



**Patrick D. Francisco & Associates**  
GROWING AND PROTECTING YOUR ASSETS

August 18, 2015

Minnesota Department of Commerce  
Attn: Long Term Care Hearing Public Comments  
85 7<sup>th</sup> Place East, Suite 500  
Saint Paul, MN 55101

RE: August 27, 2015 Public Hearing on Long Term Care Insurance

First, I wish to speak as an 18-year long term care insurance specialist who has written over 150 individual policies from 8 different companies --- Unum, MetLife, Prudential, Genworth, John Hancock, Life Secure, State Life, and Mutual of Omaha.

Our financial advisory office looks at the total picture when helping clients plan for retirement, and a long term care event can become one of the biggest threats to one's income and assets and ultimate financial security. Every client goes through the long term care discussion, making sure they understand the potential costs of an event, and how, without any other plan, they are essentially self-funding a huge, open-ended cost. Some opt for long term care insurance, some do not, but they all get the education piece as part of their planning here.

RE: **Premium Rate Increases**

My clients with Unum, Prudential, Genworth, and John Hancock have all had premium rate increases, some as high as 90%. However, I have never had a client drop their insurance coverage due to a rate increase. It is important to note that in every case in which premium rate increases are imposed, the policyholder has a choice: 1) accept the rate increase and keep all policy benefits the same, or 2) adjust policy benefits to mitigate the premium increase and keep their policy affordable.

While rate increase discussions are initially disconcerting to most, when we review coverage and policyholders learn how their policy values have grown in accordance with their inflation rider, most realize that if they don't want to accept the increase in cost, they have room to reduce policy benefits to moderate the premium increase. And even with reduced benefits, in every case, their policies show great value, particularly when compared to the cost of new policies today and to the alternative of paying for the cost of care. And they are still paying less than if they were considering replacing it with a new policy of similar benefits.

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One company, John Hancock, increased some policy premiums by as much as 90%. While initially shocking to agents and policyholders alike, when we all understood the 'offer' made to policyholders, most were quite satisfied they were being treated very fairly. John Hancock offered all policyholders with a 5% Compound Inflation rider an 'exchange' to a lower inflation rider. Policyholders were allowed to keep current values, but going forward, the benefit increases would be adjusted to the lower rate – generally from 2.4% to 3.9%, depending several factors.

Example: One 64-year-old policyholder had an initial monthly benefit of \$4500 when her policy was issued in 2004. With her 5% Compound Inflation rider, her benefit had grown to \$6647 by 2012. Her annual premium had been \$2125 and the proposed new premium was to be \$4037. In accepting 2.7% as her new inflation rate, John Hancock allowed her to keep all values earned (the \$6647 monthly benefit) but future increases would adjust annually by 2.7%, not 5%. Today her monthly benefit is \$7200, and her total benefit available is \$518,000. Her annual premium remains at an affordable \$2125. Any future rate increases will allow her to adjust benefits in a way that will allow her to keep her policy in force.

#### RE: Claims

I have had nothing but positive experiences with claims for my policyholders. Let me share 3 stories (privacy laws prevent me from disclosing the names and policy information):

**Marjorie.** Marjorie bought her UNUM long term care insurance policy in 1997. Her brother was also a client, and after a review meeting with him one afternoon, he talked about how his family had become increasingly concerned because Marjorie had shown signs of dementia, and the family took turns watching over her. He did not know she had long term care insurance, but once we gathered information from him, we initiated a claim. Weekly calls with UNUM's claims department kept the process moving efficiently, and once the company received the completed claim forms, 3 months' worth of benefits were overnighted to Marjorie's family. Marjorie received monthly benefits for her care until her death 5 years later.

**Anne.** Anne was in her late 80's when she became claim-eligible. She was living independently, but needed help with bathing and dressing. Otherwise, she was able to go out and about in the community with the help of her daughter. As her condition deteriorated, she moved into an assisted living facility where she said she 'felt like a princess' because of the beautiful surroundings and wonderful meals in the plush dining hall. She and her daughter had the peace of mind in knowing that her insurance would pay for her care, and if needed, her savings could continue to grow and be available to pay if benefits from the insurance policy were exhausted. Following her death 3 years later, her daughter called me and said she wanted to buy long term care insurance for herself. A single, 59-year-old post office employee, she said, quite simply, 'I want what my mother had.'

**Bob.** Bob's mom had had a policy for 9 years when she began to show signs of needing supervision for dementia in 2007. Bob's concern was that she was so physically strong and healthy that she would outlive her 6 year policy benefits, and he feared her savings would not be enough to pay for any additional care she needed. Marjorie's policy benefits exhausted in 2014, but her savings had been allowed to grow while she was on claim, and they were enough to pay for her care until her death just this month. Bob and his wife purchased policies for themselves in 2010.

RE: **Incentive programs in Minnesota**

Minnesota established the *Partnership Program* for long term care in 2006. It is a joint endeavor between the federal Medicaid program and long term care insurers to encourage people to plan for their future long term care needs. Both a reward and incentive, the intent of this program is to help protect the stability of the Medicaid Program (Medical Assistance in Minnesota), to promote the value of long term care insurance, and to offer asset protection to consumers, enabling those who purchase partnership-qualified long term care insurance to protect additional assets and still remain eligible for Medical Assistance when care is needed.

*Own Your Future* is a joint federal/state campaign initiated by the Dayton administration in Minnesota in 2012. Its purpose is to educate Minnesotans on the long term care landscape and to encourage them to plan for their long term care, and, if possible, develop a way to pay for it. I was privileged to sit on the *Own Your Future* panel that sought to identify affordable options for middle income residents, and to provide input for the *Own Your Future* website. It is hoped that one outcome of the *Own Your Future* initiative will be to keep middle income Minnesotans from needing Medical Assistance, protecting it for those who have no other options.

*Minnesota tax credit for long term care insurance.* Each year, policyholders with qualifying long term care insurance policies are eligible for a tax credit of up to \$100 per policy.

*Tax deductibility of premiums* for business and individuals (federal). Each year, policyholders with qualifying long term care insurance policies may be eligible for tax deductibility of premiums either as an individual or in a business setting. Employers have powerful tax incentives to provide long term care insurance for themselves and their employees.

If the State of Minnesota is taking such great steps to encourage planning, and if we are to keep our Medicaid program from bursting at the seams, then we must work with insurance carriers to maintain healthy, viable options for consumers.

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Now I want to speak as a *Travelers* LTCI policy holder. My husband and I purchased our long term care insurance policies in 1999. Our original policy benefits had a \$130 Daily Benefit, Unlimited Benefit Duration, and 5% Compound Inflation. Our premiums totaled \$3,237 annually. In 2005, our premiums increased by 20%, but today, the value of our Daily Benefit is over \$270 (a 108% increase). Unlimited benefits are generally not available for purchase today, and if they were, the cost would be too high for us to justify. I shudder to think of how we could pay for quality care without our insurance, and despite the rate increase, I gladly and thankfully write our premium checks every year, even with the understanding that we will most certainly receive future rate increases before we need to claim.

I take great comfort in knowing that once we qualify, our policies will pay benefits for as long as we need them, at home or in a facility we choose. My mother was in a nursing home for 10 years with Alzheimer's; my father suffered a crippling stroke at 76 and needed total care for 3 years before he died. If care is in the future for my husband or me, I want choice and independence in

where that care will be, and I want to protect our children from feeling responsible to take care of us.

It is my hope that the Minnesota Department of Commerce receives countless affirmations that long term care insurance is working well in Minnesota, because from where I sit, it is. Minnesota must create an environment in which insurance companies, policyholders, and the State can all stay afloat. While we have an obligation to impose strict regulatory protections for our consumers, we must keep the Medicaid program from overtaking our State budget, and we must work with insurance carriers in an effort to maintain affordable, sustainable insurance options for planning.

Thank you for the opportunity to provide these statements.

Sincerely,

A handwritten signature in cursive script that reads "Patricia Francisco".

Patricia Francisco, LTCP  
The Hartley Building  
742 East Superior Street  
Duluth, MN 55802

To Whom It May Concern:

My husband and I purchased long-term care insurance policies back in June of 1999 from UNUM through Patricia Francisco in Duluth, Minnesota. We both felt that it was a wise decision, as my husband is 27 years older than I, and aside from protecting our assets from the incredible high cost of long-term healthcare, we both wanted to be sure that IF one of us needed care we would be able to afford to keep our loved one at home as long as possible.

At the time the policies were issued in 1999, my husband's premium was \$1,620.45 per year for his policy, which included a benefit amount of \$100 per day, 30 day elimination period, nursing home AND professional home and community care benefit, with a maximum lifetime benefit of \$109,500 PLUS a 5% simple unlimited benefit increase provision. My premium was \$478.73 per year, which included a benefit amount of \$100 per day, 30 day elimination period, nursing home AND professional home and community care benefit, with a maximum lifetime benefit of \$109,500 PLUS a 5% COMPOUND benefit increase provision.

In October of 2010, my husband went on claim. At the time, his daily benefit had increased from \$100 per day to \$155 per day, thanks to the benefit increase provision. I was able to have help come into our home to assist me with his care. Just one day a week, at first, and through the years we have increased to three days per week. If we had not purchased long term care insurance and had the benefit so readily available and easily accessible, I fear my husband would have resisted having help come in, and I fear I also would have put it off much longer than was wise, thinking I could care for him myself. UNUM has been a godsend. Our agent has been a godsend. I have nothing but great things to say about the caring people at UNUM and how they actually seem to look out for us. They are proactive, kind, understanding. I could not have asked for a better experience. Our agent was wise in counseling us when we purchased the policies after looking at our situation . . . she wanted to make absolutely sure we knew what we were purchasing and WHY. And she was there to help us every step of the way in the claims process.

Today, nearly 5 years later, my husband is happily still living with me at home. We have a home health aide coming in 3 days a week. After some trial and error, we have found the perfect agency and person. I have three days a week to do as I please . . . running errands, taking care of myself, recharging, spending time with friends . . . or napping! Being a caregiver is HARD work. And my husband deserves the best I can give him. And thanks to our long-term care policy, I'm able to give him my best. My husband and I both are so thankful for the policies we purchased. Our daily benefit is now up to \$180 per day on my husband's policy, and at the rate of current usage, this policy will continue to pay for nearly 5 more years. With his benefit increase provision, the "bucket of money" available for our use on his policy is over \$130,000 (after starting at \$109,500 in 1999), and still increasing. Incredible!

On our policy anniversary date in 2012, my husband's premium was increased to \$2,422.58 and mine to \$777.93. Because my husband is on claim, his premium is waived. After discussion with our agent as well as research on our own, we decided my policy with the increased premium amount still made good sense for us -- and would have stuck with both policies had my husband not been on claim.

Long-term care insurance is a great thing. It is not for everyone. And I know policies have changed through the years. I do know, however, that I thank God every day that we purchased our policies. And I am thankful always for our customer service person at UNUM and for our long-term care insurance agent, Patricia Francisco.

Thank you.

Melanie McMillion

**Minnesota Department of Commerce**  
**Attn: Long-Term Care Hearing Public Comments**  
**85 7th Place East, Suite 500**  
**Saint Paul, MN 55101**

August 20, 2015

To Whom it May Concern:

I am a practicing attorney in central Minnesota (Hutchinson), with a practice focused on estate planning. My clientele is primarily farm families and retirees from 3M, which has a large production plant in Hutchinson. I am also over 70 years of age and am married with four children and more grandchildren than I can count on two hands.

I wish to comment on Long Term Health Care insurance from two viewpoints: first, as an attorney working with insurance professionals in getting protection for my estate planning clients; second, some personal comments, relating the story of my wife and I dealing with Long Term Health Care.

Most of my farming clients wish to pass their rich and fertile farm land on to the next generation and often, for more than one generation. Indeed, a significant percent of my clients have "Century Farms," or farm land that has been in their family for more than one hundred years. For these folks, who are often "land rich" with today's inflated land prices, they do not have other significant liquid assets in the stock market or with mutual fund companies. Accordingly, they rightfully worry about "how to pay for their care in a nursing home or assisted living?" With costs approaching \$100,000/year, they are rightfully concerned.

The ability to get good LTHC coverage is a key part of many, if not most, of my farm families. They fully understand without adequate insurance options, their family may have to sell some of the farmland to pay Medical Assistance liens in the event one or both of them have significant assistance that cannot be paid with non-land assets. LTHC insurance is a critical tool in the practice of helping farming couples pass their blood, sweat and tears to the next generations.

My 3M clients are unique in that for almost all of them their largest asset is their 401K from their work. For many of them, including class mates of mine who went to work for 3M right out of high school or after military service those are well over \$350,000 in value. They are the first to acknowledge that in today's world the probabilities of their children having a similar high paying job in industry for 30 to 45 years is slim and none. Accordingly, rather than passing on farmland as the farmers can, they want to pass on their 401Ks or IRAs in a trust to be a retirement fund for both them and their child or children. The specter of those trust funds going for nursing home or assisted living is not what they want. Again, the option of good, quality LTHC insurance is a critical tool in giving these folks some peace of mind about their "gold" being preserved.

Further, the surviving spouse and children who are the beneficiaries of either farmland or large IRAs are feeling blessed that they do not have to be the ones to “sell the family farm” or cash in a marvelous IRA and pay income taxes on it, to pay the Medical Assistance liens.

After practicing law for 40 years, with the last 20 years exclusively in the field of estate planning, I have yet to hear a single heir say, “I sure wish my parents had not purchased that LTHC policy!” I make the easy predication that when I retire, I will still be waiting to hear those words from either a surviving spouse or the children!

Second, as mentioned, I have been involved solely in estate planning for the last twenty years of my forty years’ experience; that was brought about by my having two strokes while still in my trial practice. That health issue required me to either proceed as a trial attorney, and die with my boots on, or find another area of practice with less stress than the court room provides.

One of the first things I learned about my new “Post-Stroke Life” was that I was no longer eligible for any LTHC coverage. Not a big shock. But, we immediately sought coverage for my wife and as we were fortunate to find the Francisco Firm in Duluth, we were soon happy to have an excellent policy providing coverage for my wife. With children finishing college, weddings, and the uncertain cash flow from a new field of practice, there were times when we wondered if we could afford to make the premium payments. But, each and every time, when we balanced the risk of no coverage with the cost of the premiums, we found a way to make the payments. Even when there was a premium increase, the quality company we are with gave us realistic options to make it easier to keep our coverage. In our case, we chose a slightly less cost of annual cost of living yearly increase and kept the premium within our budget constraints.

My wife and I, my farm clients and my 3M retirees all have family and friends who are or who have been in need of a nursing home or assisted living. That is, we live in the real world. We know full well how the costs of these services have gone up in the past decade. Yet, I have not had a single client with an existing LTHC cancel a policy because of an increase in premiums. We are mature and experienced folks who understand everything of value goes up and are not surprised or put-off to the point of cancellation when we get a notice of a raise in premiums. I won’t say we “like it” or don’t whine, but as I get older, I realize it is not just my clientele who seem to develop the ability to whine. . . ☺ But, I, and they, understand the prudent business decision to keep the coverage and not to cancel it!

In conclusion, I want to encourage you on behalf of my clients and my wife and I to not go down the road of being so controlling that the good companies cannot have premium raises; we do not want them leaving the state and leaving us with less successful companies who may not be there when we need them. Make it work for them and for us, their insureds!

Sincerely,

William D. Sommerness

Attorney at Law

P.O. 116

Hutchinson, MN 55350

I am the grateful owner of a long term care insurance policy that I purchased from CNA twenty years ago. I had been the caretaker for my mother who spent the last seven years of her life in a skilled care nursing facility and watched her assets dwindle.

My husband and I purchased our long term care policies when we were 65 years of age. At the age of 71, in 2001 he was diagnosed with Alzheimer's disease. I was his primary caregiver until his death in 2012. The stress of caregiving 24/7 is enormous. In 2007, I found an excellent day care facility that was a lifeline. The cost was considerable, but his long term care policy lessened the burden. From 2009 until his death in 2012, residential care was required. While the stress continued, the long term care insurance was a tremendous benefit for which I am forever thankful.

Alice Rice

August 19, 2015

Emailed to  
Commissioner Rothman  
on 8/19/15

To: Minnesota Department of Commerce  
Public Hearing on Long-Term Care Insurance

From: Ms. Gaynelle Johnson, Policyholder

**RECEIVED**

AUG 21 2015

**MAILROOM**

Insurance Company: John Hancock

Agent: Patricia Francisco, Duluth MN

I purchased my Long-Term Care Insurance policy in 2004 through a local Duluth agent. Both my parents had become ill and died in the mid to late 1990's. Neither had long-term care insurance. While my father's illness progressed rapidly, my mother was eventually placed in a nursing home where she lived for four years. I helped to some degree in the care of both of them.

After my mother's death in 1999, I told myself in relief, "I'll never have to do this kind of care again." In 2000, my youngest sister was diagnosed with Parkinson's Disease at age 44. She had never married or had children. She had no long-term care insurance. When she became disabled in 2005 and could no longer work, I took her into my home, where she remains to this day. All of this happened while I was still employed full-time. So much for thinking I was out of the caregiving loop.

The result of these experiences was a wish that my children would not be burdened with similar caregiving issues. If they choose to help care for me should I need it, that will be fine. But, I do not want them to feel forced to make that decision because I have no other alternatives. Thus, my applying for a long-term insurance policy.

I am now 68 years old and, to date, have thankfully had no need to file any claims. Isn't that what we hope for with any insurance? We carry it sometimes because the law requires it for our cars or our mortgaged homes. We carry it so it will help us should we ever need it (health insurance, long-term care insurance). All the while hoping we'll not ever really need it; but it's there just in case.

For seven years, my long-term care premiums remained stable. In late 2010, I was notified by my agent and insurance company that the company would be seeking a rate increase. I will offer that my agent and company have been excellent in their communications to me in all regards.

In 2011, I received notice that the company would be increasing my premiums by 90%, almost double the premium I had paid for each of the first seven years. I do not recall ever having any insurance increase by 90%, so that was somewhat of a shock. The company and my agent communicated they had followed Minnesota requirements of submitting and having their proposal accepted for the increase. I can only believe the State of Minnesota diligently reviewed the proposal before okaying it.

My agent was faithful about sitting down with me and reviewing the premiums and options my company was affording its policyholders. For me, it was a difficult decision but I knew I could not, at that time, afford to pay the increase in spite of believing it was in my and my family's best interest to keep long-term care coverage. A lesser increase might have enabled me to keep my original benefits.

I opted to keep my levels of coverage but reduce my future inflation rate from 5% to 2.7%. Previous inflation increases that had already been applied to the policy were maintained by the company, which I believe they should have been and which I

appreciate.

One other difficulty in reaching the inflation reduction decision was being informed that my policy would now no longer meet the requirements for a Qualified Partnership Long-Term Care policy in Minnesota. While disappointing, my agent was again up front and professional in explaining to me that this would be the case.

The company has been clear in stating that premium rates are not guaranteed and could be increased again in the future. If that happens, I will be forced to once again review my situation and make decisions that I can afford and that allow me to hopefully keep my coverage.

It is my personal hope that Minnesota will find some way to continue to encourage residents to obtain these policies. We currently have a \$100 tax credit, which I feel is minimal at best. I hope the powers that be will work to find a way to increase that or find other incentives to encourage maintaining coverage.

Thank you for the opportunity to provide these comments.

*Gaynelle Johnson*

8/17/15

Mr. Dept. of Commerce,  
Attn. Long term Care Public Comments.

Dear Sir:

My experience with Long term  
insured care has been very favorable.  
My wife & I took out policies many  
years ago to insure our care in the  
future because of known family history  
issues. My father & brother had Parkinson  
and both passed away after long term  
problems. Neither had long term care  
insurance & this was a severe burden  
financially on their families. My wife  
passed away after ten years with Alzheimer's  
of which five nightmare years were at  
home, & five years in memory care at  
Lakeside in Ashitt. This provided superb  
care with acceptable cost because of the  
insurance we had taken out long before  
set onset of problems. I also have a policy  
that I may need. I would accept reasonable  
escalation in cost, but would accept the  
elimination of coverage for others under  
no circumstances.

Sincerely

Tom G. Merrick