



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

FTR

Testimony of Connecticut Insurance Department

The Insurance and Real Estate Committee

March 8, 2011

RB No. 1118 An Act Clarifying Single Premium Linked Insurance Products

The Insurance Department would like to raise some concerns with Raised Bill 1118. The existing statutory language was originally intended to allow an individual to purchase a rider on a single premium life insurance contract, endowment, or annuity that would be an alternative to purchasing a true long term care policy. Just as an accelerated death benefit rider on a life policy, the original language was intended to allow the insured to purchase a rider to draw down the cash or accumulated value of the underlying base contract to pay for long term care services typically without imposing any surrender charge. Since it was not intended to be a stand alone long term care policy, it was exempt from the existing requirements of a true long term care policy.

As drafted, the language would allow an insured to use the value of the underlying life, endowment or annuity contract to purchase a long term care policy as a rider. Exempting a true long term care policy from all of the consumer protections afforded by Sec. §38a-501, would not only create a non-level playing field for carriers in the long term care market, but would put consumers at risk. The Insurance Department has the authority to review rates on long term care insurance policies. If this authority is not required for these combination products, there will be no control over rate increases on the long term care rider that in turn will more quickly diminish the value of the underlying base policy.

Recent rate increase requests on existing long term care policies have been between 35-90%. The Insurance Department's actuary's careful analysis of these requests resulted in approving significantly lower increases than or disapproving the rate increases requested. This bill if enacted would remove the authority of the Insurance Department to ensure rate increases are not excessive and actuarially sound.

The Insurance Department will answer any questions and stands ready to work with the committee on this bill.