

**STATEMENT**

***Insurance Association of Connecticut***

Select Committee on Aging

Tuesday, March 9, 2010

SB 322, An Act Concerning Long-Term Care Policies Under  
The Connecticut Partnership for Long-Term Care

The Insurance Association of Connecticut (IAC) and The American Council of Life Insurers (ACLI) are opposed to SB 322, An Act Concerning Long-Term Care Policies Under The Connecticut Partnership for Long-Term Care.

Section 1 of SB 322 seeks to require that insurers terminating a line of coverage in this state use their "best efforts" to sell that line of business to another insurer. This requirement is unnecessary and unduly vague. No other state in the country has such a requirement. What is meant by "best efforts"? Who determines if "best efforts" were made? The long tradition of a free market is to permit a company to determine if it is in their best interest, or the interest of the policyholder to sell a book of business. Insurers decide to discontinue selling lines of coverage for various reasons. One such reason may be that there simply is no market for that line of business. If this is the case, what company would purchase such a book of business? Connecticut law already mandates notification to insureds and the department when a company discontinues the sale of a line of coverage. Adopting an artificial barrier that will impede an insurer's ability from making decisions regarding lines of coverage it offers may cause insurers to think twice about even entering the market.

There is no benefit to the policyholder to require, by law, that an insurer sell a line of coverage to a competitor. Such a requirement will force an insured to maintain



coverage with an insurer they never chose and may not want. Insurance contracts are non-transferrable to protect insureds, yet Section 1 undermines that purpose. Section 1 provides no protection to consumers and could harm the market in Connecticut and should therefore be rejected.

Section 2 of SB 322 improperly alters the rating process for long-term care policies by requiring that such premiums be based upon a community rate. No other state has such a requirement. Although Section 2 specifically amends the rating practice for long-term care partnership policies, non-partnership long-term care products are prohibited from charging more than partnership policies, and would therefore, indirectly be subject to the provisions of Section 2.

Community based rating is used in health insurance. Changing the pricing methodology for long-term care products by utilizing a health insurance concept would lead to improperly rated long-term care products. Long-term care insurance is written using underwriting and actuarial presumptions that are similar to life insurance. Like other life insurance products, long-term care policies are written using the presumption that the benefits will not be utilized until some time in the future. Community rating is not adequate to price long-term care products because it is a rating methodology for benefits that is used immediately. Community rating is only intended to cover the current year's costs, whereas, long-term care policies are written based upon presumptions of costs in the future. Requiring community rating will not achieve rate stabilization but may add to the volatility of the pricing assumptions. This could make long-term care products unaffordable for many Connecticut residents.

The IAC and ACLI respectfully request your rejection of SB 322.