



CP 321

**Disability, Long-Term
Care and Long-Duration
Health Contracts
Comprehensive Summary**

1st Edition

Kristi Hardenberg, FSA, MAAA



An SOA Exam



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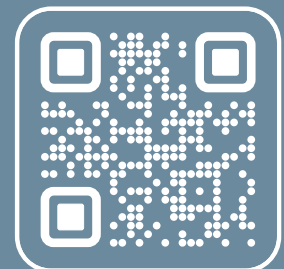
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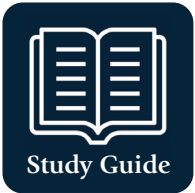


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QUESTION 19 OF 704 Question # Go! Prev Next

Question Difficulty: Advanced

An airport purchases an insurance policy to offset costs associated with excessive amounts of snowfall. The insurer pays the airport 300 for every full ten inches of snow in excess of 40 inches, up to a policy maximum of 700.

The following table shows the probability function for the random variable X of annual (winter season) snowfall, in inches, at the airport.

Inches	[0,20)	[20,30)	[30,40)	[40,50)	[50,60)	[60,70)	[70,80)	[80,90)	[90,inf)
Probability	0.06	0.18	0.26	0.22	0.14	0.06	0.04	0.04	0.00

Calculate the standard deviation of the amount paid under the policy.

Possible Answers

A 134
 ✓ 235
 ✗ 271
 D 313
 E 352

Help Me Start

Find the probabilities for the four possible payment amounts: 0, 300, 600, and 700.

Solution

With the amount of snowfall as X and the amount paid under the policy as Y , we have

y	$f_Y(y) = P(Y = y)$
0	$P(Y = 0) = P(0 \leq X < 50) = 0.72$
300	$P(Y = 300) = P(50 \leq X < 60) = 0.14$
600	$P(Y = 600) = P(60 \leq X < 70) = 0.06$
700	$P(Y = 700) = P(X \geq 70) = 0.08$

The standard deviation of Y is $\sqrt{E(Y^2) - [E(Y)]^2}$.

$$E(Y) = 0.14 \times 300 + 0.06 \times 600 + 0.08 \times 700 = 134$$

$$E(Y^2) = 0.14 \times 300^2 + 0.06 \times 600^2 + 0.08 \times 700^2 = 73400$$

$$\sqrt{E(Y^2) - [E(Y)]^2} = \sqrt{73400 - 134^2} = 235.465$$

Common Questions & Errors

Students shouldn't overthink the problem with fractional payments of 300. Also, account for probabilities in which payment cap of 700 is reached.

In these problems, we must distinguish between the REALT RV (how much snow falls) and the PAYMENT RV (when does the insurer pay)? . The problem states "The insurer pays the airport 300 for every full ten inches of snow in excess of 40 inches, up to a policy maximum of 700 ." So the insurer will not start paying UNTIL AFTER 10 full inches in excess of 40 inches of snow is reached (say at 50+ or 51). In other words, the insurer will pay nothing if $X < 50$.

Rate this problem 👍 Excellent 👎 Needs Improvement 👎 Inadequate

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Commonly encountered errors.

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PREFACE

Greetings, CP 321 Candidate,

If you've made it this far, congratulations! You've officially decided to spend a significant amount of your free time learning about disability and long-term care products, retirement benefits, and a variety of other topics you may or may not have expected to encounter on your actuarial journey.

This comprehensive summary is intended to cover the readings, articles, study notes, and examples included on the SOA syllabus, generally following the order in which they appear on the syllabus. The SOA does provide a recommended reading order in its [CP 321 Course Strategy Guide](#), which puts the material into a somewhat more logical progression. While this summary follows the syllabus order, you may find the SOA's recommended reading order helpful when working through the material for the first time.

After thoroughly immersing myself in all of the syllabus material, I can say with some confidence: this exam is a doozy. There are a lot of readings. A lot of topics. A lot of topics that have relatively small syllabus weightings but somehow still require you to know a surprising amount of detail. And, of course, there are the niche topics, because what actuarial exam would be complete without them? If you are not working in Canada, for example, there is a good chance your existing knowledge of Canadian post-retirement employer benefits is approximately zero. I know mine was.

My goal in creating this summary was to pull all that material together into one resource that is hopefully quicker and easier to review and refer back to than digging through the full collection of syllabus readings every time you need to refresh your memory on a particular topic.

Everyone has their own study style, and this summary is certainly not intended to replace the official syllabus materials or tell you how to study. Think of it as one more tool in your exam-prep toolbox; a way to organize the material, make some of the more obscure topics a little easier to digest, and give yourself a convenient place to review when you inevitably think, "Wait...what was that again?"

I have done my best to thoroughly review the syllabus material and make this summary as comprehensive and accurate as possible. That said, there is a lot of material here, and I am only human. Errors or omissions may still exist, so please consider the official SOA syllabus materials to be the authoritative source. If you find an error, notice something that needs clarification, or have a question about the material, I would genuinely appreciate you bringing it to my attention. Feedback from candidates will help make this resource better for everyone who uses it.

Hopefully, this guide helps make the CP 321 syllabus feel a little less overwhelming and gives you a resource you can come back to throughout your studying. Good luck, happy studying, and may your exam-day brain remember all those tiny details that seemed completely unnecessary when you first learned them!

Wishing you all the best on your exam journey. I look forward to connecting with you as peers in the industry!

Kristi Hardenbergh, FSA, MAAA

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	ASOP 22: Statements of Actuarial Opinion Based on Asset Adequacy Analysis for Life Insurance, Annuity, or Health Insurance Reserves and Other Liabilities (excluding Appendices)	245
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	CP321-113-26: IAS 19: A Primer on Non-Pension Benefit Accounting for Valuation Actuaries	261
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	CIA Educational Note – Health Care Trend Rate, May 2012, pp. 4-17 only	277
	CIA Educational Note – Setting the Accounting Discount Rate Assumption for Pension and Post-Employment Benefit Plans, December 2020	285
	CIA Standards of Practice - Practice-Specific Standards for Non-Pension Employee Future Benefit Plans, Dec 2023	291
	CP321-114-25: New Approaches Needed to Save Retiree Benefits	303

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CP321-116-25: Retiree Health Benefits: Going, Going, Nearly Gone?, KFF, Apr 2024	309

CP 321 SYLLABUS CROSS-REFERENCE

CP 321 – Disability, Long-Term Care, and Long-Duration Health Contracts

SOA Syllabus – Nov 2026 / Jul 2027

The tables below reproduce the learning objectives, learning outcomes and resource lists of the six syllabus topics published by the Society of Actuaries, and show where each syllabus resource is summarized in this manual. Resource titles that the SOA links to a freely available source are hyperlinked to that source; page numbers are hyperlinked to the corresponding section of this manual.

A learning-outcome code is read as *topic outcome*: for example, 2c refers to Topic 2, outcome (c). The weight range after each topic title is the relative emphasis the SOA expects that topic to receive on the examination.

Resources appear in each table in the order given by the SOA syllabus, which is the recommended order of study. Every resource on the syllabus is summarized in this manual except *IFRS 17 Insurance Contract Examples* (Topic 4), which the SOA supplies as a spreadsheet of worked examples rather than as reading; it is marked — in the Page column.

Topic 1: Plan and Product Provisions (5%–15%)
Learning Objectives
The candidate will understand how to describe benefits typically offered under long duration contracts (disability income, long term care, critical illness, Medicare Supplement).
Learning Outcomes
The Candidate will be able to: a) Describe typical organizations offering these contracts and their motivation for offering each type b) Describe each type of contract listed above c) Evaluate the potential moral hazards and financial and legal risks associated with each contract d) Describe Social Security disability income benefits in the United States

Syllabus Resource	Learning Outcomes	Page
<i>Individual Health Insurance</i> , Leida, Hans, 3 rd Edition, 2026 • Ch. 2: The Products (Sections 2.7–2.9)	1b, 1c	5
<i>Group Insurance</i> , Skwire, Daniel D., 8 th Edition, 2021 • Ch. 9: Government Health Plans in the United States, pp. 149–153 • Ch. 12: Group Disability Income Benefits	1d 1a–1c	15 19
<i>Insuring Long-Term Care</i> , Eaton, Robert, et. al., 2 nd Edition, 2024 • Ch. 2: History of Long-Term Care Products • Ch. 4: Hybrid Life and Long-Term Care Products	1b, 1c	29 33
Critical Illness Turns 40! , Health Watch, Sep 2023	1a–1c	37

Topic 2: Manual Rates (25%–35%)

Learning Objectives

The candidate will understand how to calculate rates for each of the contracts described in Learning Objective 1.

Learning Outcomes

The Candidate will be able to:

- Identify and evaluate sources of data needed for pricing, including the quality, appropriateness, and limitations of each data source
- Calculate and recommend assumptions
- Calculate and recommend a manual rate (includes base rate development and applying a rating manual) and describe the role of data credibility used to calculate the rate
- Identify critical metrics to evaluate actual vs. expected results
- Recommend strategies for properly modelling, pricing, underwriting, and funding case-specific risks
- Describe the purpose and objectives of Guaranty Associations and the multi-state framework for long term care rate increases
- Apply actuarial best practices in evaluating and projecting cash flows (premiums, claims, investment income, expenses, commissions), liabilities, and required capital

Syllabus Resource	Learning Outcomes	Page
<i>Group Insurance</i> , Skwire, Daniel D., 8 th Edition, 2021	2a–2d	47
• Ch. 25: Estimating Disability Claim Costs		
• Ch. 29: Group Insurance Underwriting, pp. 509–510	2e	57
CP321-100-25: Issues to Consider in Self-Funding Long-Term Disability Insurance	2e	59
CP321-102-25: Short Term Disability Example	2e	61
Issues In Applying Credibility to Group Long-Term Disability Insurance , 2013, pp. 5–15	2e	63
Group Life Waiver Study Based on 2009–2015 Canadian Group LTD Termination Experience Report , CIA Study, Jan 2020, pp. 4–25, Appendix G (background only)	2d	71
Best Estimate Assumption for Expenses , CIA Educational Note, Nov 2006, pp. 19–39	2c	75
<i>Insuring Long-Term Care</i> , Eaton, Robert, et. al., 2 nd Edition, 2024	2b–2d	89
• Ch. 9: Long-Term Care Insurance Experience Monitoring		
• Ch. 10: Long-Term Care Insurance Premium Rate Increases		95
ASOP 18: Long-Term Care (excluding Appendices)	2g	105
CP321-103-26: Long-Term Care Insurance Multistate Rate Review Framework, NAIC, Dec 2025, Sections V–VI	2f	111
CP321-101-25: Pricing Medicare Supplement Benefits, 2020, sections II, IV, V & Appendix	2a–2d	121
<i>Individual Health Insurance</i> , Leida, Hans, 3 rd Edition, 2026	2e	129
• Ch. 4: Managing Antiselection (Sections 4.1–4.5)		
ASOP 23: Data Quality (excluding Appendices)	2a, 2g	141
ASOP 41: Actuarial Communications (excluding Appendices)	2g	145

Topic 3: Reserving (15%–25%)

Learning Objectives

The candidate will understand how to apply valuation principles for long-duration contracts.

Learning Outcomes

The Candidate will be able to:

- a) Describe and calculate types of non-claim reserves held for long duration health contracts: policy reserves, unearned premium reserves, and premium deficiency reserves
- b) Describe and calculate types of claim reserves held for long duration health contracts: PVANYD (present value of amounts not yet due), ICOS (in course of settlement), and IBNR (incurred but not reported)
- c) Explain the limitations and biases of traditional valuation methods
- d) Calculate appropriate claim reserves given data
- e) Describe, calculate, and evaluate the impact of environmental factors on reserve calculations (trend, seasonality, claim processing changes, etc.)
- f) Evaluate data resources and appropriateness for calculating reserves
- g) Apply applicable best practices related to reserving

Syllabus Resource	Learning Outcomes	Page
<i>Group Insurance</i> , Skwire, Daniel D., 8 th Edition, 2021 • Ch. 40: Claim Reserves for Long-Term Benefits	3a–3e, 3g	153
<i>Individual Health Insurance</i> , Leida, Hans, 3 rd Edition, 2026 • Ch. 6: Reserves and Liabilities	3a–3g	165
<i>Insuring Long-Term Care</i> , Eaton, Robert, et. al., 2 nd Edition, 2024 • Ch. 8: Long-Term Care Insurance Valuation	3a, 3b	179
CP321-104-25: Practices for Preparing Health Contract Reserves	3a, 3g	185
CP321-105-25: Supplemental Comments (March 2022) for CP321-104-25	3a, 3g	197

Topic 4: Insurer Financial Statements (5%–15%)

Learning Objectives

The candidate will understand how to prepare and interpret insurance company financial statements for long duration contracts.

Learning Outcomes

The Candidate will be able to:

- a) Compare valuation standards under IFRS 17, US GAAP, and Statutory Accounting
- b) Prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP) and IFRS 17
- c) Interpret the results of both statutory and GAAP statements from the viewpoint of stakeholders, including regulators, senior management, and investors

- d) Project financial outcomes and recommend a strategy
- e) Apply applicable best practices

Syllabus Resource	Learning Outcomes	Page
CP321-107-25: Health Insurance Accounting Basics for Actuaries, Sections 4–7	4a–4d	203
CP321-106-25: Excerpt from AAA Application of ASU 2018-12 to the Accounting for Long-Duration Contracts under U.S. GAAP (Section IV only)	4b, 4e	223
IFRS 17 Insurance Contract Examples (Note: supplied by the SOA as a spreadsheet of worked examples; not summarized in this manual.)	4b, 4d	—

Topic 5: Asset Adequacy (0%–10%)

Learning Objectives

The candidate will understand how to evaluate asset matching and asset adequacy standards for long duration contracts.

Learning Outcomes

The Candidate will be able to:

- a) Understand the principles of Asset-Liability Management (ALM)
- b) Evaluate techniques for addressing mismatched assets and liabilities
- c) Describe asset adequacy approaches commonly applied to long-duration health contracts
- d) Describe cash flow projections and interactions between asset and liability cash flows

Syllabus Resource	Learning Outcomes	Page
CP321-108-25: ALM for Life, Annuities, and Pensions, Sections 2, 5 & 6	5a, 5b	231
CP321-109-25: Chapter 3 of <i>Modelling in Life Insurance – A Management Perspective</i> , 2016	5d	239

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Syllabus Resource	Learning Outcomes	Page
ASOP 22: Statements of Actuarial Opinion Based on Asset Adequacy Analysis for Life Insurance, Annuity, or Health Insurance Reserves and Other Liabilities (excluding Appendices)	5c	245

Topic 6: Retiree Group Benefits (20%–30%)

Learning Objectives

The candidate will understand how to design and perform valuations of retiree group benefits.

Learning Outcomes

The Candidate will be able to:

- Describe why employers offer retiree group benefits
- Determine appropriate demographic, economic, and benefit assumptions and apply to a retiree health valuation
- Determine employer liabilities, service cost, and expense for post-retirement and post-employment benefits and prepare disclosure information for financial reporting purposes
- Describe current issues faced by governments, employers, and employees related to post-retirement and post-employment benefits
- Apply actuarial best practices to post-retirement and post-employment benefit plans
- Propose ways to manage the range of risks faced by plan participants and retirees through retiree health and life plan designs
- Advise a plan sponsor regarding the choice of design elements for their retiree health program given situational context

Syllabus Resource	Learning Outcomes	Page
CP321-110-25: Chapter 24 of <i>Morneau Shepell Handbook of Canadian Pension & Benefit Plans</i> , 17 th Edition, 2020	6a, 6b, 6d, 6f, 6g	255
CP321-113-25: IAS 19: A Primer on Non-Pension Benefit Accounting for Valuation Actuaries (Note: numbered CP321-113-26 in the source document summarized in this manual.)	6a–6g	261
CP321-111-25: IAS19	6b, 6c	269

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Health Care Trend Rate , CIA Educational Note, May 2012, pp. 4–17 only	6b, 6e, 6g	277
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Practice-Specific Standards for Non-Pension Employee Future Benefit Plans (Effective February 1, 2024) , CIA Standards of Practice, Dec 2023	6b, 6c, 6e, 6f	291
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CP321-116-25: Retiree Health Benefits: Going, Going, Nearly Gone?	6d–6g	309

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Section A

Plan and Product Provisions (5% - 15%)

Learning Objectives:

The candidate will understand how to describe benefits typically offered under long duration contracts (disability income, long term care, critical illness, Medicare Supplement).

Learning Outcomes

The candidate will be able to:

- a) Describe typical organizations offering these contracts and their motivation for offering each type
- b) Describe each type of contract listed above
- c) Evaluate the potential moral hazards and financial and legal risks associated with each contract
- d) Describe Social Security disability income benefits in the United States

INDIVIDUAL HEALTH INSURANCE, LEIDA, HANS, 3RD EDITION, 2026 - CH. 2: THE PRODUCTS SECTIONS 2.7-2.9

Disability Income (DI) coverage

Covers lost income due to income or injury.

1. Renewability:
 - a. Primary categories of renewability for DI policies:
 - i. Non-cancelable (Non-can or non-can and guaranteed renewable)
 1. No change to premiums or benefits up to a certain age (e.g., age 65)
 - ii. Guaranteed renewable (GR)
 1. Coverage is guaranteed to renew if premium is paid
 2. Premiums can change
 - iii. Conditionally renewable (Non-renewable for stated reasons only)
 1. Allows insurer to cancel for specific circumstances other than non-payment of premium
 - b. Other renewability category:
 - i. Optionally renewable (Cancelable)
 1. Policies can be cancelled by insurer for any reason
2. Lost Income vs. Indemnity Coverage
 - a. Often DI benefits pay a % of income
 - b. Indemnity plans = Coverage provides a flat amount on a weekly or monthly basis
 - c. Drawback of indemnity payment = Benefit amount may not be appropriate at the time of disability based on the insured's lost income (e.g., indemnity benefit amount selected before salary increase)
3. DI Policy Provisions
 - a. Elimination Period (EP)

- i. Period of disablement that must be met prior to benefit payout
 - ii. Elimination period effect
 - 1. Fewer (more) people on disability the longer (shorter) the elimination period
 - b. Benefit Period (BP)
 - i. Maximum length of time benefits are payable
 - ii. Most common BPs are 2 years, 5 years, 10 years, and to age 65, 67, or 70
 - c. Definition of Occupation
 - i. Own Occupation: Unable to perform the duties of their own occupation; would still pay if insured is actively working in another occupation
 - ii. Own Occupation and Not Working: Unable to perform the duties of their own occupation, policy would not pay if insured is actively working in another occupation
 - iii. Any Occupation: Unable to perform the duties of any occupation for which the individual is suited by education, training and experience
4. DI Policy Benefits
- a. Total vs. Partial vs. Residual
 - i. Total Disability Benefits
 - 1. Benefits are paid if the individual is fully disabled
 - ii. Partial disability benefits
 - 1. Partial benefits are paid if there is a partial disability (insured is able to perform only some aspects of their job)
 - 2. A minimum % of lost income is required and the benefit is expressed as a % of the total disability benefit
 - iii. Residual disability benefits
 - 1. Requires total disability for a qualification period
 - 2. Benefit is based on the loss of income of the insured
 - 3. Provision encourages return to work
 - 4. Partial and residual are often used synonymously in modern DI policies
 - b. Recurring Disabilities
 - i. Contract defines when a disability is a *new disability* or a *continuation of a prior disability*
 - 1. Important because new disability may require new elimination period but also allow for a new benefit period

- ii. Sample contract language of a *new disability*:
 - 1. Benefits that were payable for the prior disability are not being paid
 - 2. Cause of the later disability is not medically related to the cause of the initial disability and the individual has worked for 30+ consecutive days or
 - 3. Cause of the later disability is medically related to the cause of the initial disability and the later disability begins ≥ 12 months after benefits ended for the initial disability
- iii. Provision encourages return to work
- c. Cost of Living Adjustments
 - i. Two methods of adjusting DI benefits for inflation
 - 1. Adjust the benefits for active insureds
 - a. Offer increased coverage (e.g., 3% per year) at specific time intervals for an additional premium
 - b. Insureds accept or reject
 - 2. Adjust post-disability, known as Cost of Living Adjustments (COLA)
 - a. Increases are either an inflation index (CPI-U) or fixed annual percentage (e.g., 3%)
 - b. Total increased benefit can be capped
- d. Social Insurance Supplements
 - i. Integration with OASDI benefits that commence after a 5 month elimination period
 - ii. Offsets maintain a target income replacement ratio:
 - 1. Disability benefit / pre-disability income
 - iii. The face amount of the policy assumes that the individual will receive the OASDI benefit
 - 1. Optional benefits are added to the base policy if the individual does not qualify for OASDI benefits
- e. Group Wraparound Policies
 - i. Policies provide supplemental benefits to group coverage
- f. Waiver of Premium Provisions
 - i. Coverage is continued without premiums if the individual is disabled
 - ii. The waiver benefit period typically matches the DI benefit period

- iii. Common to have minimum EP of 90 days, even if base policy EP is shorter than 90 days

Business Protection Coverage

1. Key Person Coverage

- a. Covers the value of a person deemed indispensable to the business who becomes disabled
 - i. Typically a founder, senior partner, etc.
- b. Short term benefit period (e.g., 1-2 years) which represents the time necessary for the key person to recover or to find a replacement
- c. Additional benefits:
 - i. Partial benefits
 - ii. Replacement benefit after the replacement is hired

2. Disability Buyout Coverage

- a. Covers the cost of buying out a partner or owner due to their total disability
- b. Lump sum benefit is based on a buy/sell agreement
- c. Longer elimination periods (1-2 years) compared to standard DI coverage

3. Business Overhead Expense (BOE)

- a. Covers small company overhead costs while the owner is disabled
- b. Covered expenses carefully defined and offset by business income
- c. Short benefit durations (1-2 years)

Long Term Care (LTC) Coverage

Insurance that pre-funds expenses for care and services an individual may need when they face an inability to perform activities of daily living (ADLs) or cognitive impairment.

1. Plan Features

- a. Benefit Triggers
 - i. Early policies required an insured to be confined to hospital for at least 3 days and have LTC services begin within 2 days of hospital stay
 - ii. Under 1996 HIPAA, benefit trigger for tax-qualified LTC must be inability to perform 2 of 6 ADLs or cognitive impairment requiring substantial supervision
 - 1. Activities of Daily Living

- a. Bathing – Ability to wash oneself, including task of getting in and out of tub/shower
- b. Continence – Ability to maintain control of bladder/bowel function or ability to perform associated hygiene (caring for catheter or colostomy bag)
- c. Dressing – Putting on clothes and braces, artificial limbs, etc.
- d. Eating – Feeding oneself from bowl/plate or feeding tube
- e. Toileting – Getting to and from and on and off the toilet and performing personal hygiene tasks
- f. Transferring – Moving in and out of bed, chair, or wheelchair

2. Cognitive Impairment

- a. Tax-qualified LTC plans use severe cognitive impairment that requires substantial supervision to protect insured from threats to health and safety
- b. Non-tax qualified plans may have more liberal definition of cognitive impairment
- c. Examples of behaviors that can qualify an insured:
 - 1) Wandering/getting lost
 - 2) Combativeness
 - 3) Dressing inappropriately for the weather
 - 4) Poor judgment in emergencies

b. Elimination Period

- i. Time between when benefit eligibility is triggered and benefits are payable
- ii. Most common EPs on LTC are 30, 60, 90, and 100 days
- iii. Purpose is to ensure benefits are paid only for long-term, chronic disabilities
- iv. Subsequent disability is handled in a variety of ways:
 - 1. Some plans require EP to be satisfied again if first episode was more than 180 days ago
 - 2. Others require EP to be satisfied once per lifetime
- v. EP may be waived for ancillary benefits such as respite care, home modification/equipment, and caregiver training

2. Types of LTC Plans

- a. 3 Types of LTC plans:
 - i. Service Reimbursement Model

1. Most popular model
2. Insurer reimburses for the cost of LTC services up to limits in contract
3. Invoices and receipts are needed from providers to be submitted to the insurer
4. Payments are made to insured or provider
- ii. Service Indemnity Model
 1. Fixed benefit is paid for each day or week formal LTC services are received, regardless of actual charges
- iii. Disability Model (Cash Benefit Plan)
 1. Pre-determined benefit is paid each day an insured is eligible for benefits (regardless of whether they actually received services)
 2. Simplest and most flexible model, but also the highest premiums due to higher benefit utilization and fastest payout
- b. Covered Services:
 - i. Nursing Home Care – Must be Medicare-approved or state-licensed
 - ii. Assisted Living Facility Care – Must be state-licensed or meet the following criteria:
 1. Group residence that maintains records for services to each resident
 2. Provides service and oversight on a 24-hour basis
 3. Provides a combination of housing, support services, and personal assistance of ADLs
 - iii. Home and Community-Based Care – Medical and non-medical services provided in community-based facility such as adult day care. Services include:
 1. Assistance with ADLs
 2. Homemaker services
 3. Respite care services
 - iv. Hospice Care – Services in facility or community-based program for the terminally ill
 - v. Respite Care – Formal, paid care to relieve an informal caregiver (such as family member)
 - vi. Home Modifications and Equipment – Services intended to allow a person to remain at home. Ex: wheelchair ramps or grab bars in a bathroom
 - vii. Care Management Services – A case manager or nurse that plans care, identifies resources, and coordinates LTC, medical, personal care, and social services.

3. Alternate Plan of Care (APC)

- a. Provision that allows benefits not explicitly stated in contract
 - i. Recognizes LTC services will evolve over time

4. Benefit Limit

- a. Plans have daily, monthly, yearly, and/or lifetime limits
- b. Most plans have a daily limit for institutional care
 - i. Amount is selected by applicant and offered in \$10 increments between \$50-\$500
 - ii. Home and community-based care is typically a percentage of institutional daily amount
- c. Caregiver training and independence support are typically expressed as a flat dollar or multiple of daily institutional max benefit
- d. Lifetime max is typically shown in number of “years” of institutional benefits, but is really a pot of money for all services
 - i. Ex: Plan offers \$100/day in nursing home or \$75/day in home health care. Lifetime max might be \$182,500 (\$100 x 365 days x 5 years) and would last longer than 5 years if only using home health

5. Inflation Protection

- a. NAICs LTC Model requires inflation protection option offered at initial sale that is at least as favorable as:
 - i. Automatic Inflation Protection – Benefits increase each year by preset percentage $\geq 5\%$ on a compound basis. Premium is level over time and based on issue age of insured.
 - ii. Periodic Increase Offers: Insured gives opportunity to purchase additional amounts on a guaranteed issue basis every several years (typically 3 or 5). Premium will increase by the amount equal to amount of premium for increased coverage. Additional premium is based on issue age of insured at time of offer.
 - iii. Coinsurance: Insurer covered a specified percentage of actual or reasonable charges without a specified indemnity amount or limit. This is rarely offered.
- b. In addition to the options above, many companies offer a lower percentage compound inflation or simple inflation option.

6. Nonforfeiture Benefits

- a. Allows insured who voluntarily terminates/lapses to receive a reduced, paid-up benefit without additional premiums
- b. NAIC LTC Insurance Model Act requires option to be offered to every applicant
- c. “Shortened Benefit Period”

- i. Policy pays same benefit amount and frequency as what was in effect at time of lapse, but lifetime maximum is reduced to equal sum of premiums paid at time of lapse
- d. Contingent nonforfeiture option can be provided if original optional nonforfeiture was not selected, but a substantial premium increase causes the lapse

7. Ancillary Plan Features

- a. Bed Reservation Benefit – Pays the institutional care benefit for a short time (typically 21 days per calendar year or hospital stay) when an insured is transferred out of the LTC facility to a hospital/ER, etc. for medical care
- b. Caregiver Training – Training and educational programs for informal caregivers to be licensed/certified as home health care provider
- c. Death Benefit – Pays a beneficiary a benefit equal to premiums paid minus any benefits paid.
- d. Spouse Riders and Discounts – Many individual plans offer a premium discount (10-30%) for married partners. Some plans also offer spousal waiver of premium where premiums for both spouses' policies would be waived when one spouse goes on claim.

8. Rate Increases

- a. Regulators limit insurers' ability to apply rate increases:
 - i. Higher loss ratio required on the portion of premium applied after a rate increase
 - ii. Rate increase limitations or restrictions that aren't based on LTC regulation or actuarial justification

9. Combination Products

- a. LTC rider attached to life (more common) or annuity product
- b. Like standalone LTC products, riders are subject to NAIC LTC model regulation and IRC section 7702B
 - i. Some comply with IRC section 101(g) but then have to be marketed as Critical Illness riders
- c. Most combination products pay out LTC benefits as an accelerated death benefit (life policy reduced by LTC payment) for 2 to 4 years
- d. Extension of Benefits (EOB) – LTC benefits extended beyond acceleration period
 - i. Coinsurance structure – Pays out EOB at same time as acceleration benefit (AB)
 - ii. Tail design – Pays out EOB after AB is depleted
 - iii. Pool design – Benefits are based on max LTC pool amount which could be different than life amount

- e. LTC riders may offer more limited options (in terms of EP, BP, etc.) than standalone options

**GROUP INSURANCE, SKWIRE, DANIEL D. 8TH
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CH. 9: GOVERNMENT HEALTH PLANS IN THE
UNITED STATES (PP. 149 - 153)**

Social Security Cash Benefits (OASDI)

Social Security Act provided cash benefits for retired workers, disabled workers and survivors

Covered Population

1. Almost 90% of individuals aged 65+ receive social security benefits

Exceptions:

- a. Federal workers hired pre-1984
 - b. Some state and local government employees
 - c. Religious objectors
 - d. Certain agricultural and domestic workers
 - e. Railroad employees
2. Covered employees pay OASDI payroll taxes on earnings up to an annual limit (i.e., the earnings base)
 - a. FICA (employees)
 - b. SECA (self-employed)
 3. Covered employees receive coverage credits
 - a. One coverage credit up to a maximum of four for each \$1,360 of annual covered earnings (in 2019)
 - b. The individual becomes eligible for various social security benefits when insured status is attained by earning a sufficient number of coverage credits

Disabled-Worker Benefits

1. Insured Status

- a. Coverage credits required depend on the age of disability
 - i. Ranges from 6 to 40 coverage credits
- b. Recent Attachment Test
 - i. If 20 or more coverage credits are required, at least 20 are required to be earned in the 40 calendar quarters ending with the quarter that the disability occurs
 - ii. If between 6 and less than 20 coverage credits are required, at least half are required to be earned after age 21
 - iii. If 6 coverage credits are required, they are required to be earned in the 12 calendar quarters ending with the quarter that the disability occurs

2. Other Eligibility Conditions

- a. Individual is unable to perform in any substantial gainful activity (SGA)
 - i. Expected duration of disability must be at least 12 continuous months or is expected to result in death from the date of disability onset
 - ii. Individual must earn less than a monthly dollar amount (\$1,260 in 2019)
- b. Eligibility is determined by state agencies representing the Social Security Administration (SSA)
 - i. A large % of initial claims are denied and individuals that are denied can have the decision reversed on appeal
- c. Waiting period for coverage is 5 full calendar months
 - i. Retroactive benefits are paid if determinations are not made according to this time frame
- d. Review of disability status is required every 3 years or at different intervals depending on the individual's medical condition
- e. Benefits are converted to retired-worker benefits at NRA

3. Benefit Amounts

- a. Computed using same procedure as retired-worker benefits; workers treated as if they attained age 62
- b. Additional benefits for the spouse and each child (<18 or if they are disabled) of the disabled worker
 - i. Amount payable to a family member is 50% of the worker's primary insurance amount (PIA) subject to a maximum family benefit (MFB)

- c. Benefits are coordinated with benefits from workers' compensation and other public disability benefits
 - i. Disability benefit from all sources must be $\leq 80\%$ of average current earnings
 - ii. Either the disabled-worker benefit or the benefit from other programs is reduced if the requirement is not satisfied
 - 1. In most states, the disabled-worker benefit is reduced

Survivor Benefits

1. Insured Status

- a. Eligible family members receive survivor benefits if deceased was fully insured or currently insured at time of death
- b. Fully Insured or Currently Insured Status
 - i. Fully insured
 - 1. Allows for full range of survivor benefits
 - 2. Requires deceased worker to have coverage credits = Calendar age at death – 22
 - 3. Minimum of 6 and maximum of 40 coverage credits required, but no time period required for these
 - ii. Currently-insured
 - 1. Provides eligibility for young-survivor benefits
 - 2. Requires only 6 coverage credits earned within the 13 calendar quarters ending with quarter of death

2. Other Eligibility Conditions

- a. Family members can receive survivor benefits if worker met insured-status at time of death
- b. Spouses/ex-spouses must show marriage existed, but no dependency test
- c. Children must show dependency
 - i. Established for most children under 18, or 18 and full-time high school student
 - ii. Disabled children can receive survivor benefits for life if disability was prior to age 22
- d. Some parents over age 62 are eligible if they can prove financial dependency on the deceased

3. Benefit Amounts

- a. Monthly survivor benefits are based on the deceased worker's PIA
 - i. For young deceased, the benefit is based on assuming the deceased worker is age 62 at death
 - ii. Earnings in the year of death are included in the calculation
 - 1. This is not the case in the calculation of retired or disabled worker benefits
- b. Surviving spouse benefit
 - i. Benefit ranges from 71.5% of the PIA at age 60 to 100% of the PIA at surviving spouse's normal retirement age
 - 1. Cannot inherit delayed retirement credits from deceased worker
 - ii. A disabled spouse age 50 to 59 receives a benefit of 71.5% of the PIA
 - 1. Disability must occur within 7 years of the death of the deceased worker
- c. Eligible surviving parent benefit is 82.5% of the PIA
 - i. Benefit is 75% for each parent if both parents are eligible
- d. Children's benefit is 75% of the PIA
- e. Monthly survivor benefits are adjusted for a maximum family benefit (MFB)
 - i. MFB benefit is from 150% to 180% of the PIA (most capped at 175%)
 - ii. Surviving ex-spouses are excluded from the MFB calculation