



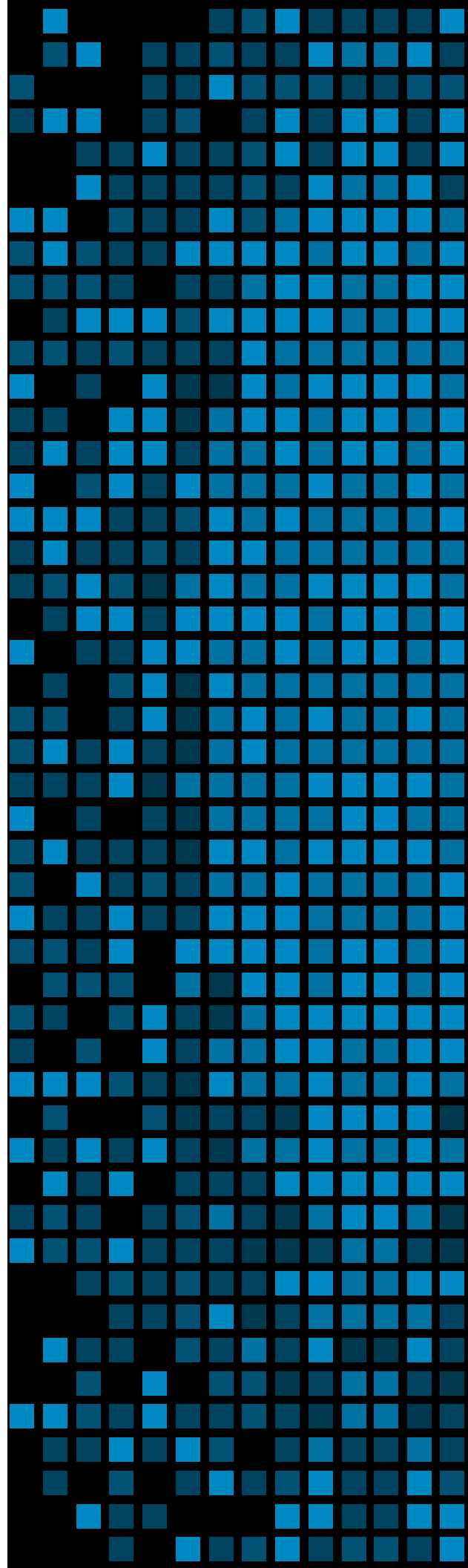
CENTER FOR INSURANCE
POLICY AND RESEARCH

Evaluating Preferences for Reduced Benefit Options in **Long-Term Care Insurance (LTCI)**

Insights from a Choice
Experiment and Interview Data

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Evaluating Preferences for Reduced Benefit Options in Long-Term Care Insurance (LTCI): Insights from a Choice Experiment and Interview Data

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Update 5/21/2025

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Acknowledgments

The research team would like to acknowledge the following individuals for their expertise and support in developing some of the materials (the premium increase notice and the context) for this research.

Shannen Logue, Deputy Commissioner of Product Regulation, Pennsylvania

David Torian, Counsel and Health Policy Analyst, NAIC

Anna Van Fleet, Director of Rates and Forms – Life and Health, Vermont

David Yetter, Actuary, North Carolina

Disclaimer

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Executive Summary

Legacy long-term care insurance (LTCI) policyholders have faced significant premium increases since the early to mid-2000s. Many have been offered reduced benefit options (RBOs) as a way to offset at least part of the premium increases. The current research seeks to understand the factors that influence individuals' choices when offered RBOs.

The research consisted of an online choice experiment and interviews. In the experiment, participants were given a premium increase notice that included five RBOs and asked to choose whether to accept the increase or choose an RBO. In addition, there were two different versions of the premium increase notice, both in the form of a letter – one that followed some of the National Association of Insurance Commissioners' (NAIC) guidelines for such insurer communications and one that did not. A second experimental treatment told respondents to assume a prior rate increase.

The survey data from the experiment revealed several key insights regarding participants' choices and the effectiveness of the NAIC guidelines for insurance communications:

Premium Payment Preferences:

- Overall, participants were generally more inclined to accept a premium increase than to choose an RBO.
- Those who were asked to assume a prior rate increase were more likely to accept the premium increase and less likely to choose an RBO.
- Women were less likely to accept a premium increase and more likely to choose the contingent nonforfeiture option.
- Participants with more financial knowledge were more likely to accept the premium increase or choose the contingent nonforfeiture option, and less likely to select any of the other reduced benefit options.
- Participants who believe they will need long-term care were more likely to accept a premium increase.
- Participants with more savings/investment accounts were less likely to choose a reduced benefit option.

Effectiveness of the NAIC Guidelines:

- The letter that adhered to the NAIC guidelines was rated as slightly clearer and easier to read than the letter that followed the guidelines less closely.
- Participants who found the letters clear and easy to read were more likely to accept a premium increase.
- Despite these findings, there was little evidence that following the NAIC guidelines significantly improved perceptions of the clarity or tone of the communication.

Communication Clarity:

- Many participants did not have strong opinions about the tone, clarity, or ease of reading either letter.
- The survey highlighted the importance of clear, jargon-free communication, as confusing language is common in insurance communications.
- Perceived clarity of the letter and the presentation of the RBOs were associated with a greater likelihood of accepting a premium increase and reduced chances of selecting an RBO.
- Participants who found the letter less empathetic and fair were more likely to choose the contingent nonforfeiture option.

Impact of Financial Knowledge, Risk Tolerance and Behavioral Control:

- Participants with more financial knowledge, those who anticipated needing long-term care, and those who were more risk tolerant were more likely to accept a premium increase.
- Participants who felt they had more behavioral control were more likely to accept the premium increase and least likely to select an RBO.

Gender Differences:

- Gender consistently influenced decision-making, with women viewing LTCI decisions differently from men, potentially due to differences in access to financial advisors and life expectancy.

Recommendations:

The findings underscore the need for clearer, more accessible communication in insurance documents and the importance of providing adequate support and education to policyholders. Recommended actions include:

- Provide policyholders with access to trained LTCI specialists to assist in decision-making.
- Improve consumer education about LTCI and RBOs to facilitate better financial and care planning.
- Enhance the NAIC guidelines to focus more on plain language, reducing ambiguity, and making communications more engaging and direct.
- Use automated readability tests to evaluate the clarity of insurance communications.

Introduction

The US population is aging at an unprecedented rate, with the number of adults aged 65 and older expected to more than double in the next 40 years (reaching 80 million in 2040) (Urban Institute, n.d.). Furthermore, the population of those age 85 and older, who are most likely to need long-term care assistance, is expected to quadruple between 2000 and 2040 (Urban Institute, n.d.). This assistance may be provided in residential facilities like nursing homes or assisted living facilities, in individuals' homes, or in other settings by paid or unpaid caregivers. Recent estimates indicate that a 65-year-old has a 70% chance of developing a need for long-term support services (LTSS) at some point in their lifetime (Johnson, 2019). However, this estimate does not account for the variation that is inherent in the duration and type of care and support that may be needed. Support services can be relatively expensive with estimates for paid care in residential nursing homes ranging from \$6,844 per month for a semi-private room to \$7,698 a month for a private room (LongTermCare.gov, 2020). One way for individuals to manage the substantial cost and inherent uncertainties of the cost and usage of LTSS is by purchasing LTCI.¹

The LTCI market has evolved since its introduction sometime in the 1960s. Following a period of rapid growth during the mid- to late 1980s and 1990s, the industry has more

¹ The NAIC Long-term Care Insurance Topics page <https://content.naic.org/insurance-topics/long-term-care-insurance>.

recently faced a substantial reduction, marked by declines in both sales² and the number of insurers in the traditional market (Cude et al., 2022; Mnuchin & Faulkender, 2020).³

In addition, longer lifespans leading to longer than anticipated claim periods, increasing care costs, and underpriced legacy policies present challenges for insurers and state insurance regulators to ensure the financial solvency⁴ of companies offering LTCI coverage (Belbase et al., 2021; Brau & Lippi Bruni, 2008).

One avenue traditional LTCI insurers have pursued to remediate pricing and financial issues of their legacy products is to issue LTCI premium increases to their existing policyholders without changing benefits and/or coverages. As a consequence, ongoing LTCI policy premium increases have resulted in significantly higher premiums for legacy policyholders. Reports indicate that premium increases of 80% and even more than 100% are not uncommon (Cude et al., 2022). Some policyholders have received multiple premium increase notices or notices that indicate both a current and future increase (Cude et al., 2022). These higher premiums may be unsustainable for consumers. However, some legacy policyholders may have no alternative if they want to maintain a LTCI policy, as their

² NAIC The State of Long-Term Care Insurance: The Market, Challenges and Future Innovations
<https://naic.soutrnglobal.net/Portal/Public/enGB/DownloadImageFile.ashx?objectId=7558&ownerType=0&ownerId=24142>

AHIP Long-Term Care Insurance Coverage: State-to-State 2025

https://ahiporgproduction.s3.amazonaws.com/documents/AHIP_LTC_State_Data_Report.pdf

³ While the traditional LTCI market has declined in premium and become more concentrated, the same does not hold for the newer hybrid LTCI policies being sold. Hybrid policies such as a life insurance policy with a LTCI rider have gone from just over 300,000 policies in force in 2015 to over 600,000 policies in 2021

<https://www.aaltci.org/long-term-care-insurance/learning-center/lcfacts-2021.php>

⁴ Financial solvency of a LTCI insurer refers to their ability to pay claims based on their financial assets and reserves on hand. When premiums coming in do not meet incurred claims and paid out, insurers use their reserves to pay claims. When these reserves are depleted, insurers face the risk of insolvency.

health may prevent them from buying a replacement policy. Even if they qualify for one, the premium may be as untenable as paying a higher premium on their existing policy.

Another avenue that traditional LTCI insurers have pursued to remediate pricing and financial issues of their legacy products as well as to address LTCI policyholders' affordability concerns is to offer an alternative to a premium increase -- reducing their policy benefits. That is, in lieu of paying the higher premium on their existing policy, consumers can choose from a suite of reduced benefit options (RBOs) that insurers offer. The NAIC's (NAIC, 2017) *Long-Term Care Insurance Model Regulation* (Model #641) states that at least one of the options must be either a reduction in the maximum benefit or a reduction in the daily, weekly, or monthly benefit amount. An NAIC document, *Reduced Benefit Options Associated with Long-term Care Insurance (LTCI) Rate Increases* (NAIC, 2020) described the other most common reduced benefit options as:

- Reduce inflation protection going forward, while preserving accumulated inflation protection.
- Increase the elimination period.
- Choose the contingent nonforfeiture benefit, in which the future claim amount can be no more than the sum of past premiums paid minus any claims already paid.

Choosing an RBO may help a policyholder avoid at least some of the projected premium increase, although their premium may still be higher than it is currently. Choosing an RBO means owning a policy with less generous benefits and/or coverages. Thus, the

decision to accept a premium increase or choose an RBO is likely to be a difficult one for many LTCI policyholders faced with this choice.

As insurers' requests for significant rate increases accelerated in the 2000s and 2010s, the NAIC amended Model #641 (in 2006 and again in 2017) and in 2019 formed an executive task force with six workstreams to discuss a variety of LTCI regulatory initiatives. One of the six workstreams, the RBO Workstream, put forward principles and guidelines for state insurance department staff to use when reviewing insurer communication to policyholders about rate increases.⁵ The guidelines and principles were developed to ensure that LTCI policyholders have a maximized opportunity to make reduced benefit decisions that are in their best interest. However, little is known about the factors that influence the choice that consumers make about their LTCI policies when they face a substantial premium increase coupled with RBOs. Understanding the influence of these factors is important given the complexity of the changing LTCI market, the frequent and often large premium increases, and the newly developed guidelines for evaluating communication about premium increases. Therefore, the focus of this research is to understand which factors impact consumer choice in this RBO context and, specifically, how to better understand their influence on a consumer's choice to accept a premium increase or choose an RBO. We accomplish this through the design and implementation of an online experimental survey.

⁵ LTCI RBO Communication Checklist [https://content.naic.org/sites/default/files/inline-files/LTC\(EX\)TF_RBO_Communication_Checklist_11.19.21%20final.docx](https://content.naic.org/sites/default/files/inline-files/LTC(EX)TF_RBO_Communication_Checklist_11.19.21%20final.docx)

The existing research, which is reviewed in the next section, points to several important factors that should be considered when examining the decisions that consumers make regarding financial products and services.

Literature Review

Long-term Care Insurance Research

While there is substantial research on long-term care insurance (LTCI), we did not discover any academic research directly examining consumer response to reduced benefit options (RBOs). Research on long-term care and insurance indicates that approximately 70% of adults 65 and older are expected to develop severe long-term care needs, such as difficulty with two or more daily activities, severe cognitive impairment, or receiving paid or unpaid long-term care support services (Johnson, 2019). Furthermore, 60% will need long-term care for two years or more (Johnson, 2019). Despite the significant need among the aging population for LTSS, research consistently shows that the demand for LTCI has remained relatively low (Akaichi et al., 2019; Altaire et al., 2016; Brau & Lippi Bruni, 2008; Chandoevrit & Wasi, 2020; Coe et al., 2015). However, collectively, the findings suggest that demographic variables such as age, education, ethnicity, gender, income, and assets influence the need for long-term care and should be incorporated into models that examine LTCI choices.

Numerous popular media outlets and industry reports analyze the options that consumers can employ to manage significant LTCI premium increases. Only a few of these sources provide insights into the ways in which consumers use these options, and much of

the data remains confidential and has not been disclosed. However, one report from the American Association for Long-Term Care Insurance (AALTCI, 2022) states that between 50% and 60% of legacy LTCI policyholders elect to pay the premium increase so they can maintain the policy terms. Additionally, 20% to 30% accept an offer to change one or more of their policy benefits to maintain or even lower their premium, and 10% to 20% elect a contingent nonforfeiture option (i.e., pay nothing more but keep what they paid in).

In lieu of an extensive body of previous research to identify explanatory factors for RBO choice, we turned to the theory of planned behavior (TPB) to guide our research design. The theory of planned behavior is a widely used framework that investigates the psychological factors influencing risk-related behavior and decision-making (Armitage & Conner, 2001; Hagger et al., 2022; Kranzler et al., 2020; La Barbera & Ajzen, 2020). The theory contends that the best predictor of behavior is a person's behavioral intentions (Ajzen, 1991; Fishbein & Ajzen, 1975). However, several factors influence an individual's behavioral intentions. The TPB suggests these factors are perceived behavioral control (the level of control that an individual believes they have over their behavior), attitudes toward the behavior, and subjective norms (what similar others might do) (Ajzen, 1991). Previous research demonstrates the effectiveness of this theoretical framework in guiding decision-making studies. In addition to the factors suggested by the TPB and from the LTCI literature referenced above (age, etc.), our research model includes individual perceptions of the likelihood of needing LTSS (their risk perception), their risk tolerance, and their financial knowledge as influences on their response to being offered RBOs in lieu of a premium

increase. Next, we turn to an overview of the literature on risk perception and risk tolerance as well as financial knowledge.

Risk Perception and Risk Tolerance

Risk perception and risk tolerance are related but distinct concepts, and both play important roles in risk management and decision-making. Risk perception is typically defined as the subjective judgment that an individual makes about the characteristics and severity of a risk. Risk tolerance is defined as the degree to which an individual is comfortable with accepting risk. Therefore, research examining financial decisions, such as choosing insurance products and services, should include measures of both risk perception and risk tolerance.

Applied research on risk perception encompasses a wide range of topics and phenomena, including health-related risks, climate change, and natural disasters (Goerlandt et al., 2021). Although the research is broad in its application, a common thread runs through it. Overall, research on public risk perception highlights the importance of examining an individual's perceptions of both the vulnerability and the severity of the risk. Health-related risk perceptions see an individual's beliefs or feelings about the likelihood of experiencing a particular disease or health issue (Ferrer et al., 2018). Furthermore, risk perceptions play a prominent role in health behavior theories and are often a key predictor in taking protective action (Brewer et al., 2007; Ferrer et al., 2018; Floyd et al., 2000). Therefore, it is important to evaluate an individual's perceived need for LTSS to assess the unique impact of risk perceptions on decision-making.

Decisions that involve risk and uncertainty, such as choosing financial products like insurance, are often based on an individual's risk tolerance. Psychological risk tolerance can be defined as the degree to which an individual is willing to engage in an outcome that is uncertain or potentially negative (Blais & Weber, 2006; Chang et al., 2004). Risk tolerance varies both at the individual level and across different risk domains (ethical, financial, health/safety, recreational, and social) (Blais & Weber, 2006). Moreover, research specifically in financial risk tolerance asserts that older individuals may be less risk tolerant than younger people. Older individuals may perceive that they have less time to recover from losses, making them more risk-averse (Grable & Lytton, 2003). Researchers also have identified a pattern in risk tolerance, such that it increases with age and then decreases (Sung & Hanna, 1996). Sung and Hanna (1996) suggested that financial risk tolerance decreases after age 45 and that those 75 and older are the least likely to take risks. Research in risk tolerance indicates that age, risk domain, race, education, and financial literacy play an important role in assessing risk tolerance (Kwak & Grable, 2024).

Financial Knowledge

Financial knowledge is essential for consumers to effectively manage the complexities of LTCI, particularly in the context of substantial premium increases. Consumers with a robust comprehension of financial principles are more proficient at evaluating the costs and benefits of financial products, leading to more informed decision-making (Collins, 2021; Lusardi & Mitchell, 2014; Mnuchin & Faulkender, 2020). This proficiency helps them to make more reasoned choices when deciding to retain or modify their LTCI plans. This is especially vital when evaluating RBOs, which enable policyholders

to address escalating expenses by altering coverage elements such as daily benefits, benefit durations, or inflation protections. Evaluating options necessitates that legacy policyholders assess the potential effects of such modifications on their long-term financial stability and care requirements, highlighting the significance of financial literacy in the proper management of LTCI.

Navigating reduced benefit options (RBOs) effectively demands both objective financial knowledge—encompassing comprehension of insurance terminology, cost structures, and the ramifications of diminished coverage—and the assurance to make judgments under uncertainty. Studies indicate that consumers with elevated financial literacy are more adept at weighing cost-saving strategies against associated risks, enabling them to sustain sufficient coverage while controlling expenditures (Brown & Goolsbee, 2002; Giné & Yang, 2009; Hubbard, 2024; Kopplin, 2024). For numerous policyholders, selecting RBOs can signify maintaining a degree of financial security without encountering unmanageable premium increases. Nevertheless, lacking sufficient financial knowledge, consumers may undervalue the long-term consequences of diminishing benefits, which could result in inadequate coverage when care becomes necessary.

Methodology

The primary goal of the research is to better understand consumer response to premium increases among legacy LTCI policyholders. More specifically, we want to better understand the factors that influence the choice to accept a premium increase or choose an option that alters coverage in exchange for a reduced premium increase. In order to achieve this research goal, we employed two primary data collection project components: an online survey based on an experimental design and one-on-one interviews. The online survey included two experimental conditions (see Table 1).

Table 1. Experimental Conditions

Assumed Prior Rate Increase	Letter		
	Did Not Follow Guidelines	Followed Guidelines	Percent
	Frequency	Frequency	
No	278	275	49%
Yes	283	282	51%
N	561	557	100%

The first experimental condition involved two types of premium increase notices: one that followed the NAIC guidelines for this type of notice and one that did not (see Appendix A). We developed the premium increase notices through a comparative analysis of 23 letters from 17 different companies, tracking their common characteristics and unique attributes. The final notifications used in the experiment were based on a set of shared characteristics and features across the letters. We assessed the letter that followed the NAIC communication using the checklist items (see Appendix B). Next, a committee of

state insurance regulators reviewed the final letters to ensure that they met the standards expected for this type of communication.

The second condition was a hypothetical context meant to replicate the experience of a LTCI policyholder. There are a limited number of legacy LTCI policyholders; therefore, accessing this population is difficult and costly. The hypothetical context is a methodological approach that places participants in conditions similar to those faced by legacy policyholders when making the choice to accept a premium increase or modify their policy. The hypothetical context (see Appendix C) asked participants to assume they were 80 years old and had previously experienced a premium increase for their LTCI policy. The respondents were randomly assigned to the experimental conditions.

After viewing the premium increase notice, respondents were asked to make a choice to accept the premium increase or select one of the RBOs. Note that we did not assume that there were right or wrong choices but instead were only interested in the choices the respondents made. In the absence of specific information about the individual's capacity to pay the higher premium and their likely need for long-term care, it is not feasible to determine what would be the best outcome for each respondent.

For the online survey, we collected data from individuals across the United States. We recruited participants and distributed the survey with Qualtrics, a widely used web-based research tool in market research. We focused our recruitment on U.S. states with the highest concentration of LTCI policyholders relative to their state population, based on existing NAIC policyholder data (NAIC, 2022). The survey respondents represent all but six

U.S. states – Alaska, Idaho, New Mexico, North Dakota, Vermont, and West Virginia. Table 2 presents the number of survey participants from each state. The states highlighted (see Table 2) were those oversampled due to their higher concentrations of LTCI policyholders relative to the state population.

Table 2. Number of Participants by State (N=1,118)

State	Frequency	%	State	Frequency	%
Alabama	4	0.4%	Missouri	41	3.7%
Arizona	2	0.2%	Montana	2	0.2%
Arkansas	2	0.2%	Nebraska	10	0.9%
California	18	1.6%	Nevada	1	0.1%
Colorado	33	3.0%	New Hampshire	1	0.1%
Connecticut	26	2.3%	New Jersey	55	4.9%
Delaware	3	0.3%	New York	129	11.5%
Florida	27	2.4%	North Carolina	62	5.5%
Georgia	6	0.5%	Ohio	91	8.1%
Hawaii	8	0.7%	Oklahoma	5	0.4%
Illinois	70	6.3%	Oregon	29	2.6%
Indiana	3	0.3%	Pennsylvania	96	8.6%
Iowa	23	2.1%	Rhode Island	1	0.1%
Kansas	23	2.1%	South Carolina	4	0.4%
Kentucky	3	0.3%	South Dakota	1	0.1%
Louisiana	1	0.1%	Tennessee	46	4.1%
Maine	1	0.1%	Texas	8	0.7%
Maryland	40	3.6%	Utah	1	0.1%
Massachusetts	28	2.5%	Virginia	44	3.9%
Michigan	69	6.2%	Washington	38	3.4%
Minnesota	34	3.0%	Wisconsin	26	2.3%
Mississippi	2	0.2%	Wyoming	1	0.1%

Oversampling allows researchers to target certain characteristics or criteria to increase the chances that those criteria make up a larger share of the survey sample. For this research, our oversampling strategy allowed us to capture actual LTCI policyholders for

the second phase of the research, which consisted of one-on-one qualitative interviews with policyholders.

We also limited participation to individuals 55 years of age and older for two reasons. First, in 2020, 54% of applicants for LTCI were between the ages of 55 and 64 (American Association for LTCI, 2022). Additionally, in one study, financial planners reported that policyholders who had received a premium increase on their LTCI policy ranged in age from 73 to 77 (Cude et al., 2022). Sixty-six percent of the participants were aged 65 or older (see Table 3).

Table 3. Participant Age

Age	Frequency	Percent
55–64	385	34%
65–74	492	44%
75–84	220	20%
85 or older	21	2%
Total	1,118	100%

We successfully recruited eight of the 132 LTCI policyholders for the second phase of data collection, which involved one-on-one interviews. The interview data offers deeper insights into policyholders’ experiences with long-term care insurance, including their responses to premium increase notifications and their interactions with the companies and agents who sold them the policies.

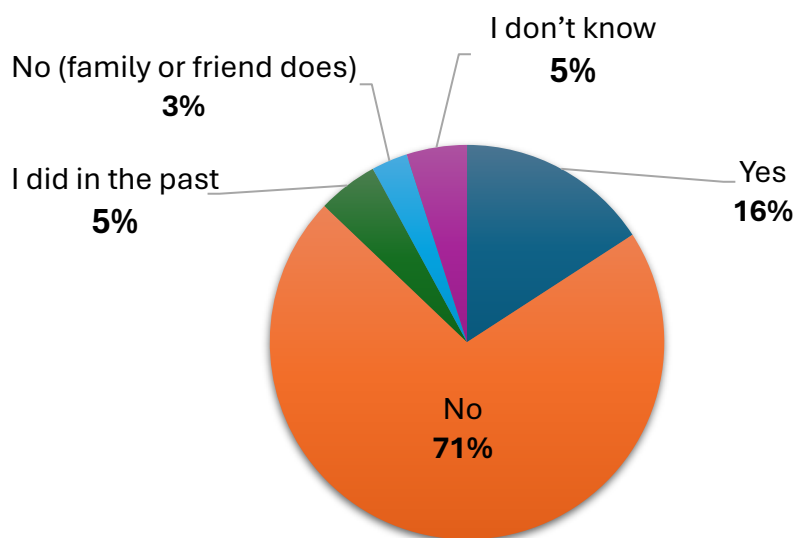
Main Experiment and Survey Results

Survey data were collected between April 11th and April 24th of 2024. We used Qualtrics to recruit a sample of 1,118 adults aged 55 and older who live in the U.S. The sample included 581 females and 537 males who were age 55 and older. The demographic characteristics used to recruit study participants were designed to increase the probability that the sample would include LTCI policyholders who owned traditional stand-alone policies. To determine if we were successful in that endeavor, respondents were asked:

“Do you have long-term care insurance? (Note: A long-term care insurance policy is one that helps cover the costs if you need help with activities of daily living. A disability policy is not a long-term care policy. Medicare and Medicare Supplement insurance policies also are not long-term care insurance.)”

One hundred and seventy-five participants (16% of the total sample) indicated that they have LTCI (see Figure 1). Another 5% of the sample said they had had a LTCI policy in the past, and 3% indicated that a family member or friend had a policy.

Figure 1. Participants With a LTCI Policy



However, after we defined what a stand-alone LTCI policy is, only 132 participants (12%) indicated that they had a stand-alone, traditional LTCI policy (see Table 4). Nine percent said they had a hybrid policy, and 6% described their coverage as “other.”

Table 4. Number of LTCI Policyholders

LTCI Policy	Frequency	Percent
Don't have	959	86%
Traditional	132	12%
Hybrid	16	1%
Another type	11	1%
Total	1,118	100%

The respondents read one of two premium increase notices and were asked whether they would pay the higher premium or choose one of the reduced benefit options (RBOs). Respondents in the experimental condition received a premium increase notice (in the form of a letter) that conformed to the NAIC’s communication guidelines, while those in the control group received a letter that did not.

Table 5 presents the choices the participants made, distinguishing between those who had a LTCI policy and those who did not. Overall, 314 (28%) chose to accept the premium increase. At 32%, those with a LTCI policy were slightly more likely to accept the premium increase than those who did not have a policy. This result is consistent with prior reports and presentations that indicated that legacy LTCI policyholders often choose to pay the premium increase (AALTCI, 2022).

Table 5. Choice for LTCI Policyholders and Non-policyholders

Choice	Have LTCI			
	Yes		No	
	Frequency	Percent	Frequency	Percent
Pay the higher premium	51	32%	263	27%
Reduce the daily/monthly benefit	37	23%	245	26%
Take the contingent nonforfeiture offer	18	11%	165	17%
Reduce the inflation protection	22	14%	126	13%
Shorten the benefit period	20	13%	103	11%
Increase the elimination period	11	7%	57	6%
Total	159	100%	959	100%

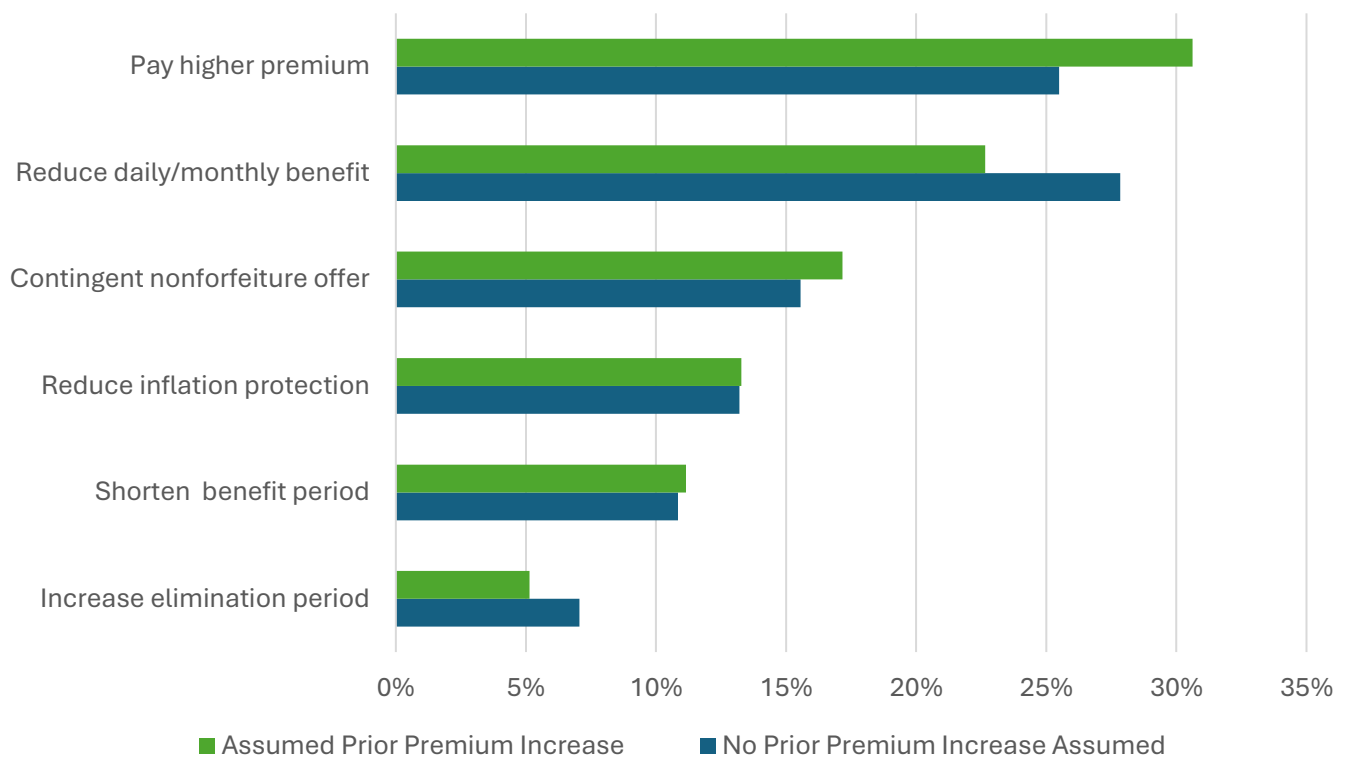
Experimental Condition 1: The Hypothetical Context

Because we anticipated that only a small proportion of our sample would have traditional, stand-alone LTCI, we created a hypothetical context that mirrors the conditions that many policyholders face when they receive a premium increase notification. The context asked participants to imagine that they were 80 years old and that they had received a prior premium increase (see Appendix C).⁶ One-half of the sample (N = 565) was randomly placed in the hypothetical context as the treatment group; the other 553 participants were in the control group and were not placed into the hypothetical context, i.e., they were not asked to imagine being 80 years old or to assume a prior premium increase.

⁶ Rates in both the hypothetical context and the rate increase letters were different for men vs. women to reflect industry practice. However, the proportionate rate increases were identical across genders.

Participants in the hypothetical context who were asked to assume a prior premium increase were more likely (31%) to elect to accept the premium increase than those who did not assume a prior premium increase (25%) (see Figure 2). Those in the hypothetical context were less likely to reduce their daily/monthly benefit or elect to increase their elimination period than those in the control group.

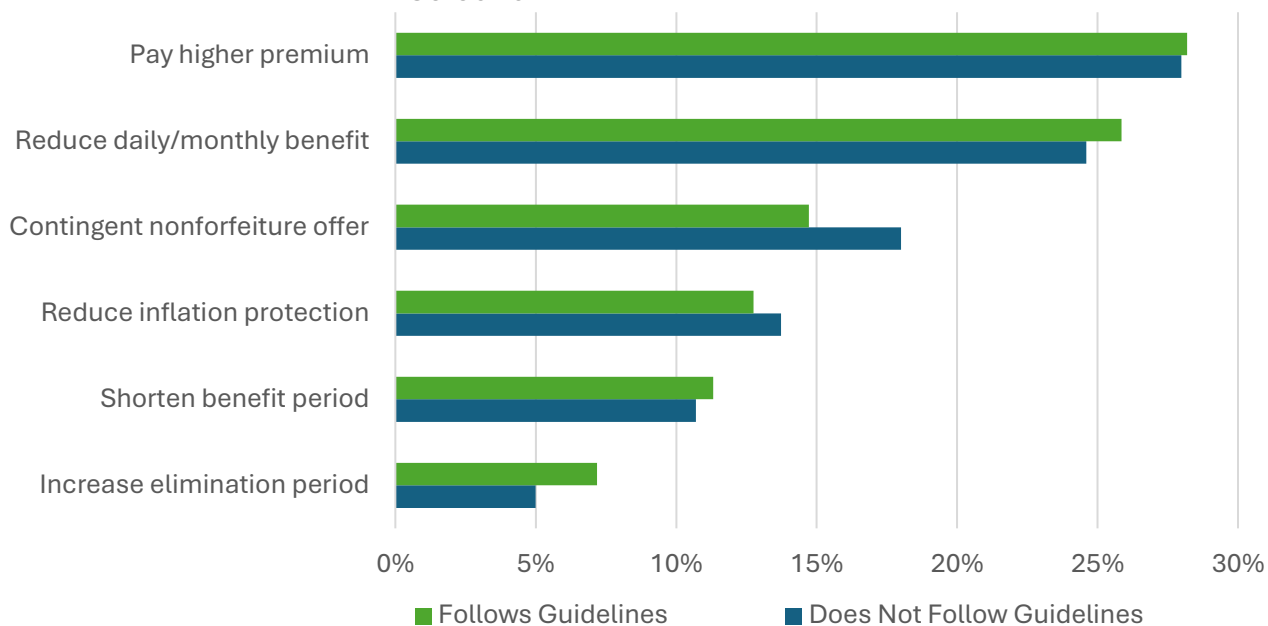
Figure 2: Hypothetical Context and Choice



Experimental Condition 2: The Premium Increase Notice

As noted earlier, participants were randomly assigned to read one of two premium increase notices (see Appendix A). One followed the communication guidelines and principles that the NAIC recommends state insurance department staff use to evaluate the notices insurers send to consumers (see Appendix B). The 557 participants in the treatment group received a letter that followed the communication principles and guidelines; the 561 participants in the control group received a letter that did not. The results demonstrate that there was no meaningful difference in the choice to accept the premium increase between the two groups (see Figure 3). However, Figure 3 indicates that there were minor differences in the choices made by respondents based on the letter they received. Those who saw the letter that followed the guidelines were somewhat more likely to choose to reduce the daily/monthly benefit than to choose one of the other options.

Figure 3. The Premium Increase Notices and Respondent Choice Selection



Perceptions of the Premium Increase Notice

To test respondents' perceptions of the premium increase notices, participants were asked to evaluate the tone and clarity. The first section of the NAIC's communication guidelines and checklist covers "Communication: Touch and Tone" (see Appendix B). To assess tone, we asked the participants to rate the premium increase notice's fairness and empathy. Fairness is viewed as presenting information clearly and objectively to ensure that all perspectives are considered, while empathy is expressing compassion for the challenges associated with the premium increase and deciding how to respond.

While the NAIC guidelines and checklist do not specifically address clarity, four of the checklist categories reference understanding (see Appendix B). Research shows that the clarity and quality of information can enhance understanding and help consumers to accurately identify relevant information (Eppler & Mengis, 2004). In turn, a better understanding can lead to more informed and effective decision-making (Eppler & Mengis, 2004). To assess clarity, participants were asked to rate the letter based on whether they found it easy to read and clear.

Regardless of which letter the survey participants received, nearly equal proportions (more than one-half of the total sample) perceived the letters to be unfair or somewhat unfair (see Table 6). Nearly equal proportions (46% of the total sample) said the letters did not express concern or were somewhat unconcerned or lacked empathy (See Table 7). This suggests that participants did not notice a difference in tone when the letter followed the communication guidelines and principles.

Table 6. Perceptions of the Premium Increase Notice (Fairness)

	Does Not Follow Guidelines	Follows Guidelines	Total
1 - Unfair to me	38%	38%	38%
2	21%	23%	22%
3	27%	26%	27%
4	9%	7%	8%
5 - Fair to me	5%	7%	6%
N	561	557	1,118

Table 7. Perceptions of the Premium Increase Notice (Empathetic)

	Does Not Follow Guidelines	Follows Guidelines	Total
1 - Unconcerned	28%	28%	28%
2	18%	18%	18%
3	35%	34%	35%
4	13%	11%	12%
2 - Empathetic	6%	4%	7%
N	561	557	1,118

Participants who received the letter that did not follow the communication principles and guidelines were slightly less likely to describe it as clear (20%) than those who received the letter that did follow the guidelines and principles (22%) (see Table 8). They were, however, more likely to describe it as confusing (21%) than those who received a letter that followed the guidelines (13%).

Table 8. Perceptions of the Premium Increase Notice (Clear)

	Does Not Follow Guidelines	Follows Guidelines	Total
1 – Confusing	21%	13%	17%
2	18%	18%	18%
3	28%	27%	28%
4	20%	20%	20%
5 – Clear	20%	22%	17%
N	561	557	1,118

Regardless of which letter they received (one that followed the guidelines and principles or one that did not), 43% of participants in each group indicated that the letters were easy to somewhat easy to read (see Table 9). Conversely, 27% of participants who received a letter that followed the guidelines and principles rated it as hard to read or somewhat hard to read. Additionally, 30% of the participants who received a letter that did not follow the guidelines rated it as hard to read or somewhat hard to read.

Table 9. Perceptions of the Premium Increase Notice (Easy to Read)

	Does Not Follow Guidelines	Follows Guidelines	Total
1 – Hard to Read	13%	10%	12%
2	17%	17%	17%
3	27%	30%	29%
4	26%	22%	24%
5 – Easy to Read	17%	21%	19%
N	561	557	1,118

The last evaluation of perceptions of the letter focused specifically on the presentation of the RBOs. Participants were asked, “How would you describe the explanation of the reduced benefit options you had to choose from in the letter?” Responses were on a five-point scale with endpoints ranging from extremely unclear (=1) to extremely clear (=5) (see Table 10) Forty-nine percent of the participants who read the letter that followed the guidelines and principles rated the presentation of the RBOs as somewhat to extremely clear and 28% as somewhat to extremely unclear (see Table 9). Alternately, in the condition where participants received the letter that did not follow the guidelines and principles, a smaller percentage (39%) rated the explanation of the RBOs as somewhat to extremely clear, and a larger proportion (38%) rated it as somewhat to extremely unclear.

Table 10. Perceptions of the RBOs

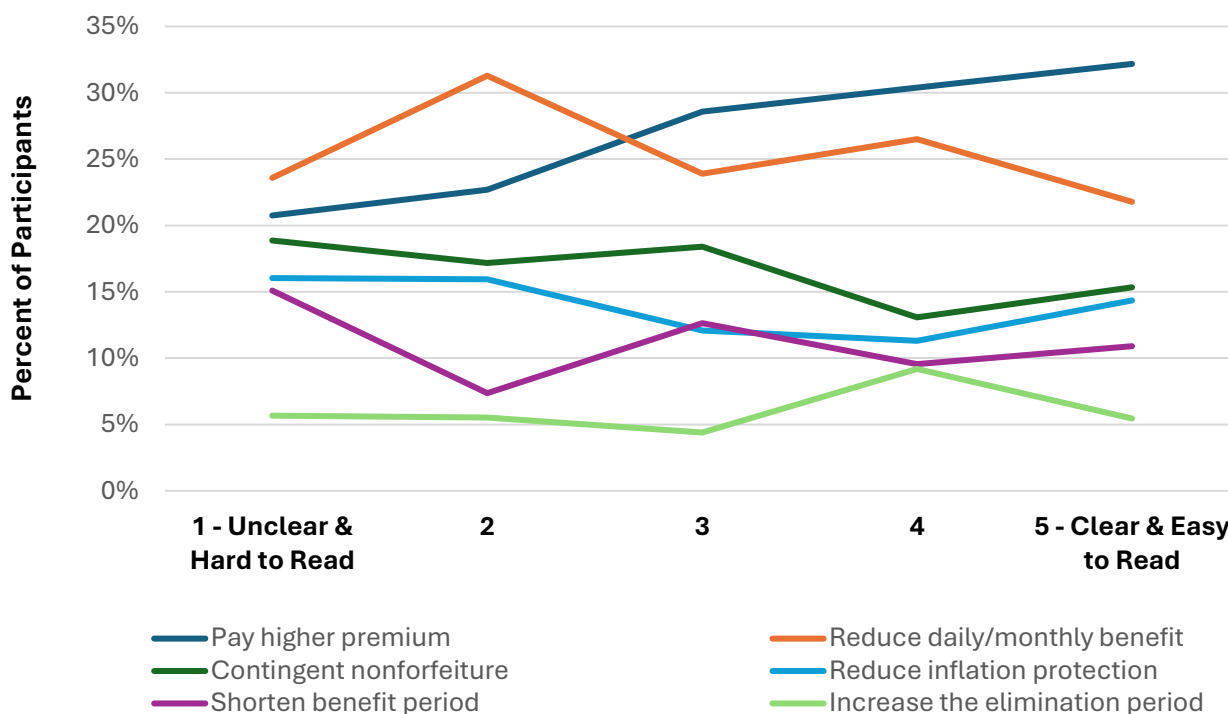
	Does Not Follow Guidelines	Follows Guidelines
Extremely Unclear	11%	7%
Somewhat Unclear	27%	21%
Neither Clear nor Unclear	24%	23%
Somewhat Clear	30%	35%
Extremely Clear	9%	14%
N	561	557

However, it is important to note that regardless of which letter the participants received, approximately a quarter of participants were neutral regarding whether the letter was clear and easy to read and whether the RBOs were clearly presented. Together, the findings suggest no strong opinions about either letter. This might reflect the hypothetical

nature of the experiment for many of the respondents who would have had no experience with this type of letter. It also may reflect differences in individuals' reading levels or attention to the experiment.

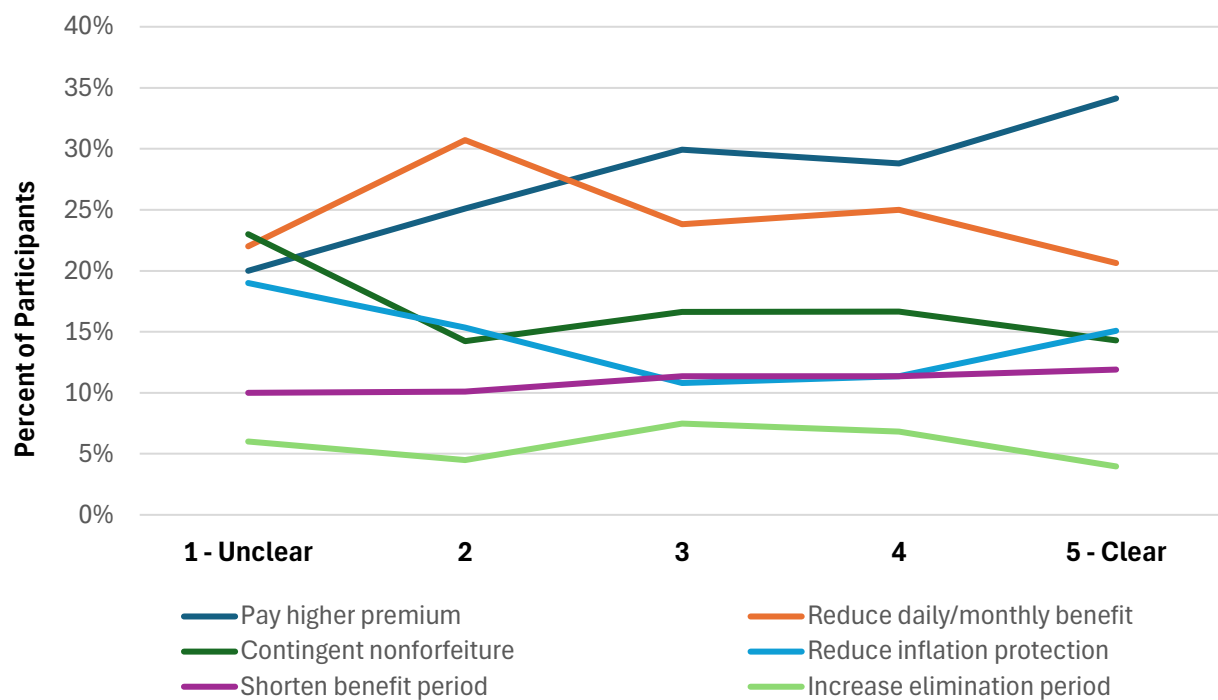
Participants who assessed the letter as unclear and hard to read were least likely to choose to reduce the elimination period. Those who assessed the letter as clear and easy to read were most likely to choose to pay the higher premium (see Figure 4).

Figure 4. Perceptions of Notice Clarity and Respondent Choice Selection



Those who described the presentation of the RBOs as unclear were least likely to select the option that would increase their elimination period (see Figure 5). However, when participants indicated that the RBOs were clearly explained in the letter, they were more likely to accept the premium increase.

Figure 5. Perceptions of the Clarity of the Presentation of the RBOs and Respondent Choice Selection



Existing literature and research suggest that several additional factors influence insurance decisions and consumer choices. Importantly, we designed our survey to account for the additional factors that may impact the choice consumers make about a LTCI policy premium increase. Thus, we included the following measures:

- Financial knowledge
- Perceptions of risk (the need for long-term care support in the future)
- Risk tolerance
- Attitudes
- Perceived behavioral control
- Normative beliefs

Financial Knowledge

Previous research and scholarly literature suggest financial knowledge is correlated with various dimensions of financial well-being. Therefore, individuals with more financial knowledge are expected to make different financial decisions compared with those who have less financial knowledge. In this research, financial knowledge was measured using 10 questions developed by Houts and Knoll (2020). It is important to note that this scale captures a participant's financial knowledge but not their financial skills, attitudes, or behaviors and is not a measure of knowledge of LTCI.

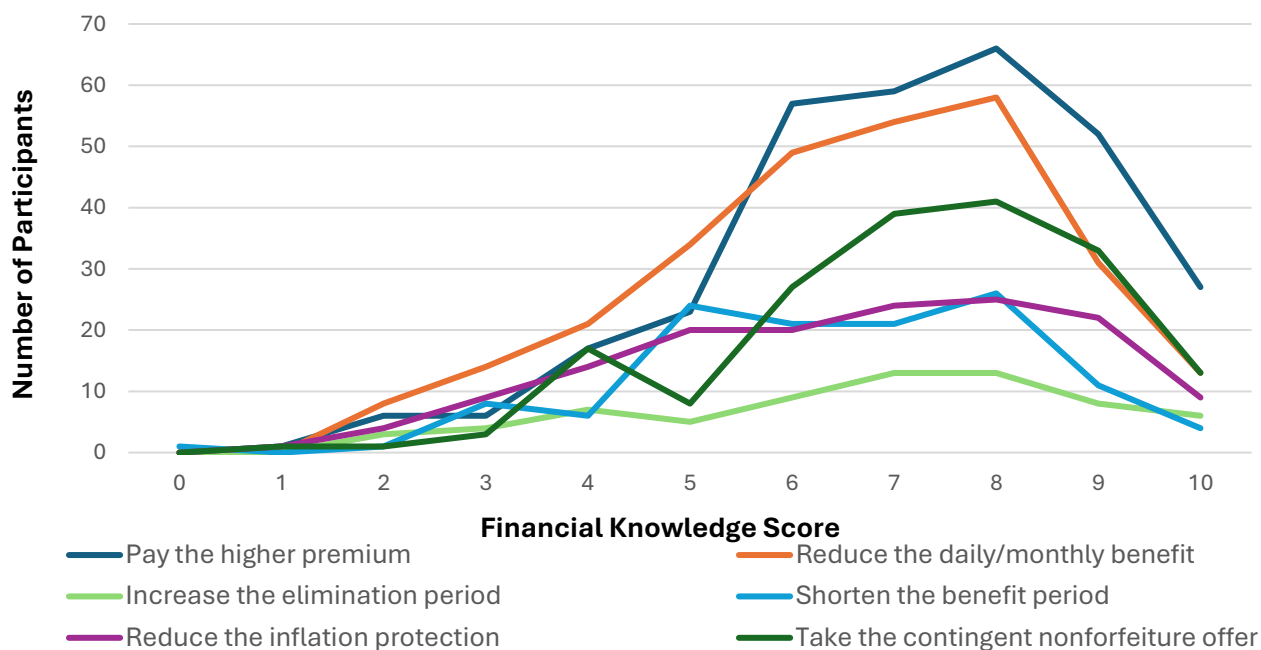
Houts and Knoll's (2020) financial knowledge measure evaluates an individual's understanding of basic financial concepts and principles, including interest rates, inflation, risk diversification, and financial products and planning using multiple choice and true or false questions.⁷ (see Appendix D for the survey items.) The financial knowledge measure

⁷ The scale is designed to be assessed using item response theory (IRT) methodology; however, for this research, we created a simple index by counting the number of correct answers.

was a score ranging in value from 0 to 10 based on the number of questions answered correctly.

Figure 6 reports results that show that those with somewhat higher financial knowledge scores (scoring 6 to 8 on the 10 point scale) were most likely to choose to pay the higher premium or reduce the daily/monthly benefit while the choices tended to converge for those with both the highest and the lowest financial knowledge scores. Those with the least knowledge may have simply selected a choice at random based on lack of information, while those with the most knowledge may have done the same because they lacked the information needed to thoroughly evaluate their choices.

Figure 6. Financial Knowledge and Respondent Choice Selection

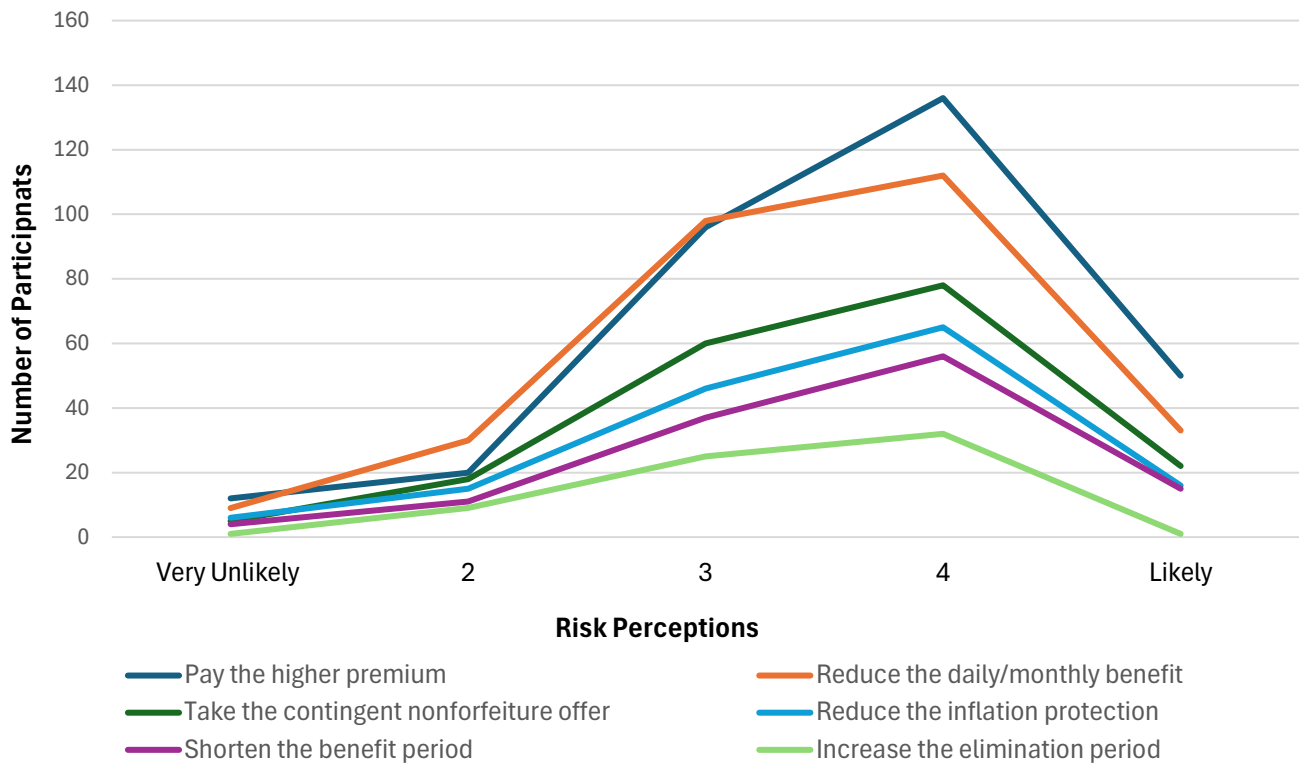


Risk Perceptions and Risk Tolerance

Prior reports on LTCI indicate that actively planning for the future is positively associated with the purchase of LTCI (AHIP, 2017). Individuals who plan for their long-term care may also perceive they are at a higher risk of needing paid support for that care. Thus, concerns about needing long term care support may influence decisions regarding one's LTCI policy. To measure long term care risk perceptions, we assessed two types of risk. For one, we asked participants to indicate how likely they thought it was that they would experience trouble remembering things or making decisions in the future. We also asked how likely they thought they were to experience two or more limitations in daily living activities (eating, bathing, getting dressed, walking about the house, and getting in and out of bed) in the future. Responses were provided on a five-point Likert scale with “extremely unlikely” and “extremely likely” as the endpoints (see Appendix D for the survey items). Responses to the two items were added to create a measure of risk perception.

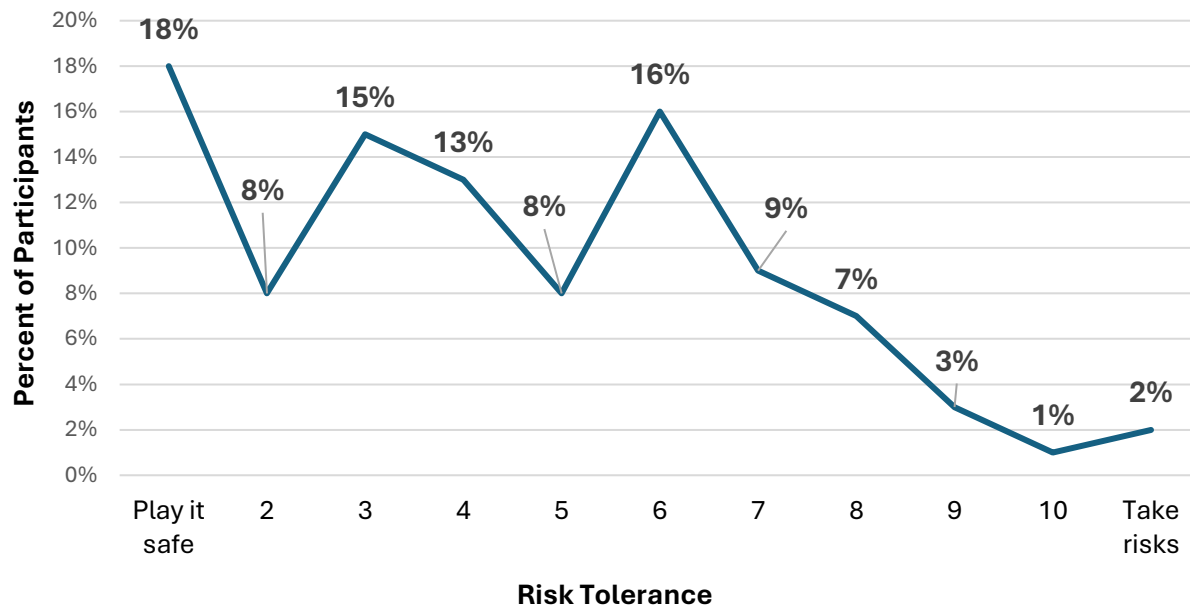
Participants who felt they were more likely to need long-term care support were also more likely to accept the premium increase and least likely to increase the elimination period (see Figure 7). This pattern holds for those who thought they were somewhat likely to need care. The choices tended to converge among those who were least likely to think they would need care, perhaps because they had not given this much thought.

Figure 7. Risk Perceptions and Respondent Choice Selection



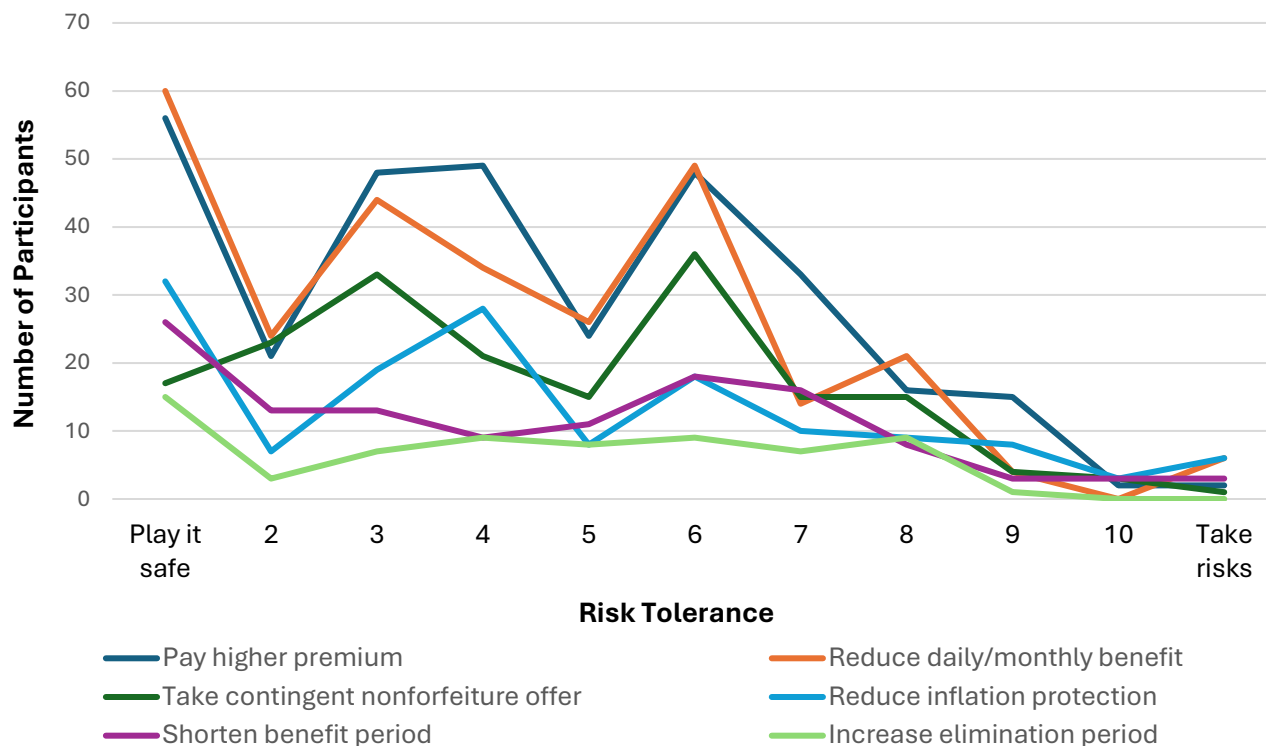
To measure risk tolerance, we asked participants to rate themselves on a 10-point Likert scale with “play it safe” and “likes to take risks” as the endpoints (see Appendix D). Seventy-eight percent of the sample rated themselves a six or less on the risk tolerance measure, in which lower values are associated with being more risk averse. Therefore, the sample was primarily risk averse (see Figure 8).

Figure 8: Risk Tolerance



Individuals who rated themselves as least willing to accept risks were most likely to reduce their daily/monthly benefit or to elect to accept the premium increase (see Figure 9). In contrast, the choices tended to converge for those with the highest risk tolerance scores.

Figure 9: Risk Tolerance and Respondent Choice Selection



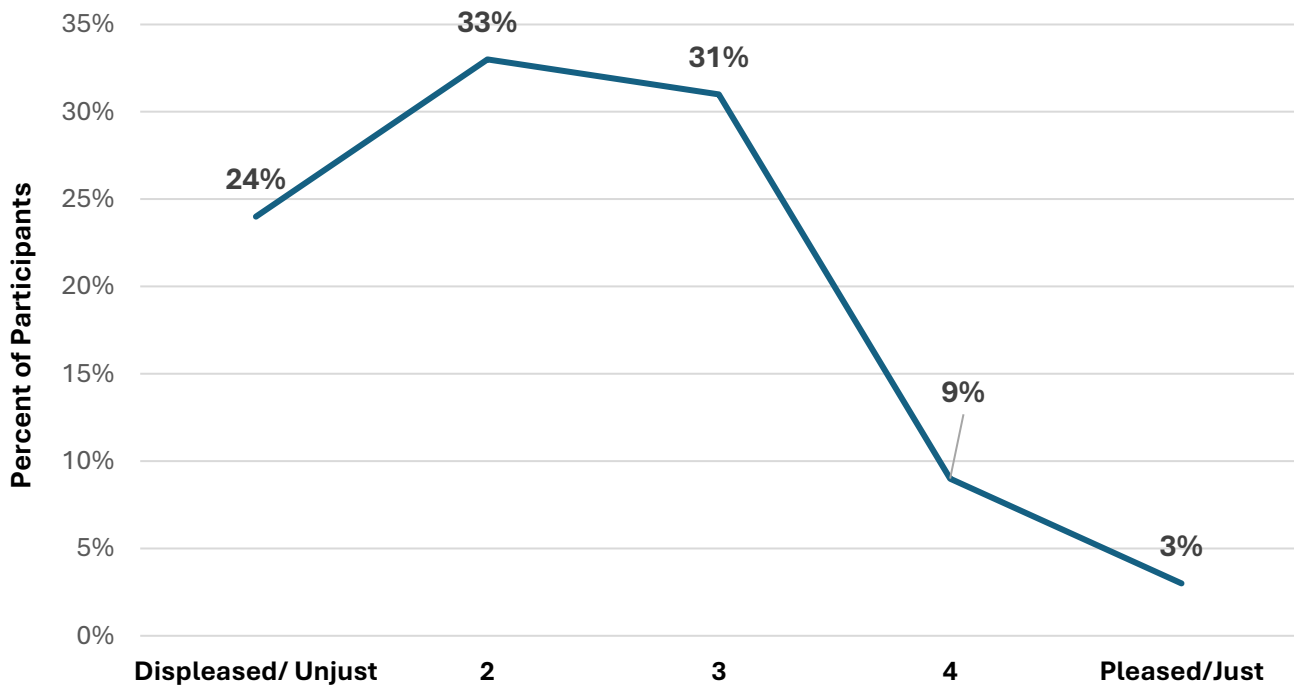
The Theory of Planned Behavior

Our research also incorporated factors from the widely used theory of planned behavior, which aims to predict and understand human behavior. The theory posits that behavioral intentions are the primary determinant of whether an individual will perform a behavior (Ajzen, 1991; La Barbera & Ajzen, 2020). Behavioral intentions are influenced by three key factors: attitudes, behavioral control, and subjective norms (Ajzen, 1991; LaBarbera & Ajzen, 2020).

Attitudes and Choice

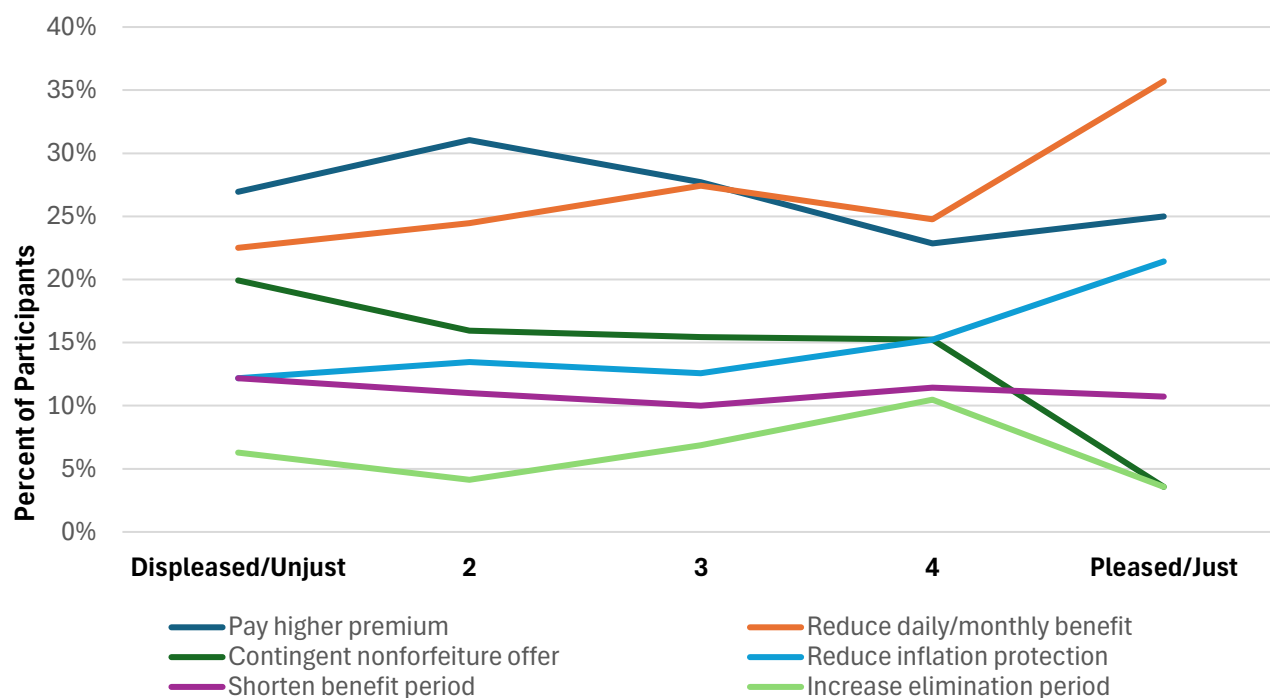
Attitudes were measured by asking participants how they felt about the RBOs they were presented with in the letter. Participants were asked to rate the RBOs by indicating how displeased/pleased they were with them and if they felt the options were unjust/just (see Appendix D). Responses to both questions were on a five-point Likert scale. The average combined score for the two questions was used as an index measure of a participant's attitudes. Just over one-half (57%) of participants felt that the RBOs were at least somewhat unjust and were displeased to somewhat displeased with the RBOs (see Figure 10).

Figure 10. Attitudes about RBOs Presented in the Letter



Those who were the least impressed (i.e., those who thought the RBOs were at least somewhat unjust and described themselves as at least somewhat displeased) were most likely to elect to accept the premium increase (see Figure 11). Conversely, those who felt the RBOs were fair and were pleased with the RBOs were most likely to reduce their daily/monthly benefit. Both groups were least likely to increase their elimination period.

Figure 11. Attitudes about the RBOs Presented and Respondent Choice



Behavioral Control and Choice

The theory of planned behavior defines behavioral control as the degree to which an individual feels they can enact a behavior (Ajzen, 1991; LaBarbera & Ajzen, 2020). To measure behavioral control, we asked participants if they were confident in their ability to make a choice and if they felt they had the knowledge and skills to make the decision (see

Appendix D). Response options for both questions were on a five-point Likert scale. The average score for a participant's response on both questions was used as an index of a participant's perceived behavioral control.

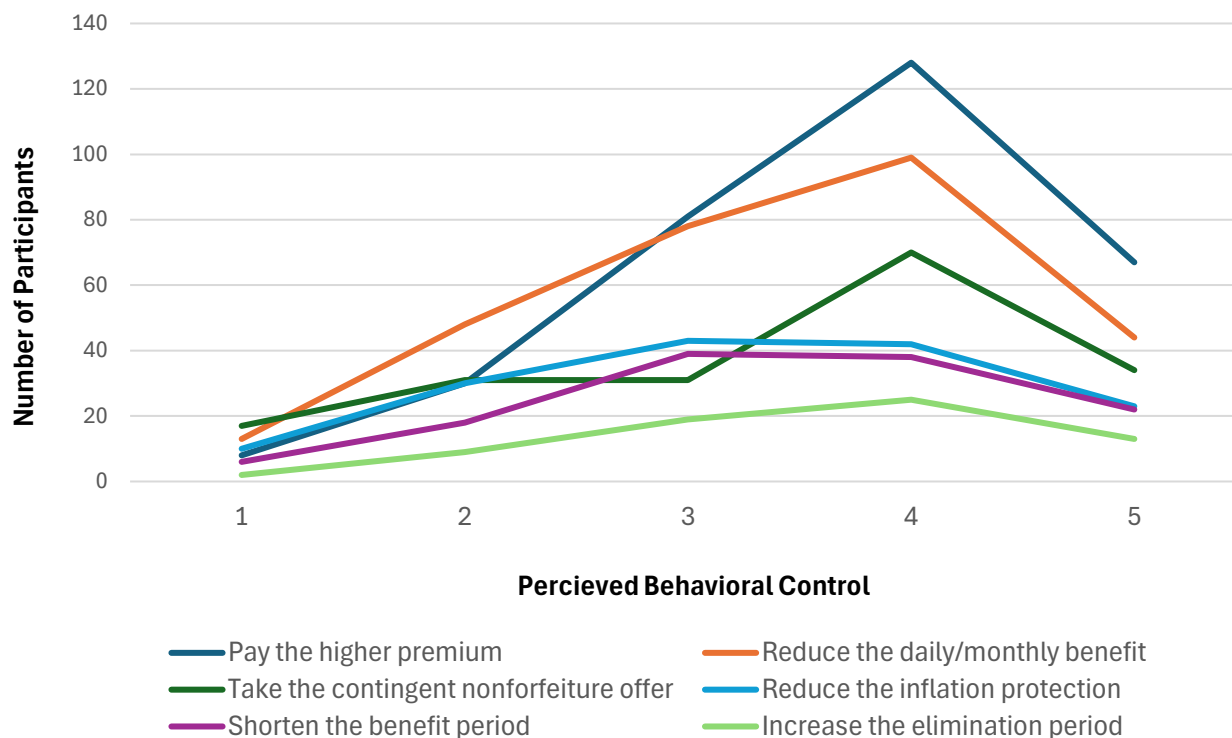
Fifty-four percent of participants felt at least somewhat confident and knowledgeable about the decision presented in the letter, indicating they perceived themselves as having behavioral control over their choices (see Table 11).

Table 11. Perceived Behavioral Control

	Frequency	Percent
1- Unconfident/Unknowledgeable	56	5%
2- Somewhat Unconfident/Unknowledgeable	166	15%
3- Neither	291	26%
4- Somewhat Confident/Knowledgeable	402	36%
5- Confident/Knowledgeable	203	18%
Total	1,118	100

Participants who perceived themselves as having at least some behavioral control over their choices (i.e., scored four or greater on the five-point scale) were most likely to accept the premium increase (see Figure 12). Choices tended to converge among those who perceived themselves as having the highest and lowest behavioral control. Both groups were least likely to choose to increase the elimination period.

Figure 12. Perceived Behavioral Control and Respondent Choice Selection

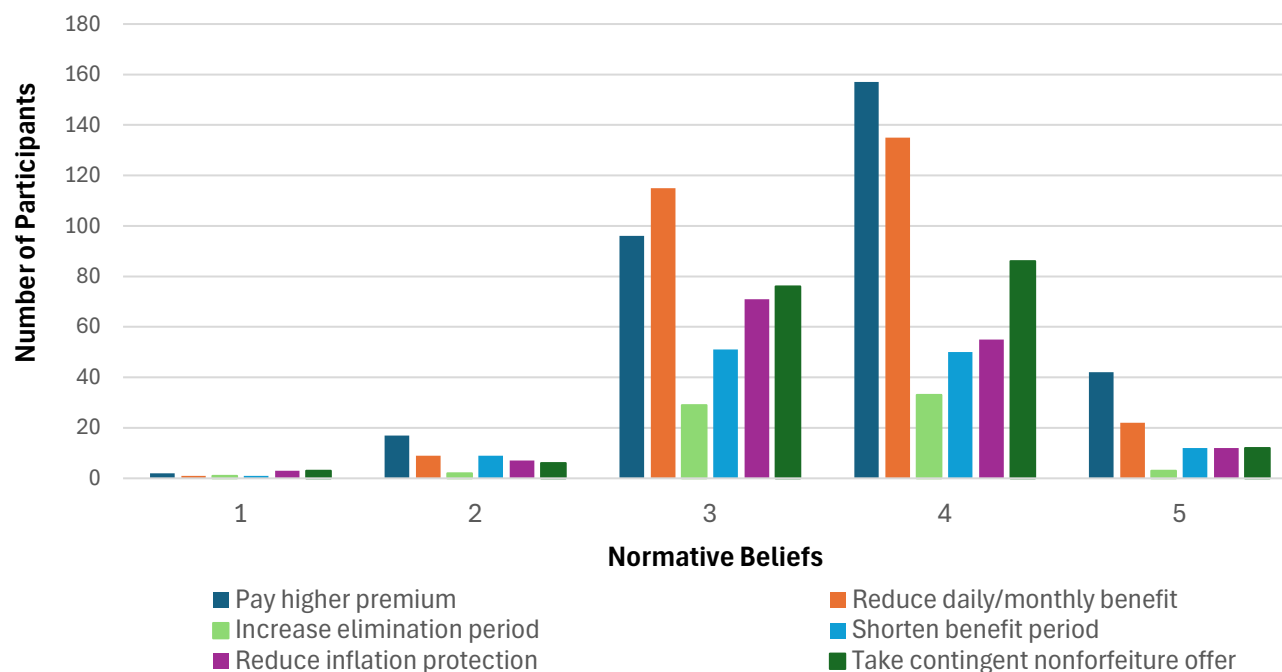


Subjective Norms and Choice

Subjective norms (or normative beliefs) are the perceived social pressure that one feels to perform or not perform a behavior (Ajzen, 1991). Measures of subjective norms characteristically ask respondents to think about whether “important others” would or would not approve of their choice and if others in their situation would make the same choice (Ajzen, 1991; La Barbera & Ajzen, 2020). We included two measures of subjective norms (see Appendix D). First, we asked how likely it was that the people most important to them would approve of their choice. Next, we asked how likely it was that others with LTCI in this situation would make the same choice as they did. Response choices for both questions were on a five-point Likert scale.

Very few (1%) in the sample felt that “important others” would strongly disagree with their decision or that others with LTCI would be extremely unlikely to make the same choice. Those who believed their choices were consistent with the choices of others were more likely to accept the premium increase (see Figure 13). The pattern was consistent except for those that were neutral, as the dominant choice for this group was to reduce the daily/monthly benefit.

Figure 13. Normative Beliefs and Respondent Choice Selection



Summary of The Descriptive Results

From a descriptive view of our experiment survey data overall, we find that:

- Overall, participants were more likely to accept a premium increase.
 - The second most common choice was to reduce the daily/monthly benefit
- Participants who assumed a prior premium increase were more likely to accept the premium increase.
- Relative to the letter that did not follow the NAIC's guidelines and principles, the letter that followed the guidelines was rated as:
 - Slightly clearer (both the letter and the presentation of the RBOs)
 - Easier to read
- Participants who found the letter clear and easy to read were more likely to accept a premium increase. The same applied to the clarity of the presentation of the RBOs.
- Many participants did not have strong opinions about the tone, clarity, or ease of reading either letter (see Tables 8-10).
- Participants who had more financial knowledge, those who perceived a greater need for long-term care, and those who were more risk tolerant were more likely to accept the premium increase.

Regression Model Results

The primary goal of the research was to identify the factors that influence the choice to accept a premium increase or modify LTCI coverage to offset at least some of the increase. This section reports results which identify the factors that were the strongest predictors of choice.

To better understand how perceptions of the premium increase notice predict the choice that participants made, we used binary logistic regression analysis to control for all of the factors in our model, adding demographic characteristics. The first series of regressions tested the influence of the hypothetical context, the different letters, and the perceptions of the letters (e.g., their clarity and tone) on choice. First, we estimated six regression models for each of the options separately (pay the higher premium, reduce the daily/monthly benefit, increase the elimination period, shorten the benefit period, reduce the inflation protection, take the contingent nonforfeiture offer). However, the small sample size for some of the RBOs (increase the elimination period, shorten the benefit period, reduce the inflation protection) meant the separate analyses provided no meaningful insights. Therefore, we ultimately estimated three regression models to test these effects, one each to explain factors that predict accepting the premium increase, choosing the contingent nonforfeiture option, and choosing any of the remaining RBOs. The three outcome options were selected based on the methodology in previously published data (AALTCI, 2022) and other work using confidential data that groups together RBOs that reduce policy benefits. The contingent nonforfeiture offer is evaluated separately as those

who choose this option pay no future premiums (and receive benefits often equal to the amount paid in less any claims paid out).

In the first model, the dependent binary variable was whether the respondent elected to accept the premium increase (1 = premium increase, 0 = all other choices). We entered three blocks of variables into the binary regression model. In the first step in the model, we entered the following demographic characteristics: age, gender, education, annual household income, and the self-reported number of savings/investment accounts (see Appendix D for the survey questions). In the next step, we entered the individual-level characteristics (financial knowledge, risk tolerance, and risk perception). Last, we added to the model binary variables indicating whether the respondent was in either or both treatment groups (i.e., whether the respondent received the letter that followed the NAIC guidelines and was asked to assume a prior premium increase) and measures of the respondent's perceptions of the tone and clarity of the letter they received and the explanation of the RBOs.

To measure perceptions of clarity, an index was created from three items. Two of the items were measured on a five-point semantic differential scale that used bipolar adjectives as the anchors. For example, "I would describe the letter as confusing – clear" were anchors for one item, and "I would describe the letter as hard to read – easy to read" were anchors for another. Responses to the third item, "How would you describe the explanation of the option you had to choose from in the letter?" were also measured using five points, but this was a Likert scale with "extremely unclear" and "extremely clear" as the endpoints.

The second binary logistic regression model included the same predictors as the first model, but the binary dependent variable was whether the respondent chose the contingent nonforfeiture option (1 = contingent nonforfeiture, 0 = all other choices). The third and final model included the same three blocks of variables as the previous models, but the binary dependent variable was whether the respondent selected any of the other RBOs (reduce daily/monthly benefit, remove inflation protection, increase the elimination period, shorten the benefit period; 1 = yes, 0 = no).

Age, education, and income were continuous, categorical variables, with higher numbers indicating older respondents and more education and income. The number of savings/investment accounts variable was created by summing responses to questions asking respondents to indicate whether they had any funds in each of the nine different types of accounts, ranging from checking accounts to individual shares of stock. Financial knowledge, perception of risk, and risk tolerance were continuous variables, with higher numbers indicating more financial knowledge, a greater belief they may need long-term care, and a greater willingness to accept risk. The experimental condition variables were dichotomous, taking the value of one if the respondent was in an experimental condition (asked to assume a prior premium increase, received a letter that followed the NAIC guidelines) and zero if not. The tone and clarity variables were continuous with higher values indicating perceptions of a more empathic and fairer tone and easier to read and greater clarity in the premium increase notice they received. The results for the final versions of all three models are presented in Table 12.

Table 12. Regression Results: Influence of Experimental Conditions and Perceptions of Letter on Respondent Choice Selection (n=1,118)

Choice:	Premium Increase	Contingent Nonforfeiture	Any Other RBO
	(1)	(2)	(3)
Step 1: Demographics			
Age	-0.13	-0.03	0.11
Gender (Male =0 Female=1)	-0.54**	0.59**	0.12
Education	-0.05	-0.01	0.04
Income	0.01	-0.03	0.01
Number of Saving/Investment Accounts	0.08	0.08	-0.11**
Step 2: Individual Level Characteristics			
Financial Knowledge	0.10*	0.12*	-0.14**
Perception of Needing Long-Term Care	0.18*	-0.07	-0.10
Risk Tolerance	-0.03	0.05	0.00
Step 3: Experimental Condition and Perceptions of the Letter			
Context (Assumed Prior Premium Increase)	0.30*	0.05	-0.27*
Letter Followed Guidelines	-0.06	-0.22	0.16
Tone of the Letter	0.07	-0.20*	0.0
Clarity of the Letter	0.14*	-0.02	-0.10
R-square	0.06	0.05	0.06

*p<.05

** p<.01

The results reported in Table 12 indicate that among the demographic characteristics, gender had the strongest influence. In fact, gender had the strongest influence of any of the variables in any of the three regressions. The coefficients in Columns 1 and 2 indicate that women were less likely than men to choose to accept a premium increase ($\beta = -0.54$) but more likely to choose a contingent nonforfeiture option ($\beta = 0.59$). The number of saving/investment accounts was a significant but negative influence only in Column 3 ($\beta = -0.11$), choosing any other RBOs. Education and income were not significant in any of the regression analyses reported in Table 12.

Among the individual level characteristics, financial knowledge was a consistent influence, associated with a greater likelihood of choosing to accept a premium increase (Column 1, $\beta=0.10$) as well as choosing the contingent nonforfeiture option (Column 2, $\beta=0.12$). However, the relationship of financial knowledge with choosing any of the other RBOs was negative (Column 3, $\beta=-0.14$). The perception of needing long-term care had a significant (and positive) impact on the regression examining the choice to accept a premium increase (Column 1, $\beta=0.18$). Risk tolerance was not significant in any of the regression analyses.

The variables of greatest interest were entered in Step 3 of the analysis. The version of the letter the respondents received was not significant in any of the analyses. Assuming a prior premium increase was a positive influence on choosing to accept a premium increase (Column 1, $\beta=0.30$) but a negative influence on choosing any of the other RBOs (Column 3, $\beta=-0.27$). The tone of the letter was significant only in the analysis of choosing the contingent nonforfeiture option (Column 2, $\beta=-0.20$), and the negative relationship indicated that those who found the tone to be less empathetic and fair were more likely to choose this option. The perceived clarity and ease of reading the letter had a positive influence on the respondents choice to accept a premium increase (Column 1, $\beta=0.14$).

Another set of binary logistic regression analyses tested the predictors based on the Theory of Planned Behavior (TPB) (attitudes, perceived behavioral control, and subjective norms) and the potential impact on choice when faced with a LTCI premium increase. We again used the same three dependent variables (accepted the premium increase, chose the contingent nonforfeiture benefit option, and chose any of the other four RBOs) in this

analysis and the same demographic characteristics and individual level characteristics.

We also again controlled for whether the respondent was in one or both experimental conditions (i.e., assuming a prior premium increase, received a letter that followed the NAIC guidelines). Results are presented in Table 13.

Table 13. Regression Results for Influence of Attitudes, Perceived Behavioral Control, and Subjective Norms on Respondent Choice Selection (n=1,118)

Choice	Premium Increase	Contingent Nonforfeiture	Any Other RBO
	(1)	(2)	(3)
Step 1: Demographic Characteristics			
Age	-0.12	-0.02	0.11
Gender (Male = 0 Female = 1)	-0.49**	0.60**	0.08
Education	-0.04	-0.00	0.03
Income	0.01	-0.03	0.01
Number of Saving/Investment Accounts	0.07	0.08	-0.10*
Step 2: Individual Level Characteristics			
Financial Knowledge	0.10*	0.12*	-0.14**
Perception of Needing Long-term Care	0.20*	-0.07	-0.12
Risk Tolerance	-0.03	0.05	-0.00
Step 3: Experimental Conditions and TPB			
Context (Assumed Prior Premium Increase)	0.26	0.08	-0.26*
Letter Followed NAIC Guidelines	-0.12	-0.21	0.20
Attitudes about the RBOs Offered	-0.06	-0.14	0.12
Perceived Behavioral Control	0.25**	0.01	-0.20**
Subjective Norms	0.17	-0.10	-0.09
R-square	0.08	0.04	0.07

*p<.05 level

** p<.01 level

The influence of the demographic variables, introduced in Step 1, and the individual characteristics, introduced in Step 2, were identical to the results reported in Table 12. Gender again was the strongest influence and associated negatively with accepting the premium increase ($\beta=-0.49$, Column 1) and positively associated with choosing the contingent nonforfeiture option ($\beta=0.60$, Column 2). Financial knowledge was a positive influence in the regression models predicting accepting the premium increase ($\beta=0.10$, Column 1) and choosing the contingent nonforfeiture option ($\beta=0.12$, Column 2), but a negative influence on choosing any other RBO ($\beta=-0.14$, Column 3). A greater perceived need for long-term care in the future was positively associated with accepting the premium increase ($\beta=0.20$, Column 1).

As reported in Table 13, perceived behavioral control had a positive and significant influence on accepting the premium increase ($\beta=0.25$, Column 1) but a negative influence ($\beta=-0.20$, Column 3) on choosing any of the other RBOs. Neither subjective norms, attitudes, nor whether the letter followed the NAIC guidelines were significant in the analysis.

Summary of The Regression Results

In summary we find from our regression results that:

- Women are less likely to accept a premium increase and more likely to choose the contingent nonforfeiture option.
- Participants with more financial knowledge are more likely to accept a premium increase or choose the contingent nonforfeiture option, and less likely to select other reduced benefit options.
- Participants who believe they will need long-term care are more likely to accept a premium increase.
- Participants who were asked to assume a prior premium increase are more likely to accept a premium increase and less likely to choose reduced benefit options.
- Participants with more savings/investment accounts are less likely to choose other reduced benefit options.
- Perceived clarity of the letter and the RBOs is positively associated with the likelihood of accepting a premium increase and negatively associated with choosing an RBO.
- Participants who found the letter less empathetic and fair are more likely to choose the contingent nonforfeiture option.
- Participants who felt they had more behavioral control are more likely to accept the premium increase and least likely to select the other RBOs.

The Interview Results

The qualitative data were collected via interviews with eight LTCI policyholders. The participants ranged in age from 65 to 84 and included six women and two men. Their incomes were \$75,000 or higher per year (see Table 14). Each interview was an hour long and conducted via videoconferencing between May 28th and July 17th, 2024. The interviews were recorded, and a written transcript was produced from each.

The interview questions aimed to elicit detailed responses on four main topics: 1) why they bought and maintained a LTCI policy; 2) their view of the benefits and limitations of LTCI policies; 3) their LTCI policy experience and claims history; and 4) their perceptions of the letter and RBO choices in the experiment, as well as any letters they had received from their own insurers (see Appendix E). We were careful in the analysis to indicate which letter they were referring to in their response.

Table 14. Interview Participants			
Age	Frequency	Income	Frequency
65–74	3	\$150,000 and over	3
75–84	5	\$100,000–\$124,999	1
		\$75,000–\$99,999	3
		N/A	1

The transcripts were coded using Copilot artificial intelligence (AI) software. The interview transcripts were initially analyzed and coded to identify the thematic content followed by a sentiment analysis to gauge the emotional tone.

Four main themes were identified in the data:

- Perceived need for the policy: The decision to purchase and maintain long-term care insurance
- The essential role of long-term care insurance: Benefits and limitations
- Long-term care insurance experiences: Interactions with insurers and premium increases
- Effective communication and informed decision-making

After identifying the main themes in the data, the responses to the questions that corresponded with the main themes were aggregated and analyzed with Copilot to identify the sub-themes. The findings below highlight the main themes, the corresponding sub-themes, and the sentiments reflected in the data.

Perceived Need for the Policy: The Decision to Purchase and Maintain Long-Term Care Insurance

The policyholders were asked why they purchased a LTCI policy and why they kept the policy. The thematic analysis of the responses revealed a variety of motivations and considerations for purchasing and keeping their LTCI policy. The participants indicated that they were influenced by personal experiences, financial considerations, and the desire for peace of mind and security. Additionally, family and friends, the high cost of care, and the unpredictability of health needs significantly influenced their decision to purchase a policy.

Influence of Family and Friends

The participants viewed LTCI as a crucial safety net for families facing the challenges of aging and unexpected health issues. The respondents shared first-hand

experiences that underscored the importance of securing coverage to ensure that they are prepared for the unforeseen expenses of long-term care. Below is a quote from a participant:

“Well, my mother had a policy. My wife’s mother also had a policy, and we were very comforted by the prospect that if the need arose, that they would be covered, and sure enough, the need arose with both, and it was very beneficial.”

Some of the respondents referenced the financial burden their parents faced without LTCI, and it underscored for them the importance of having such a policy to avoid these issues. They viewed LTCI as a necessary precaution.

“My mom and dad were getting older, and they did not have long-term care insurance, so it was expensive, and I just, Mike and I just thought that we should do it because you never know what’s going to happen.”

“My wife’s mother ... was living independently until she fell and had a subdural hematoma. ... Then she was in and out of assisted living care, and we realized how expensive it was and how much it was going to cost to for her to maintain her lifestyle.”

Seeing the struggles that friends without LTCI insurance faced also highlighted its value and reinforced the decision to purchase it.

“We have friends who are unable to get long-term care because of other health issues, and so they are envious of us having this policy.”

Overall, the responses reflect an understanding of the value of a LTCI policy.

Respondents shared firsthand experiences with relatives and friends who lacked coverage and expressed an appreciation for the peace of mind the policy provides.

Financial Considerations

The high cost of care and the relatively affordable cost of premiums at the time of purchase were significant factors in the uptake of LTCI. Respondents viewed the insurance as a necessary investment to avoid financial strain in the future.

“I don’t want our investments or our savings to be depleted. Because that’s part of, you know, what’s important for our kids to pass down to them and our grandchildren.”

“Nursing homes are so expensive. Of course, we hope we live long enough that we just might need a nursing home, and if we do, why is it something we could afford, and there might be money problems if we didn’t have it.”

“It’s very expensive, so we wish we didn’t have to do it, but we have determined that we will probably stay in our house as long as possible, and we would rather have home health care.”

Peace of Mind and Security

Additionally, respondents expressed that a LTCI policy gave them the flexibility and peace of mind to choose the type of care they will receive and where they will receive that care. They view LTCI as a way to maintain autonomy over choices that impact the quality and extent of care that they receive.

“I think it’s the only way to go if you want to have some jurisdiction over what happens to you when you get in the need of it. If you don’t have funds to cover your care, you could go anywhere. I don’t want to go anywhere. I want to go where there’s linen tablecloths and napkins when it’s time to eat.”

“It’s appealing because there were some options. You can go to a facility, or if it is short term and it is better to stay at home, you have the option of staying at home.”

“I want to be sure that we’re getting quality care if we need it, with the minimum level of institutionalization.”

“It gives us peace of mind and, you know, hopefully, we won’t need it, but the insurance company, it gets a nice payoff, but that’s OK.”

Personal Health and Safety Concerns

Personal health issues and the unpredictability of health issues were also cited as motivations to obtain and maintain a LTCI policy. The respondents saw the benefit not only to themselves but also to their loved ones, both logistically and financially.

“My wife was climbing a stepstool and fell, slipped off the stepstool, and hit her head on the door. Seeing her situation in 2023 made me realize how valuable this policy is to us.”

“I think we’re going to need it. I believe that I will need it before my wife.”

“I don’t want to be a burden on our kids.”

Overall, the sentiment of the responses was pragmatic. Respondents expressed relief and a feeling of security knowing that they had a LTCI policy. The respondents identified that while the premium increases are large, they pay them to avoid a future financial burden and to maintain the peace of mind that the policy provides. Maintaining the policy was viewed as a responsible and necessary step to ensure quality care.

The Essential Role of Long-Term Care Insurance: Benefits and Limitations

Participants expressed the benefits of keeping a LTCI policy, which echoed some of the same sentiments for why they purchased a LTCI policy. However, when it came to the limitations of their policies, they raised concerns about the premium increases and the potential insufficiency of coverage. Finally, respondents acknowledged that without a LTCI policy, they might have to rely on Medicaid, which they perceived as offering less control and lower quality care.

Benefits of Long-Term Care Insurance

The respondents noted that their LTCI policy provides them with peace of mind. The reassurance that comes with knowing they will be covered for a future health crisis alleviates the anxiety that policyholders may have about the future.

“I think the benefit is that I can sleep at night, that if something happens to either of us, that we are going to be taken care of, and that gives me a lot of peace of mind.”

“If something were to happen to me, and my husband thought that it would be possible for me to stay at home, and that would be his and my desire if I were

capable to be a part of that decision, then he would have some options in, getting some help.”

Respondents also noted that a benefit of having the policy is that it provides them with financial security. Long-term care is expensive, and they see the policy as a way to reduce financial stress in old age.

“I think about it on occasion now, and the bottom line is even with the policy, it probably is not going to be enough if I really had some long-term situation, but I just figured that I would purchase what I could because some insurance was better than NO insurance.”

“Well, of course, we consider it an investment. ... And it’s, you know, nursing homes are so expensive. I think if we were in a nursing home without it, that would just be one more thing that we’d be worried about, and stress at that age I don’t think would be good.”

Limitations of Long-Term Care Insurance

It comes as no surprise that the rising cost of premiums for LTCI policies was cited as a limitation of this type of coverage. However, the respondents also noted that they are concerned about the potential insufficiency of coverage, as increasing costs may outpace their benefits.

“... very reasonable rates, for 16 or so years, 17, whatever it was, and then suddenly we got these drastic increases, and what is a business-type letter, it’s a pretty cold approach, for people who have expected one thing and then this suddenly

happened differently. Well, the limitation is the inability to pay drastically increased premiums.”

“I haven’t really seriously thought about it other than in, in the terms of that this might run out some day if I really had a, a long-term problem.”

Limitations and Perceptions of Medicaid

The respondents also discussed the importance of having LTCI to give them control over where they receive care and avoid dependence on Medicaid. They also expressed that Medicaid would provide a minimal amount of money and lower quality care.

“Our friends who don’t have a long-term care policy report that Medicare and Medicaid are difficult to deal with and not very rewarding monetarily.”

“Well, I think if you have this insurance, you can go to a place where you want to go instead of if you’re a ward of the state on Medicaid, you have to go where there’s room for you, and it may not be where you want to be. I don’t want to be on Medicaid if possible. So, I will wait as long as I possibly can before I start using this policy, and then, hopefully, it won’t run out before I do.”

“If you’re on Medicaid, you have to be in a place that has a Medicaid bed; you can’t just go anywhere.”

Some of the respondents also mentioned that they did not believe they would qualify for Medicaid based on their current financial situation. Overall, the increase in premiums and potential insufficient future coverage of their LTCI policy were viewed as

limitations of their coverage. However, the respondents viewed their policy as a necessary expense to ensure quality care.

The overall sentiment of the responses was mixed, but again, it leaned toward positivity and pragmatism. Despite the concerns around rising premiums and the potential insufficiency of coverage, respondents appreciated the peace of mind and financial security that LTCI provides.

Long-Term Care Insurance Experiences: Interactions and Premium Increases

The respondents had mixed feelings when it came to their perceptions of the reliability, honesty, and transparency of their LTCI companies. Many of the respondents had experienced significant premium increases. They often consulted with a financial advisor to manage the changes. In an effort to cope with the rising costs, some respondents made significant changes to their policies, while others managed to maintain their benefits despite the financial stress.

Interactions with the Insurance Company

Respondents interact with their insurance companies directly or with a financial advisor. While some found support from their insurance company, overall, the respondents were neutral when it came to interactions with the companies.

“I have NO problem. I’ve never used it, and I don’t have any specific problem as far as dealing with the people that I have to when I have called there on occasion to answer a question or whatever.”

“Yes, I’m sort of in the neutral area, you know, like, I don’t have anything to base it on as far as having any problems accessing it or anything like that.”

“Well, again, I consider them a reputable company, and I know that they’re regulated. I just, I guess you’d say I don’t have any reason not to trust.”

A few of the respondents expressed skepticism and described negative experiences.

“I think I would describe it as disappointing. ... We were led to believe, we knew that there could be increases, but we expected those increases to be minimal and go along kind of with the cost of living.”

“Oh yeah, the first 20 years favorable, last five, not so much, just because of the, because the increases they’re implementing and because of our experience in ’23 with trying to access some of the benefits we thought we might be entitled to.”

The respondents’ experiences with their respective companies revealed a mix of satisfaction and frustration about the transparency and reliability of insurance companies. The sentiment toward LTCI was a blend of appreciation for the security it provides and frustration over the cost.

The Impact of Premium Increases

Many of the respondents mentioned substantial premium increases that caused financial stress. While none of the respondents indicated that they had to make considerable sacrifices in essential spending, some noted that they made changes to their LTCI policy and/or their financial planning.

“It was really tight for us to have to pay the increases in ’21 and ’22. It causes us to be a little more frugal, and when we budgeted our, you know, for the year, and it cost us.”

“It was going to be double. It was actually going to be double that. And there was NO way we could afford \$8,000 a year. None. So, to keep it, that’s how we got rid of the costs; when the second one came, we reduced the inflation.”

“We took a slight reduction in benefits ... We went from those four years to two years, and the elimination period originally had been 30 days, and we went up to three months—90 days—for that.”

“I don’t know whether it was bait and switch or whether they had NO idea what they were doing and realized that they didn’t have enough money to pay all these people, you know, because it was much more than what inflation was, especially at the time when it started to go up. What I thought was going to be \$2,000 a year when it became close to \$4,000 a year. You know, I couldn’t afford it anymore.”

Significant premium increases have caused financial strain for some participants, leading to adjustments in their long-term care benefits. Although some of the respondents said that they had the means to manage the increase at the time of the notice, they did express concerns that further premium increases could be a problem for them in the future.

The sentiment regarding interactions with the insurance company regarding premium increases was negative. Respondents expressed frustration with the premium increases and noted disappointment and financial strain as the contributing factors.

Effective Communication and Informed Decision-making

Participants' need for effective communication and informed decision-making underscores the vital role of clear, detailed communication from insurance companies. Additionally, expert advice was cited as a crucial component in managing LTCI and reduced benefit decisions. The respondents emphasized that policyholders need detailed, clear, jargon-free explanations in premium increase letters to make informed decisions.

Reactions to the Letter

Some respondents expressed frustration with the letters, and they highlighted several key issues with communication. A few of the participants indicated that they understood the options clearly and viewed the premium increases as to be expected.

It is important to note that four of the respondents were reflecting on letters that they had received from their own insurance company, two were responding to the letter from the research that followed the NAIC's communication guidelines and principles that were being followed, and two were responding to a letter they received in the experiment that did not follow the guidelines and principles. Each response below indicates the letter to which the respondent was referring.

Confusion and Frustration:

Note: The following respondents were reacting to letters that they had received from their own insurance company and not a letter designed for the experiment.

“Our letter was just one piece of paper that said that this is what your benefit, this is what your policy premium is going to be. Like I said, it really bothered me a little bit, but when Bill looked it over, he said, no, you need to do this, so we did it.”

“I think for people who don’t have the knowledge, they could explain it a little better, even though it would be a longer letter.”

“And so, the letter was shocking, it was confusing, and it was business-like as I expected it to be, but it was cold.”

“After shock, because I told you what I was promised, after shock, I would read it over. There would always be options and a telephone number that I could call to have it explained to me, and I paid it as long as I could afford it before I stopped. I called and went over all those options.”

Note: The following respondents were reacting to the letter that was designed for the experiment.

“I would call to get additional information, and that, that’s what I would have done. It didn’t give me enough information to make a decision. I would have asked for a, a better explanation.” (The letter did not follow the guidelines and principles.)

“No costs. No percents either. So how can I choose without the associated costs? I couldn’t. There was NO way to see the difference in cost. How could I choose if I didn’t.” (The letter followed the communication guidelines and principles.)

Understanding and Acceptance:

Note: The following respondents were reacting to letters that they received from their insurance company.

“Well, NO reaction, really. It’s just sort of to be expected. When we bought the policy, we were aware that it was not a fixed figure. We were aware that it would go up over time. So, it was sort of all to be expected.”

“It was clear to me what my choices were, and, like I said, I have six pensions, so I was lucky enough to go ahead and take the increase and not have to worry about it, not give up any benefit.”

Note: This respondent was referencing a letter that was designed for the research and their own personal experience.

“Over 20 years, this has happened a lot, so we’re used to it, and we don’t question it. I just don’t think people understand what it can be like if you don’t have the funds to support yourself when you’re needing long-term care. It can be pretty bleak.” (The letter followed the communication guidelines and principles.)

Suggestions for Improvement

The respondents made several suggestions for improving the clarity and effectiveness of communication in the premium increase notices. The suggestions mentioned the need for: detailed explanations; tables; clear, jargon-free language; and acknowledgment of the recipient’s feelings.

Several respondents indicated that tables in a premium increase letter were helpful. However, one respondent noted that while a table is helpful, it should include values for each option.

Note: The following respondents were referencing a letter that was designed for the research.

“I think the best part of your letter is that you had a table ... you know, what was covered here and then an explanation.” (The letter followed the communication guidelines and principles.)

“If they’re going to reduce costs or want people to reduce their costs or payments, then what are they getting? What are they exchanging? What are they paying now? What will they pay in the future?” (The letter followed the communication guidelines and principles.)

“I want to see a spreadsheet with the item in each column and what’s happening to the costs if you, if you’re at 10 years, seven years, five years, three years. I want to know what those costs are.” (The letter followed the communication guidelines and principles.)

Note: The following respondents were referencing a letter that they received from their insurance company.

“I like the table, this table on the front, because it shows me exactly, you know what I’m paying right now and what the increase is, and it does explain, you know, why

they're increasing, but says when I'm going to have the higher rate applied to my bill."

Next, when it came to improving the effectiveness of communication, the respondents expressed a strong preference for clear, jargon-free language.

"In English, not in jargon. I think insurance companies tend to use big words that people might not understand. Maybe have a legend that explains a little bit better."

Note: The following respondents were referencing a letter that was designed for the research.

"The words need to be clear enough. Fewer Latin words: the more Germanic words, that's everyday speech would be Germanic words, the better off you are." (The letter followed the communication guidelines and principles.)

"It's a lot for someone who's not conversant with insurance. It's a lot to absorb at one time. We all have our own terminologies depending on whatever. ... There's so many terms that are specific to insurance." (The letter followed the communication guidelines and principles.)

Additionally, one respondent noted that the letter could also do a better job of acknowledging the recipient's feelings.

"Maybe if they had put, 'After careful consideration, we made the difficult decision ...' that would have softened it a little bit. Maybe if it just said, 'We realize that this is a large increase ...' that would have softened it a little bit. Yeah. It doesn't really

change, though, the decisions that the recipient has to make. But at least it softens it a little bit." (The letter followed the communication guidelines and principles.)

Finally, the respondents were asked if and who they would contact to help them understand the letter and the options that were presented to them. Several of the respondents noted that they would reach out to a trusted financial advisor, while others indicated that they would contact the insurance agent or trusted family members.

"I would talk to our financial advisor because we've been working with him longer than we've had the long-term care policy, and he knows everything about our finances and what we can afford, and I trust him."

"Well, I think if we called the insurance company, they would answer the questions and be able to explain why this and why that. But I guess because our financial advisor said it was a great policy; we just didn't consider doing that."

"If I needed help, I would go to the company and then discuss it with the financial advisor or my CPA one, or two, probably my financial advisor. It's a better option."

"We correspond directly with the insurance company, and we did call this year when we made what to us was a drastic change."

"I would only reach out to somebody who was an expert in financing and long-term care or financing and long-term care insurance. That would be it."

Half of the interview respondents indicated that they would reach out to a financial advisor or a LTCI expert to help them make this choice, while others preferred contacting

the insurance company. Collectively, the respondents indicated that they rely on experts to help them make informed decisions about their LTCI policy. The primary sentiment toward the letters and the premium increases was confusion, frustration, and shock. However, for those who felt the communication was clear and detailed, the sentiment was largely positive.

Overall, the responses highlight the complexities of managing a LTCI policy. The respondents indicated that clarity of the communication from the insurance company is a critical component in their evaluation of the RBOs. Furthermore, these complex decisions necessitated a significant reliance on expert advice to make this choice. All but one of the respondents indicated that if they needed help, they would contact an expert for guidance, and half reported they have a financial planner they could call.⁸ Finally, more than one-half of the respondents noted that this decision would be very complicated without their education or professional background.

In conclusion, the interviews provide some interesting insights into the decision to buy and maintain a LTCI policy, perceptions of the benefits and limitations of this type of insurance, experiences with LTCI more broadly, and perceptions of rate increase notices. However, the eight interviewees shared similar backgrounds and resources that may have significant impacts on their decision-making process. Thus, the findings from the

⁸ Cude et al. (2022) noted that financial planners revealed in interviews that unless they sold the LTCI policy to their client, they often could not get the information from the LTCI company that they needed to be truly helpful to their client.

interviews reflect the experiences of this type of policy holder. The experiences for those without the same background and resources may be different from those expressed here.

Discussion of Key Findings

The primary goal of the research was to identify the factors influencing people's decisions when confronted with a LTCI premium increase and RBOs. The survey and model data indicate that perceptions of behavioral control significantly impacts the choice that individuals make, indicating that policyholders may be more likely to pay higher premiums if they feel a greater sense of control. Perceived behavioral control can emanate from education, knowledge, experience, and/or access to knowledgeable advisers. Several interview participants noted that their background (education or professional) provided them with the tools and resources needed to understand the letter and the choice they had to make. Additionally, many of the interviewees referenced reaching out to a trusted financial advisor for help if needed. However, the survey data show that 45% of participants would only reach out to one person to help them with this choice, and 31% indicated that that person would be their spouse or life partner, who may or may not have any better understanding of the options that are available. Furthermore, previous research involving interviews with financial planners confirmed that the decision to reduce LTCI benefits is often complex, necessitating professional counseling (Cude et al., 2022).

Secondly, an individual's financial knowledge significantly influenced their decision to accept a premium increase or opt for an RBO. Combined with the previous finding, the results suggest that improving consumer education regarding the particulars of LTCI and

RBOs enables individuals to make decisions that correspond with their financial and care planning objectives, thus facilitating more efficient management of long-term care requirements (Brau & Lippi Bruni, 2008). Therefore, state regulators should consider providing policyholders with trained LTCI specialists who can guide them through the process.

Another key finding was that gender consistently and significantly influenced the choices respondents made. Insurance regulators and insurance companies should consider the implications of this finding. Why do women view decisions about LTCI differently from men? While we controlled for income and education, as well as financial knowledge, there are other factors that may explain the difference. One may be an individual's knowledge of LTCI itself. Other factors may be that women, relative to men, have less access to reliable financial advisors, fewer expectations about depending on unpaid caregivers, and longer life expectancies. In addition, different measures of income might provide new insights. Alternative measures could include perceived financial well-being or perceptions of future income stability.

The second goal of this study was to determine if the NAIC guidelines for insurance company communications regarding long-term care insurance (LTCI) reduced benefit options (RBOs) improved the quality of the communication. Unfortunately, we found little evidence that they did. While the results indicate that both the quality and the tone of the premium increase communication influenced respondent choices, there was little evidence that seeing a letter that followed the NAIC guidelines improved either the quality or the tone of the letter.

Why might this be? Although state insurance regulators reviewed both versions of the letter prior to their use in the experiment, perhaps the “good” letter was not, in fact, significantly better than the letter that was designed to not follow the guidelines. Or perhaps the guidelines still require improvement to ensure that letters clearly and fairly communicate information using an empathetic tone.

The survey data indicate that the letter following the existing guidelines and principles performed just slightly better in the ease of reading, and in the clarity of both the letter and the explanation of the RBO choices. Additionally, many of the interviewees mentioned that confusing language is typically used in the communication they receive from their insurance company. Taken together, the survey and interview responses highlight the importance of clear and jargon-free communication.

Although the NAIC guidelines state that communication should “read in a clear, logical, not overly complex manner,” the specific items in the checklist primarily address formatting, for example, the font size and using headings. The guidelines could be expanded to address the use of plain language more directly, which Blasie (2023) defines as a reader-focused concept. Plain language is concise and to the point, uses the present tense and an active voice, and uses simple words and phrases (Blasie, 2023). Brevity is a key principle of plain language, but it does not mean that one should sacrifice detail or completeness. Brevity prioritizes the use of short sentences and paragraphs to enhance the readability and comprehension of contracts and legal documents (Blasie, 2023).

Plain language should also focus on reducing ambiguity and making the text engaging and direct by using present tense verbs and an active voice (Blasie, 2023). Finally,

the plain language approach advocates removing jargon, abbreviations, and definitions, and it prioritizes using simple words and phrases (Blasie, 2023). This ensures that the reader does not need specialized knowledge and can easily understand the document.

Research examining readability has found that the complexity of a document can significantly impede comprehension, and consumers may not understand the terms they are agreeing to (Benoliel & Becher, 2019). Creating accessible and transparent documents increases understanding and ensures equal information for all consumers regardless of their education or prior knowledge (Benoliel & Becher, 2019; Blasie, 2023; U.S. Security and Exchange Commission, 1998). Data also suggest that using plain language improves efficiency and reduces reading time (Eppler & Mengis, 2004). To enhance the clarity and efficiency of communication, insurance companies and state regulators should consider using automated readability tests and standards to evaluate the letters during the review process. Readability tests help to identify the reading level of the document, measuring factors such as sentence length and word complexity, which are key elements of plain language writing.

Therefore, the combined results indicate that providing access to trained LTCI specialists and utilizing plain language ensures that all consumers, irrespective of their background, education, or prior experience, receive equal access to information and knowledge (Blaise, 2023). Ensuring the clarity of communication is especially important as cognitive declines associated with normal aging makes it imperative that such communication must be accessible, understandable, and relevant (Boyle et al., 2013).

Limitations

While this study provides valuable insights into the factors that influence long-term care insurance (LTCI) policyholders' responses to premium increase notices, especially their decisions to accept reduced benefit options (RBOs). It is important to note that there are several limitations that may impact the interpretation and generalizability of the findings.

Participants in this research study were placed in a fictitious context, which may result in lower perceived consequences than if they were making this choice in an real-world setting. In addition, the interviewees are likely not typical of a legacy LTCI stand-alone policy. Many indicated that they had the financial means to manage the increase and consulted a trusted financial professional who recommended accepting the increase. Many also had personal experiences with long-term care. Consequently, the decisions made by participants may have been unduly influenced by one or more of these factors.

It is also important to note that while this research sheds light on the experience of LTCI policyholders, it does not address the experience of those who cancelled their policy after receiving a premium increase notice. Understanding why policyholders gave up their LTCI insurance rather than paying a higher premium or selecting an RBO would provide important additional information about LTCI policyholder experiences.

Finally, previous research highlights the significant impact of income on consumers' financial decisions. However, in this research income was not a significant predictor in any of the models. This finding may reflect how the question was phrased, or how participants

perceived their income. Given the age of the respondents, it was not surprising that 62% of those surveyed reported being retired. We asked participants to select their income from income bands, and thus, it may not have accurately captured all the sources of income that retirees may draw from. Furthermore, while we asked the respondents to indicate the types of savings and investment assets they own, we did not ask about the value of those assets nor their willingness to use assets to pay for long-term care in the future. Research across five nationally representative data sets examined the accuracy of retirement income measures (Chen et al., 2018). The findings suggest that questions capturing income from multiple sources are more accurate than those using a single income question. Thus, without asking more detailed questions about potential income sources, it is difficult to determine if respondents included all of them in their income estimations. Future research should incorporate questions that capture the multifaceted nature of retirement income, including but limited to pensions, Social Security benefits, asset withdrawals, and investment returns.

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Appendix A: Letters Shown to Survey Respondents

Letter Designed to Follow the NAIC Principles and Guidelines (female rates shown):

Dear Policy/Certificate Holder:

Starting June 1, 2024, the premium for your long-term care insurance policy will increase. We recognize that insurance decisions can be confusing, so the information in this letter will help to explain what is happening.

This letter explains:

- When and how much your premium is increasing.
- Why your premium is increasing.
- The options you have to manage this increase.

When and how much your premium is increasing:

Current Premium	New Premium	Rate Increase Percentage	Effective Date
\$2,592	\$4,665	80%	06/01/2024

You should be aware that even if you decide to reduce or change your current benefits, additional rate increases may occur in the future.

Why your premium is increasing:

After careful consideration, we have made the difficult decision to increase premiums on many of our long-term care policies. Please note that this increase is not due to any change in your personal health, age, or claims history. This premium increase is the result of rising long-term care claim costs. Specifically, more people are filing claims and claims are lasting longer than expected.

The options you have to manage this increase:

You can choose to keep your current benefits and pay the increased premiums.

However, we understand that a premium increase can be challenging for some. Therefore, we are offering you reduced benefit options to keep your premium at or close to its current level. You may elect to maintain your coverage at its current benefit level by paying the increased premium amount. You may also seek to moderate the impact of the premium

rate increase by considering one or more of the options below. Please note that all the options available to you are not of equal value and some may impact your premium and coverage more than others. As you think about your options you should consider the cost of long-term care in your area.

Option		Description
1	Reduce your daily/monthly benefit	The daily/monthly benefit is the maximum amount that your insurance policy will pay for each day/month of care. Instead of getting the maximum daily or monthly benefit, you can choose a lower daily/monthly benefit amount, which will reduce your monthly premiums. As you think about your options, it may be helpful to consider your potential long-term care needs and expenses to evaluate the daily/monthly benefits that meet your financial goals.
2	Increased Elimination Period	The elimination period is the length of time the individual must pay for covered services before the insurance company makes payments. Increasing your policy's elimination period reduces the premium because it reduces the amount of time the insurance company is responsible for your benefits. However, please be aware that you will have to pay the full amount of long-term care services out-of-pocket during the elimination period.
3	Shorter Benefit Period	The benefit period is the length of time an insurance company will pay your benefits. Depending on the initial length of your benefit period, a shorter benefit period will reduce the time for which benefits are paid, thus lowering your premium.
4	Reduce your Inflation Protection Percentage	Inflation protection is a policy option that increases the benefit coverage to cover expected increases in long-term care service costs. Because long-term care costs tend to increase over time, an inflation protection option increases your daily/monthly benefits while keeping your premiums level for the life of your policy. You can choose to reduce or remove the inflation protection benefit to manage this premium increase. By removing this option, your daily/monthly maximum will remain at the same level over time, and you will have to pay

		an extra amount out of pocket for inflation-related costs in long-term care services.
5	Contingent Nonforfeiture	<p>This benefit allows you to stop paying premiums and receive a paid-up policy with reduced benefits. As a result, your lifetime maximum benefit will be the larger of the following:</p> <ol style="list-style-type: none"> 1. 100% of the premiums paid on the policy to date less benefits received. <p style="text-align: center;">Or</p> <ol style="list-style-type: none"> 2. 30 times your current maximum daily benefit amount less benefits received. <p>The following terms apply if you choose to exercise the Contingent Nonforfeiture Benefit:</p> <ul style="list-style-type: none"> • No benefits will be paid in excess of your new policy limit. • Benefits will be paid subject to the daily/monthly benefit levels (and other coverage limits) in effect at the time you convert your policy to paid-up status. • All optional benefit riders will automatically terminate. • All other applicable policy provisions, conditions, and limitations will remain in effect.

Your long-term care insurance is here to protect the ones that you love and to assist you with covering the high cost associated with services like nursing homes, in-home care, and assisted living. We understand the importance of your long-term care insurance policy in planning for your future. You should consider your personal health situation, financial position, and age when considering these options.

We also acknowledge that making financial decisions can be incredibly challenging due to the complicated nature of the choices. We encourage you to discuss your options with trusted family members, your financial advisor, or a member of our Customer Service Team.

Included are some Frequently Asked Questions that should answer many of your questions and concerns about this premium change. If you have additional questions, please call our Client Services Department at 800-888-8888. Our office hours are Monday through Thursday, 9 a.m. to 5 p.m. EST, and Friday, 9:00 a.m. to 3:00 p.m. EST.

Sincerely,

Jo Joseph

Senior Vice President and Chief Operating Officer

FREQUENTLY ASKED QUESTIONS

My premiums are being increased. Is this allowed?

Yes, the Company can change your premiums. Page 1 of your policy/certificate discusses when and how premiums may be changed. This premium change has also been filed with the Department of Insurance.

Will there be future increases?

It is possible that your premium could increase again in the future. We will continue to monitor the cost of claims, and we will follow a similar notification process, as required by law.

If I do not want to pay the increase what are my options?

In the notification letter we have referenced several policy change options that can lessen the impact of the premium increase – such as shorter benefit duration, lower benefit amount or a longer elimination period. Additionally, in those states where approved, a new reduced inflation option is also being offered which will enable policyholders to avoid this premium increase completely. Policyholders can contact a member of our Customer Service team at 1-800-888-8888 to discuss other policy change options that may be available.

Can the Company delay making my premium increase effective until I decide which option is best for me?

No. All people who bought this type of policy/certificate must be treated similarly. We cannot delay the premium change on an individual basis.

If I choose to lower my coverage limits to lower my premium, how long do I have to pick an option?

You may change your coverage at any time. If you choose any of the options on the Benefit Reduction Form, the change will occur on the Rate Increase Effective Date on page 1, unless you notify the Company otherwise.

When will the changes take place?

The changes to your long-term care premium/policy will take place on June 1, 2024. The Coverage Change Request Form should be used if you decide you want to adjust your benefits or cancel your policy. Otherwise, no action is necessary on your part, as the premium rate increase will take place automatically on the policy anniversary date specified in your letter. Note: if you are currently receiving Long Term Care benefits, and on waiver of premium, this increase will be deferred until you are no longer on claim.

If I choose not to pay future premiums, what happens to my coverage?

Your policy/certificate is guaranteed renewable. This means that your coverage is protected if you pay your premiums. If you do not pay your premium when it is due, your current coverage will lapse, i.e., terminate.

If you lapse your policy/certificate anytime between the date of this letter and 120 days after the Rate Increase Effective Date, the Contingent Nonforfeiture benefit will automatically apply. Your policy/certificate will still provide coverage, but at lower coverage limits. This is not a cash value.

My premiums are taken directly from my bank account. Do I need a new Pre-Authorized Checking form?

No, your existing authorization will allow us to deduct the correct premium from your account.

How does this impact me if my premiums are being waived?

If your premiums are currently being waived, the new premium will also be waived until you are no longer eligible for waiver of premium, as stated in your policy/certificate. You will begin to pay the new premium when you return to a premium paying status.

I still have questions. How do I get these questions answered?

Call us toll-free at 800-888-8888, and our Client Services Department can help.

Letter Designed to Not Follow the NAIC Principles and Guidelines (male rates shown):

Dear Policy/Certificate Holder:

Starting June 1, 2024, the premium for your long-term care insurance policy will increase. We recognize that insurance decisions can be confusing, so the information in this letter will help to explain what is happening.

This letter explains:

- When and how much your premium is increasing.
- Why your premium is increasing.
- The options you have to manage this increase.

When and how much your premium is increasing:

The premium for your long-term care insurance policy will increase effective June 1, 2024, your next policy anniversary date. As a result, your modal premium payment will increase from \$2,016.00 to \$3,628.00. You should be aware that even if you decide to reduce or change your current benefits, additional rate increases may occur in the future.

Why your premium is increasing:

After careful consideration, we have made the difficult decision to increase premiums on many of our long-term care policies. Please note that this increase is not due to any change in your personal health, age, or claims history. This premium increase is the result of rising long-term care claim costs. Specifically, more people are filing claims and claims are lasting longer than expected.

The options you have to manage this increase:

You can choose to keep your current benefits and pay the increased premiums. However, we understand that a premium increase can be challenging for some. Therefore, we are offering you reduced benefit options to keep your premium at or close to its current level. You may elect to maintain your coverage at its current benefit level by paying the increased premium amount. You may also seek to moderate the impact of the premium rate increase by considering one or more of the options below. Please note that all the options available to you are not of equal value and some may impact your premium and coverage more than others.

1. Reduce your daily/monthly benefits.
2. Increase your elimination period.
3. Shorter benefit period.

4. Reduce your inflation protection percentage.
5. Contingent Nonforfeiture

Contingent Nonforfeiture: Provides you with a lesser Total Lifetime Benefit without additional premiums. As a result, your lifetime maximum benefit will be the larger of the following: 100% of the premiums paid on the policy to date or 30 times your current maximum daily benefit amount less than the total amount of claims paid.

The following terms apply if you choose to exercise the Contingent Nonforfeiture Benefit:

- No benefits will be paid in excess of your new policy limit.
- Benefits will be paid subject to the daily/monthly benefit levels (and other coverage limits) in effect at the time you convert your policy to paid-up status.
- All optional benefit riders will automatically terminate.
- All other applicable policy provisions, conditions, and limitations will remain in effect.

We are ready to assist you. If you have additional questions, please call our Client Services Department at 800-888-8888. Our office hours are Monday through Thursday, 9 a.m. to 5 p.m. EST, and Friday, 9:00 a.m. to 3:00 p.m. EST.

Sincerely,

Jo Joseph

Senior Vice President and Chief Operating Officer

Appendix B: Sections of the NAIC Checklist for Premium Increase Communications Used to Guide Drafting Letters for Use in Experiments

*Note: This is not the full checklist used to evaluate rate increase notifications. Below are only the areas that were tested in this research. The full checklist is available [here](#).

Yes		N/A	COMMUNICATION TOUCH AND TONE	Page Reference and Filing Notes
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	1. Does the communication remind consumers to reflect on the original reason they bought the policy?	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	2. Does the communication express an understanding of the difficulty of evaluating choices?	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	3. Is there a statement telling consumers how to contact the insurer for more information or help understanding their options?	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	4. Are the options represented fairly? Options are not presented fairly If one option is emphasized, mentioned multiple times or bolded when the other options are not.	
<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	5. Are words used that could influence a policyholder's decision, such as must or avoid? For instance, consider demonstrating immediacy by using the word "now and avoiding words like "must." Consider "manage an increase" instead of "avoid an increase."	
Yes	No	N/A	UNDERSTANDING OPTIONS – CURRENT BENEFITS	Page Reference and Filing Notes
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	6. Does the communication include all the following applicable information? Current policy benefits (daily benefit, elimination period, current lifetime maximum benefit in dollars, inflation option, partnership status)?	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	7. If current benefits have an inflation option, does the communication clearly explain the impact that changes to this inflation option may have on benefits now and in the future?	

Yes	No	N/A	UNDERSTANDING OPTIONS – PERSONAL DECISION	Page Reference and Filing Notes
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	8. Can the insurer confirm policyholders will see only those options that are available to them (and not be shown options that are not available to them)?	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	9. Does the communication prompt the policyholder to consider their personal situation, such as: current age, health conditions, financial position, availability of caregivers, spouse or partner impacts, and potential need for and cost of care?	
Yes	No	N/A	UNDERSTANDING OPTIONS – VALUE OF OPTIONS	Page Reference and Filing Notes
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10. Is the narrative describing the Contingent Nonforfeiture (CNF) and other limited benefit options clear that there is a reduction in the current policy's LTC benefits? The narrative does not have to include the dollar value for CNF.	
Yes	No	N/A	UNDERSTANDING OPTIONS – IMPACT OF DECISION	Page Reference and Filing Notes
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	11. Is there a prominent statement telling policyholders they can maintain their current benefits by paying the increased premium?	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	12. Do the options reflect the impact of removing or reducing the inflation option on the growth or reduction of future benefits?	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	13. If dropping inflation protection results in the loss of accumulated benefit amount, is that clearly explained?	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	14. For phased-in increases: Is there a table with all phase-in dates and premium amounts if no RBO is selected? Does the communication clearly state if RBO(s) are limited to only the first-rate increase or will be available during each phase of the rate increase?	

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	15. For phased-in increases, are there communications sent at least 45 days before each phase of the increase?	
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	16. Does the communication disclose that all reduction options require careful consideration and may not be equal in value?	

Appendix C: Hypothetical Context

Suppose you're 80 years old. You've had a long-term care insurance policy for the last 20 years. Until two years ago, you paid the same premium every month.

You expect that at some point you'll need help with two or more of the primary daily functions like bathing, dressing, getting out of bed, and going to the bathroom. You might also need help if you have trouble remembering things. To use your long-term care insurance policy to pay for this help, you'll need to file a claim.

Male Participants:

Imagine that for 18 years you paid \$140 a month for your long-term care insurance -- \$1,680 a year. Two years ago, the premium went up by 20% to \$168 a month or \$2,016 a year.

Now your insurer has sent you a letter saying your premium is going up again.

Female Participants:

Imagine that for 18 years you've paid \$180 a month for your long-term care insurance -- \$2,160 a year. Two years ago, the premium went up by 20% to \$216 a month or \$2,592 a year.

Now your insurer has sent you a letter saying your premium is going up again.

Appendix D: Survey Instrument

Q1 What state do you live in?

- ☐ Alabama (1)
- ☐ Alaska (2)
- ☐ Arizona (3)
- ☐ Arkansas (4)
- ☐ California (5)
- ☐ Colorado (6)
- ☐ Connecticut (7)
- ☐ Delaware (8) F
- ☐ D.C. (51)
- ☐ Florida (9)
- ☐ Georgia (10)
- ☐ Hawaii (11)
- ☐ Idaho (12)
- ☐ Illinois (13)
- ☐ Indiana (14)
- ☐ Iowa (15)
- ☐ Kansas (16)
- ☐ Kentucky (17)
- ☐ Louisiana (18)
- ☐ Maine (19)
- ☐ Maryland (20)
- ☐ Massachusetts (21)
- ☐ Michigan (22)
- ☐ Minnesota (23)
- ☐ Mississippi (24)
- ☐ Missouri (25)

- ☐ Montana (26)
- ☐ Nebraska (27)
- ☐ Nevada (28)
- ☐ New Hampshire (29)
- ☐ New Jersey (30)
- ☐ New Mexico (31)
- ☐ New York (32)
- ☐ North Carolina (33)
- ☐ North Dakota (34)
- ☐ Ohio (35)
- ☐ Oklahoma (36)
- ☐ Oregon (37)
- ☐ Pennsylvania (38)
- ☐ Rhode Island (39)
- ☐ South Carolina (40)
- ☐ South Dakota (41)
- ☐ Tennessee (42)
- ☐ Texas (43)
- ☐ Utah (44)
- ☐ Vermont (45)
- ☐ Virginia (46)
- ☐ Washington (47)
- ☐ West Virginia (48)
- ☐ Wisconsin (49)
- ☐ Wyoming (50)

Q2 Please select your age range?

- ☐ 18 - 24 (1)
- ☐ 25 - 34 (2)

- o 35 - 44 (3)
- o 45 - 54 (4)
- o 55 - 64 (5)
- o 65 - 74 (6)
- o 75 - 84 (7)
- o 85 or older (8)

Skip To: End of Block If Q2 = 18 - 24

Skip To: End of Block If Q2 = 25 - 34

Skip To: End of Block If Q2 = 35 - 44

Skip To: End of Block If Q2 = 45 - 54

End of Block: Screening Questions

Start of Block: Consent

Consent

Long-term Care Insurance and RBO's

You are being asked to participate in a research study investigating long-term care insurance. Your participation in this study is voluntary. By continuing with the study procedures, it will be assumed that you consent to participate. If you choose to participate, you will be asked to read some materials about long-term care insurance and answer some survey questions. These procedures will take approximately 30 min to complete.

There are no perceived risks to participating in this research. However, there may be potential benefits to you and others from your involvement in this research. This data will contribute to scientific knowledge and improve understanding about long-term care insurance and reduced benefit options.

Your responses and any personal information collected during this study will be kept confidential to the fullest extent allowed by law. Your data will be stored securely and only accessed by authorized personnel involved in the research. By participating in this study, you agree that the data collected may be used for research purposes and may be shared with other researchers or collaborators. However, your identity will remain anonymous in any publications or presentations resulting from this research.

If you have any questions about this study or your rights as a participant, please contact Dr. Brenda Rourke at blrourke@naic.org or 816-783-8088. If you have questions about your rights as a research subject, you may contact Solutions IRB at (855) 226-4472 or at participants@solutionsirb.com." By continuing with the study procedures, you indicate that

you have read and understood the information provided above and voluntarily agree to participate in this research study.

If you have any questions or concerns, please feel free to ask the researcher before proceeding

End of Block: Consent

Start of Block: Introduction

Q82

Please take your time to carefully review the letter that will be presented to you. You can keep the letter open on your computer or phone and see it at any point during the survey.

Note: You will not be able to go back to a question in the survey after you have submitted your responses.

End of Block: Introduction

Start of Block: Routing:

Q3 Before we get started please answer the following question:

What is your gender?

- ☐ Male (1)
- ☐ Female (2)
- ☐ Non-binary / third gender (3)

End of Block: Routing:

Start Block: Letters and Context:

NOTE: Here participants are routed to one of the two letters and half of them read the fictitious context.

Please take a moment to open the link below (Letter) and read the attached letter. Take your time reading the letter and feel free to keep it open and see it at any time.

End of Block:

Start of Block: RBO Choices

Q10 You now need to make a choice about your long-term care insurance policy.

Which of the following options do you choose?

- o Pay the higher premium (1)
- o Reduce the daily/monthly benefit (2)
- o Increase the elimination period (3)
- o Shorten the benefit period (4)
- o Reduce the inflation protection (5)
- o Take the contingent nonforfeiture offer (8)

End of Block: RBO Choices

Start of Block: Qual 1

Q11 Think about the letter that you just read. In your own words what is the reason for this letter?

End of Block: Qual 1

Start of Block: Normative Beliefs

Q14 Most people with long-term care insurance would make the same decision I did about their policy.

- o Extremely unlikely (1)
- o Somewhat unlikely (2)
- o Neither likely nor unlikely (3)
- o Somewhat likely (4)
- o Extremely likely (5)

Q15 Most people who are important to me would approve of the decision I made about my long-term care insurance.

- o Strongly disagree (1)
- o Somewhat disagree (2)
- o Neither agree nor disagree (3)
- o Somewhat agree (4)
- o Strongly agree (5)

End of Block: Normative Beliefs

Start of Block: Attitudes

Q12 Thinking about the letter you just read, how do you feel about the reduced benefit options that were presented?

- ☐ Extremely displeased (1)
- ☐ Somewhat displeased (2)
- ☐ Neither pleased nor displeased (3)
- ☐ Somewhat pleased (4)
- ☐ Extremely pleased (5)

Q13 How just or unjust would you describe the reduced benefit options in the letter?

	1 (1)	2 (2)	3 (3)	4 (4)	5 (5)	
Unjust	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Just

End of Block: Attitudes

Start of Block: Control Beliefs

Q16, Do you think the letter included all of the information you needed to make a decision about your policy?

- ☐ Strongly disagree (1)
- ☐ Somewhat disagree (2)
- ☐ Neither agree nor disagree (3)
- ☐ Somewhat agree (4)
- ☐ Strongly agree (5)

Q17 After reading the letter I feel the choice that I made was mostly up to me.

- ☐ Strongly disagree (1)
- ☐ Somewhat disagree (2)
- ☐ Neither agree nor disagree (3)
- ☐ Somewhat agree (4)
- ☐ Strongly agree (5)

End of Block: Control Beliefs

Start of Block: Perceived Behavioral Control

Q18 How confident are you in your ability to understand the impact of choosing one of the reduced benefit options offered in the letter?

- ☐ Extremely unconfident (1)
- ☐ Somewhat unconfident (2)
- ☐ Neither confident nor unconfident (3)
- ☐ Somewhat confident (4)
- ☐ Extremely confident (5)

Q19, I think I have the knowledge and skills needed to make the decision in the letter.

- ☐ Strongly disagree (1)
- ☐ Somewhat disagree (2)
- ☐ Neither agree nor disagree (3)
- ☐ Somewhat agree (4)
- ☐ Strongly agree (5)

End of Block: Perceived Behavioral Control

Start of Block: Injunctive Normative Referent

Q20 If you could reach out to someone before you made the decision in the letter, who would that be? Please select all that apply.

- ☐ My children (1)
- ☐ My spouse/life partner (2)
- ☐ Other family (not children or spouse/life partner) (3)
- ☐ My financial advisor (4)
- ☐ The agent who sold me the policy (5)
- ☐ The insurance company that sold me the policy (6)
- ☐ A state agency that regulates insurance (such as a state department of insurance) (7)
- ☐ A friend (8)

- ☐ I would use online resources (9)
- ☐ Other (10) _____

Skip To: End of Block If Q20 = I would use online resources

Q21 How do you think they would view the decision that you made?

- ☐ Strongly disapprove (1)
- ☐ Somewhat disapprove (2)
- ☐ Neither disapprove nor approve (3)
- ☐ Somewhat approve (4)
- ☐ Strongly approve (5)

Q22 Why would you contact them about the letter?

End of Block: Injunctive Normative Referent

Start of Block: Emotions

Q23 Please indicate how much you experienced the following emotions while reading the letter:

	1 - Not at all (1)	2 (2)	3 (3)	4 (4)	5 - A lot (5)
Confused (8)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Happy (1)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Angry (2)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Optimistic (3)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Frustrated (4)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Respected (5)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Uncertain (6)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Satisfied (9)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
Anxious (7)	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

End of Block: Emotions

Start of Block: Understanding/Awareness

Q24 I would describe the letter as:

1 (1) 2 (2) 3 (3) 4 (4) 5 (5)

Confusing	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Clear
Hard to read	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Easy
Unfair to me	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Fair
Unconcerned	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	Empathetic

Q25 How would you describe the explanation of the options you had to choose from in the letter?

- ☐ Extremely unclear (1)
- ☐ Somewhat unclear (2)
- ☐ Neither clear nor unclear (3)
- ☐ Somewhat clear (4)
- ☐ Extremely clear (5)

Q26 Do you think the letter (please choose one):

- ☐ Presented the information without emphasizing any one point in particular. (1)
- ☐ Emphasized the importance of keeping the policy more than anything else. (2)
- ☐ Emphasized the reduced benefit options more than anything else. (3)
- ☐ Emphasized the possibility of future rate increases more than anything else. (4)
- ☐ Emphasized the reason for the rate increase more than anything else. (5)

Q27 Do you think the letter is attempting to influence you to take a specific action?

- ☐ No (1)
- ☐ Maybe (2)
- ☐ Yes (3)

Display This Question: If Q27 = Yes And Q27 = Maybe

Q28 What do you think the letter is attempting to influence you to do?

- ☐ Accept the rate increase and pay the higher premium. (1)
- ☐ Choose a reduced benefit option. (2)
- ☐ Cancel the policy. (3)
- ☐ Make an informed decision. (5)
- ☐ Other (4) _____

End of Block: Understanding/Awareness

Start of Block: Financial Knowledge Scale

Q29 We want to know more about how well you understand personal finance. It's important that you answer the questions based on what you personally know. Please do not look up the answers!

Q30 Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After 1 year, would you be able to buy more than, exactly the same as, or less than today with the money in this account?

- ☐ More than today. (1)
- ☐ Exactly the same as today. (2)
- ☐ Less than today. (3)

Q31 If the interest rates rise, what should happen to bond prices?

- ☐ They should rise. (1)
- ☐ They should fall. (2)
- ☐ They should stay the same. (3)

Q32 Considering a long time period (for example 10 or 20 years), which asset described below normally gives the highest return?

- ☐ Savings accounts. (1)
- ☐ Bonds. (2)
- ☐ Stocks. (3)

Q33 Normally, which asset described below displays the highest fluctuations over time?

- ☐ Savings accounts. (1)
- ☐ Bonds. (2)
- ☐ Stocks. (3)

Q34 When an investor spreads his or her money among different assets, does the risk of losing a lot of money increase, decrease, or stay the same?

- ☐ Increase. (1)
- ☐ Decrease. (2)
- ☐ Stay the same. (3)

Q35 Do you think the following statement is true or false? “If you were to invest \$1000 in a stock mutual fund, it would be possible to have less than \$1000 when you withdraw your money.”

- ☐ False (1)
- ☐ True (2)

Q36 Do you think the following statement is true or false? “‘Whole life’ insurance has a savings feature while ‘term’ insurance does not.”

- ☐ False (1)
- ☐ True (2)

Q37 Do you think the following statement is true or false? “A 15-year mortgage typically requires higher monthly payments than a 30-year mortgage, but the total interest paid over the life of the loan will be less.”

- ☐ False (1)
- ☐ True (2)

Q38 Do you think the following statement is true or false? “Housing prices in the United States can never go down.”

- ☐ False (1)
- ☐ True (2)

Q39 Suppose you owe \$3,000 on your credit card. You pay a minimum payment of \$30 each month. At an Annual Percentage Rate of 12% (or 1% per month), how many years would it take to eliminate your credit card debt if you made no additional new charges?

- ☐ Less than 5 years. (1)
- ☐ Between 5 and 10 years. (2)
- ☐ Between 10 and 15 years. (3)
- ☐ Never, you will continue to be in debt. (4)

End of Block: Financial Knowledge Scale

Start of Block: Knowledge of DOI

Q40 Have you heard about a state agency that regulates insurance in your state (such as a Department of Insurance)?

- ☐ No (1)

- ☐ Yes (2)

Display This Question: If Q40 = Yes

Q41 Do you know what that state agency does?

- ☐ No (1)
- ☐ I am not sure. (2)
- ☐ Yes (3)

Display This Question: If Q40 = Yes

Q42 Would you contact that state agency to help you make the decision in the letter?

- ☐ No (1)
- ☐ Yes (2)

Q43 Who do you think a state agency that regulates insurance protects?

Please select all that apply.

- ☐ Insurance companies. (1)
- ☐ Insurance consumers. (2)
- ☐ Insurance agents. (3)
- ☐ Other: (4) _____

End of Block: Knowledge of DOI

Start of Block: Prior Experience with LTCI

Q44 Now we'd like to ask about your personal experience with and attitudes about long-term care and long-term care insurance.

Q45 Do you have long-term care insurance? (Note: A long-term care insurance policy is one that helps cover the costs if you need help with activities of daily living. A disability policy is not a long-term care policy. Medicare and Medicare Supplement insurance policies also are not long-term care insurance.)

- ☐ Yes (1)
- ☐ No (2)
- ☐ I did at one point but I don't have the insurance now. (3)
- ☐ No, but a family member or close friend does. (4)
- ☐ I don't know. (5)

Display This Question: If Q45 = Yes

Q46 What type of benefits do you have?

- ☐ Unlimited or lifetime. (1)
- ☐ Limited (for example, 2 years of benefits) (2)
- ☐ I don't know. (3)

Display This Question: If Q45 = Yes

Q47 Please read the following descriptions before answering the next question.

Traditional long-term care policies work much like auto or home insurance. You pay premiums, usually for as long as you have the policy and make claims if you ever need the covered benefits.

Hybrid or linked-benefit policies combine coverage for long-term care with another benefit, usually life insurance or an annuity. In a life insurance hybrid policy, you often pay one lump sum, or a fixed amount in several annual payments. In return, you get long-term care coverage with features like those in traditional policies, along with some life insurance that will go to your heirs if you never use the long-term care benefits.

Based on the descriptions above, what type of long-term care insurance policy do you have?

- ☐ I have a traditional long-term care insurance policy. (1)
- ☐ I have a hybrid or linked-benefit long-term care policy. (2)
- ☐ I have another type of long-term care insurance. (3)
- ☐ I don't have a long-term care insurance policy. (4)

Display This Question: If Q45 = No

And Q45 = I did at one point, but I don't have the insurance now.

Q48 Why don't you have a long-term care insurance policy?

Please choose the main reason.

- ☐ I don't even know what a long-term care insurance policy is. (1)
- ☐ I've never thought about buying one. (2)
- ☐ A financial advisor or insurance agent never recommended it. (3)
- ☐ I've thought about buying one but haven't taken any action. (4)
- ☐ I used to have such a policy, but I let it lapse. (5)
- ☐ Long-term care insurance policies cost too much. (6)

- ☐ My family/partner/friends will take care of me if I need long-term care. (7)
- ☐ I probably wouldn't qualify for a policy because of my health. (8)
- ☐ I looked at policies but couldn't find one I liked. (9)
- ☐ I don't think I will need such a policy. (10)
- ☐ I think I am too young to consider this. (11)
- ☐ I think I am too old to consider this. (12)
- ☐ Other: (13) _____

Q49 Do you believe that Medicare will cover the cost of your long-term care if you need it?

- ☐ No (1)
- ☐ Maybe (2)
- ☐ Yes (3)

Display This Question: If Q45 = Yes

Q50 Would you be willing to participate in a follow up interview?

- ☐ No (1)
- ☐ Maybe (2)
- ☐ Yes (3)

Display This Question: If Q50 = Yes Or Q50 = Maybe

Q51 Please provide us with your contact information:

Name

Phone Number

E-mail

We will contact you to provide you with details about the interview in a follow up e-mail or call. You will be compensated for your time if you agree to participate in the interview.

Please note that this information will be kept secure and confidential and will not be shared. Thank you

End of Block: Prior Experience with LTCI

Start of Block: Risk Perception

Q52 It's important for me to plan now for the possibility I might need long-term care.

- ☐ Strongly disagree (1)
- ☐ Somewhat disagree (2)
- ☐ Neither agree nor disagree (3)
- ☐ Somewhat agree (4)
- ☐ Strongly agree (5)

Q53 Have you ever provided long-term care to or coordinated long-term care for a family member or friend?

- ☐ No (1)
- ☐ Yes (2)

Q54 Have you ever needed long-term care?

- ☐ No (1)
- ☐ Yes (2)

Q55 How likely do you think that it is that you'll have two or more limitations in activities of daily living for more than one year of your life? Activities of daily living include eating, bathing, getting dressed, walking about one's home, and getting in and out of bed.

- ☐ Extremely unlikely (1)
- ☐ Somewhat unlikely (2)
- ☐ Neither likely nor unlikely (3)
- ☐ Somewhat likely (4)
- ☐ Extremely likely (5)

Q56 How likely do you think it is that you'll have trouble remembering things or making decisions as you get older?

- ☐ Extremely unlikely (1)
- ☐ Somewhat unlikely (2)
- ☐ Neither likely nor unlikely (3)
- ☐ Somewhat likely (4)
- ☐ Extremely likely (5)

Q57 Overall, thinking of your assets, debts and savings, how satisfied are you with your current personal financial condition?

- ☐ Extremely dissatisfied (1)
- ☐ Somewhat dissatisfied (2)
- ☐ Neither satisfied nor dissatisfied (3)
- ☐ Somewhat satisfied (4)
- ☐ Extremely satisfied (5)

End of Block: Risk Perception

Start of Block: Risk Tolerance

Q58 On a scale of 0 to 10, how do you see yourself? Do you generally tend to play it safe or take risks?

0 Play it safe (1) 1 (2) 2 (3) 3 (4) 4 (5) 5 (6) 6 (7) 7 (8) 8 (9) 9 (10)
10 Take risks (11)

Q59 Which of the following statements comes closest to describing the amount of financial risk that you're willing to take when you save or make investments? (Choose one)

- ☐ Take substantial risks expecting to earn substantial returns. (1)
- ☐ Take above average financial risks expecting to earn above average returns. (2)
- ☐ Take average financial risks expecting to earn average returns. (3)
- ☐ Not willing to take any financial risks. (4)

End of Block: Risk Tolerance

Start of Block: General Self-efficacy

Q60 Please take a moment to answer the following questions thoughtfully and to the best of your ability.

Q61 I can always manage to solve difficult problems.

- ☐ Strongly disagree (1)
- ☐ Somewhat disagree (2)
- ☐ Neither agree nor disagree (3)
- ☐ Somewhat agree (4)
- ☐ Strongly agree (5)

Q62 If someone opposes me, I can find the means and ways to get what I want.

- ☐ Strongly disagree (13)
- ☐ Somewhat disagree (14)
- ☐ Neither agree nor disagree (15)
- ☐ Somewhat agree (16)
- ☐ Strongly agree (17)

Q63 It is easy for me to stick to my aims and accomplish my goals.

- ☐ Strongly disagree (1)
- ☐ Somewhat disagree (2)
- ☐ Neither agree nor disagree (3)
- ☐ Somewhat agree (4)
- ☐ Strongly agree (5)

Q64 I am confident that I could deal efficiently with unexpected events.

- ☐ Strongly disagree (1)
- ☐ Somewhat disagree (2)
- ☐ Neither agree nor disagree (3)
- ☐ Somewhat agree (4)
- ☐ Strongly agree (5)

Q65 Thanks to my resourcefulness, I know how to handle unforeseen situations.

- ☐ Strongly disagree (1)
- ☐ Somewhat disagree (2)
- ☐ Neither agree nor disagree (3)
- ☐ Somewhat agree (4)
- ☐ Strongly agree (5)

Q66 I can solve most problems if I invest the necessary effort.

- ☐ Strongly disagree (1)
- ☐ Somewhat disagree (2)
- ☐ Neither agree nor disagree (3)
- ☐ Somewhat agree (4)

- ☐ Strongly agree (5)

Q67 I can remain calm when facing difficulties because I can rely on my coping abilities.

- ☐ Strongly disagree (1)
- ☐ Somewhat disagree (2)
- ☐ Neither agree nor disagree (3)
- ☐ Somewhat agree (4)
- ☐ Strongly agree (5)

Q68 When I am confronted with a problem, I can usually find several solutions.

- ☐ Strongly disagree (1)
- ☐ Somewhat disagree (2)
- ☐ Neither agree nor disagree (3)
- ☐ Somewhat agree (4)
- ☐ Strongly agree (5)

Q69 If I am in trouble, I can usually think of a solution.

- ☐ Strongly disagree (1)
- ☐ Somewhat disagree (2)
- ☐ Neither agree nor disagree (3)
- ☐ Somewhat agree (4)
- ☐ Strongly agree (5)

Q70 I can usually handle whatever comes my way.

- ☐ Strongly disagree (1)
- ☐ Somewhat disagree (2)
- ☐ Neither agree nor disagree (3)
- ☐ Somewhat agree (4)
- ☐ Strongly agree (5)

End of Block: General Self-efficacy

Start of Block: Demographics

Q71 There's just one last section of the survey to complete. It will give us demographic information that will help us better understand consumers' views about long-term care insurance.

Q72 What is your marital status?

- ☐ Single (1)
- ☐ Married (2)
- ☐ Divorced (3)
- ☐ Widowed (4)
- ☐ Living with someone (5)
- ☐ Prefer not to answer (6)

Q73 Do you have any living children?

- ☐ No (1)
- ☐ Yes (2)
- ☐ Prefer not to answer (3)

Display This Question: If Q73 = Yes

Q74 Do your children live near you (within 30 miles)?

- ☐ No (1)
- ☐ Yes (2)
- ☐ Prefer not to answer (3)

Display This Question: If Q73 = Yes

Q75 How likely do you think it is that your children will help care for you if you need long-term care?

- ☐ Extremely unlikely (1)
- ☐ Somewhat unlikely (2)
- ☐ Neither likely nor unlikely (3)
- ☐ Somewhat likely (4)
- ☐ Extremely likely (5)

Q76 About how much was your household income in 2023?

- ☐ Less than \$25,000 (1)
- ☐ \$25,000 - \$49,999 (2)

- ☐ \$50,000 - \$74,999 (3)
- ☐ \$75,000 - \$99,999 (4)
- ☐ \$100,000 - \$124,999 (5)
- ☐ \$125,000 - \$149,999 (6)
- ☐ \$150,000 - or more (7)
- ☐ Prefer not to answer (8)

Q77 What is your employment status?

- ☐ Employed full time (1)
- ☐ Employed part time (2)
- ☐ Unemployed (3)
- ☐ Self-employed (4)
- ☐ Military (5)
- ☐ Homemaker (6)
- ☐ Disabled (7)
- ☐ Retired (8)
- ☐ Prefer not to answer (9)

Q78 What is your highest level of education?

- ☐ Less than high school (1)
- ☐ High school graduate (2)
- ☐ Some college, no degree (3)
- ☐ 2 year degree (4)
- ☐ 4 year degree (5)
- ☐ Masters degree (6)
- ☐ Doctorate (7)
- ☐ Professional Degree (9)
- ☐ Prefer not to answer (8)

Q79 What types of financial savings do you currently have?

Please select all that apply.

- ☐ Checking account (1)
- ☐ Savings account (including money market accounts) (2)
- ☐ Certificate of deposit (3)
- ☐ Shares in a mutual fund or an exchange traded fund including a workplace account, such as a 401k or 403b, or an IRA/Roth IRA. (4)
- ☐ Individual shares of stock. (5)
- ☐ Money in a trust fund (6)
- ☐ Bonds (7)
- ☐ Annuities (8)
- ☐ Life insurance policies (9)
- ☐ Prefer not to answer (10)

Q80 What types of insurance do you have?

Please select all that apply.

- ☐ Health (1)
- ☐ Auto (2)
- ☐ Life (3)
- ☐ Homeowners/Renters (4)
- ☐ Pet (5)
- ☐ Disability (6)
- ☐ Other: (7) _____
- ☐ None (8)
- ☐ Prefer not to answer. (9)

End of Block: Demographics

Appendix E: Interview Script

Hello, and thank you for agreeing to meet with me today. As you already know from my e-mail, we are interested in learning more about your experiences with your long-term care insurance policy. I have some questions prepared for our conversation today.

As I mentioned in the e-mail, it would be helpful if you had the policy out so that you can reference it to answer the questions.

Just a few housekeeping items before we get started:

1. The interview will be recorded. However, your name and any personal identifying information will never be connected to your responses or shared in any report or publication that results from this conversation.
2. I have another member of the research team on the call, and he will be an observer on this call.
3. Let me introduce myself:

Please tell me a little bit about you: You can start with your name and where you are from, and then tell me a little bit about what you like to do with your downtime.

Background about the policy and the participant's claims history:

First, let's talk about the type of long-term care insurance you have:

1. What do you know about your policy and the benefits?
 - a. Which company is the policy with, and would you describe the policy and the benefits that you have?

- b. How long have you had the policy?
- c. Who sold you the policy?
 - i. Do you remember who you talked to about purchasing the policy? Did someone recommend it to you?
 - ii. Are you still able to contact the agent/agency that sold you the policy?
 - iii. Have you ever had to contact an agent about the policy?
- d. Why did you purchase the policy?
 - i. Tell me about your perception of your need for long-term care.
 - 1. Did your need for long-term care play into your decision? Can you tell me more about that?
- e. Why do you still have the policy?
- f. What do you think some of the benefits and limitations are of this policy/type of insurance?
- 2. Do you have more than one policy? Does your wife/husband/partner have a policy?
- 3. Does your family or anyone else (a partner or close friend) know that you have the policy?
 - a. Where do you keep the policy (do they know where it is), and how much do they know about the policy?
- 4. What would you do if you did not have the policy?
 - a. Have you talked to Medicare consultants about this?

General probing questions:

Would you please explain further?

Would you please give me specific examples?

- 5. How would you describe your overall experience with your long-term care insurance?
 - a. Do you know the premium for the policy?

- b. How has the cost of your policy changed over time?
 - i. Do you feel the benefits are reasonable in relation to the premium charge?
 - ii. Have you ever sacrificed an essential to pay for the policy and the level of benefits?
 - c. Have you received any rate increases?
 - i. How many rate increases have you received?
 - ii. How did you receive notification about the rate increase/increases?
 - iii. How large were the rate increases?
 - iv. How did these rate increases impact you?
 - d. Have you filed a claim before, and can you tell me more about your experience with that process?
6. Knowing what you know now, would you buy your policy again? Why/why not?

General probing questions:

Would you please explain further?

Would you please give me specific examples?

Perceptions of the Letter and Reduced Benefit Option (RBO) Choice:

7. Have you ever received a letter like the one that you read in the survey?
- a. What was your reaction to the letter?
 - i. Was there anything that you found confusing about the letter?
 - b. After reading the letter, did you have any questions?
 - c. How do you think the information in the letter can be improved?
- Or
- d. If you could write the letter, what would you change and why?
 - e. What do you think the best and worst parts of the letter are and why?

- f. How could they communicate better?

General probing questions:

Would you please explain further?

Would you please give me specific examples?

- 8. What decision did you make and why?

Can you explain a little bit about the process you used/would use to make your decision when you received the letter?

- a. Did your perception of needing long-term care (LTC) play into your RBO decision?
- b. Who would/did you reach out to help you with your decision and why?
- c. Would you contact the agent that sold you the policy? Why/Why not?
- d. Who else would you contact to talk about the policy and the choices that you have?
 - i. Do you know about the state department of insurance or a similar agency that can help you?
- e. Have you considered ways to adjust the policy if you did not receive a letter from the company?
 - i. Do you believe that the options presented to you were the only options that you had?

- 9. Would you consider reaching out to the company to talk about more options?

- a. What is your perception of the company or the agent that sold you the policy?
- b. Do you trust the information that the company could provide you about the available options?

- 10. In your opinion, what do you think could be done to help you:

- a. Make this decision?

- b. Understand the letter and the options presented?

General probing questions:

Would you please explain further?

Would you please give me specific examples?

11. In your interactions with insurance companies, particularly concerning long-term care insurance, do you tend to seek government support or intervention when you encounter issues like rate increases or perceived unfair practices, or do you handle these complaints directly with the insurance company?

- a. In what way do you think your political beliefs influence your approach to these situations?

12. Is there anything else you would like to share about your experiences with long-term care insurance?