The Connecticut PARTNERSHIP FOR LONG-TERM CARE™

EVALUATION STUDIES

July 1, 2012 – June 30, 2014

Issued July, 2015

The Connecticut PARTNERSHIP FOR LONG-TERM CARE™

EVALUATION STUDIES

July 1, 2012 – June 30, 2014

Table of Contents

The Connecticut Partnership for Long-Term Care

Evaluation Studies

July 1, 2012 – June 30, 2014

I. EXECUTIVE SUMMARY

The Connecticut Partnership for Long-Term Care (Partnership) is a unique alliance between State government and the private insurance industry developed to: 1) provide individuals with a way to plan for their long-term care needs without the risk of impoverishment; 2) enhance the standards of private long-term care insurance; 3) provide public education about long-term care; and 4) conserve State Medicaid funds. Connecticut was the first state in the country to implement a Partnership program.

This executive summary provides an overview of each of the evaluation studies included in this report. These ongoing research studies were developed in order to describe, measure and evaluate this innovative program. The Partnership has been operational and gathering data since April, 1992. Originally, the Partnership contracted with an outside consultant who was responsible for administering the various surveys used in conjunction with the evaluation, as well as providing the Partnership with quarterly and annual reports. These research studies were funded through a grant from the Robert Wood Johnson Foundation. When grant funds were exhausted for the studies, the Office of Policy and Management assumed responsibility for administering the surveys as of July 1, 1996. With the goal of reducing costs and increasing efficiency, one study was converted from a telephone to a mail survey and two surveys were discontinued. Any changes are noted in each of the specific studies included in this report. Missing data are always excluded, unless otherwise noted.

This report examines survey responses from people who purchased, dropped or were denied a Connecticut Partnership policy during the time period from July 1, 2012 to June 30, 2014. The report highlights significant differences between data collected during this time frame and data collected in previous years. The following three studies are included as part of this report: Survey of Persons Purchasing Insurance; Survey of Persons Denied Insurance; and Survey of Persons Dropping Insurance.

A. Survey of Persons Purchasing Insurance

This study provides a descriptive profile of individuals who purchased a Connecticut Partnership for Long-Term Care approved insurance policy and completed the survey. Policies are purchased from private insurance companies that market Partnership-approved long-term care insurance policies. Information collected includes: demographic characteristics, income and asset information, health and functional status, reasons for purchasing and how purchasers heard about the Partnership. The survey instrument, called the "Baseline Survey," was mailed to a 50% sample of 2nd and 4th quarter purchasers of Partnership policies during the period from July 1, 2012 through June 30, 2014. Beginning in 2001, the Baseline survey process was reduced to alternating quarters with Baseline Surveys being mailed to a random sample of 2nd and 4th quarter purchasers only. Prior to 2001, the Baseline Survey was mailed to all purchasers each quarter. However, beginning with the second quarter of 2014, a decision was made to return to the original schedule and surveys are once again mailed to all purchasers each quarter. A total of 190 completed surveys were returned for this period (7/1/12 – 6/30/14), representing an overall response rate of 44%.

Looking at the current report data, respondents ranged in age from 39 to 76 with an average age of 60. Seventy-nine percent were under the age of 65. The majority of respondents (56%) were female. Eighty-six percent were married and 85% lived with their spouse.

Four percent had a monthly income of less than $2,500, while 79% reported their household monthly income as being over $5,000 and 17% indicated their monthly income was in the middle range of $2,500 - $4,999.

Seventy-five percent of respondents reported assets over $350,000, while 9% indicated their assets were less than $100,000. Sixteen percent fell into the $100,000-$349,999 range.

Survey data were linked with policy specific data reported quarterly by the participating insurance companies to examine benefit amounts and types of policies purchased. Benefit amounts of respondents ranged from $81,760 to $1,168,000 with a mean benefit amount of $289,584, (excluding unlimited benefit policies). Seventy-six percent of respondents purchased individual policies and 86% were first time purchasers, as opposed to upgrades.

The Baseline Survey asks a series of questions to ascertain purchasers' perceived current and past health status. Respondents rated their health as either excellent (68%) or good (30%) as compared to other people their age. Reported functional limitations were consistent with respondents' self-reported health status, as 100% reported no Activities of Daily Living (ADL) deficiencies and 99% reported no Instrumental Activities of Daily Living (IADL) limitations. Using the Rosow-Breslau index, which measures a broader range of disabilities, 99% indicated they were able to perform all of the activities independently. (Rosow and Breslau, 1966.) The most common health conditions reported at the time the survey was completed were: hypertension (23%), arthritis (13%) and diabetes (12%). The health conditions most frequently reported as occurring in the past were: hypertension (19%), arthritis (8%) and diabetes, respiratory condition, stomach condition and cancer (6%).

The survey also seeks to find out why individuals purchase long-term care insurance. There are a variety of reasons why people purchase long-term care insurance. Respondents reported three major reasons they chose to purchase a Partnership insurance policy: to pay for future services (90%); to protect their spouse and family (85%); and to protect their assets (83%). Almost one-quarter (24%) of respondents stated they purchased a policy as an alternative to transferring assets in order to access the Medicaid program. There are also certain unique features of Partnership policies that are attractive to purchasers. The Medicaid Asset Protection feature was considered very important or important by 90% of respondents and the State seal of approval was considered very important or important by 83%. While not necessarily unique to Partnership policies, coverage for home and community-based services was considered very important or important by 95% of respondents and the no prior hospitalization and institutionalization requirement was considered very important or important by 92% of respondents.

The survey examined how purchasers first heard about the Partnership. Forty-one percent of respondents heard about the Partnership from their insurance agent. Thirty-eight percent heard about the Partnership from their financial planner or attorney and another 23% heard about the Partnership from Partnership brochures.

B. Survey of Persons Denied Insurance

This report presents findings from a survey of individuals who applied for and were denied a Connecticut Partnership for Long-Term Care insurance policy during the period from April 1, 1992, through June 30, 2014, and who completed the survey. The Denied Survey report includes results from all respondents because the sample size from July 1, 2012 to June 30, 2014 is too small to perform meaningful analysis. The data collected include demographic and socio-economic characteristics, as well as the self-reported health and functional status of these individuals. This report also examines applicants' perceived reason for denial and whether or not they applied to other companies for long-term care insurance coverage.

During this time period, 71,443 applications were received for Partnership-approved policies and 9,534 of these applications were denied. This represents a 13% denial rate. A total of 2,249 completed surveys were received resulting in a 24% response rate.

Fifty percent of respondents were 65 or older, with ages ranging from 20 – 89 years old (mean: 64). Respondents were almost equally divided by gender: 49% male and 51% female. The majority (73%) were married and living with their spouse (71%). Eighty-two percent reported having at least one child, and almost three-quarters (70%) reported that at least one of their children lived within one hour's travel distance. Forty-five percent of respondents reported a gross monthly household income of over $5,000, 19% reported income below $2,500. Ten percent of respondents reported their total household assets to be less than $50,000 and 46% indicated they had assets totaling over $350,000.

When asked to rate their health compared to others their age, 88% of respondents reported that they were in excellent or good health. In examining functional status, 99% reported no ADL limitations and 93% reported no IADL limitations. However, with regards to the Rosow index, 20% indicated that they needed assistance with at least one of the activities. The three most prevalent current health conditions reported were: hypertension (30%), diabetes (23%) and arthritis (23%). The majority (65%) of respondents believed that they were denied long-term care insurance because of health reasons. Twenty-one percent stated that they did not know why they were denied.

Over one-third (34%) of respondents reported that they had already applied to another insurance company. Of these individuals, 27% had already been approved, with an additional 30% reporting that their application was pending. These findings have been consistent since the Partnership's inception and continue to indicate that there is substantial variation among companies' underwriting practices.

C. Survey of Persons Dropping Insurance

This report describes purchasers of Partnership insurance policies who decided to drop their policy during the period from January 1, 1996 through March 31, 2014, and who completed the survey. This includes all of the Drop Survey data received to date. The survey collected basic demographic data, as well as reasons for dropping insurance and the purchasers' level of understanding of specific features of the Partnership policy. During this time frame, 3,162 completed surveys were returned, for a total response rate of 32%.

The mean age for all respondents was 64, with an age distribution ranging from 22 – 95. Fifty-five percent were under the age of 65 and 76% were under the age of 70. The majority of respondents were women (56%). Sixty-eight percent of respondents were married and 67% reported that they lived with their spouse. Twenty-one percent reported living alone. Thirty-six percent indicated that their monthly household income was over $5,000. Twenty-seven percent reported a monthly income below $2,500.

Thirty-three percent of respondents reported household asset levels less than $100,000, with 22% below $50,000. Thirty-four percent reported assets of over $350,000.

As has been consistent since the Partnership began administering this survey, the majority (63%) of respondents report that their major reason for dropping was because the policy was "too costly". The survey also examines respondents' level of understanding of certain policy features. When asked how well they understood their Partnership policy, 58% said they understood their policy completely. Fifty-two percent indicated that they were not aware of the reinstatement provision, which is not a unique feature of Partnership policies, and 61% were not aware of the provision for reinstatement due to cognitive impairment. The option to reduce coverage is an important required feature unique to the Partnership that states that the company must proactively offer policyholders, in the event they are about to lapse their policy, the option to reduce their coverage to a shorter benefit period than originally purchased. Twenty-four percent said they had been offered this benefit. Partnership staff continue to emphasize the importance of the reduced benefit option requirement during presentations, to both insurance producers and the general public, and as part of every Partnership producer certification training class.

II. BASELINE SURVEY OF PERSONS PURCHASING INSURANCE

The Baseline Survey of Persons Purchasing Insurance provides a comprehensive description of individuals who purchased a Connecticut Partnership for Long-Term Care insurance policy and completed the survey. This study collects demographic characteristics, income and asset information, health and functional status, reasons for purchasing and how purchasers heard about the Partnership. Baseline Surveys were mailed to a 50% sample of 2nd and 4th quarter purchasers of Partnership policies during the period from July 1, 2012 to June 30, 2014. However, beginning with the 2nd quarter 2014 data, surveys were mailed to every purchaser. Purchasers who had a policy purchase and drop activity reported in the same quarter were excluded. Beginning in 2001, the Baseline survey process was reduced to alternating quarters with Baseline surveys being mailed to a 50% random sample of 2nd and 4th quarter purchasers only. Prior to 2001, the Baseline Survey was mailed to all purchasers each quarter. A total of 190 completed surveys were returned for this period (7/1/12 – 6/30/14), representing an overall response rate of 44%.

All participating Partnership insurers are required to report quarterly data to the Office of Policy and Management on all individuals who: purchased, dropped or changed a Partnership policy during the quarter; had assessments or reassessments performed; or received services that were paid for by the insurance policy. A Baseline Survey, along with a cover letter signed by the Partnership Director, and an addressed return envelope, is mailed to a 50% random sample of 2nd and 4th quarter purchasers. Although, as mentioned above, beginning with the second quarter of 2014 Baseline Surveys will be mailed to every purchaser each quarter. A document outlining Partnership policyholder rights and responsibilities is mailed to every purchaser. Purchasers who are reported as having dropped during the quarter are excluded. In addition, an individual who purchased more than one policy during the quarter receives only one survey. Some purchasers choose to apply to more than one carrier, are approved by each and then almost always choose to retain coverage under only one of the policies. After 5-6 weeks, a second copy of the survey with a cover letter is sent to non-respondents.

Prior to June 30, 1996, the surveys were administered by an outside consultant. As of July 1, 1996, the Connecticut Partnership office assumed responsibility for administering this survey and found it necessary to make several changes to the survey methodology. In order to reduce expenses, the return envelope included in the mailing was no longer postage paid. This resulted in a slight drop in the response rate. In addition, a telephone follow-up to collect information from non-respondents to the first and second mailings was discontinued effective April 1, 1994. These changes have had very little, if any, impact on the survey results and, therefore, the findings in this report can be included with those collected previously.

In May, 1997, under question number 21 of the survey, the following activity was added: "Maintaining control of your bowel/bladder function". Effective April, 1998, there were several other changes made to the Baseline Survey. In question number 4 ("What is your race?"), the choice "Native American" was changed to "American Indian" and "Hispanic" was deleted. Question 4.a. was added: "Are you of Hispanic or Latino origin?" Beginning with the third quarter of 1999, the choice of "Children Live with Me" was added under Living Arrangements. This action was prompted by a number of primarily younger survey respondents specifying this distinction on their survey instead of checking "Live with Children." In the second quarter of 2002, two health conditions were added: "osteoporosis" and "seizure disorder". Beginning with the baseline survey mailing that was sent to purchasers who purchased during the 4th quarter of 2004, a new choice was added for marital status (same-sex partnered) and for living arrangements (live with same-sex partner). There was also a new choice added under reasons for purchasing: "Have seen relatives/friends deplete assets paying for long-term care".

A. Characteristics of Individuals Purchasing Insurance

1. Demographics

Demographic information on individuals who purchased Partnership policies between 7/1/12 and 6/30/14 and responded to the Baseline Survey, as well as those who purchased prior to this period and responded to the Baseline Survey, are reported in Table 1 below. The following comparisons examine the changes from the last report's data (7/1/11-6/30/12) to this report's data (7/1/12-6/30/14).

The average age of all Baseline respondents during the current reporting period from 7/1/12 through 6/30/14 was 60, with a range from 39 to 76 (standard deviation of 6.2 years). The average age for female respondents was 59 and for male respondents, it was 60. There was a decrease from 47% (in last report's data) to 42% (in the current data) in the less than 60 age cohort. This was offset by an increase from 33% to 37% in the 60-64 age group.

The percentage of survey respondents reporting they were married increased from 78% in last report's data to 86% in the current data. The percentage of those reporting they were divorced decreased from 10% in last report's data to 5% in the current data. Correspondingly, respondents who reported that they lived with their spouse increased from 78% to 85%, while those reporting that they lived alone decreased from 14% to 9%. As would be expected, the percentage of respondents who said there were 2 people living in their household increased from 58% to 67%, while those reporting only one person in the household decreased from14% to 9%. The percentage of respondents who said they have no children living within one hour decreased from 55% to 48%, while those reporting 2 children living within one hour increased from 16% to 24%.

Table 1 Demographic Characteristics

	Previous Project Total 4/1/92 – 6/30/12 N=13,184	Current Report 7/1/12 – 6/30/14 N=190
Age:	**%**	**%**
<50	7	5
50-54	12	13
55-59	21	24
60-64	24	37
65-69	21	17
70-74	11	3
75-79	4	1
80+	1	0
Gender:		
Male	44	44
Female	56	56
Marital Status:		
Married	77	86
Widowed	9	5
Divorced	8	5
Separated	0	0
Single	5	4
Same-Sex Partnered**	0	0
Race:		
White	97	97
Black	1	2
Other	2	1
Living Arrangements: *		
Alone	16	9
With Spouse	76	85
Other Relatives	3	1
Non-Relatives	1	1
Unmarried Partner	2	2
With Children	4	1
Children With Me	6	16
Live With Same-Sex Partner**	0	0
Number of People in Household		
1	16	9
2	63	67
3+	21	24
Number of Children W/In 1 Hour:		
0	29	48
1	31	22
2	25	24

3+	15	6

NOTE: Due to rounding, some numbers may not add up to 100%.
* Not Mutually Exclusive ** Field Added 4th Quarter 2004

As mentioned above, participating Partnership insurers are required to report information on all individuals who purchased during each quarter of the year. Where possible, information received from the companies on all purchasers was compared with data collected from survey respondents who purchased between July 1, 2012 and June 30, 2014, to determine whether the survey population was a representative sample of the total population of purchasers. Forty-two percent of all purchasers were male and 58% were female. The mean age of all purchasers during this time period was 57, while the mean age for survey respondents was slightly higher at 60. While 21% of survey respondents reported they were 65 or older, only 12% of all purchasers were 65 or older during this period. This difference is consistent with past survey results and would seem to indicate that a larger percentage of older purchasers choose to respond to the survey.

2. Income/Asset Information

There were no significant changes in reported monthly income in this report's data, as compared to last report's data. The highest category, $5,000 or more per month, increased from 78% to 79%, while those reporting income in the $2,500-$4,999 range decreased from 19% to 17%. Interestingly, those reporting income in the $1,000-$2,499 range increased from 2% to 4%.

Table 2
Monthly Household Income n=181
7/1/12 – 6/30/14

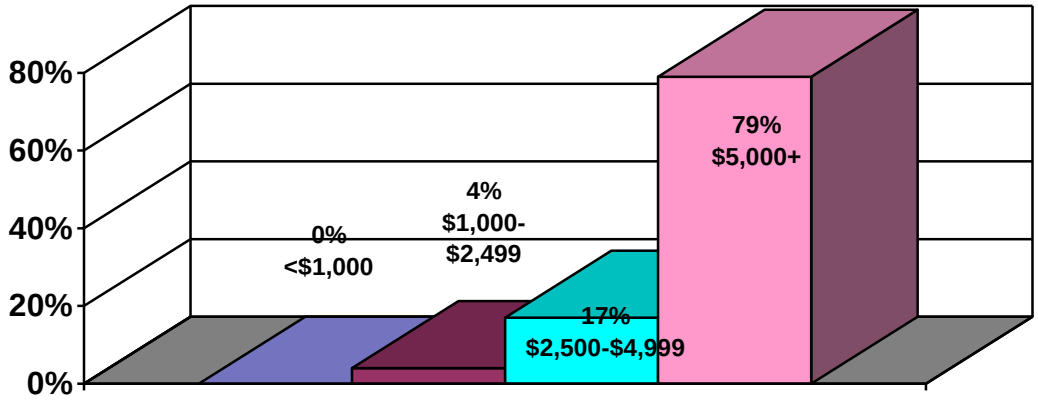


Table 2a
Monthly Household Income by Age Range n=181
July 1, 2012 – June 30, 2014

INCOME	AGE							
	<50	50 – 54	55 – 59	60 – 64	65 – 69	70 – 74	75 -79	80+
<$1,000	0%	0%	0%	0%	0%	0%	0%	0%
$1,000-$2,499	0%	25%	38%	13%	25%	0%	0%	0%
$2,500-$4,999	7%	10%	37%	17%	20%	10%	0%	0%
$5,000+	6%	13%	20%	43%	16%	1%	1%	0%

NOTE: Due to rounding, numbers may not add up to 100%.
Percents are read across.

There were some notable changes in reported total household assets. Those respondents reporting assets of $350,000 or greater increased from 67% in last report's data to 75% in the current data. This was offset by the decrease from 16% to 8% for respondents reporting assets in the $200-$349,999 range. Respondents in the middle range of $100-$199,999 increased from 5% to 8%, while those reporting assets in the $25-$49,999 ranged decreased from 5% to 1%. It is important to note that, for the purposes of these surveys, assets are defined as including: bank accounts, stocks, bonds, investment or business property and the cash value of any life insurance. Respondents are asked **not** to include their house or car as an asset. However, there is no way to guarantee that respondents are always excluding the value of their homes and cars.

It is also important to note that Medicaid Asset Protection under the Partnership is earned at a rate of one dollar for every dollar the Partnership policy pays in benefits. Therefore, individuals with significant amounts of assets would need to use an amount of private insurance equal to their assets before they could earn enough Medicaid Asset Protection to be eligible for Medicaid.

Table 3
Total Household Assets of Survey Respondents n=177
July 1, 2012 – June 30, 2014
(Assets do not include homes and cars)

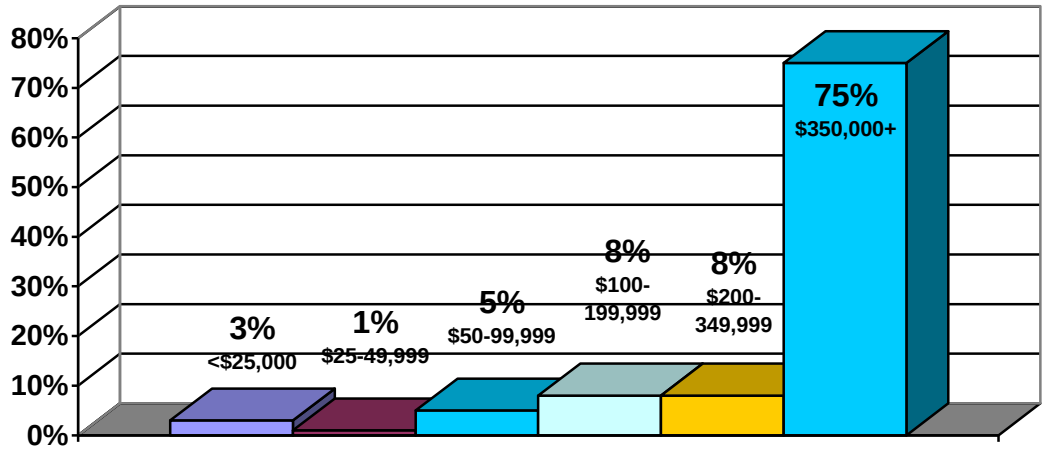


Table 3a
Total Household Assets by Age Range n=177
July 1, 2012 – June 30, 2014
(Assets do not include homes and cars)

ASSETS	AGE <50	50 – 54	55 – 59	60 – 64	65 – 69	70 – 74	75 -79	80+
<$25,000	0%	33%	50%	0%	17%	0%	0%	0%
$25-49,999	0%	0%	0%	0%	0%	100%	0%	0%
$50-99,999	11%	0%	44%	11%	22%	11%	0%	0%
$100-199,999	14%	14%	7%	36%	29%	0%	0%	0%
$200-349,999	0%	20%	13%	53%	7%	7%	0%	0%
$350,000+	5%	13%	25%	39%	16%	1%	1%	0%

NOTE: Due to rounding, numbers may not add up to 100%.
Percents are read across.

3. Health Status and Functional Level

The Baseline Survey examines health and functional status in a variety of ways. Firstly, self-reported diagnoses are used to determine the prevalence of specific health conditions. Secondly, data are collected on self-reported health status with the question: "Compared to other persons your age, would you say your health is: Excellent, Good, Fair or Poor?" Lastly, the prior and current use of health services is examined by looking at emergency room stays, visits to doctors, and admissions to hospitals in the last six months, as well as whether there are any health problems for which an individual is being currently treated or had been treated in the past six months. Functional status is measured by examining Activities of Daily Living (ADL) and Instrumental Activities of Daily Living (IADL) limitations, as well as using the Rosow-Breslau index which measures a broader range of disabilities beyond the ADL and IADL scales.

a. Health Status

The most common self-reported health conditions at the time the survey was completed (for this report) were: hypertension (23%), arthritis (13%) and diabetes (12%). The most frequently occurring health conditions that respondents reported experiencing in the past were: hypertension (19%), arthritis (8%) and diabetes, respiratory and stomach problems, and cancer (6%). Those reporting they had arthritis when they completed the survey increased from 10% in the last report's data to 13% in the current data. Those who reported having hypertension in the past increased from 17% to 19%. Most of the other reported health conditions had slight changes from the last report. See Table 4 for complete data regarding specific health conditions.

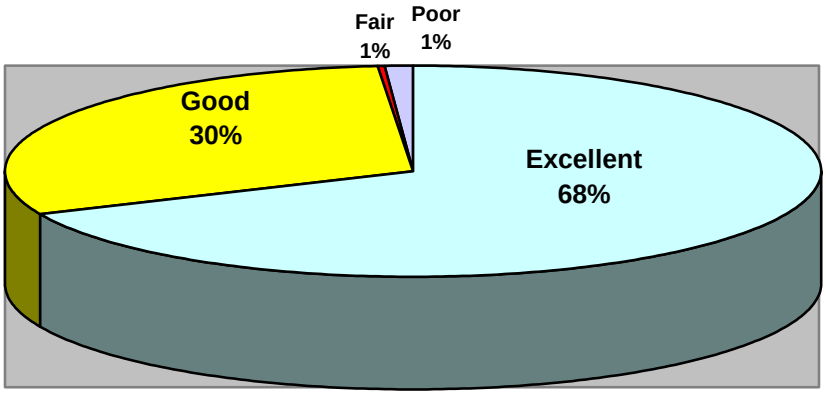
Table 4
Prevalence of Prior and Current Health Conditions N=190
July 1, 2012 – June 30, 2014

Health Condition*	Prior (had condition in the past)	Current (had condition at time of survey completion)
	%	%
Hypertension	19	23
Arthritis	8	13
Diabetes	6	12
Eye Disease	2	3
Osteoporosis	1	3
Respiratory Illness	6	3
Spine Disorder	4	2
Heart Condition	2	2
Stomach	6	2
Mental/Psychiatric Conditions	3	1
Anemia	3	1
Circulation Problems	1	1
Nerve	1	0
Cancer	6	1
Joint Replacement	4	2
Liver/Kidney Disease	1	0
Seizure Disorder/Epilepsy	0	0
Hip Fracture	0	0
Alcohol/Drug Dependency	1	0
Stroke	1	0
Alzheimer's	0	0
Parkinson's	0	1

* Not mutually exclusive

Based on self-reported health status, 98% of respondents rated their health as either excellent (68%) or good (30%). This represents a significant change from the last report's data where 62% rated their health status as excellent and 37% as good. (See Table 5)

Table 5
Perceived Health Status n=187
July 1, 2012 – June 30, 2014



Although almost all respondents reported excellent or good health, 29% indicated that they were being treated for a health problem currently or had been treated in the last 6 months. This represents a decrease from 40% in the last report's data. Forty percent (a decrease from 53%) reported they had 2 or more doctor/clinic visits in the previous 6 months. As would be expected in a relatively healthy population, hospital admissions were low (3% had one or two), as were emergency room visits (5% had one or two visits). In the previous data, 12% had been to the emergency room once in the last 6 months.

b. Functional Status

The Partnership defines one of the triggers for accessing benefits as the need for assistance with two or more activities of daily living (ADL) out of a list of six ADLs: bathing, dressing, transferring, toileting, eating, and continence. A cumulative ADL score, from 0 to 6, was calculated for each respondent based on their reported need for assistance from another person to perform each of the six ADLs. There were no respondents reporting ADL deficiencies (See Table 6)

Data on needing assistance with IADLs were also gathered. Nine IADLs were included in the survey: preparing meals, grocery shopping, routine household chores, managing money, doing laundry, taking medications, getting to places out of walking distance, using the telephone and getting around inside the house. Cumulative IADL scores (0-9) were computed for each respondent based on their self-reported need for

assistance from another person. Only 2 people reported having any IADL deficiencies, and they each reported having only one deficiency. (See Table 6)

The Rosow-Breslau score was the last measure of functional status that was used in the survey. The cumulative score (0-4) was based on the following four variables: walking up and down one flight of stairs; going to a movie, church/synagogue or meeting friends; doing heavy work around the house; and walking half a mile. Ninety-nine percent of the survey population reported having no difficulties performing these activities. (See Table 6)

Table 6
Cumulative ADL, IADL and Rosow Deficits
July 1, 2012 – June 30, 2014

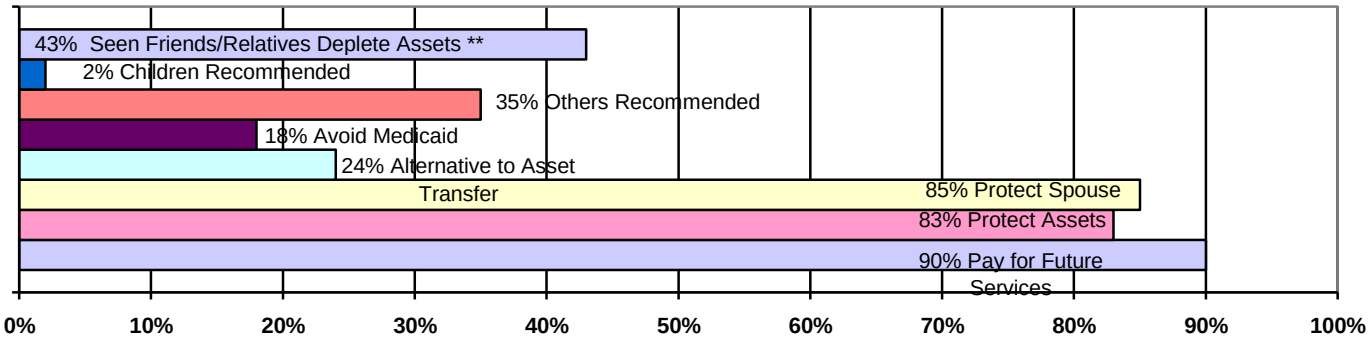
Functional Measure	Frequency	Percent
ADL Deficiencies		
0	190	100
1	0	0
2	0	0
3	0	0
4	0	0
IADL Deficiencies		
0	188	99
1	2	1
2	0	0
3	0	0
4	0	0
>4	0	0
Rosow-Breslau		
0	188	99
1	2	1
2	0	0
3	0	0
4	0	0

B. Reasons for Purchasing Insurance and Important Features

1. Reasons for Purchasing

Consistently, there have been three major reasons why individuals choose to purchase a Connecticut Partnership for Long-Term Care insurance policy: to pay for future services (90%); to protect their spouse and family (85%); and to protect their assets (83%). Twenty-four percent of respondents indicated that they purchased insurance as an alternative to transferring assets. This represents a decrease from 27% in the last report's data. **When looking at all survey data (4/1/92 through 6/30/14), 31% of survey respondents said they purchased as an alternative to transferring assets.** Eighteen percent of respondents (a notable decrease from 28%) reported they purchased to avoid Medicaid. Thirty-five percent said they purchased because others recommended it (an increase from 31%).

Table 7
Reasons for Purchasing N=190
July 1, 2012 – June 30, 2014



* Responses are not mutually exclusive

Respondents were asked to rate the relative importance of specific Partnership policy features when selecting their policy. The State seal of approval was considered very important or important by 83% of purchasers and the Medicaid Asset Protection feature was considered very important or important by 90% (a decrease from 93%). These are the two most unique features of the Partnership. Other features, not necessarily unique to the Partnership, also influenced purchasers' decisions to buy a policy: more affordable premiums (96% very important or important); coverage for home and community-based services (95% very important or important); case management services (88% very important or important); and the no prior hospitalization and institutionalization requirement (92% very important or important). Eighty-four percent of respondents (a decrease from 90%) indicated that the advice of their agent was very important or important. Fifty-three percent noted that the Partnership information they received from the Department on Aging was very important or important.

In trying to measure the influence of the Partnership, the Baseline Survey asks a series of questions, including: "Were you considering purchasing long-term care insurance before you heard about the Partnership?"; "Did the Partnership influence your decision to purchase?"; and "Would you have purchased long-term care insurance in the absence of the Partnership?" In the current data, 89% of respondents said they were considering purchasing long-term care insurance before they heard about the Partnership. This represents an increase from the last report's data (86%). Sixty-three percent of respondents said the Partnership influenced their decision to purchase long-term care insurance, which was a decrease from 68% in the last report's data. The third question is only relevant for first time purchasers, as opposed to those who upgraded or replaced an old policy. When looking at first time purchasers only, 21% of the current respondents reported that, without the Partnership, they would not have purchased a long-term care policy. This figure was 18% in last year's data.

Table 8
Influence of the Partnership

	4/1/92 – 6/30/14 (All Data)	7/1/12 – 6/30/14
Considered purchasing LTCI before hearing about the Partnership		
YES	81%	89%
NO	19%	11%
Partnership influenced decision to purchase		
YES	67%	63%
NO	33%	37%
Would have purchased LTCI without the Partnership		
YES	69%	79%
NO	26%	21%
MAYBE	5%	0%

Note: Due to rounding, some numbers may not add up to 100%.

C. How Purchasers Heard About the Partnership and Policy-Specific Information

The survey includes a question asking how purchasers heard about the Partnership. The Partnership continues to engage in significant outreach to agents who are certified to sell Partnership policies. In this year's data, there continued to be a decrease in those respondents reporting that they first heard about the Partnership from their agents from 42% (last report) to 41%. There was a significant decrease in those reporting hearing about the Partnership from an insurance company's literature or presentations from 23% to 15%. There was an increase in first hearing about the Partnership from a financial advisor, planner or attorney from 36% to 38%. Those who

reported hearing about the Partnership from their employer decreased from 24% in the last report to 13% in the current data. Also worth noting is the increase from 4% to 8% of people reporting that they never heard of the Partnership.

Table 9
How Purchasers First Heard About the Partnership

SOURCE	Previous Project Total N=13,184 (4/1/92 - 6/30/12)	This Report N=190 (7/1/12 - 6/30/14)
Insurance Agent	50%	41%
Insurance Company Literature or Presentation	30%	15%
Financial Advisor, Planner, Attorney	25%**	38%
Partnership Brochures	23%	23%
Newspaper Article	10%	4%
Relative or Spouse	12%	13%
Attended a Partnership Group Presentation	10%	8%
Employer	11%	13%
I never Heard of the Partnership	5%	8%
Radio, TV or Newspaper Ad	8%*	3%
Other	7%	7%
Radio or TV News/Talk Shows	3%	1%
Through my Work with the Insurance Industry	2%**	3%
Received Counseling from a DSS Volunteer	1%	1%

Responses not mutually exclusive Valid responses vary with each variable
* n=12,773
** n=12,134 These variables were added at a later date.

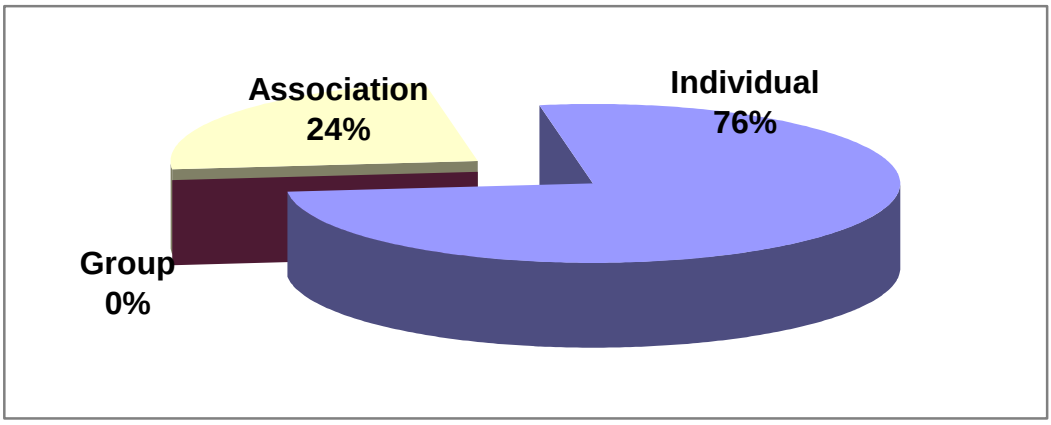
The survey also includes a question asking how individuals learned specific information about the long-term care policy they decided to purchase. The three most commonly reported sources of policy-specific information are from insurance agents (61%), from financial advisors, planners or attorneys (39%) and from insurance company literature or presentations (28%).

D. Characteristics of Policies Purchased

To ascertain specific policy information, data from the Baseline Survey were linked with data received from the insurance companies for those purchasers who responded to the survey. The majority (76%) of respondents purchased individual policies, with 0% purchasing through groups and 24% through associations. (See Table

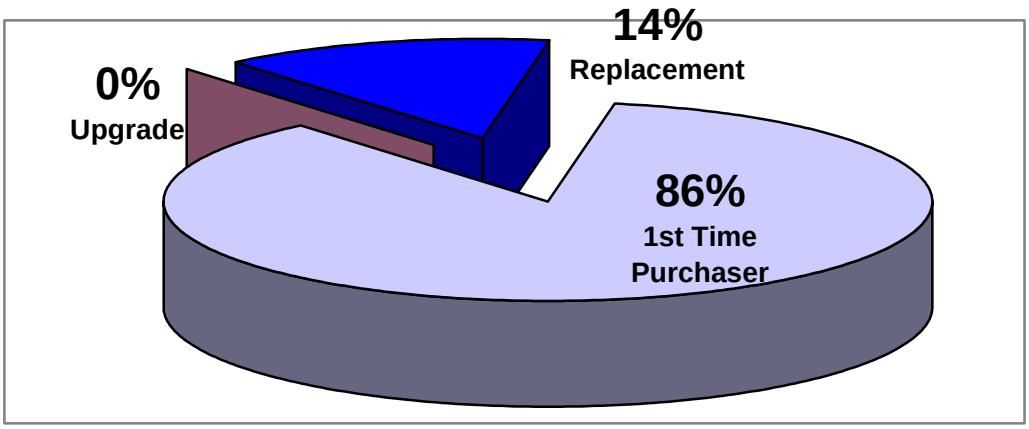
10 below) In the last report, 72% were individual policies and 28% were through associations. The current survey data was compared to all of the purchaser data as reported by the participating insurers for this same time period: 66% purchased individual policies, 0% purchased group policies and 35% purchased through associations. (Note: Some offerings through groups, such as the State of Connecticut offering, actually issue individual policies.)

Table 10
Individual/Group/Association Status for Respondents
N=190
July 1, 2012 – June 30, 2014



Eighty-six percent (a decrease from 90% in the last report's data) of the current survey respondents reported being first time purchasers. The percentage of respondents who indicated their policy was an upgrade (converted within the same company from a non-Partnership to a Partnership policy) was 0% and those who reported their policy was a replacement (replaced another company's Partnership or non-Partnership policy with the reporting company's Partnership policy) was 14%. The current data was compared to all of the purchaser data as reported by the participating insurers for this same time period: 79% were first time purchasers, 1% were upgrades and 21% were replacements.

Table 11
New/Upgrade/Replacement Status for Respondents
N=190
July 1, 2012 – June 30, 2014



The mean benefit amount purchased by survey respondents in the current data was $289,584 (a substantial decrease from $317,600 in the last report's data) with a minimum of $81,760 and a maximum of $1,168,000. This was compared to data received from the insurance companies on all purchasers during the period from 7/1/12 – 6/30/14. The mean benefit amount for all purchasers was $253,953 with a minimum of $77,945 and a maximum of $1,460,000. These figures do not include lifetime (unlimited benefit) policies. It should be noted that the mean benefit is influenced, in part, by the required annual increases in minimum allowable benefits.

The total policy amount for survey respondents at time of purchase is examined in Table 12. There was a significant increase (from 23% to 35%) in policies purchased by survey respondents with a maximum benefit amount in the $150,001 - $225,000 range, as well as an increase (from 19% to 23%) in the $225,001-$300,000 range. This was offset by a decrease from 45% to 38% in policies purchased with benefits of greater than $300,000, as well as a decrease from 11% to 4% in those with benefits in the $75,001-$150,000 range.

Table 12
Total Policy Maximum Amount
July 1, 2012– June 30, 2014

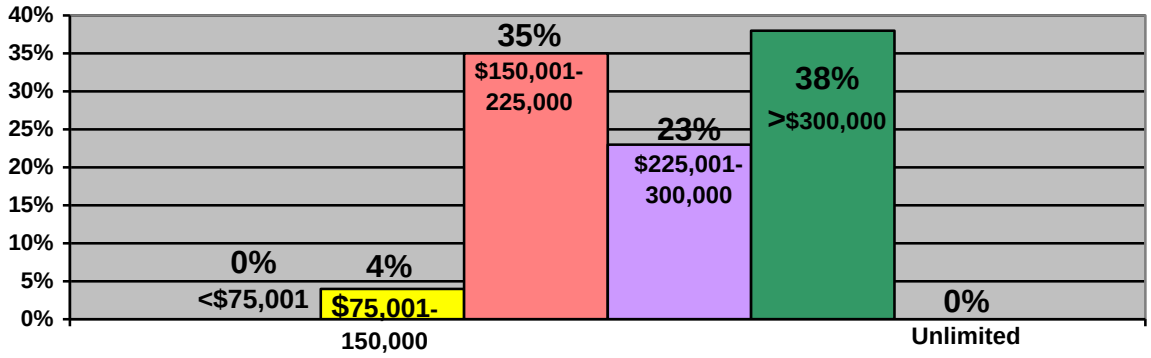


Table 13 compares income and asset levels as they relate to mean maximum benefit amount purchased.

Table 13
Income and Asset Levels of Survey Respondents
By Mean Policy Amount
July 1, 2012– June 30, 2014

	N	%	Mean Policy Amount **
Income	167		$291,584
<1,000	0	0	0
1,000 – 2,499	6	4	365,233
2,500 – 4,999	27	16	248,441
5,000+	134	80	296,980
Assets	163		291,753
<25,000	5	3	270,472
25,000 - 49,999	1	1	94,900
50,000 - 99,999	6	4	206,712
100,000 – 199,999	14	9	188,499
200,000 – 349,999	15	9	268,021
350,000+	122	75	313,188

Missing Data Excluded ** Unlimited Benefit Amount Excluded

E. Conclusion

The data collected from Baseline Survey respondents who purchased policies during the period July 1, 2012 through June 30, 2014 revealed several interesting and significant changes when compared to the survey data collected from July 1, 2011 through June 30, 2012. There was a decrease from 47% to 42% in the less than 60 age cohort. This was offset by an increase from 33% to 37% in the 60-64 age group. The percentage of survey respondents reporting they were married increased from 78% to 86% and the percentage of those reporting they were divorced decreased from 10% to 5%. Respondents who reported that they lived with their spouse also increased from 78% to 85%, while those reporting that they lived alone decreased from14% to 9%. Correspondingly, the percentage of respondents who said there were 2 people living in their household increased from 58% to 67%, while those reporting only one person in the household decreased from 14% to 9%. The percentage of respondents who said they have 2 children living within one hour increased from 16% to24%.

Although there were minor changes from the last report in reported monthly income, there were some notable changes in reported total household assets. Those respondents reporting assets of $350,000 or greater increased from 67% in last year's data to 75% in the current data. Those reporting assets at the $200-$349,999 level decreased from 16% to 8%.

Sixty-eight percent indicated their health was excellent, an increase from 62% in the last report's data. Twenty-nine percent (a decrease from 40%) reported that they were being treated for a health problem currently or had been treated in the last 6 months.

Eighteen percent of this report's survey respondents said they purchased a Partnership policy to avoid Medicaid. This was a significant decrease from the 28% who reported this reason for purchasing in the last report. In the current report data, 89% of respondents said they were considering purchasing long-term care insurance before they heard about the Partnership. This represents an increase from last year's data (86%). Sixty-three percent of respondents said the Partnership influenced their decision to purchase long-term care insurance, a decrease from 68% in the last report's data. When looking at first time purchasers only, 21% of this report's respondents reported that, without the Partnership, they would not have purchased a long-term care policy. This represents an increase from 18% in the last report's data.

The mean benefit amount purchased by survey respondents in this report was $289,584 (a decrease from $317,600 in the last report's data) with a minimum of $81,760 and a maximum of $1,168,000. There was a significant decrease (45% to 38%) in those purchasing policies with benefits greater than $300,000. This was offset by an increase from 42% to 58% in those who purchased policies with benefits ranging from $150,001 - $300,000.

III. SURVEY OF PERSONS DENIED INSURANCE

This section of the report presents the findings from a survey of individuals who applied for and were denied a Connecticut Partnership for Long-Term Care insurance policy during the period from April 1, 1992, through June 30, 2014. The reason this time frame is longer than that of the Baseline or Drop Survey is that the Denied Survey population is too small to use a single year of data to produce any meaningful analysis. Therefore, a decision was made to include all of the surveys received from persons denied coverage since the Partnership's inception in April, 1992, through June 30, 2014. The data collected include demographic and socio-economic characteristics, as well as self-reported health and functional status of these individuals. This survey also examines their perceived reason for denial and whether or not they applied to other companies or appealed the company's decision to deny coverage.

Partnership participating insurers are required to send the Denied Survey, along with a cover letter from the State, 2-3 days after sending their own denial letter, to all applicants who are denied a Partnership policy. (A follow-up survey mailing was introduced in January 1995, when person-specific information began to be reported by insurers to the State. Prior to this date, only aggregate data was collected. Then, effective July 1, 1997, the decision to collect person-specific data was reversed and only aggregate quarterly denial totals have since been collected.) All of the Denied Survey materials are provided to the insurers by the Partnership office.

During the period from April, 1992, through June 30, 2014, 71,443 Partnership applications were received by participating insurers of which 9,534 applications were denied. This represents a 13% denial rate. A total of 2,249 completed surveys were received for a total response rate of 24%.

Prior to June 30, 1996, the surveys were administered by an outside consultant. As of July 1, 1996, the Partnership office assumed responsibility for administering this survey. In order to reduce expenses, the Partnership was no longer able to provide paid postage on the return envelope that accompanies the survey.

Effective April, 1998, several changes were made to the Denied Survey. In question number 4 ("What is your race?"), the choice "Native American" was changed to "American Indian" and "Hispanic" was deleted. Question 4.a. was added: "Are you of Hispanic or Latino origin?" Also, "Maintaining control of your bowel/bladder function" was added to the list of activities under Question 19.

Effective in the third quarter of 1999, an additional choice was added under living arrangements: "Children Live with Me" was added to allow respondents to differentiate from the response "Live with Children". In the second quarter of 2002, two health conditions were added: osteoporosis and seizure disorder. Beginning with the denied surveys that were sent after January 1, 2005, a new choice was added for marital status (same-sex partnered) and for living arrangements (live with same-sex partner).

A. Demographic Characteristics

The age range for survey respondents was 20 – 89, with a mean age of 64 and a standard deviation of 8.6 years. (See Table 14) The age cohorts have been fairly consistent over the last few years. Women were slightly younger than men: the mean age for women was 63 (range 20-89) and the mean age for men was 65 (range 32-89). Almost the entire study population was white (97%). Respondents were almost equally divided by gender: 49% of respondents were male and 51% were female. The majority were married (73%), with 12% widowed, 9% divorced and 6% never married or single. Seventy-one percent of respondents lived with their spouse and 19% lived alone. Five percent indicated that they lived with their children, 3% lived with other relatives and 2% lived with an unmarried partner. Six percent of respondents said that their children lived with them. The majority (82%) of respondents reported having at least one child, with 70% having 2 or more. Almost three-quarters (70%) reported that at least one of their children lived within one hour's travel distance. All of these figures have been very consistent over the past several years.

Table 14
Demographic Characteristics of Persons Denied Insurance
April 1, 1992 – June 30 – 2014

Demographic Characteristics	Percent (%)	N=2,249*
Age: Less than 50	4	
50-54	7	
55-59	15	
60-64	23	
65-69	22	
70-74	16	
75-79	9	
80+	3	
Gender: Male	49	
Female	51	
Marital Status		
Married	73	
Widowed	12	
Divorced	9	
Single	6	
Same-Sex Partnered****	0	
Race		
White	97	
Other	3	
Living Arrangements **		
Alone	19	
With Spouse	71	
With Children	5	
Children With Me ***	6	
Other relatives	3	
Non-Relatives	1	
Unmarried Partner	2	
With Same-Sex Partner****	0	
Number of People in Household		
1	19	
2	63	
3	11	
4+	6	
Number of Children		
0	18	
1	12	
2	33	
3	21	
4+	16	
Number of Children Within 1 Hour		
0	29	
1	31	
2	23	
3	11	
4+	5	

*Missing Data Excluded **Responses not mutually exclusive ***Added at a later date ****Added 1st Q 2005
NOTE: Due to rounding, some numbers may not add up to 100%.

B. Income and Asset Information

Tables 15 and 16 show a breakdown of income and assets as reported by respondents. Tables 15a and 16a look at income and assets by age range. Income and asset information vary slightly from year to year. Forty-five percent (an increase from 44%) of respondents reported a gross monthly household income of over $5,000. Thirty-five percent reported income ranging from $2,500 - $4,999 and 19% reported their monthly income as being below $2,500.

Table 15
Gross Monthly Household Income n=2,143
April 1, 1992 – June 30, 2014

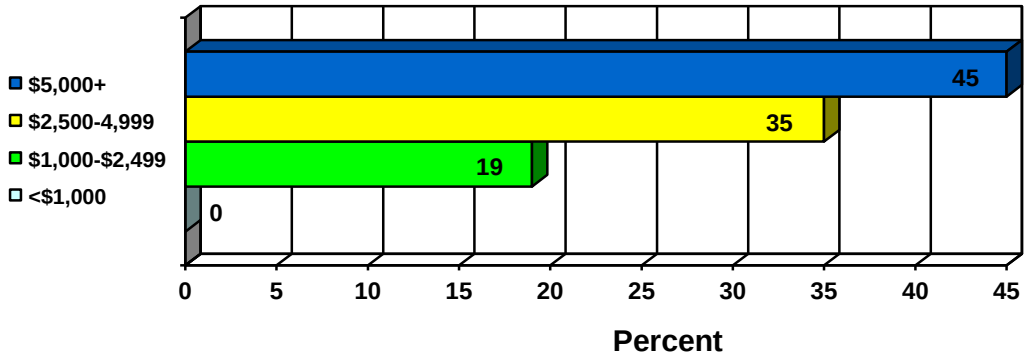


Table 15a
Monthly Household Income by Age Range n=2,133
April 1, 1992 – June 30, 2014

INCOME	AGE <50	50 – 54	55 – 59	60 – 64	65 – 69	70 – 74	75 -79	80+
<$1,000	11%	0	0	11%	33%	33%	11%	0
$1,000-$2,499	4%	4%	10%	20%	21%	20%	16%	6%
$2,500-$4,999	3%	4%	13%	23%	27%	18%	9%	4%
$5,000+	5%	12%	20%	27%	20%	10%	5%	1%

NOTE: Due to rounding, numbers may not add up to 100%.
Percents are read across.

Almost half of all respondents (46%) reported assets at the highest level of $350,000 or more. This represents an increase from 45% in last year's data. This was offset by a decrease from 17% to 16% for those reporting assets in the $100-199,999 range and from 6% to 5% in the $25-49,999 range

Table 16
Total Household Assets n=2,039 (not including house and car)
April 1, 1992 – June 30, 2014

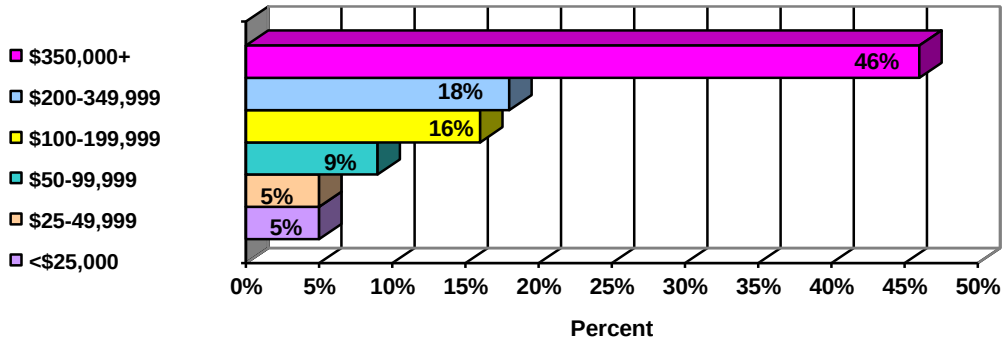


Table 16a
Total Household Assets by Age Range n=2,030
April 1, 1992 – June 30, 2014
(Assets do not include homes and cars)

ASSETS	AGE							
	<50	50 – 54	55 – 59	60 – 64	65 – 69	70 – 74	75 -79	80+
<$25,000	14%	8%	12%	23%	23%	14%	6%	2%
$25-49,999	12%	7%	10%	18%	16%	18%	13%	6%
$50-99,999	5%	10%	12%	19%	18%	17%	16%	3%
$100-199,999	5%	8%	14%	19%	25%	17%	10%	4%
$200-349,999	3%	10%	17%	22%	23%	14%	7%	5%
$350,000+	2%	7%	18%	29%	24%	13%	6%	2%

NOTE: Due to rounding, numbers may not add up to 100%.
Percents are read across.

Table 17 examines asset level by monthly household income. This table has had only slight variations in each annual report. As would be expected, those with the highest reported monthly income are in the highest reported asset level ranges.

Table 17
Level of Assets by Monthly Household Income
Of Persons Denied Insurance
n=2,018
April 1, 1992 – June 30, 2014

Total Assets	**Monthly Income**				
	<$1,000	**$1,000-$2,499**	**$2,500-4,999**	**$5,000+**	**Total****
<$25,000	5%	51%	31%	14%	101%
	56%	14%	4%	2%	5%
$25,000-$49,999	0%	45%	38%	17%	100%
	0%	13%	6%	2%	5%
$50,000-$99,999	0%	32%	39%	29%	100%
	0%	16%	10%	5%	9%
$100,000-$199,999	1%	26%	44%	29%	100%
	22%	24%	21%	10%	16%
$200,000-$349,999	0%	17%	42%	41%	100%
	0%	17%	22%	16%	18%
$350,000+	0.2%	6%	29%	66%	101%
	22%	15%	38%	65%	46%
Total**	0.4%	18%	35%	47%	100%
	100%	99%	101%	100%	100%

The top percents are row percents: for example, 51% of those denied with assets <$25,000 have a monthly income of $1,000-$2,499. The bottom percents should be read as column percents: for example, 14% of those denied with monthly incomes of $1,000-$2,499 have assets <$25,000.

** Some percentages do not add up to 100% due to rounding

C. Health Status and Functional Level

1. Health Status

As in the Baseline Survey, health status is measured in three different ways: 1) self-reported diagnoses are used to determine the prevalence of specific health conditions; 2) data are collected on self-reported health status with the question: "Compared to other persons your age, would you say your health is: excellent, good, fair or poor?"; and 3) the prior use of health services is examined by looking at emergency room stays, doctor visits, hospital admissions and whether there are any health problems for which an individual is currently being treated.

The three most prevalent current conditions reported at the time of the survey were: hypertension (30%), diabetes (23%), and arthritis (23%). When looking at past conditions, the three most common were: hypertension (29%), arthritis (18%) and diabetes (16%).

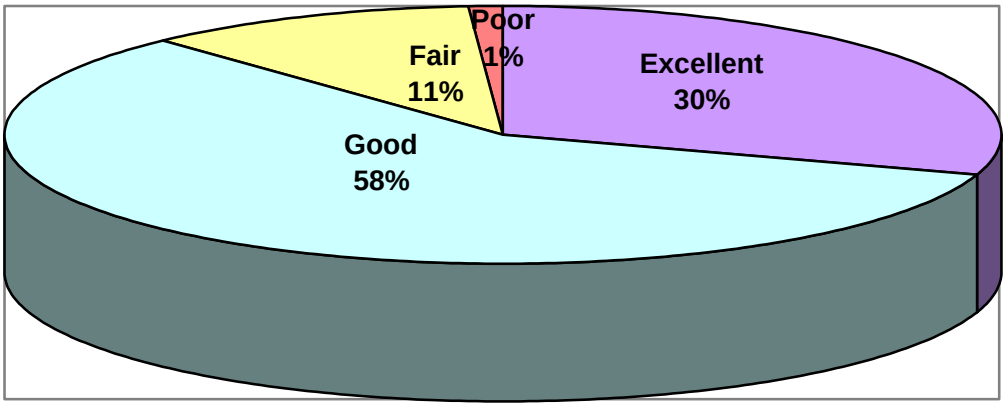
Table 18
Self-Reported Diagnoses for Past and Current Health Conditions n=2,249 *
April 1, 1992 – June 30, 2014

CONDITION	HAD IN PAST %	HAS CURRENTLY %
Hypertension	29	30
Diabetes	16	23
Arthritis	18	23
Heart Condition	14	9
Respiratory	11	9
Eye Disease	7	6
Spine Condition	10	7
Osteoporosis **	5	7
Circulation	4	5
Stomach	14	5
Nervous/Psych.	8	6
Cancer	15	3
Nerve/Muscle	4	4
Joint Replacement	5	3
Anemia	4	2
Liver/Kidney	3	2
Stroke	5	0
Seizure Disorder **	1	1
Alcohol/Drug	2	0
Hip Fracture	1	0
Parkinson's	0	0
Alzheimer's	0	0

*Not Mutually Exclusive ** Added at a later date: n=999

Respondents were then asked to rate their health as compared to others their same age. Eighty-eight percent indicated that they were in excellent (30%) or good (58%) health, while 12% indicated they were in fair or poor health.

Table 19
Perceived Health Status n=2,212
April 1, 1992 – June 30, 2014



There are several survey questions related to prior use of services. Respondents were asked to report how many times during the past six months they had visited the doctor, used the emergency room or been admitted to the hospital. They were also asked whether they had any physical condition for which they were currently receiving treatment or had received treatment in the last 6 months. The majority of respondents (88%) had visited their doctor at least once during the past six months. Nine percent reported going to the emergency room once and 7% reported being admitted to the hospital one time. Only 2% indicated that they had been to the emergency room more than once and 1% were admitted to the hospital more than once. Three-quarters of respondents (75%) reported that they were receiving treatment for a physical condition or illness (or had received treatment in the last six months).

Table 20
Health Status of Persons Denied Insurance
April 1, 1992 – June 30, 2014

Question	Percent
Number of Doctor Visits	
0	12
1	25
2	25
3	14
4	8
5+	16
Number of Emergency Room Visits	
0	89
1	9
2+	2
Number of Hospital Admissions	
0	92
1	7
2+	1
Currently Receiving Treatment	75

2. Functional Level

The survey measures functional level in several different ways. Questions were included relating to dependencies in Activities of Daily Living (ADLs) and Instrumental Activities of Daily Living (IADLs). ADLs refer to the essential daily activities including: bathing, dressing, transferring, toileting, eating and continence. A cumulative ADL score, from 0 to 6, was calculated for each respondent based on their reported need for assistance from another person to perform each of the six ADLs. Almost all respondents (99%) reported no ADL deficiencies; 8 respondents reported one deficiency; and 8 individuals indicated two or more deficiencies. (See Table 21)

The nine IADLs examined are: meal preparation, grocery shopping, routine household chores, money management, doing laundry, taking medication, using the phone, getting around the house and getting to places out of walking distance. Ninety-three percent of respondents reported needing no assistance with any of the IADLs; 4% reported needing assistance with 1 IADL; and 3% indicated they needed help with 2 or more IADLs. (See Table 21)

The survey also collected data on a broader range of disabilities using the Rosow-Breslau index, which examines the following four variables: ability to walk up and down one flight of stairs; go out to a movie, church/synagogue or meet friends; do heavy work

around the house; and walk half a mile. When looking at these variables, 81% of respondents reported that they were able to do each of the four activities without help; 13% indicated they needed assistance with one of the activities; 6% reported they needed assistance with two of the activities; and 1% needed help with 3 or 4 of the activities. (See Table 21)

Table 21
Cumulative ADL, IADL and Rosow Deficits
April 1, 1992 – June 30, 2014

Functional Measure	Frequency	Percent
ADLs		
0	2,233	99
1	8	0.4
2+	8	0.4
IADLs		
0	2,097	93
1	79	4
2+	73	3
Rosow-Breslau		
0	1,821	81
1	281	13
2	126	6
3+	21	1

D. Reasons for Denial

Though it is the practice of all of the Partnership companies not to reveal the specific reason for denial directly to the applicant, the majority (65%) of survey respondents believed that they were denied long-term care insurance because of health reasons. If the applicant wishes to obtain the specific reason they were denied coverage, they must request in writing that the company convey this information to their personal physician. Twenty-one percent of survey respondents reported that they did not know why they were denied. Twenty-nine percent reported "other" as their perceived reason for denial. In looking at the explanations provided for those who marked "other", the majority reported a health related reason that they felt was either under control or should not have affected the company's decision to approve or deny them coverage. It seems that a sizable number of respondents may be checking "other" instead of "health" because they do not perceive themselves as having a health problem. Of the 21% who did not know why they were denied, 93% reported they were in excellent or good health. Of the 65% who thought they were denied for a health reason, 86% said they were in excellent or good health.

Table 22
Perceived Reason for Denial
April 1, 1992 – June 30, 2014

Perceived Reason	Percent
Health	65
Unknown	21
Age	1
Incomplete Application	1
Other	29

Not mutually exclusive

E. Current/Future Plans of Denied Persons

Respondents were asked whether, at the time of the survey, they had applied to any other long-term care insurance companies and what the status of their application was. It is not evident from the survey whether these companies participate in the Partnership. Over one-third (34%) of respondents reported that they had already applied to at least one other company: of these, 30% indicated that their application was pending; 27% reported their application was already approved; and 43% reported that they had been denied again. The data consistently indicate that there is substantial variation among companies' underwriting practices: over one-quarter (27%) of respondents who applied to other companies reported being approved for insurance coverage. The question was asked of all respondents whether they intended to apply to other companies. Forty-nine percent of respondents reported that they were planning to reapply.

Table 23
Status of Application to Alternative Company n=772
April 1, 1992 – June 30, 2014

Status	Percent
Application Pending	30%
Application Approved	27%
Application Denied	43%

F. Conclusion

It is interesting to compare some of the responses to the Denied Survey as compared to the Baseline Survey. The average age for the Denied Survey respondents is 64 (age ranges from 20-89) and the average age for the Baseline Survey respondents is 60 (age ranges from 39-76). Fifty percent of Denied respondents are over age 64, while only 21% of Baseline respondents fall into this category. As would be expected, the respondents to the Denied Survey appear to be less healthy than respondents to the Baseline Survey. Based on self-reported health status, only 30% of Denied respondents rated their health as excellent, compared to 68% of Baseline respondents. A much higher proportion of Denied respondents reported having specific health conditions, as well as more emergency room visits and hospital admissions. Seventy-five percent of Denied respondents reported that they were receiving treatment for a physical condition or illness, compared to only 29% of Baseline respondents.

There was also a significant difference between Denied and Baseline respondents when looking at functional status as measured by IADLs and Rosow deficits. Denied respondents reported having more limitations: 93% indicated they had no IADL limitations, and 81% reported having no Rosow deficits. Baseline respondents reported very few limitations: 99% indicated they did not need assistance with any IADLs and 99% reported having no Rosow deficits.

One of the most interesting and surprising results from the Denied Survey that has continued steadily from year to year, is the high rate of acceptance of Denied respondents who re-apply for long-term care insurance. Thirty-four percent of respondents indicated that they had already applied to at least one other company. Of these 34%, over one-quarter (27%) reported that they had already been approved and another 30% stated that their application was still pending. As a result of these findings, the Partnership encourages individuals who are denied a policy to apply to other companies or to appeal the decision of the original company. Although it was expected that there would be some variability among insurers in their underwriting practices, the extent to which this variability has continued has been surprising.

IV. SURVEY OF PERSONS DROPPING INSURANCE

This section of the report presents findings of Partnership purchasers whose policies were reported as having been dropped during the period from January 1, 1996 through March 31, 2014 and completed a survey. The Survey of Persons Dropping Insurance (Drop Survey) collects basic demographic data, as well as reasons for dropping insurance and the purchasers' level of understanding of specific features of their Partnership policy.

Prior to June 30, 1996, this survey was administered by an outside consultant as a telephone survey. Interviews were scheduled at the convenience of the respondent with an average of 8 contacts needed to secure participation in the survey. The interview instrument was comprised of 32 items, consisting of both open-ended and limited response questions. Completed interviews ranged from 10 to 35 minutes in duration.

Effective July 1, 1996 (including the mailing for the first two quarters of 1996), the Partnership office assumed responsibility for administering this survey. Due to financial and staffing constraints, a decision was made to convert from a phone to a mail survey. The survey was substantially shortened from 32 items to 17 items. There are 2 mailings each quarter: the first is mailed when the quarterly data is received from the Partnership insurance companies; and the second is mailed to non-respondents approximately 5 weeks after the first mailing. The only exception to this was in the first quarter of 1996 when there was only one mailing. Both mailings include self-addressed return envelopes without postage. Because the changes to this particular survey were so significant, it is not possible to compare the results in this report to any survey results prior to 1996.

There are two categories of people who drop insurance: those who drop/cancel their policy during the initial 30 day "free look" period and those who drop after that time. (During the "free look" period, the individual can return the policy and receive a full refund.) Many individuals who drop during the 30 day "free look" period do not consider themselves as ever having made a purchase and, therefore, do not perceive themselves as having dropped a policy. The insurance companies, in their reports to the Partnership, count these individuals as having purchased and dropped. This generated some confusion among those who received the drop survey. Therefore, effective with the 3rd quarter of 1996, a different cover letter accompanied the survey sent to those who were reported to the Partnership office as having dropped during the first 30 days. This cover letter emphasized that even if an individual chose not to take the policy, the insurance company still considered them as having purchased if they were approved through underwriting. For reporting purposes for all Partnership companies, "purchaser" is defined as an applicant who passes underwriting. The same cover letter was used for all drops for the second mailing.

There was further confusion towards the end of 1996 when some companies began reporting a minor change to a policy as a drop and a new purchase. Purchasers were calling the Partnership office saying that they never dropped and were concerned as to why they were listed as having dropped their policy. Therefore, beginning with the 1st

quarter of 1997, a sentence was added to the cover letter indicating that a change to their policy may have triggered a drop notification. To further address this issue, there was one additional change made effective in the 2nd quarter of 1997. If a policy was reported as purchased and dropped during the same quarter, and the purchase date was prior to the drop date, no surveys were sent. If there was no purchase indicated the following quarter, a Drop Survey was sent. If there was a purchase indicated the next quarter, a Baseline Survey was sent. This procedure, along with the change in the cover letter, reduced the number of phone calls from policyholders who were confused as to why they were listed as having dropped their policy. Because there was a decrease in the number of policies reported purchased and dropped in the same quarter with the purchase date prior to the drop date, the above procedure was no longer necessary and was stopped beginning with the third quarter of 1998.

An additional response was added to the survey under living arrangements in 1999: "Children Live with Me." Beginning with the drop survey mailing that was sent to purchasers who dropped during the first quarter of 2001, two new choices were added under Question 5 that asks why people decided to drop their policy. The previous surveys only allowed the response: "purchased another policy." This revised survey allows the choice of "purchased other Partnership policy" or "purchased non-Partnership policy." Beginning with the drop survey mailing that was sent to purchasers who dropped during the 3rd quarter of 2004, a new choice was added for marital status (same-sex partnered) and for living arrangements (live with same-sex partner).

Beginning with the third quarter of 2009, a decision was made to send the Drop Surveys only to policyholders who dropped during the first and third quarters. After the first mailing of the first quarter of 2014, the drop survey was discontinued completely, although it is possible that at some point in the future it will be resumed. This report includes all drop surveys ever received from the first quarter 1996 through the first quarter of 2014.

During the period from January 1, 1996 through March 31, 2014, 3,162 completed surveys were returned, for a total response rate of 32%. Surveys were not mailed to people who called after receiving a Baseline Survey and asked not to receive any more surveys. These figures also exclude anyone who was reported as deceased. Unless stated otherwise, missing data are excluded.

A. Characteristics of Persons Who Drop Insurance

The drop survey collects demographic characteristics of persons who dropped their Partnership insurance, including: age, gender, living arrangements, and marital status. The mean age for all respondents was 64, with an age distribution ranging from 22 – 95. The mean age for women was 63 and for men, it was 64. Fifty-five percent of survey respondents who dropped were under 65. Fifty-six percent were female and 68% were married. Correspondingly, 67% lived with their spouse. Twelve percent reported having been widowed and 13% were divorced. Twenty-one percent lived alone, while 3% said they lived with an unmarried partner and 3% said their children lived with them.

.

Table 24
Demographic Characteristics of Persons Dropping Insurance
n=3,162
January 1, 1996 – March 31, 2014

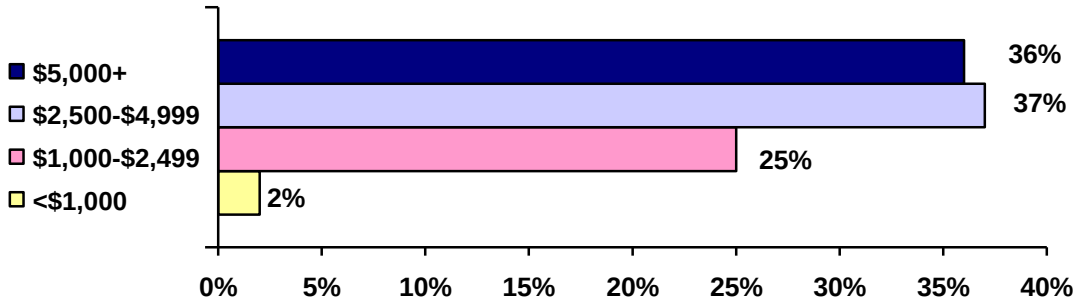
Demographic Characteristics	Percent (%)
Age:	
< 50	6
50-54	9
55-59	17
60-64	23
65-69	21
70-74	14
75-79	8
80+	4
Gender:	
Male	44
Female	56
Marital Status:	
Married	68
Widowed	12
Divorced	13
Separated	1
Single, Never Married	6
Same-Sex Partnered **	0
Living Arrangements: *	
Alone	21
With Spouse	67
With Other Relatives	2
With Non-Relatives	1
With Unmarried Partner	3
Children Live with Me	3
With Same-Sex Partner **	0

Note: Due to rounding, some numbers may not add up to 100%
*Not Mutually Exclusive ** Fields added 4th Quarter 2004

Looking at reported monthly income levels of drop survey respondents, there were 36% who reported monthly income of over $5,000 and 37% with reported income

in the $2,500 - $4,999 range. It is interesting to note that 73% reported monthly income in the top two income categories, compared with this report's baseline survey respondents where 79% reported income in the top category alone ($5,000+).

Table 25
Monthly Income Levels of Persons Dropping Insurance
n=2,939
January 1, 1996 – March 31, 2014



*Due to rounding, some number may not add up to 100%.

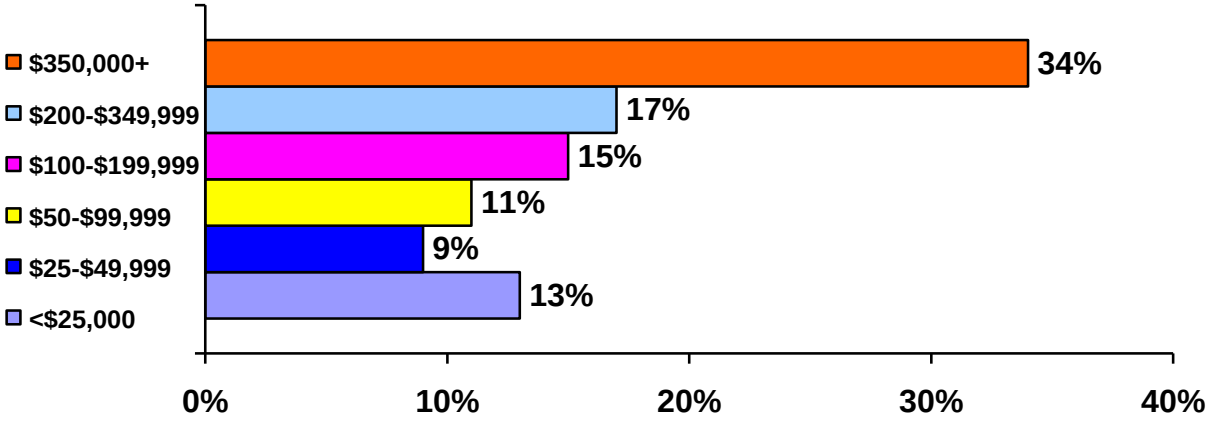
Table 25a
Monthly Household Income by Age Range n=2,939
January 1, 1996 – March 31, 2014

INCOME	<50	50 – 54	55 – 59	AGE 60 – 64	65 – 69	70 – 74	75 -79	80+
<$1,000	10%	7%	19%	32%	17%	9%	4%	1%
$1,000-$2,499	3%	5%	10%	19%	22%	20%	12%	8%
$2,500-$4,999	5%	7%	16%	22%	23%	14%	9%	4%
$5,000+	8%	13%	22%	26%	17%	10%	3%	1%

NOTE: Due to rounding, numbers may not add up to 100%.
Percents are read across.

There were 51% of drop survey respondents who reported assets in the two highest categories of $200,000 and over, with 34% in the $350,000 and over category. Thirty-three percent reported asset levels of below $100,000. It is interesting to note that 75% of baseline survey respondents reported assets of $350,000 and over, while only 9% reported asset levels below $100,000. Not surprisingly, and consistent with past year's findings, drop survey respondents report both lower income and asset levels when compared to baseline survey respondents.

Table 26
Asset Levels of Persons Dropping Insurance*
n=2,832
January 1, 1996 – March 31, 2014



*Assets exclude car and home.
NOTE: Due to rounding, numbers may not add up to 100%.

Table 26a
Total Household Assets by Age Range n=2,832
January 1, 1996 – March 31, 2014

(Assets do not include homes and cars)

ASSETS	<50	50 – 54	55 – 59	AGE 60 – 64	65 – 69	70 – 74	75 -79	80+
<$25,000	12%	11%	15%	17%	20%	11%	7%	6%
$25-49,999	11%	11%	17%	15%	15%	16%	9%	6%
$50-99,999	7%	9%	14%	20%	22%	15%	10%	5%
$100-199,999	6%	8%	16%	21%	23%	14%	9%	4%
$200-349,999	4%	9%	16%	26%	21%	14%	9%	2%
$350,000+	4%	9%	20%	27%	22%	12%	5%	2%

NOTE: Due to rounding, numbers may not add up to 100%.
Percents are read across.

B. Reasons for Dropping Insurance

When this survey was originally administered as a phone survey, the question concerning reasons for dropping was open ended. From these varied responses, a list was compiled for use in the current mail survey with the options shown in Table 27 below.

Table 27

Reasons for Dropping Insurance
January 1, 1996 – March 31, 2014

REASON*	30 DAY DROPS n=1,013**	TOTAL DROPS n=3,162**
Percentage of Total	32%	100%
Too costly	58%	63%
Change in income	8%	17%
Purchased new Part. Policy	11%	9%
Spouse denied	21%	11%
Purchased new non-Part. Policy	5%	3%
Residency or other Partnership program requirements	3%	3%
Problem with insurer	5%	4%
Inadequate coverage	5%	5%
Problem with agent	8%	5%
No longer payroll deducted	1%	2%
Won't need it	5%	6%
Did not understand policy	4%	3%
Increase in premium	4%	5%

*Responses not mutually exclusive
**Total "N" varies slightly by reason

Almost one-third (32%) of drop survey respondents reported dropping within 30 days (the "free look" period). Consistently, one of the top reasons for dropping is because the policy is too costly (63%). However, it is not possible from the data collected to discern whether the reason that the respondents felt the policy was too costly was because they had purchased an inappropriate amount of coverage. Another frequently reported reason for dropping is due to a change in income (17%). This is less prevalent in the 30 day drops since there would not likely be a change of income in 30 days. Another financial reason included in the list of reasons for dropping is due to an increase in premium. There were only 5% of respondents who reported dropping for this reason.

Eleven percent of 30 day drops and 9% of all drops reported dropping to purchase another Partnership policy. This activity of dropping one policy to purchase another is not unusual in an environment where it is common practice to apply for more than one policy simultaneously, retain the preferred coverage, and drop any additional policies.

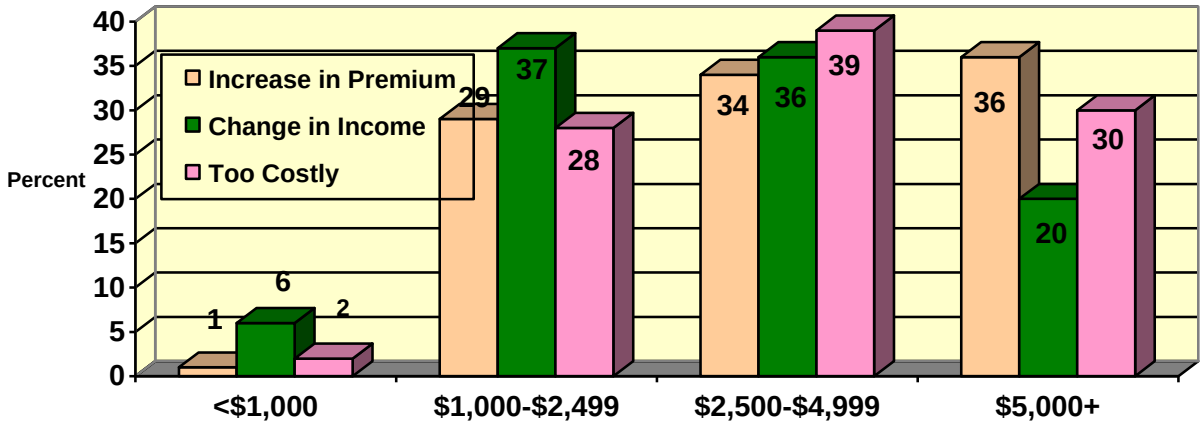
Although only 11% of the total drops reported dropping because their spouse was denied, 21% of the 30 day drops reported dropping due to this reason. This is not surprising because if one spouse is denied, the full spousal discount on the premium is

lost and may result in the spouse who was approved for coverage feeling that the policy is too expensive, and therefore they choose to drop during the free look period.

Interestingly, there are always some respondents who say they dropped because they won't need their policy (5% of 30 day drops and 6% of total drops). There are also respondents who continue to say they dropped due to a problem with their agent (8% of 30 day drops and 5% of total drops).

Several cross-tabular analyses were run in order to examine the relationship between financial reasons for dropping and income and asset levels. Sixty-nine percent of those who reported dropping because it was too costly had a monthly income of $2,500 or more, with 30% of those having monthly incomes over $5,000. Forty-three percent of those who reported dropping due to a change in income reported a monthly income of below $2,500. Seventy percent of those who dropped due to an increase in premium reported assets of $2,500 or more. (See Table 28)

Table 28
Reported Financial Reasons for Dropping by Monthly Income
N=2,534
January 1, 1996 – March 31, 2014

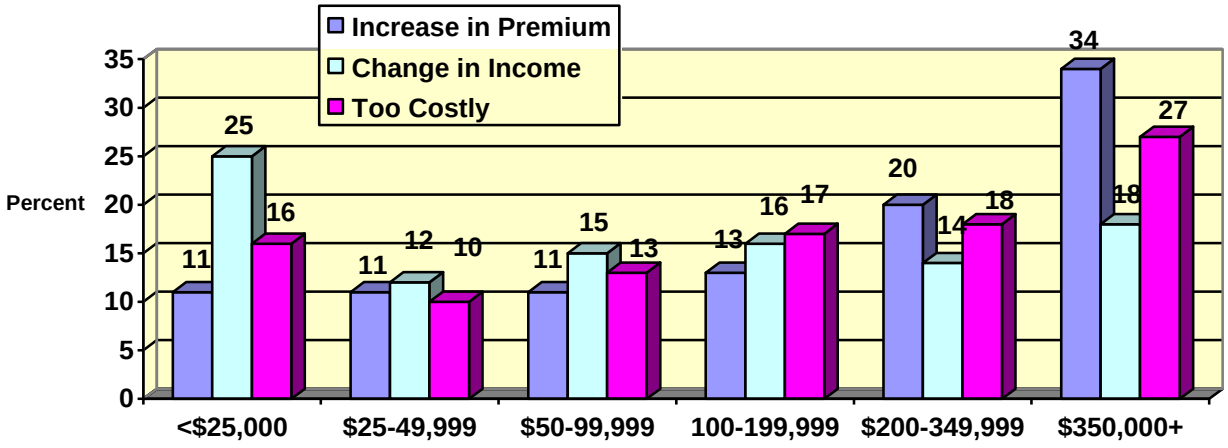


Note: Due to rounding, some numbers may not add up to 100%.

Forty-five percent of respondents who said they dropped because the policy was too costly reported assets at the two highest asset levels, with 27% reporting assets of $350,000 or more. Over one-quarter (26%) who dropped due to cost reported assets of less than $50,000. Fifty-two percent who dropped due to a change in income reported

assets of less than $100,000. Thirty-four percent of respondents who reported dropping due to an increase in premium reported assets of $350,000 or more. (See Table 29)

Table 29
Reported Financial Reasons for Dropping Insurance by Assets
n=2,435
January 1, 1996 – March 31, 2014



Note: Due to rounding, some numbers may not add up to 100%.

C. Level of Understanding of Policy by People Who Drop

The option to reduce coverage is a very important feature requiring the company to proactively offer a Partnership policyholder, in the event they are about to lapse their policy, the option to decrease their coverage to a shorter benefit period than originally purchased, thereby lowering their premium. Twenty-four percent of those who dropped after 30 days reported that they were offered this option.

Although general reinstatement provisions are not unique to Partnership policies, 52% of the survey respondents in the current data were not aware of this provision. Of the 52% who were not aware of this provision, 45% said they understood their policy completely. Also, 61% of the respondents did not know about the special reinstatement due to cognitive impairment provision (if an individual misses paying premiums due to a cognitive impairment).

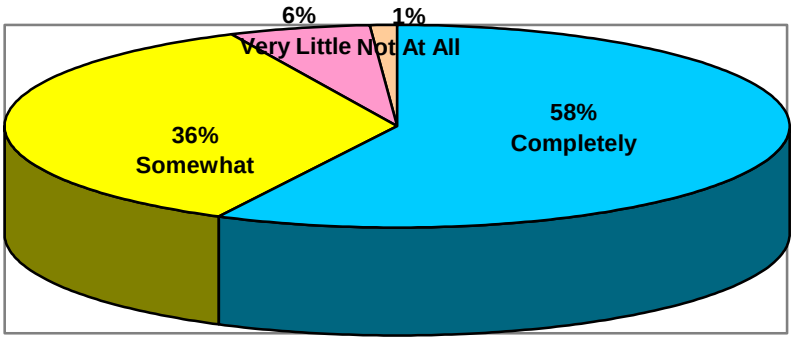
All Partnership, as well as non-Partnership, policies must offer a non-forfeiture benefit. When asked if they chose to purchase this particular benefit, 63% of the respondents said they did not know and 16% said they had purchased it.

Table 30
Percentage of People who Dropped and Were Aware of
Or Were Offered Certain Policy Provisions
January 1, 1996 – March 31, 2014

Policy Provision	Percent
Offered Option to Reduce Coverage n=1,968	24%
Aware of Reinstatement n=2,962	48%
Aware of Reinstatement due to Cognitive Impairment n=2,909	39%
Policy Included Non-Forfeiture n=2,973	16%

Respondents were asked to rate their overall level of understanding of their Partnership policy. Fifty-eight percent stated that they understood their policy completely and 36% said they understood somewhat. There were 7% who reported they understood their policy very little or not at all.

Table 31
Overall Reported Level of Understanding of Partnership Policy n=3,064
January 1, 1996 – March 31, 2014



D. Conclusion

During the period from January 1, 1996 through March 31, 2014, 3,162 completed surveys were returned, for a total response rate of 32%. The mean age for all respondents was 64, with an age distribution ranging from 22 – 95. The mean age for women was 63 and for men, it was 64. Fifty-five percent of survey respondents who dropped were under 65. Fifty-six percent were female and 68% were married.

Looking at reported monthly income levels of drop survey respondents, there were 36% who reported monthly income of over $5,000 and 37% with reported income in the $2,500 - $4,999 range. There were 51% of drop survey respondents who reported assets in the two highest categories, of $200,000 and over, with 34% in the $350,000 and over category. Thirty-three percent reported asset levels of below $100,000.

Sixty-three percent of all drops reported dropping because they felt the policy was too costly, while 17% reported they dropped due to a change in income. Eleven percent said they dropped because their spouse was denied and 6% reported they won't need a policy.

The majority of respondents are still reporting that they are unaware of certain policy provisions. Fifty-eight percent of respondents said they understood their policy completely and 36% said somewhat. Only 24% reported they were offered the option to reduce their coverage to a shorter benefit period before lapsing their policy. Forty-eight percent said they were aware of the general reinstatement provisions in their policy and 63% did not know if their policy included non-forfeiture. The Partnership continues to emphasize to producers the importance of explaining all of the specific benefits that a Partnership policy has to offer in an effort to ensure that purchasers understand the features and details of the policy that they are purchasing.

.