

2023 HOUSE INDUSTRY, BUSINESS AND LABOR

HB 1516

2023 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee
Room JW327C, State Capitol

HB 1516
2/1/2023

Relating to definitions relating to long-term care insurance.

Chairman Louser called to order 8:01 AM

Members Present: Chairman Louser, Vice Chairman Ostlie, Representatives Boschee, Christy, Dakane, Johnson, Kasper, Koppelman, Ruby, Schauer, Thomas, Tveit, Wagner, Warrey.

Discussion Topics:

- Lapse rate
- Age of policies
- Mortality rate
- Companies in ND market
- Premium structure
- Fixed or variable rates

In favor:

Representative Robin Weisz, District 14, Primary bill sponsor on behalf of the Insurance Department (no written testimony).

Chrystal Bartuska, Life/Health Director, ND Insurance Department, #18278

Opposed:

Jan Graeber, American Council of Life Insurers, #18358

Jack McDonald, representing America's Health Insurance Plans, (no written testimony)

Chairman Louser adjourned the meeting 8:53 AM

Diane Lillis, Committee Clerk

2023 HOUSE STANDING COMMITTEE MINUTES

Industry, Business and Labor Committee
Room JW327C, State Capitol

HB 1516
2/8/2023

Relating to definitions relating to long-term care insurance.

Chairman Louser called to order 10:55 AM

Members Present: Chairman Louser, Vice Chairman Ostlie, Representatives Boschee, Christy, Dakane, Johnson, Kasper, Koppelman, Ruby, Schauer, Thomas, Tveit, Wagner, Warrey.

Discussion Topics:

- Committee action

Jon Godfread, Commissioner, ND Insurance Department (no written testimony) available to answer questions.

Representative Thomas moved for a Do Not Pass

Representative Warrey Second.

Roll call vote:

Representatives	Vote
Representative Scott Louser	Y
Representative Mitch Ostlie	Y
Representative Josh Boschee	Y
Representative Josh Christy	Y
Representative Hamida Dakane	N
Representative Jorin Johnson	Y
Representative Jim Kasper	Y
Representative Ben Koppelman	Y
Representative Dan Ruby	Y
Representative Austen Schauer	Y
Representative Paul J. Thomas	Y
Representative Bill Tveit	Y
Representative Scott Wagner	Y
Representative Jonathan Warrey	Y

Motion passed 13-1-0 Representative Christy will carry the bill.

Chairman Louser adjourned the meeting 10:57 AM

Diane Lillis, Committee Clerk

REPORT OF STANDING COMMITTEE

HB 1516: Industry, Business and Labor Committee (Rep. Louser, Chairman)
recommends **DO NOT PASS** (13 YEAS, 1 NAY, 0 ABSENT AND NOT VOTING). HB
1516 was placed on the Eleventh order on the calendar.

TESTIMONY

HB 1516

HOUSE BILL 1516

Presented by: **Chrystal Bartuska**
 Life/Health Division Director
 North Dakota Insurance Department

Before: **House Industry, Business and Labor Committee**
 Representative Louser, Chairman

Date: **February 1, 2023**

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

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

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

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

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

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

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

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



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

House Committee Industry, Business and Labor

Public Hearing on House Bill 1516

An Act Concerning Long-Term Care Insurance Pricing Methodology

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

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

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

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

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

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

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

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

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

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