NAIC ENDORSEMENT SUMMARY

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On July 19, 2017, the **National Association of Insurance Commissioners (NAIC) Long-Term Care Innovations (B) Subgroup** released the policy paper *Private Market Options for Financing Long-Term Care* (See annotation below.) endorsing the life insurance secondary market as a viable option to help people pay for long-term care. In it, the NAIC points out the disparity between the cash surrender value of a life policy and its much higher secondary market value. In the policy memo the NAIC specifically cites GWG Life, and they discuss the use of a "bank and trust account" (Long-Term Care Benefit Account) that is recommended to families at the point of need by "elder care providers and professional advisors." GWG Life is the only company that offers a Long-Term Care Benefit Account as one of the four LifeCare Xchange options for a life insurance policy owner.

This acknowledgement of the secondary market and its higher market values as a solution to help people pay for long-term care is a watershed moment for not just the secondary market, but for the entire insurance industry. By tapping into billions of dollars of available death benefit owned by seniors, a massive asset pool is opening up that can fund retirement and long-term care needs.

National Association of Insurance Commissioners
Long-Term Care Innovation (B) Subgroup

Private Market Options for Financing Long-Term Care (Annotated) adopted July 19, 2017

The National Association of Insurance Commissioners (NAIC) is currently involved in an effort aimed at increasing the number of affordable asset protection product options available for Americans, potentially paving the way for the private market to play a more meaningful role in financing the long-term care needs of our society. Part of this effort involves identifying and addressing potential regulatory barriers to innovation in the private market, in order to spur innovative private market solutions to financing Americans' long-term care needs.

***Life Settlements** – the sale of an in-force life insurance policy for a market-based settlement value in excess of the cash surrender value (i.e., the account value less any surrender charge) – is one option seniors might use to generate resources to pay for their long-term care needs. Some elder care providers and professional advisors recommend that their clients consider using life settlement proceeds to fund an account with a bank and trust company to make monthly payments directly to a designated long-term care provider. Upon death, in addition to a modest reserve to defray final expenses, any remaining balance in the account is paid to a designated beneficiary. Policy owners who sell their policies receive a lump sum payment that is generally four or more times greater than if they lapsed or surrendered their policy, according to government and university studies. In particular, where there has been deterioration in the insured's health since the life insurance policy's issue date, the owner can sell the policy for an amount substantially greater than the cash surrender value.*

Over the past few years, there has been some movement toward the standardization of disclosure requirements around life settlements. For example, the National Conference of Insurance Legislators adopted a model law and a number of states have adopted laws or rules to improve disclosure to seniors regarding alternatives to the lapse or surrender of a policy. In addition, a handful of states have considered or adopted laws that would require the state Medicaid agency to advise seniors to consider selling their policies as a means to fund their long-term care needs, reducing the financial burdens on the senior, their families and the state treasury.

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