

The insurance policy document provides a comprehensive overview of the Federal Long-Term Care Insurance Program (FLTCIP), established under the Long Term Care Security Act in 2000, which offers medically underwritten long-term care insurance to federal employees, retirees, and their qualified relatives. Launched in July 2002, the program quickly became the largest employer-sponsored long-term care insurance initiative in the U.S., receiving over 273,000 applications by August 2003. The document analyzes the demographic and attitudinal profiles of buyers, revealing that a majority are engaged in retirement planning, with over 80% actively preparing for their financial needs. Many buyers have prior experience with long-term care, influencing their perception of the necessity for insurance. The survey conducted between January and April 2003 included 1,756 respondents, achieving a 63% response rate, and indicated that buyers are predominantly married, well-educated, and possess significant assets, with active buyers averaging an income of \$86,000 and retirees \$65,000.

The purchase process is characterized by a significant number of buyers having considered long-term care insurance prior to the federal offering, with many indicating they would have pursued it regardless of government sponsorship. The federal program is favored for its perceived lower rates and easier qualification process, although some found the application information overwhelming. Spousal influence is crucial in decision-making, with many buyers discussing their choices with partners and co-workers. The document outlines four pre-packaged options available under the federal LTC insurance plan, including a facilities-only plan and various comprehensive plans with different daily benefit amounts and durations. All plans include a 90-day waiting period, with options for automatic benefit increases or guaranteed future purchase options. Notably, a trend towards comprehensive coverage is observed, with fewer than 20% opting for facility-only policies, and a significant percentage of federal buyers selecting automatic benefit increases.

The document also highlights the attitudes and experiences of buyers regarding their financial preparedness for retirement, with 62% of respondents feeling very confident about their financial

situation, although only 8% believed their standard of living would improve in retirement. Concerns about long-term care expenses are prevalent, with many respondents acknowledging the likelihood of needing assistance with daily activities. The majority expect their LTC insurance to cover a significant portion of their expenses, with 68% anticipating coverage of 61%-99% of costs. The decision-making process often involves discussions with family members, and promotional activities such as reading educational materials and consulting human resource representatives are common among buyers.

Despite the complexity of LTC insurance, most buyers are aware of key features of their policies, although a significant percentage remain uncertain about certain aspects. The document notes that 84% of individuals were unaware of the automatic compound inflation option, and 32% did not know at least one of the three key features of their policies. The characteristics of policies purchased through the federal program reveal that 41% of active buyers and 62% of retirees opted for a 3-year duration, with the majority selecting comprehensive policy types. The average daily benefit amount varies, with active buyers averaging \$135 and retirees \$120, while premiums differ significantly between active and retired buyers. Overall, the document emphasizes the importance of understanding buyer motivations and attitudes to enhance future marketing and program design, aiming to improve participation and address barriers in the long-term care insurance marketplace.