount rather than 50% of the nursing home amount as described in the first option). The nursing home benefit must provide coverage of all levels of care in a nursing home. Assisted living care in a facility must be covered for nursing care, maintenance or personal care, therapy services and room and board accommodations. The home care benefit must provide coverage for services provided in the insured's home, in a group setting such as an adult day care center, or where human assistance is needed to aid the insured in necessary travel, such as to a physician's office. The home care benefit must cover skilled nursing care, home health care, personal care and assisted living care.

All of these policies must also provide bed reservation benefits, respite care, hospice care, care management and alternate care. Waiting periods for the 1½ or 2 year plan cannot exceed 60 days, and waiting periods for the 3 or 4 year plans cannot exceed 100 days. Certain other optional benefits are available depending on the plan chosen.

Total asset protection is only available with Partnership policies providing 3 or 4 years of benefits. Upon exhaustion of the 3 or 4 year benefit designs, the insured is able to apply for Medicaid and protect all of their assets. Partnership policies including 1½ or 2 years of benefits provide dollar for dollar asset protection which means that for every dollar of benefits covered under those policies, a dollar of assets will be protected. For all Partnership plan designs, income (in excess of certain basic income amounts Medicaid allows everyone to keep) must be contributed toward the cost of long term care services.

The 1½, 2 and 4 year plans must all be written to qualify for favorable federal and New York State income tax treatment (see discussion of tax qualified plans in section titled “ State and Federal Legislation to Encourage the Development of Long Term Care Plans,” below.) The 3 year plan can be written as qualifying for favorable federal and New York State income tax treatment, or it can be written as non-tax qualified (3 year plans issued before January 1, 1997 were issued before tax qualification standards existed, and those 3 year plans may be considered tax qualified if federal requirements are met). Currently, 84% of the total market for long term care insurance is non-Partnership policies and 16% is Partnership policies.

State and Federal Legislation to Encourage the Development of Long Term Care Plans

Tax Incentives

In 1996, the federal government enacted the Health Insurance Portability and Accountability Act (HIPAA) which, in part, provided federal tax incentives for purchasing long term care insurance. Pursuant to the law, benefits received by a chronically ill individual under a "qualified" long term care insurance contract are excludable from income if the payments are based on actual expenses incurred.

Generally, for 2008, benefits received under "qualified" policies that pay on an indemnity basis are excludable from income as long as the benefit payments do not exceed \$280 per day or \$102,480 per year and are not in excess of the actual expenses. These caps will be indexed for inflation. Payments in excess of the cap are excludable from income only to the extent of actual costs incurred for long term care services. Amounts received in excess of the dollar cap for which no actual costs were incurred for long term care services are fully includable in income.

Taxpayers who itemize should be aware that, under HIPPA, premiums for "qualified" long term care insurance contracts up to the following specified dollar limits are treated as medical expenses for purposes of itemized deductions (medical expenses must be more than 7.5% of adjusted gross income to qualify for the deduction).

In the case of an individual with an attained age before the close of the taxable year of:

The annual limitation is:

40 or less	\$310
41 to 50	\$580
51 to 60	\$1,150
61 to 70	\$3,080
71 & Over	\$3,858

The above limitations will be indexed annually.

Under HIPAA, in order for a long term care insurance contract to qualify for the favorable tax treatment, it must:

- Provide only coverage of qualified long term care services;
- Generally not pay or reimburse expenses incurred for services or items that would be reimbursed under Medicare, except where Medicare is a secondary payer, or the contract makes per diem or other periodic payments without regard to expenses subject to federal interpretation of special rules in HIPAA;
- Be guaranteed renewable;
- Provide that refunds (other than refunds on the death of the insured or complete surrender or cancellation of the contract) and dividends under the contract must be used only to reduce future premiums or increase future benefits and;
- Not provide for a cash surrender value or other money that can be paid, assigned, pledged or borrowed.

HIPAA also provides that any contract issued before January 1, 1997, which met the long term care insurance requirements of the state in which the contract was located at the time it was issued, will be treated as a "qualified" long term care insurance contract for federal tax purposes, and services provided under the contract will be treated as qualified long term care services. The "grandfather" status for contracts issued before January 1, 1997 will continue so long as there is no "material change" in the contract on or after January 1, 1997 within the meaning of federal law.

New York State also encouraged the purchase of long term care insurance in 1997 by enacting legislation that provided favorable state income tax treatment for those persons purchasing long term care policies that qualify for the federal income tax deduction.

Under the state law, premiums paid for "qualified" long term care policies were deductible to the same extent as under the federal law. The deduction in New York State was taken from federal adjusted gross income. This deduction, therefore, was available even to those taxpayers who did not itemize their deductions. Benefits received under federally "qualified" long term care policies were excluded from income on the same basis as under the federal law.

In 2000 New York repealed this tax deduction for long term care premiums and instead provided for a tax credit equal to 10% of long term care insurance premiums for taxable years beginning January 1, 2002.

In 2002, New York amended the Tax and Insurance Laws to permit New York State residents covered under a federally qualified out-of-state group long term care

insurance contract to deduct or receive a tax credit equal to 10% of the premium paid on their state income tax returns. Prior to this legislation in order to deduct or receive the tax credit, the New York State resident's premium payment had to be for the purchase of a long term care insurance policy approved by the Superintendent of Insurance in New York State. In 2004, additional legislation was passed increasing the tax credit for long term care insurance premiums from 10% to 20% for taxable years beginning in 2004.

Continuing Care Retirement Communities (CCRCs)

In an effort to promote the development of a broader and more integrated continuum of long term care, financed by a range of private, public and public/private options, New York enacted laws in 1997 that redefined life care communities as a type of continuing care retirement community (CCRC). This law allowed CCRCs to provide less than a lifetime guarantee for nursing facility care as part of their contract. In addition to establishing a process for approval of CCRCs, the law also:

- Streamlined the approval process for residential health care facility beds and licensed home care service agencies operated as part of a CCRC;
- Established a comprehensive and flexible statutory and regulatory framework for an increased number of demonstration programs providing managed care for the elderly and chronically ill population who would not otherwise be served in a special needs plan or other managed care program;
- Made the long term care security demonstration program (the Partnership Program) permanent; and
- Permitted accelerated payment of death benefits under a life insurance policy when the insured is chronically ill and requires long term care services for the duration of his or her life.

CCRCs in New York State offer three different types of life care contracts for their residents. Type A is all-inclusive, Type B provides modified services, and Type C requires fee for service:

- Type A contracts provide housing, residential services, many amenities and unlimited, specific health-related services, including long term care services. If the resident's health deteriorates to the point that they need long term care services or admission to the nursing home, all of the services covered under the contract are provided without an increase in the monthly fee (except for normal operating costs and inflation adjustments). The monthly fee also will not increase due to the amount of services the resident requires.
- Type B contracts provide housing, residential services and many amenities. This contract differs from the Type A contract in the amount of long term care services that will be provided before an adjustment is made in the amount of the monthly fee paid by the resident. For example, under this type of contract, the CCRC could allow residents a specified number of days in a nursing home without a

change in the monthly fee. Once this limit is reached, the resident could be required to pay for continued nursing home services on a full per diem basis or a discounted per diem basis.

- Type C contracts cover housing, residential services and amenities under the entrance fee and/or monthly fee in the same way as Type A and B contracts. This contract differs from the other two types of contracts in that all other health related services, including nursing home care, are paid for by the resident as they are needed on a fee for service basis. Under this type of agreement, the resident pays lower fees upon entry, but in turn accepts the risk of paying for the care needed.

Currently, thirteen CCRRs have received a Certificate of Authority from the Commissioner of Health. Nine of these communities are open and are accepting residents. They are:

<u>Name</u>	<u>County</u>	<u>Living Facilities</u>
Canterbury Woods 705 Renaissance Dr. Williamsville, New York 14221-8080 716-929-5800 www.canterburywoods.org	Erie	Independent living units, enriched housing units, nursing home beds
Fox Run at Orchard Park North Buffalo Road Orchard Park, NY 14127 716-662-5001 www.foxrunorchardpark.com	Erie	Independent living units, enhanced housing units, nursing home beds
Glen Arden, Inc. 46 Harriman Drive Goshen, NY 10924 845-291-7822 www.elant.org	Orange	Independent living units, enriched housing units, nursing home beds
Jefferson's Ferry 1 Jefferson Ferry Drive S. Setauket, NY 11720-9800 888-233-1330 www.jeffersonsferry.org	Suffolk	Independent living units, enriched housing units, nursing home beds
Kendal on Hudson One Kendal Way Sleepy Hollow, NY 10591 800-517-8964 www.kohud.kendal.org	Westchester	Independent living units, enhanced housing units, nursing home beds

Kendal at Ithaca 2230 N. Triphammer Road Ithaca, NY 14850 800-253-6325 www.kai.kendall.org	Tompkins	Independent living units, enriched housing units, nursing home beds
Peconic Landing at Southold, Inc. 1500 Breaknock Road Greenport, NY 11944 888-273-2664 www.peconiclanding.com	Suffolk	Independent living units, enriched housing units, nursing home beds
Summit at Brighton 2000 Summit Circle Drive Rochester, NY 14618 585-442-4500 www.summitbrighton.org	Monroe	Independent living units, enriched housing units, nursing home beds
Westchester Meadows 55 Grasslands Road Valhalla, New York 10595 914-989-7800 www.westchestermeadows.org	Westchester	Independent living units, enriched housing units, nursing home beds

Two other CCRCs have been approved to obtain financing and begin construction, and two more are in the early stage of collecting entrance fee deposits.

Accelerated Death Benefits

In 2005, the Department promulgated an amendment to Insurance Department Regulation 143 that allows insurers to offer consumers the option of accelerating the death benefit under their life insurance policy when the insured is chronically ill and may need additional financial resources to assist with meeting long term care needs and expenses. Access to existing resources such as the death benefit of a life insurance policy and the ability for insurers to provide for alternate ways to meet consumer's increasing long term care needs have become critical. The standards set forth by the regulation provide proper disclosure to consumers and ensure the favorable federal tax treatment for payment of the benefits.

New York Public Employee and Retiree Long Term Care Insurance Plan (NYPERL)

In 1998, New York established the New York Public Employee and Retiree Long Term Care Insurance Plan (NYPERL). NYPERL offers two tax-qualified benefit designs: the New York State Partnership option, which after the exhaustion of a three year nursing home benefit provides for coverage of long term care expenses under the State's Medicaid program, and a non-Partnership option which provides benefits based upon a three year, five year or unlimited benefit period that is selected by the insured at the time of application. NYPERL is administered by the NYS Department of Civil Service, and coverage is provided through MedAmerica Insurance Company of New York.

Participation in the plan is at the option of the employee. All State employees and retirees who are eligible or become eligible for participation in the State Health Insurance Plan are also eligible to participate in the Long Term Care Plan. Local governments and other public and quasi-public employers may participate in NYPERL if the employer is eligible for the State's health insurance program and the governing body elects to participate. Coverage remains in effect for employees who terminate employment while participating in the plan as long as they continue paying premiums. The full cost of the plan, including coverage of eligible family members, is paid by the employee or insured person and can be deducted from the employee's salary. Employees who terminate employment while participating in the plan will have the option to continue the coverage or convert it to an individual policy. State employees and retirees who opt to purchase the long term care coverage are covered under a group policy issued to the State of New York Department of Civil Service.

NYPERL participation was 1.7% for the first year and a half of program implementation. MedAmerica reported NYPERL premium for 2002 in excess of \$6 million and an average annual premium of \$1,727. The average purchase age was 53 and most purchases were made by employees rather than family members or retirees. A majority of purchasers (70%) elected compound inflation protection and 44% purchased Partnership coverage. As of the end of December 2006, NYPERL had 3,778 enrollees, of which 2,767 selected the non-Partnership policy and 1,011 selected the Partnership policy.

Long Term Care Study

In 2004, the Legislature required the Department, in conjunction with the State Office for the Aging and the Department of Health, to study and develop investment product options for insurance policyholders to adequately prepare for the costs of long term care. The legislation instructed the agencies to analyze the long term care insurance market, with an emphasis on issues including, but not limited to: affordability, adequacy of benefits, the underwriting process, and dispute resolution.

The Department's first step in completing this legislative mandate was to compile a survey instrument which was sent to all insurers who have marketed long term care insurance in New York State. The questions in the survey were designed to obtain firm data about the development of the long term care insurance market and the current status of the market. Work on this study began upon its commission in the fall of 2004 and was completed in the fall of 2005. The study, entitled "Long Term Care Insurance Options in New York State," was issued in early 2006, and is available at <http://www.ins.state.ny.us/ltc/ltrcpt05.pdf>.

Listings of Authorized Long Term Care Insurers

Long term care insurance plans are no longer considered to be experimental products. Long term care insurance has developed into a viable product and insurers continue to offer a variety of benefit packages containing more comprehensive coverage. Moreover, insurers continue to make innovations to product designs to offer a broader range of coverage.

The insurers, along with the products they are currently selling in New York, are as follows:

Insurer	Individual						Group		
	TQ	LTC	NHO	NH & HC	HCO	P	NP	P	TQ
Allianz Life Insurance Co. on NY	X	X							
American Family Life Assur. Co.	X	X							
American Independent Network	X	X	X	X	X				
Bankers Consec Life Ins. Co.	X	X		X	X				
Berkshire Life Ins. Co.	X	X							
Continental Casualty Company			X				X		X
First UNUM Life Ins. Co.	X		X	X			X		X
Genworth Life Ins. Co. of NY	X	X		X		X	X		X
John Hancock Life Ins. Co.	X	X	X			X	X		X
Knights of Columbus	X		X		X				
Massachusetts Mutual Life Ins. Co.	X	X		X					
MedAmerica Ins. Co. of New York	X	X	X		X	X	X	X	X
Metropolitan Life Ins. Co.	X	X	X			X	X	X	X
Mutual of Omaha Ins. Co.	X	X	X						
New York Life Ins. Co.	X	X	X			X			
Northwestern Long Term Care Ins.	X	X							
The Prudential Ins. Co. of America	X	X					X		X
State Farm Mutual Automobile Ins.	X	X							
Transamerica Financial Life	X	X							

TQ = Tax qualified
 LTC = long term care insurance
 NHO = nursing home insurance only
 NH & HC = nursing home and home care insurance
 HCO = home care only insurance
 P = Partnership policy
 NP = Non-partnership policy

It should be noted that insurers are not obligated to inform the Department when they stop selling an approved product. Therefore, these policies may not all be available for marketing at the present time. Also, those insurers who market tax qualified policies may also market non-tax qualified policies. This information can be obtained by contacting the insurance carrier.

In 2001, twenty-eight insurers were marketing policies covering long term care services in New York State. Currently, nineteen insurers are marketing policies in New York. It is important to note that while the number of insurers is down since 2001, the number of enrollees has modestly increased. It is also important to note that the decrease in the number of insurers is not unique to New York State and, in fact, is occurring nationwide.

Reasons for the general decrease in the number of insurers marketing long term care coverage include the unprecedented number of acquisitions and mergers in the insurance industry, insurers' realization of their long term liability on current long term

care sales and their decision to avoid further exposure, and the “labor-intensive” nature of long term care sales.

Factors Contributing to or Impeding the Development Of Long Term Care Plans

Earlier reports discussed five key issues that directly affect the development of, and enrollment in, long term care insurance contracts in New York:

- Consumer Awareness
- Data Needs and Services
- Underwriting and Policy Design
- Regulatory Environment
- Marketing Concerns

Consumer Awareness

Long term care insurers continue to report consumers’ lack of awareness of the need for long term care insurance and the misperception that medical insurance and/or Medicare will cover these services. Another problem mentioned by insurers in the successful marketing of long term care insurance is that long term care is a subject that makes many people uncomfortable. People often refuse to believe they will need long term care and therefore refuse to plan for future long term care expenses. Educational efforts appear to be lessening this perception and a number of initiatives have been undertaken to increase consumer awareness and knowledge about long term care coverage.

The New York State Partnership for Long Term Care is taking a novel approach to educating agents and brokers on the Partnership program to improve marketing and to disseminate information on the Partnership Program. The New York State Partnership for Long Term Care Program conducts a mandatory training program for any agent or broker who wishes to become certified to sell a Partnership policy. This training program focuses primarily on the Medicaid program and its relationship to a Partnership policy and offers credits that may be applied to the continuing education credit requirements associated with agent licensure by the Insurance Department. To the extent the insurer representatives are better educated concerning the Partnership program, this should stimulate more Partnership sales to persons who should consider the purchase of a Partnership product.

Various other vendors have received approval from the Insurance Department to conduct continuing education courses on long term care insurance. It is hoped that as agents and brokers become more knowledgeable about the long term care insurance products they will feel more confident in offering them.

It appears that it is more difficult to sell long term care policies as a single sale product, but when considered as an integral part of financial planning, the products can be more successfully marketed. Prudential Insurance Company of America states that in marketing individual policies, some of their agents will partner with financial advisors, estate planners, attorneys, CPAs or other similar professionals to conduct long term care seminars, and that the sales process can typically take two, three or even four meetings before a sale is made. Northwestern partly attributes its marketing success on its distribution network in New York. According to the company, its field staff has quality relationships with their clients who have purchased other coverage from Northwestern Mutual in the past, and the staff has been able to leverage the trust the clients have in the Northwestern to encourage them to purchase long term care insurance.

Currently, a great deal of information is available to consumers on long term care insurance plans. The Insurance Department's website offers information on long term care insurance and the 2007 Insurance Department's Consumer Guide entitled "A Consumer Guide to Long Term Care Insurance in NY", includes a section on options to consider in purchasing long term care coverage, selecting an insurance company and other sources of information and assistance. The New York State Partnership for Long Term Care publishes a "[Consumer Booklet – Affordable Financing for Long-Term Care](#)". The Partnership booklet provides information on planning for long term care expenses, the New York State Partnership for Long Term Care, how to choose a long term care policy, and a worksheet for comparing long term care policies. The Partnership also issues a consumer brochure entitled "Medicaid Eligibility and the Treatment of Income and Assets under the New York State Partnership for Long Term Care." These publications are available from the New York State Department of Health.

A publication developed jointly by the National Association of Insurance Commissioners (NAIC) and the Health Care Financing Administration of the U.S. Department of Health and Human Services entitled, "2003 Guide to Health Insurance for People with Medicare," contains a section on long term care insurance and also explains those long term care expenses that are covered by Medicare and those which need to be paid for privately. NAIC also has available "A Shopper's Guide to Long-Term Care Insurance" which provides advice on whether or not you should buy long term care insurance, worksheets to assist consumers in obtaining information on the availability and cost of long term care services, how to compare long term care insurance policies, and facts consumers should have available concerning any long term care policy they purchase.

Insurers have also developed educational approaches in marketing long term care insurance. Northwestern Long Term Care Insurance Company has developed an educational seminar and a guide on the Employee Retirement Income Security Act (ERISA) and the tax implications for long term care insurance. The long term care insurance seminar program is a component of a comprehensive seminar series which address a variety of financial needs. Their long term care seminar provides information on providers of care, the cost of care and the potential payers of care. The long term care information presented at the seminar does not reference any specific company's product or product features. The seminar is made available to their financial

representatives, including their long term care specialists. They, in turn, provide the educational program to the public.

John Hancock uses various means to inform the public of the need for long term care insurance including educational seminars hosted by local sales representatives, awareness brochures concerning long term care and benefit of long term care insurance, the company Internet website containing information on the need for LTC insurance, and prospecting materials, letters focused on specific benefits that will protect policyholders in the event of a long term care need.

Metropolitan Life has built general consumer awareness of long-term care planning issues through its Mature Market Institute (MMI), a comprehensive resource on aging, retirement, long-term care and the mature market. MMI has developed a series of consumer communication materials regarding long-term care planning and long-term care insurance; including a consumer guide, *Long-Term Care Insurance: The Essentials*, and other resource guides on caregiving and other topics important to the mature marketplace. MMI also supports general awareness through research and studies on such topics as caregiving, including its impact on employed caregivers and the workplace, home care, nursing home and assisted living cost of care studies, retirement living and the aging workforce. MetLife is an active participant in industry efforts to increase awareness of the public to plan for their long-term care needs. MetLife is currently taking a leading sponsorship role in an awareness campaign being spearheaded by AHIP and is also working with The American Association for Long-Term Care Insurance as a participant in the Long-Term Care Awareness week campaign.

Insurers also indicated that publicity generated by the enactment of federal and state laws providing for favorable tax treatment for qualified long term care policies has helped focus the public's attention on long term care issues. Insurers in general felt that the favorable tax treatment sends a positive message to consumers, but some disagreed on the impact the tax deductions have had on sales. Most insurers stated that the federal tax incentives are so limited that they have had no effect on sales. First Unum Insurance Company stated that it originally saw an increase in sales as a result of federal tax incentives, and then a downward trend over the past two years.

The federal deduction today allows LTC premiums to be deducted if the insured's medical expenses exceed 7.5% of the adjusted gross income. This deduction impacts less than 4% of people who have purchased LTC. If a "top line" deduction were allowed, it would provide an incentive for many more people to purchase LTC coverage. Insurers agreed that pre-tax deductibility for long term care premiums and the inclusion of group long term care in Cafeteria Plans (Section 125) would have a major impact on encouraging sales of long term care insurance.

John Hancock Life Insurance Company indicated New York has provided for a credit that helps consumers in New York understand the government in effect supports the sale of private long-term care insurance. They also indicated that the availability of the credit, and the increase of it over the past years to 20%, is a positive message to consumers who are considering the purchase of long term care insurance.

Some companies use the tax incentives in their marketing materials. However, most insurers also agreed that the New York State tax credit, while providing a positive message on purchasing long term care, has had very little impact on their sales because they were unable to isolate the effectiveness of such incentives on sales.

While confusion over the need for long term care insurance is still a problem nationwide, some insurers reported that New York State consumers are more informed about the need for such coverage than consumers in other states. Insurers were asked to compare their sales in New York State with their marketing success in other states. Their responses follow:

Insurer	Response
Prudential	We believe our marketing success in New York to be on par with our success in other states.
Mutual of Omaha	Marketing results vary by the degree of emphasis placed on the long term care products in the various offices – no real differences noticed by state.
Continental Casualty	We market in all states, and consider New York one of the more successful states for our business. Within our book of business, New York ranks third in number of group contracts in force and fifth in number of certificates in force and fourth in total premium. Based simply on its size, we would expect New York to be a very large market for our product. However, the number of large businesses located in New York, as well as the high average premium sold there, makes it more successful than expected.
Northwestern Long Term Care	There are a number of issues that have limited our marketing efforts in the state. The biggest issue is probably the high cost of care throughout the state of New York. This has led to our average policy size and cost to be much higher in New York than in the nation overall. These higher results could put more pressure on middle-class purchasers who are not able to buy a product that provides all the benefits they desire. There is anecdotal evidence that suggests that these individuals are seeking out lower premium plans from companies that offer lower rates in exchange for the high financial ratings that are part of the Northwestern value proposition. The challenges indicated have led us to sell a relatively low number of policies compared to the population of the state, i.e. our penetration rate in New York is lower than our national average.
John Hancock	<p>Individual: New York figures continue to be among the top three states for John Hancock retail sales. It is perceived that New Yorkers have a higher level of awareness of the need for this type of insurance than many other parts of the United States. The key difference for the metropolitan New York area is the higher levels of benefits needed for the higher average cost of care. We also believe the promotional efforts of the New York Partnership Program contributed to the awareness of why long-term care insurance may be worth considering, and this has also helped non-Partnership sales.</p> <p>Group: Enrollment success in the group market is largely dependent upon the type of employer, the employee culture/work environment, the level of</p>

Insurer	Response
	support and endorsement of the plan and their specific demographics. However, a recent study of several carriers enrollment results by region, showed the Northeast with the lowest enrollments overall. One reason for this may be from a higher average salary range in the Northeast where perhaps consumers may feel they can self-insure in the event of a LTC situation. John Hancock's client list includes over a dozen New York based clients; in general, there are no differences in marketing techniques between one state and another.
MetLife	Our experience shows participation rates in New York are comparable to those in other areas of the country.
New York Life	With our headquarters based in New York State and the New York name in our name, we enjoy great brand recognition in New York State.
Genworth Life Insurance Company of New York	Historically, we have seen stronger sales and marketing response in New York than other states, largely attributed to the Partnership program and our strong sales presence in New York.
State Farm	By not participating in the Partnership plan there is a barrier to sales of individual long term care insurance in the state of New York. Our efforts are generally less successful than in other states.
Bankers Consec Life	New York is a brand new market for Bankers Consec Life Insurance Company. We anticipate an increased response rate to our direct mail campaign and an overall increased interest in our local branch advertising campaign, which is similar to our marketing strategy throughout the country.
First Unum Life Insurance Company	Due to the size of the population, New York represents a significant LTC market for Unum. However, to date Unum has not achieved the level of sales results desired in this market. We believe the primary contributing factor is the lack of communication by brokers to employers and individuals about the product. As most brokers market many types of insurance coverages, including medical, often LTC is not a high priority insurance product to be discussed. Some of this is due to the lack of broker awareness of the need for LTC and for some brokers it is driven by a lack of comfort with the details of the long term care product in general. New York has a requirement that no other states have, and that is to distinguish between Long Term Care or Nursing Home and Home Care. The amount of coverage elected determines the product name that must be used. This can cause confusion for the consumer as well as requiring multiple sets of marketing materials that must be presented by an insurance carrier. Unum has had much more success on the west coast with regard to marketing long term care than in any other region of the country. One of the key reasons for success is the focused attention by brokers on the marketing efforts. Many brokers specialize in the long term care product allowing for the focus that is necessary to be successful.
MedAmerica Insurance Company of New York	MANY is licensed to sell LTCI in New York only. In general, NYS is perceived to be supportive of long-term care marketing efforts, as witnessed by the public awareness campaigns created by the State itself, and the state tax credit. Additionally, when compared to other states, New York has a viable Partnership product. For example, the NYS Partnership products offer total asset protection, whereas other state's Partnership products abide by a dollar-for dollar asset protection.

Insurer	Response
Berkshire Life Insurance Company	Berkshire Life Insurance Company of America has been more successful in New York due to the fact that our parent Company, The Guardian Life Insurance Company of America is a New York domestic insurer and the number of producers and agencies in the New York metropolitan area relative to markets throughout the rest of the country.

In 2005, The Prudential Insurance Company of America published a research report “Long Term Care: More than a Health Issue.” They have also conducted formal research on the cost of long term care. (“Long-Term Care Facility Costs- A Nationwide Quantitative Evaluation of U.S Facilities,” Prudential Financial Global Market Research, April 2006). As part of retirement planning strategy, Prudential has the “Four Pillars of U.S. Retirement” as a framework to discuss how Americans will plan for and live in retirement (including long term care issues). The “Four Pillars” are Social Security, employment based plans, personal savings and retirement planning. To that end, they have used research from the “Retirement Confidence Survey” conducted by the Employee Benefit Research Institute to formulate a series of reports or papers for public dissemination. These can also be accessed at www.prudential.com.

While it appears that more needs to be done in educating the public on long term care issues, it is evident that the government and long term care insurers have continued their efforts and have made progress in this area.

Data Needs and Services

Since long term care policies have been sold for more than 15 years in New York State, the need for data has become less critical. Experience data is now credible and extensive. As insurers have been able to obtain more data, they have revised their long term care policies to make the benefits more comprehensive and offer a greater number of optional benefits to policyholders.

More and more insurers are now offering paid-up policies, which can allow an insured to complete his or her premium payment obligations in a specific amount of time, as compared to a long term care insurance policy that is payable for life. The premiums for these policies is higher than for a long term care policy that is payable for life.

All Northwestern Long Term Care Insurance Company policies are now participating policies and provide the flexibility to pay dividends if experience proves to be more favorable than pricing expectations.

Underwriting and Policy Design

The necessity of adequate underwriting controls in the writing of long term care policies remains a major concern. Individual long term care policies are medically underwritten through the use of medical questionnaires or assessments at the time of application. For group long term care policies that are offered to employees as well as parents, grandparents and retirees, many insurers conduct minimal underwriting for active employees, with more detailed underwriting for others. Some insurers will accept newly hired employees without evidence of insurability provided that they are actively at

work on their effective date and they enroll within 90 days of hire. As mentioned earlier, under NYPERL, the long term care plan for New York State employees and their families, long term care coverage was offered under a 60-day open enrollment period without proof of medical eligibility for employees.

Most insurers do not impose pre-existing condition limitations in long term care policies, although some do impose such limitations for conditions not disclosed on the application. The most common provisions used in determining eligibility for benefits in long term care policies which are not tax qualified, are medical necessity, the inability to perform a specified number of activities of daily living or a cognitive impairment. For tax-qualified policies insurers must adhere to the requirements under HIPAA for benefit eligibility triggers.

The vast majority of policies now being sold in New York are policies that pay up to a fixed sum for each day of nursing home confinement or a portion of the fixed reimbursement for other long term care services. As was stated in earlier reports, in 1989, Finger Lakes Long Term Care Insurance Company (now MedAmerica Insurance Company of New York) received approval of a comprehensive long term care policy under which the company contracted with certain nursing homes and home health care agencies to provide services to its policyholders and paid benefits on the basis of a certain percentage of the negotiated rate. Finger Lakes made a corporate decision to stop selling the policy, since the high cost of the coverage prevented the company from successfully marketing the coverage.

Insurers continue to develop and offer new long term care benefits either as part of the long term care policy or through the purchase of optional riders. Some of these innovative benefits include:

- Prudential Insurance Company of America offers many plans with benefits that help enrollees remain in their homes. The company includes a “pool of money” within the larger Lifetime Maximum of the policy to cover things like: 1) assistive devices or technology (that is, tools or devices that help someone function independently in his or her home); 2) caregiver training – training of the insured’s primary informal caregiver in basic care giving techniques; 3) durable medical equipment not covered by Medicare; 4) emergency medical response systems; 5) modifications to the home (installation of ramps for wheelchair access or grab-bars, widening doorways, et. al.), and 6) transportation services to help insureds receive necessary health care services listed in the Plan of Care. In addition, within the base policy or certificate, the company provides a small indemnity benefit that enables an insured to hire an informal caregiver to supplement formal care-giving needs. For insureds who want greater flexibility, the company also offers an optional rider for additional premium, which allows the insured to convert their full “reimbursement” benefit for home care to an indemnity benefit (therefore, the cash benefit is paid based on certification of chronic illness). The cash payment can be used at the insured’s discretion to cover their long-term care needs.
- Prudential is also running a pilot program whereby they use agents to find potential insureds, conduct need analyses and sell the appropriate level of

coverage, but use a vendor to collect answers to the medical and health history portion of the application. This use of an outside vendor allows agents or financial advisors to avoid having to engage in awkward conversations concerning medical background, prescriptions, and medical tests, with long-standing clients with whom they have had other financial relationships.

- Continental Casualty Company (CNA) has added an Alternate Plan of Care (APC) Provision to all in-force long term care policies. The APC provision allows CNA and the policyholder to consider medically appropriate long term care services that are not otherwise explicitly defined in and covered by the policyholder's contract. This provision adds flexibility to the policy for both the customer and CNA, enabling long term care services that may not have even been contemplated or available at the time the policyholder purchased coverage to be considered under the policy. CNA also offers a core/buy-up product in which the employer contributes to a basic "core" amount of coverage and employees "buy-up" additional amounts on a voluntary basis. CNA also has a Guaranteed Benefit Option which provides inflation protection increases on a voluntary basis rather than building the cost in like automatic inflation protection features. They also offer a shared lifetime maximum benefit to allow couples access to a longer lifetime maximum, if needed, at a lower cost than buying the longer lifetime maximum for each person.
- New York Life Insurance Company has a Consumer Price Index Urban Benefit Increase Rider that provides annual benefit increase offers with no limit to the number of refusals and no future underwriting. The premium for this rider is based on issue age. This rider allows for a much lower initial cost of coverage, lessening the barrier to the initial sale, while offering affordable increases in coverage to account for increases in the cost of care.
- John Hancock Life Insurance Company offers unlimited automatic inflation coverage linked to the consumer price index. Their multi-life programs include discounts and streamlined underwriting. There is a one time qualification period that has to be met only once in an insured's lifetime as long as coverage is continually in force. Another standard feature restores the full Lifetime Maximum Benefit if the insured has been in claim status and has recovered. A stay at home benefit provides the enrollee with funds to prepare their home to remain there as long as possible.
- Metropolitan Life Insurance Company has an individual Value Policy that offers an Indemnity Rider. This Rider changes the payment model from a reimbursement policy to an indemnity policy. As such, MetLife will pay the full daily benefit amount each day a covered service is received, regardless of the actual cost for that service. Benefits are payable once the Insured is benefit eligible and has satisfied the elimination period. They also allow customers to purchase additional coverage until age 65 without further proof of insurability.
- First Unum Life Insurance Company believes that denial of the need for the coverage is the greatest factor in the decision not to purchase LTC Insurance. With that said, the steps needed to make long term care insurance more

desirable are to focus the attention on “aging in place” and how the insurance coverage can help one achieve that goal. By being cared for in the comfort of your own home, and the fact that baby boomers are starting to turn 62 should help propel the discussion and decision more rapidly than ever in the past. Unum also offers “LTC Connect” which allows access to a service that provides information and discounts on LTC services and equipment.

- Bankers Conesco Life Insurance Company allows applicants to choose from a variety of optional benefit riders, such as Lifetime Inflation Protection, Survivor Maximum Benefit Increase Rider, Paid-up Survivorship Benefit Rider, Return of Premium, and Limited Premium Payment Rider. They also automatically include a Guaranteed Purchase Option if the insured doesn't elect either simple or compound inflation protection at time of application. They also offer married couple premium discounts to encourage the purchase of long term care insurance.
- Allianz Life Insurance Company of New York allows policyholders to receive benefits that are a combination of cash and reimbursement. This option creates greater flexibility, plus allows the client to use their benefits to receive the care at home as long as possible. The Enhanced Coverage Option allows the client to increase their coverage every five years without additional underwriting. The client has the option to increase their daily benefit, increase their benefit period or decrease the elimination period to fit their needs.
- Genworth Life Insurance Company of New York introduced a long term care policy where the benefits are payable for 80% of the allowable expenses, subject to a deductible, daily and lifetime payment maximum.

Insurers are now exploring combining other types of insurance, i.e., disability income, life and annuities, with long term care insurance to encourage the purchase of the long term care coverage. The Insurance Department has approved a rider that allows an individual disability income policy purchaser to purchase a rider with an option to buy a long term care insurance policy in the future without being subject to underwriting at the time of purchase of the long term care policy. Therefore, even if the person is no longer in good health, they would be able to purchase long term care insurance.

Regulatory Environment

The Insurance Department has continued to make every effort to encourage the development of long term care coverage through priority review of long term care contracts submitted for approval. The Department, while continuing to monitor the need for amendments to the minimum standards regulation, has determined that the current regulation provides necessary protections, while allowing insurers flexibility in designing products.

In order to assist insurers in submitting long term care products to the Department for approval and in order to expedite the approval of the policies, the Department has developed product outlines for individual tax qualified, non-Partnership

long term care insurance policies and tax qualified nursing home and home care, nursing home only, and home care only insurance policies and has posted them on the Department's website. Insurers are also eligible to use the Department's Speed to Market process in order to secure expedited approval of these products. The Department has also developed checklists for these policies which goes through each step of submitting policies for approval, including the filing process, requirements for tax-qualified policies, the application, conditional receipt/interim insurance agreement, required disclosure form, general reminders, review of product outline, actuarial requirements for new products and actuarial requirements for existing products. The checklists are also posted on the Department's website.

The Insurance Department has also worked with the Office for the Aging and the Department of Health in implementing the Long Term Care Partnership and has established a toll-free number (1-888-NYS-PLTC) within the Insurance Department for inquiries on the program. The Insurance Department has worked with the Health Department, which is the lead agency for the Partnership program, on modernizing the benefits under the new optional Partnership program in order to make them more marketable in the current environment.

As was mentioned earlier in the report, the Legislature established the New York Public Employee and Retiree Long Term Care Insurance Plan (NYPERL) in 1998, which has made available a group long term care policy for all State employees who are eligible or become eligible for participation in the State Health Insurance Plan. MedAmerica Insurance Company of New York provides the coverage. The Insurance Department approved the forms and rates for MedAmerica Insurance Company of New York in May of 2001, and the Long Term Care Insurance Plan became operational in late 2001. Participation in the Long Term Care Insurance Plan is at the option of the employee. State employees and retirees who opt to purchase the long term care coverage will be covered under a group policy issued to the State of New York Department of Civil Service. Coverage remains intact for employees who terminate employment while participating in the Long Term Care Insurance Plan as long as they continue to pay premiums. The full cost of the Long Term Care Insurance Plan, including coverage of eligible family members will be paid by the employee or insured person and can be deducted from the employee's salary. Local governments and other public and quasi-public employers may participate in NYPERL if the employer is eligible for the State's health insurance program and the governing body elects to participate.

Marketing Concerns

Insurers cited the following factors as impeding the sale of long term care insurance:

- CNA stated that the group long term care business faces many of the same barriers as individual long term care (e.g., lack of awareness, perceived affordability issues). The company also believes that there are certain issues that are unique to, or particularly important in the group market. First and foremost, regulatory prohibitions on pre-tax deductibility and the ability of employers to include group long term care in cafeteria plans is a major obstacle. Partnership plans have not proven effective in the group market, since the

administrative overhead and required plan designs make them difficult to support and hard to market in the group setting.

- Genworth Life Insurance Co. of New York stated that their biggest marketing challenge is increasing public awareness of long term care issues. Many people have a lack of urgency to address their long term care needs and have the perception that long term care insurance is not a viable solution. Consumers still view Medicare and Medicaid as a long term care solution.
- Prudential stated that the biggest marketing obstacles facing most insurers are the expense and complexities of the products.
- John Hancock stated that impediments include a widespread lack of consumer awareness, a lack of perceived need, confusion about what is actually covered by Medicare, Medicaid, and long term care insurance, and a perception that this insurance is very expensive. In group insurance impediments include the fact that the actual long term care insurance program the employer chooses for its employees must be submitted in many states beyond the situs state. This can be cumbersome with larger clients who have employees in many states, and who impose tight deadlines for the roll out of the employer's group plan nationally. The required review and approval process makes it especially difficult to meet the employer's implementation schedule.
- Aetna believes that allowing group long term care benefits to be offered on a pre-tax basis through Section 125 plans would help increase enrollments in the group market.
- MedAmerica is of the belief that the major impediments are individuals' belief their health insurance and disability insurance cover long term care.
- Northwestern believes that an impediment to the sale of long term care insurance is the limitation on employers paying the discounted long-term care premium on individually issued policies.

Success of Marketing Policies Under the New York State Partnership for Long Term Care

Insurers again reported mixed results on the success of marketing long term care policies that qualify under the New York State Partnership. CNA, New York Life and Prudential indicated that they were less successful in marketing long term care policies qualifying under the Partnership than other long term care products.

CNA reported that they have sold approximately 19 times as many non-Partnership as Partnership certificates in New York State in the group market. In the individual market, only 37% of CNA's sales are Partnership policies

The primary barrier to marketing Partnership plans is that those plans offer comprehensive benefit packages. Many employers have employees in other states or want to offer a less expensive option so they choose to drop the Partnership options.

Prudential only offers Partnership policies to one group client. The marketing of the policies has not been successful. Only 8 people in the group have in-force Partnership coverage. Individual business has 138 Partnership policies in force.

Some insurers that market Partnership policies stated that their marketing efforts have been successful. Genworth stated that approximately 80% of NY sales are Partnership policies. In addition, their marketing organization has found the Partnership beneficial for direct mail awareness/lead generation campaigns. The company's Partnership based mail pieces outperform its non-Partnership pieces and, with access to an endorsement of the Partnership (e.g.a letter from the Governor), they have seen double the response rate.

John Hancock's marketing has been assisted by the promotional efforts of the NYS Partnership Office. In 2006, Partnership policies accounted for an average of 36% of John Hancock's total long term care sales in New York. In 2007, the share of Partnership policy sales has increased to an average 41% of its total long term care sales in the individual market in New York. Hancock believes that this growth reflects the impact of the awareness campaigns appeal of having Partnership protection, and a strong producer campaign when they launched their new Partnership policies in December 2006.

Recommendations and Anticipated Actions to be Taken By the Insurance Department

There has been a decrease in the number of insurers selling long term care insurance in New York State and nationwide, but an increase in the number of both in-force non-Partnership policies and in-force Partnership policies. In order to continue to encourage insurance companies to offer, and consumers to purchase long term care insurance, the Department has the following recommendations:

- The New York State Insurance Department, Department of Health and Office for the Aging should continue their efforts to inform the public of the limitations of existing health insurance contracts and governmental programs as they relate to long term care services, the favorable federal and state income tax treatment of premiums and favorable income tax treatment of benefit payments for tax qualified long term care insurance, and the advantages of purchasing a long term care policy qualifying under the New York State Partnership. An intense, concerted, long range consumer education campaign is essential to effectuating a culture change with respect to the private financing of long term care services.
- New York's tax credit for long term care premiums provides a substantial benefit to New Yorkers. New York State should increase its efforts to educate the public that the state will support their efforts to plan for the future by paying 1/5 of the bill for their long term care insurance premiums, and that the credit is available to

anyone paying premiums. Therefore, children who pay for coverage on behalf of their parents can take advantage of this tax credit.

- The federal government should be encouraged to allow an above-the line deduction or tax credit for long term care premiums and allow long term care insurance to qualify as part of a Cafeteria Plan under Section 125 of the Internal Revenue Code to allow before-tax deduction for premiums.

The Department will take the following actions:

- Continue to review the minimum standards for the form, content and sale of long term care insurance, and amend them as necessary;
- Periodically update the Department's Consumer Shopping Guide for Long Term Care Insurance;
- Continue to work with the Department of Health and Office for the Aging in publicizing and answering questions from the public on the New York State Partnership for Long Term Care;
- Continue to provide information and assistance to senior citizens concerning Medicare supplement insurance and other coverage available to the elderly, such as long term care insurance; and
- Continue to provide guidance to the industry and to engage in prompt discussions between the industry and the Department with regard to the marketing of long term care insurance.

APPENDIX 1

Number of Non-Partnership Long Term Care Policies In-force in New York State As of December 31, 2006

Insurer	Policy		Type of Coverage		No. of Contracts in NY	No. of Persons Covered in NY					TOTAL
	Form Number	Date of New York Approval	Individual	Group		Age Group at Purchase					
						Under 45	45-54	55-64	65-74	75 and over	
Aetna Life Insurance Company*	GR-700	12/14/1994		X	55	1,032	894	619	172	14	2,731
	TOTALS		0	1	55	1,032	894	619	172	14	2,731
Allianz Life Insurance Company of New York	10-P-Q-NY	10/3/2005	X		260	9	28	127	77	19	260
	TOTALS		1	0	260	9	28	127	77	19	260
American Family Life Assurance of New York	NY-20000	3/15/1991	X		7	0	1	2	3	1	7
	NY-21000	1/21/1992	X		128	1	3	22	78	24	128
	NY-22000	1/21/1992	X		8	0	0	1	6	1	8
	NY-27000	9/16/2002	X		93	19	47	26	1	0	93
	TOTALS		4	0	236	20	51	51	88	26	236
American Independent Network Insurance Company of New York	PF2600NY	10/28/1998	X		604	3	60	199	275	67	604
	ALP1(NY)	10/12/1999	X		64	0	1	8	32	23	64
	ALP2(NY)	10/12/1999	X		13	0	2	3	5	3	13
	ALP1(NY)-TQ	10/21/1999	X		78	0	3	13	31	31	78
	ALP2(NY)-TQ	10/21/1999	X		36	0	5	10	15	6	36

Insurer	Policy		Type of		No. of Contracts in NY	No. of Persons Covered in NY					TOTAL
	Form Number	Date of New York Approval	Coverage			Age Group at Purchase					
			Individual	Group		Under 45	45-54	55-64	65-74	75 and over	
	IL4-1(NY)	2/15/2000	X		745	7	27	117	357	237	745
	IL4-2(NY)	2/15/2000	X		29	0	4	7	15	3	29
	IL4-1-TQ(NY)	2/25/2000	X		239	0	5	35	94	105	239
	IL4-2-TQ(NY)	2/25/2000	X		20	0	3	3	6	8	20
	LTCTP6500NY-AI	10/4/2000	X		172	2	13	63	76	18	172
	PF3(NY)	7/19/2005	X		4	0	1	3	0	0	4
	PF3-TQ(NY)	7/19/2005	X		30	0	9	11	10	0	30
	TOTALS			12	0	2,034	12	133	472	916	501
American International Life Assurance Company of New York*	64391-NY Non- Tax Qualified	7/14/1998	x		313	6	39	114	110	44	313
	64391-NYTQ Tax Qualified	7/14/1998	x		282	2	23	135	84	38	282
	TOTALS			2	0	595	8	62	249	194	82
American Progressive Life and Health Insurance Company of New York*	ANH-86	1986	X		31	0	2	5	20	4	31
	HHC-800	3/1995	X		510	1	4	68	278	159	510
	NHHH-700	7/1996	X		91	0	6	30	37	18	91
	NHO-700	7/1996	X		57	0	0	7	29	21	57
	CERT-HHC	7/1997	X		54	0	0	4	24	26	54
	CERT-NHHH	7/1997	X		5	0	1	2	1	1	5
	CERT-NHO	7/1997	X		3	0	0	2	0	1	3
	QC-HHC	7/1997	X		24	0	0	2	13	9	24
	QC-NHHH	7/1997	X		1	0	0	0	1	0	1
	QI-HHC	7/1997	X		294	0	3	40	132	119	294

Insurer	Policy		Type of		No. of Contracts in NY	No. of Persons Covered in NY					TOTAL
	Form Number	Date of New York Approval	Coverage			Age Group at Purchase					
			Individual	Group		Under 45	45-54	55-64	65-74	75 and over	
	QI-NHHH	7/1997	X		48	0	3	12	22	11	48
	QI-NHO	7/1997	X		56	0	0	10	36	10	56
	HHC 1/98	1/1998	X		1,268	1	31	150	626	460	1,268
	APRLTNQ (3/99) NY	6/30/1999	X		66	4	4	26	23	9	66
	APRLTCQ (3/99) NY	6/30/1999	X		111	9	20	24	48	10	111
	PR-NHO	10/2000	X		49	0	4	22	19	4	49
	PR-NHOQ	10/2000	X		99	0	17	39	36	7	99
	TOTALS			17	0	2,767	15	95	443	1,345	869
Bankers Conseco Life Insurance Company (prev. Conseco)	ATIC-LTC-10-NY	10/8/1996	X		26	0	1	7	17	4	29
	ATIC-LTC-6-NY	1/13/1997	X		413	3	33	188	254	62	540
	ATIC-LTC-6B-NY	5/31/1997	X		169	0	9	56	99	29	193
	ATIC-FQ-LTC-NY	3/4/1998	X		1,495	12	226	615	769	304	1,926
	TOTALS			4	0	2,103	15	269	866	1,139	399
Bankers Life Insurance Company of New York (prev. John Alden)*	NY-5762-P	2/27/1995	X		16	0	4	7	0	0	11
	NY-5762-P(Q)	2/27/1995	X		141	4	26	38	34	6	108
	TOTALS			2	0	157	4	30	45	34	6
Berkshire Life Insurance Company of America	BGO1P(06/04)-NY	6/30/2004	X		448	46	267	317	70	6	706
	BGO2P(06/04)-NY	6/30/2004	X		3	0	0	3	0	0	3
	BGO3P(06/04)-NY	6/30/2004	X		74	12	52	54	4	0	122
	BGO4P(06/04)-NY	6/30/2004	X		0	0	0	0	0	0	0

Insurer	Policy		Type of		No. of Contracts in NY	No. of Persons Covered in NY					TOTAL
	Form Number	Date of New York Approval	Coverage			Age Group at Purchase					
			Individual	Group		Under 45	45-54	55-64	65-74	75 and over	
	BGO5P(06/04)-NY	6/30/2004	X		2	1	2	1	0	0	4
	TOTALS		5	0	527	59	321	375	74	6	835
CIGNA Life Insurance Company of New York (prev. Connecticut General)	TL-001445	4/20/1990		X	8	78	64	35	11	2	190
	TOTALS		0	1	8	78	64	35	11	2	190
Combined Life Insurance Company of New York*	44515	9/8/1998	X		134	5	18	57	46	8	134
	TOTALS		1	0	134	5	18	57	46	8	134
Continental Casualty Company	P1-59806-A31	11/23/1988	X		398	0	61	181	148	8	398
	P1-15203-A31	12/13/1991	X		1,121	7	236	464	359	55	1,121
	P1-16356-A31	12/13/1991	X		52	0	23	29	0	0	52
	SR-LTCP-31	9/16/1992		X	52	3,424	3,202	1,774	436	49	8,885
	P1-18876-A31	5/4/1995	X		241	3	35	84	98	21	241
	P1-18878-A31	5/4/1995	X		4	0	1	2	1	0	4
	P1-21295-A31	5/19/1995	X		451	7	56	194	163	31	451
	P1-21300-A31	5/19/1995	X		869	21	181	386	251	30	869
	P1-21305-A31	5/19/1995	X		17	1	1	8	6	1	17
	P1-N0022-A31	2/28/1997	X		1,090	8	124	438	424	96	1,090
	P1-N0023-A31	2/28/1997	X		3	0	0	1	2	0	3
	P1-N0026-A31	2/28/1997	X		2,359	42	425	1,068	720	104	2,359
	P1-N0027-A31	2/28/1997	X		12	1	6	3	2	0	12

Insurer	Policy		Type of		No. of Contracts in NY	No. of Persons Covered in NY					TOTAL
	Form Number	Date of New York Approval	Coverage			Age Group at Purchase					
			Individual	Group		Under 45	45-54	55-64	65-74	75 and over	
	P1-N0030-A31	2/28/1997	X		31	0	5	10	11	5	31
	P1-N0034-A31	2/11/1997	X		87	1	4	31	36	15	87
	P1-N0075-A31	5/27/1999	X		3	0	0	1	1	1	3
	P1-N0080-A31	5/27/1999	X		15	2	0	5	5	3	15
	P1-N0081-A31	5/27/1999	X		2	0	0	2	0	0	2
	P1-N0085-A31	5/27/1999	X		109	2	16	47	39	5	109
	P1-N0086-A31	5/27/1999	X		2	0	0	0	1	1	2
	P1-N0090-A31	5/27/1999	X		37	2	3	14	14	4	37
	P1-N0091-A31	5/27/1999	X		1	0	0	1	0	0	1
	P1-N0095-A31	5/27/1999	X		576	2	84	254	170	66	576
	P1-N0100-A31	5/27/1999	X		4,255	127	1,107	2,110	829	82	4,255
	P1-N0101-A31	5/27/1999	X		6	0	3	3	0	0	6
	GLTC-3-P-NY-01	3/5/2003		X	1	272	362	285	27	3	949
	TOTALS			24	2	11,794	3,922	5,935	7,395	3,743	580
First United American Life Insurance Company*	NYNH2	1/31/1989	X		13	0	1	5	6	1	13
	NYNH3	1/31/1989	X		91	0	2	31	49	9	91
	TOTALS			2	0	104	0	3	36	55	10
First Unum Life Insurance Company	LTC5092	1/29/1993	X		2	0	0	2	0	0	2
	LTC5192	1/29/1993	X		16	2	7	6	1	0	16
	LTC5292	1/29/1993	X		4	2	2	0	0	0	4
	LTC5392	1/29/1993	X		7	0	2	4	1	0	7

Insurer	Policy		Type of		No. of Contracts in NY	No. of Persons Covered in NY					TOTAL
	Form Number	Date of New York Approval	Coverage			Age Group at Purchase					
			Individual	Group		Under 45	45-54	55-64	65-74	75 and over	
	LTC5492	1/29/1993	X		2	0	2	0	0	0	2
	LTC5592	1/29/1993	X		71	14	10	21	17	9	71
	NH94	12/30/1994	X		1,108	39	224	453	327	65	1,108
	B.LTC	9/4/1997		X	149	5,972	3,153	1,428	190	28	10,771
	NH94FQ	10/23/1997	X		3,639	924	1,235	1,108	304	68	3,639
	NH94Q	10/23/1997	X		17,173	923	4,585	8,012	3,074	579	17,173
	LTCP03	10/21/2003	X		377	17	103	192	53	12	377
	LTCP03F	10/21/2003	X		351	157	115	71	7	1	351
	LTCT03	10/21/2003	X		74	9	23	29	13	0	74
	LTCT03F	10/21/2003	X		70	37	15	14	4	0	70
	RLTCP03	10/21/2003	X		359	14	98	194	45	8	359
	RLTCP03F	10/21/2003	X		108	14	48	39	6	1	108
	GLTC04	2/28/2005		X	31	480	318	202	18	2	1,020
	TOTALS			15	2	23,541	8,604	9,940	11,775	4,060	773
Genworth Life Insurance Company of New York	6667	3/21/1989		X	81	0	2	45	32	2	81
	50100	3/21/1989	X		1133	0	58	496	505	74	1,133
	50107	6/14/1994	X		2393	16	174	859	1135	209	2,393
	51000	1/31/1996	X		232	2	5	61	98	66	232
	50110	5/10/1995	X		2278	11	137	674	1153	303	2,278
	51002	1/31/1996	X		4245	11	229	1357	2005	643	4,245
	51005	11/25/1998	X		11414	130	1443	5168	3742	931	11,414

Insurer	Policy		Type of		No. of Contracts in NY	No. of Persons Covered in NY					TOTAL
	Form Number	Date of New York Approval	Coverage			Age Group at Purchase					
			Individual	Group		Under 45	45-54	55-64	65-74	75 and over	
	51006	12/15/1998	X		533	1	21	135	245	131	533
	51007	9/28/1998	X		145	0	14	51	45	35	145
	51010	1/21/2001	X		1	538	4829	8659	3402	828	18,256
	51012	9/7/2004	X		1	42	325	785	343	52	1,547
	51014	9/7/2004	X		1	102	792	1421	353	16	2,684
	TOTALS			11	1	22,457	853	8,029	19,711	13,058	3,290
Hartford Life Insurance Company*	SRP-1353	1/28/1999		X	21	1	3	11	5	1	21
	TOTALS			0	1	21	1	3	11	5	1
John Hancock Life Insurance Company	LTC-87A	7/30/1987	X		57	0	5	3	24	25	57
	LTC-88A NY	4/15/1988	X		40	3	0	2	15	20	40
	LTC-88B NY	4/15/1988	X		801	9	28	145	386	233	801
	LTC-90-NY	9/7/1990	X		155	4	17	29	67	38	155
	LTC-NY-91	12/31/1991	X		1,291	43	27	173	531	517	1,291
	NH-NY-91	12/31/1991	X		21	3	0	0	5	13	21
	LTC-94 NY	2/24/1994	X		2,711	209	36	376	1,011	1,079	2,711
	NH-94 NY	2/24/1994	X		36	10	0	1	9	16	36
	LTC-96 NY 9/96	1/16/1997	X		12,845	902	280	1,716	5,044	4,903	12,845
	LTC-96CL NY 9/96	1/16/1997	X		17	0	1	7	5	4	17
	LTC-96 NY 5/01	7/5/2001	X		120	2	11	51	49	7	120
	LTC-02 NY	4/19/2002	X		7,744	236	1,746	3,869	1,613	280	7,744
	SG-02 NY	4/19/2002	X		2,689	108	563	1,407	534	77	2,689

Insurer	Policy		Type of		No. of Contracts in NY	No. of Persons Covered in NY					TOTAL
	Form Number	Date of New York Approval	Coverage			Age Group at Purchase					
			Individual	Group		Under 45	45-54	55-64	65-74	75 and over	
	BSC-02 NY	4/19/2002	X		461	5	53	215	135	53	461
	SGB-02 NY	4/19/2002	X		96	3	9	52	25	7	96
	LTC-03 NY	11/14/2003	X		4,811	156	1,026	2,442	1,043	144	4,811
	SG-03 NY	11/14/2003	X		1,288	66	290	648	253	31	1,288
	BSC-03 NY	11/14/2003	X		394	10	57	195	103	29	394
	SGB-03 NY	11/14/2003	X		171	2	30	74	49	16	171
	LTC-06 NY	7/10/2006	X		15	0	5	10	0	0	15
	SG-06 NY	7/10/2006	X		9	2	1	6	0	0	9
	GCB-COV-0001	10/19/1989		X	2	74	45	26	6	1	152
	GPB-COV-002	7/30/1990		X	2	1,456	1,733	1,553	491	23	5,256
	GPB-COV0002.1	6/28/1996		X	29	1,329	1,344	806	172	7	3,658
	P-FACE(2002-2)	10/17/2002		X	26	818	669	492	69	0	2,048
	P-FACE(2004)	2/15/2006		X	1	1	15	8	1	0	25
	Federal LTC Program				X	1	539	1,341	1,419	803	161
TOTALS			21	6	35,833	5,990	9,332	15,725	12,443	7,684	51,174
Knights of Columbus	LTC01-NY 6-99	10/18/2000	X		451	21	115	209	103	3	451
	NHC01-NY 6-99	10/18/2000	X		80	3	18	40	18	1	80
	TOTALS			2	0	531	24	133	249	121	4
Massachusetts Mutual Life Insurance Company	MM-200-P-NY	7/28/2002	X		399	12	152	325	91	7	587
	MM-201-P-NY	7/28/2002	X		4	0	2	3	1	0	6
	MM-203-P-NY	7/28/2002	X		127	23	80	89	19	1	212

Insurer	Policy		Type of		No. of Contracts in NY	No. of Persons Covered in NY					TOTAL
	Form Number	Date of New York Approval	Coverage			Age Group at Purchase					
			Individual	Group		Under 45	45-54	55-64	65-74	75 and over	
	MM-204-P-NY	7/28/2002	X		1	0	0	1	0	0	1
	MM-300-P-NY	3/13/2003	X		660	74	342	484	79	6	985
	MM-301-P-NY	3/13/2003	X		7	0	1	4	1	1	7
	MM-303-P-NY	3/13/2003	X		336	93	235	183	24	4	539
	MM-304-P-NY	3/13/2003	X		1	1	0	0	0	0	1
	MM-400-P-NY	4/8/2005	X		274	17	124	214	41	3	399
	MM-401-P-NY	4/8/2005	X		2	1	1	2	0	0	4
	MM-402-P-NY	4/8/2005	X		121	20	66	104	7	2	199
	MM-403-P-NY	4/8/2005	X		0	0	0	0	0	0	0
	TOTALS		12	0	1,932	241	1,003	1,409	263	24	2,940
MedAmerica Insurance Company of New York	LTC89-CD1	1987	X		47	0	2	28	15	2	47
	LTC89-CD1	1989		X	33	0	1	27	5	0	33
	LTC89-CD2	1989	X		130	15	17	45	44	9	130
	LTC89-CD2	1989		X	410	123	132	113	38	4	410
	LTC89-CD3	1989	X		24	0	0	7	14	3	24
	LTC89-DC3	1989		X	4	0	0	2	2	0	4
	LTC91-CD4-NY	1991	X		2104	17	102	807	1039	139	2,104
	LTC-LBP-NY	1991	X		647	4	41	202	328	72	647
	LTC-CD8-NY	1995	X		277	2	14	97	120	44	277
	LTC-LBP8-NY	1995	X		266	0	5	60	146	55	266
	LTC-CD8-TQ-NY	1997	X		164	4	8	84	54	14	164

Insurer	Policy		Type of		No. of Contracts in NY	No. of Persons Covered in NY					TOTAL	
	Form Number	Date of New York Approval	Coverage			Age Group at Purchase						
			Individual	Group		Under 45	45-54	55-64	65-74	75 and over		
	LTC-LBP8TQ-NY	1997	X		85	0	3	20	55	7	85	
	LTC-CD10-NY	1997	X		1437	38	162	518	544	175	1,437	
	LTC-LBP10-NY	1997	X		197	1	1	27	102	66	197	
	LTQ11-336-NY-998	2000	X		1275	97	265	525	312	76	1,275	
	NTQ11-337-NY-998	2000	X		94	0	0	16	52	26	94	
	HTQ11-338-NY-998	2000	X		631	3	32	191	286	119	631	
	NYG11-342-NY-200	2000		X	2767	451	1131	958	200	27	2,767	
	GRP11-342-NY-999	1999		X	546	208	202	116	20	0	546	
	GRP11-342-NY-601	2001		X	566	184	243	129	10	0	566	
	SPL-336-NY	2004	X		2583	404	807	1003	335	34	2,583	
	GRPSPL-342-NY	2005		X	286	136	96	50	4	0	286	
	TOTALS			15	7	14,573	1,687	3,264	5,025	3,725	872	14,573
	MetLife Insurance Company of Connecticut (prev. Travelers)*	LTC H-371	May-89	X		1	3	10	3	0	0	16
H-LTC2J		1990	X		1	1901	6614	7340	960	204	17019	
H-LTC4JFQ16		Dec-98	X		1	0	3	5	2	0	10	
H-LTC4JQ2		Dec-98	X		1	1125	3178	2071	279	115	6768	
TOTALS			4	0	4	3,029	9,805	9,419	1,241	319	23,813	
Metropolitan Life Insurance Company	1-LTC-97	5/24/1999	X		784	12	162	358	204	48	784	
	2-LTC-97	5/24/1999	X		50	21	3	4	19	3	50	
	LTC-FAC-NY	8/9/2002	X		56	5	13	31	3	4	56	

Insurer	Policy		Type of		No. of Contracts in NY	No. of Persons Covered in NY					TOTAL
	Form Number	Date of New York Approval	Coverage			Age Group at Purchase					
			Individual	Group		Under 45	45-54	55-64	65-74	75 and over	
	LTC-IDEAL-NY	8/9/2002	X		3816	306	1277	1792	407	34	3,816
	LTC-PREM-NY	8/28/2002	X		372	66	148	128	28	2	372
	LTC-VALUE-NY	8/9/2002	X		2597	180	743	1191	420	63	2,597
	LTC2-FAC-NY	7/20/2005	X		11	2	5	2	2	0	11
	LTC2-IDEAL-NY	7/20/2005	X		919	68	256	478	109	8	919
	LTC2-PREM-NY	7/20/2005	X		155	28	45	67	15	0	155
	LTC2-VALUE-NY	7/20/2005	X		949	92	245	421	178	13	949
	G.LTC97	8/31/1998		X	1	28	70	119	18	4	239
	G.LTC297	8/31/1998		X	13	3851	4619	4463	1638	328	14,899
	G.LTC397	8/31/1998		X	5	78	205	249	153	22	707
	G. LTC1797	5/29/1998		X	1009	1	97	407	429	75	1,009
	G. LTC 1497	5/29/1998		X	6202	3	915	2795	2161	328	6,202
	G. LTCAARP2002	3/19/2003		X	134	1	21	89	23	0	134
	GC LTCAARP-04-OPNY/NHO	2/24/2005		X	65	0	2	36	21	6	65
	G LTCAARP-04-OP-NY/COMP	2/24/2005		X	538	3	53	280	192	10	538
	G CLTCAARP-04-MCP	2/24/2005		X	10	0	1	8	1	0	10
	Federal LTC Program			X	0	284	651	676	403	76	2,090
	TOTALS		10	10	17,686	5,029	9,531	13,594	6,424	1,024	35,602
Mutual of Omaha	NH3	12/10/1984	X		15	0	0	0	9	6	15
	NH11	1/28/1988	X		27	0	3	16	7	1	27
	NH27	2/3/1989	X		58	6	8	18	24	2	58

Insurer	Policy		Type of		No. of Contracts in NY	No. of Persons Covered in NY					TOTAL
	Form Number	Date of New York Approval	Coverage			Age Group at Purchase					
			Individual	Group		Under 45	45-54	55-64	65-74	75 and over	
	NH28	2/3/1989	X		28	1	2	9	16	0	28
	LTC12	4/28/1993	X		137	1	9	55	68	4	137
	LTC17	4/28/1993	X		61	5	11	32	12	1	61
	LTI12	4/28/1993	X		4	0	0	2	2	0	4
	LTM12	4/28/1993	X		10	1	2	3	4	0	10
	NH50	4/17/1998	X		17	1	1	6	7	2	17
	LT50	5/12/1998	X		298	11	50	103	113	21	298
	HCA	6/22/2000	X		40	1	9	13	12	5	40
	HCAQ	6/22/2000	X		121	4	16	33	49	19	121
	LTA	6/22/2000	X		28	0	6	14	8	0	28
	LTAQ	6/22/2000	X		217	11	67	105	30	4	217
	NHA	6/22/2000	X		70	2	18	28	19	3	70
	NHAQ	6/22/2000	X		376	9	98	182	64	23	376
	LTC04	1/27/2005	X		179	3	41	88	42	5	179
	TOTALS			17	0	1,686	56	341	707	486	96
New York Life Insurance Company	21073(NY)										
	21084(NY)	5/15/1995	X		95	0	2	44	36	13	95
	G-6601	6/14/1996		X		2	0	0	2	0	4
	G-9065	12/16/1998		X		4	14	28	35	2	83
	INH-4300 (NY)(0197)										
	ILTC-4300 (NY) (0197)	2/11/1998	X		3,713	536	1,257	1,199	622	99	3,713

Insurer	Policy		Type of		No. of Contracts in NY	No. of Persons Covered in NY					TOTAL								
	Form Number	Date of New York Approval	Coverage			Age Group at Purchase													
			Individual	Group		Under 45	45-54	55-64	65-74	75 and over									
	INH-5000 (NY) (1001)	12/20/2002	X		2,348	396	733	714	251	28	2,122								
	ILTC-5000 (NY)(1001)																		
	TOTALS											3	2	6,156	938	2,006	1,985	946	142
Northwestern Long Term Care Insurance Company	RS.LTC.(1101)	10/29/2001	X		2,648	380	880	1074	282	32	2,648								
	RS.LTC.ML.(1101)	8/22/2002																	
	TOTALS	1										0	2,648	380	880	1,074	282	32	2,648
Prudential Insurance Company of America	83500 LTCR 8002	6/30/1993	X		1	1,636	535	242	115	0	2,528								
	83500 LTCR200	10/4/1995																	
	83500 LTC U 2001	10/4/1995																	
	83500 GR1045	6/30/1998																	
	83500 COV 1004	7/6/1999																	
	83500 COV 1004	12/1/2000										X	18	656	601	333	87	0	1,677
	GRP 99210	6/10/1999										X	2,825	285	777	1,123	557	83	2,825
	GRP 99211																		
	GRP 99212																		
	83500 BFW 5005	5/29/2002										X	19	3,263	3,672	2,785	632	0	10,352
	GRP 112552	9/3/2003										X	1,875	128	550	818	333	46	1,875
	GRP 112622	9/3/2003										X	77	31	8	25	13	0	77
	GRP 113141	10/18/2006										X	0	0	0	0	0	0	0
TOTALS		4	3	4,815	5,999	6,143	5,326	1,737	129	19,334									

Insurer	Policy		Type of		No. of Contracts in NY	No. of Persons Covered in NY					TOTAL
	Form Number	Date of New York Approval	Coverage			Age Group at Purchase					
			Individual	Group		Under 45	45-54	55-64	65-74	75 and over	
River Source Life Insurance Co. of NY	38240	10/20/1989	X		736	0	40	376	277	43	736
	38240C	12/31/1991	X		742	0	48	389	277	28	742
	38225	8/31/1994	X		4,017	75	950	1,939	920	133	4,017
	38260A	11/10/1999	X		2,732	62	778	1,252	554	86	2,732
	TOTALS			4	0	8,227	137	1,816	3,956	2,028	290
State Farm Mutual Automobile Insurance Company	97045NY.1	1/1/1998	X		614	109	152	225	111	17	614
	97045NY.2	5/8/2001	X		109	24	29	35	17	4	109
	97058NY	12/31/2001	X		584	159	143	212	62	8	584
	97059NY	9/21/2005	X		60	17	21	21	1	0	60
	TOTALS			4	0	1,367	309	345	493	191	29
TIAA-Cref Life Insurance Company*, and Teachers Insurance Annuity Association of America*	LTC.02	12/23/1991	X		1385	18	80	422	643	222	1,385
	LTC03	3/31/1999	X		2170	12	145	799	961	253	2,170
	LTC.04	3/21/2000	X		1969	39	223	909	692	106	1,969
	TOTALS			3	0	5,524	69	448	2,130	2,296	581
Thrivent Financial for Lutherans* (prev. Aid Association for Lutherans)	12106 NY	12/28/1998	X		52	1	4	23	23	1	52
	12105 NY	12/28/1998	X		270	5	72	114	73	6	270
	TOTALS			2	0	322	6	76	137	96	7
Transamerica Financial Life Insurance	GCPLUS 1290	12/7/1995	X			0	1	2	0	0	3
	NLTCP TQ LTC FR	7/26/2001	X			0	7	14	4	1	26

Insurer	Policy		Type of		No. of Contracts in NY	No. of Persons Covered in NY					TOTAL
	Form Number	Date of New York Approval	Coverage			Age Group at Purchase					
			Individual	Group		Under 45	45-54	55-64	65-74	75 and over	
Company (including AUSA)	P-0001 (NY-F)	3/30/2001	X			0	7	29	8	3	47
	TGENTQ	4/5/2001	X			2	15	34	15	7	73
	TOTALS			4	0	0	2	30	79	27	11
Union Security Life Insurance Company (prev. First Fortis)*	4062-NY	10/8/1998	X		205	1	22	76	75	31	205
	4063-NY	10/8/1998	X		3,062	20	475	1,644	835	88	3,062
	TOTALS			2	0	3,267	21	497	1,720	910	119
NON-PARTNERSHIP TOTALS			208	36	171,364	38,554	71,525	105,295	58,233	17,949	291,556
* Not currently marketing non-Partnership policies in New York State.											

**Number of Partnership Long Term Care Policies In-force
in New York State As of December 31, 2006**

Insurer	Policy		Type of		No. of Contracts in NY	No. of Persons Covered in NY					TOTAL
	Form Number	Date of New York Approval	Coverage			Age Group at Purchase					
			Individual	Group		Under 45	45-54	55-64	65-74	75 and over	
American Family Life Assurance of New York*	NY-23000	12/2/1994	X		4	0	1	1	1	1	4
	TOTALS		1	0	4	0	1	1	1	1	4
American Progressive Life and Health Insurance Company of NY*	APRLTCP (11/99) NY	11/1/1999	X		112	0	9	24	58	21	112
	TOTALS		1	0	112	0	9	24	58	21	112
Bankers Consec Life Insurance Company (prev. Consec)	ATIC-RWJ-NY	10/7/1996	X		1,003	5	82	678	497	98	1,360
	TOTALS		1	0	1,003	5	82	678	497	98	1,360
Bankers Life Insurance Company of New York (prev. John Alden)*	N-2500-P	2/18/1994	X		4	0	1	2	1	0	4
	N-2500-P(Q)	2/18/1994	X		361	12	71	164	111	12	370
	TOTALS		2	0	365	12	72	166	112	12	374
Continental Casualty Company (CNA)	P1-18584-A31	3/23/1993	X		2,192	16	181	802	960	233	2,192
	P1-18585-A31	3/23/1993	X		72	0	14	33	24	1	72
	SR-LTCP-31	1/1/1994		X	4	105	250	169	54	6	584
	P1-N0041-A31	7/29/1997	X		4,597	68	608	2,036	1,599	286	4,597
	P1-N0042-A31	7/29/1997	X		35	0	1	21	13	0	35
	TOTALS		4	1	6,900	189	1,054	3,061	2,650	526	7,480
Genworth Life Insurance Company of New York (prev. GE Capital Life Assurance)	50109	3/30/1993	X		1315	2	58	493	629	133	1,315
	51001	1/20/1996	X		1323	1	89	509	565	159	1,323

Insurer	Policy		Type of		No. of Contracts in NY	No. of Persons Covered in NY					TOTAL
	Form Number	Date of New York Approval	Coverage			Age Group at Purchase					
			Individual	Group		Under 45	45-54	55-64	65-74	75 and over	
Co. of NY)	51011	8/31/2001	X		7189	190	1927	3979	1001	92	7,189
	51013	9/7/2004	X		3461	93	968	1995	389	16	3,461
	51015	6/8/2006	X		3	0	0	2	1	0	3
	TOTALS			5	0	13,291	286	3,042	6,978	2,585	400
John Hancock Life Insurance Company	LTC-91-NY-RWJ 3/95	3/25/1993	X		1,695	95	8	86	601	905	1,695
	LTC-96RWJ2 NY 9/97	3/20/1998			10,260	454	753	3,077	3,784	2,192	10,260
	LTC-96RWJ3 NY 9/97		X								
	LTC-96RWJ2 NY 4/99	7/5/2001			649	39	3	68	339	200	649
	LTC-96RWJ3 NY 4/99		X								
	NYP-05	2/9/2006	X		11	0	3	7	1	0	11
TOTALS			4	0	12,615	588	767	3,238	4,725	3,297	12,615
Massachusetts Mutual Life Insurance Company*	MM-202-P-NY	7/28/2002	X		42	2	17	31	11	1	62
	MM-205-P-NY	7/28/2002	X		4	0	2	3	2	0	7
	MM-302-P-NY	3/13/2003	X		6	0	2	8	0	0	10
	TOTALS			3	0	52	2	21	42	13	1
MedAmerica Insurance Company of New York	LTC-CD6-NY	1987	X		951	10	46	371	423	101	951
	LTC-CD6TQ-NY	1997	X		1572	7	121	689	674	81	1,572
	PRT11-336-NY-998	2001	X		3004	105	504	1376	850	169	3,004
	PGR11-342-NY-900	2001		X	12	1	4	7	0	0	12
	NYP11-342-NY-200	2000		X	1011	120	385	373	112	21	1,011

Insurer	Policy		Type of		No. of Contracts in NY	No. of Persons Covered in NY					TOTAL
	Form Number	Date of New York Approval	Coverage			Age Group at Purchase					
			Individual	Group		Under 45	45-54	55-64	65-74	75 and over	
	PRT11-336-NY-305	2006	X		39	2	12	16	8	1	39
	TOTALS		4	2	6,589	245	1,072	2,832	2,067	373	6,589
MetLife Insurance Company of Connecticut (prev. Travelers)*	H-NYLC3J	Mar-93	X		1	205	1263	1482	140	7	3097
	H-NYLC3JQ	Mar-93	X		1	143	789	743	93	10	1778
	H-LC4JQ	Dec-98	X		1	271	1152	682	40	19	2164
	TOTALS		3	0	3	619	3,204	2,907	273	36	7,039
Metropolitan Life Insurance Company	LTC-VAL-NYP	12/16/2002	X		2,533	116	624	1,409	358	26	2,533
	LTC2-DD100-NYP	10/31/2005	X		17	0	2	14	1	0	17
	LTC2-DD50-NYP	10/31/2005	X		28	1	1	9	16	1	28
	LTC2-TD100-NYP	10/31/2005	X		306	21	84	173	27	1	306
	LTC2-TD50-NYP	10/31/2005	X		443	10	86	267	73	7	443
	1-LTC-97-NYP	8/31/2001	X		148	3	21	75	41	8	148
	G.24185	6/04/1993		X	1	25	97	241	143	19	525
	TOTALS		6	1	3,476	176	915	2,188	659	62	4,000
Mutual of Omaha Insurance Company*	LTC20	10/26/1993	X		101	3	14	44	39	1	101
	LTC23	10/26/1993	X		3	0	0	1	2	0	3
	LTM20	10/26/1993	X		5	0	2	2	1	0	5
	TOTALS		3	0	109	3	16	47	42	1	109
New York Life Insurance Company	21050RWJ	5/15/1995	X		56	1	10	24	19	2	56
	21050 50TAP (0105)	3/20/2006	X		6	0	0	4	2	0	6
	21050 100TAP (0105)	3/20/2006	X		8	3	2	3	0	0	8

Insurer	Policy		Type of		No. of Contracts in NY	No. of Persons Covered in NY					TOTAL
	Form Number	Date of New York Approval	Coverage			Age Group at Purchase					
			Individual	Group		Under 45	45-54	55-64	65-74	75 and over	
	21050 50DDAP (0105)	3/20/2006	X		0	0	0	0	0	0	0
	21050 100DDAP (0105)	3/20/2006	X		0	0	0	0	0	0	0
	TOTALS			5	0	70	4	12	31	21	2
Prudential Insurance Company of America	83500 PLTC 9001										
	83500 LTCR 8003	11/14/1995		X	1	2	2	0	1	0	5
	GRP 99865	11/27/2001	X		130	1	23	73	28	5	130
	TOTALS			1	1	131	3	25	73	29	5
TIAA-Cref Life Insurance Company* and Teachers Insurance Annuity Association of America*	RWJ.01	2/25/1994	X		239	1	9	64	125	40	239
	TOTALS			1	0	239	1	9	64	125	40
Transamerica Financial Life Insurance Company*	LTC 304-198-NYP	3/11/2002				0	9	8	4	1	22
	TOTALS			0	0	0	0	9	8	4	1
Union Security Life Insurance Company (prev. First Fortis)*	4051-NY	9/24/1998	X		1,997	14	183	1,015	654	131	1,997
	TOTALS			1	0	1,997	14	183	1,015	654	131
PARTNERSHIP TOTALS			45	5	46,956	2,147	10,493	23,353	14,515	5,007	55,515
* Not currently marketing Partnership policies in New York State.											
GRAND TOTALS			253	41	218,320	40,701	82,018	128,648	72,748	22,956	347,071

APPENDIX 2

TOTAL IN-FORCE LONG TERM CARE POLICIES WITH MARKET SHARE

As of December 31, 2006

Insurer	Non-Partnership	Partnership	Total Insureds	% of Market
Aetna Life Insurance Company*	2,731	4	2,735	0.8%
Allianz Life Insurance Co. of New York	260		260	0.1%
American Family Life Assur. of NY	236		236	0.1%
American Independent Network Ins.	2,034		2,034	0.6%
American International Life Assurance*	595		595	0.2%
American Progressive Life and Health*	2,767	112	2,879	0.8%
Bankers Consecro (<i>prev. Consecro</i>)	2,688	1,360	4,048	1.2%
Bankers Life* (<i>prev. John Alden</i>)	119	374	493	0.1%
Berkshire Life Ins. Co.of America*	835		835	0.2%
CIGNA Life (<i>prev. Conn. General</i>)	190		190	0.1%
Combined Life Insurance Co. of NY*	134		134	0.0%
Continental Casualty Company	21,575	7,480	29,055	8.4%
First United American*	104		104	0.0%
First Unum Life Insurance Company	35,152		35,152	10.1%
Genworth Life Insurance Co.of NY	44,941	13,291	58,232	16.8%
Hartford Life Insurance Company*	21		21	0.0%
John Hancock Life Insurance Co.	51,174	12,615	63,789	18.4%
Knights of Columbus	531		531	0.2%
Massachusetts Mutual Life Ins. Co.	2,940	79	3,019	0.9%
MedAmerica Insurance Co.of NY	14,573	6,589	21,162	6.1%
MetLife Ins. Co.of CT* (<i>prev. Travelers</i>)	23,813	7,039	30,852	8.9%
Metropolitan Life Insurance Company	35,602	4,000	39,602	11.4%
Mutual of Omaha	1,686	109	1,795	0.5%
New York Life Insurance Company	6,017	70	6,087	1.8%
Northwestern Long Term Care Ins. Co.	2,648		2,648	0.8%
Prudential Insurance Co.of America	19,334	135	19,469	5.6%
RiverSource Life Ins.of NY* (<i>prev. IDS</i>)	8,227		8,227	2.4%
State Farm Mutual Autom. Ins. Co.	1,367		1,367	0.4%
TIAA-Cref Life* and TIAA of America	5,524	239	5,763	1.7%
Thrivent Financial* (<i>prev. Aid Assn</i>)	322		322	0.1%
Transamerica Financial (<i>incl.AUSA</i>)	149	22	171	0.0%
Union Security Life* (<i>prev. First Fortis</i>)	3,267	1,997	5,264	1.5%
GRAND TOTALS	291,556	55,515	347,071	100.0%

* Not currently marketing in New York