

STATEMENT

INSURANCE ASSOCIATION OF CONNECTICUT

Insurance And Real Estate Committee

February 25, 2014

**SB 199, An Act Concerning Long-Term Care Insurance
Premium Rate Increases**

The Insurance Association of Connecticut (IAC) would like to make the following comments regarding SB 199, An Act Concerning Long-Term Care Insurance Premium Rate Increases.

Over the past couple of years the Insurance and Real Estate Committee has expressed concern with the size of some recent rate increase filings for long-term care insurance policies, and has considered legislation on the subject. Ultimately the General Assembly has rejected legislative initiatives that would have compromised the objective actuarial review of such filings by the Insurance Department. IAC has argued, and continues to believe, that the injection of subjective input into the highly complex rate review process would be counterproductive to the best interests of long-term care insurance consumers in this state.

IAC does not believe any legislative change is necessary to the Insurance Department's authority to regulate rates concerning long-term care insurance products. However, if the determination is made by the Committee that legislation is necessary to address concerns regarding long-term care insurance rate filings, SB 199 presents a more viable regulatory adjustment than other previous legislative proposals.

SB 199 would require insurers, for any rate filing requesting a single rate increase of 20 per cent or more, to spread that increase over three or more years on an actuarially equivalent basis. SB 199 also requires the insurer to notify the policyholder (individual

insurance policy) or certificate holder (group insurance policy) of the right to reduce premiums by reducing policy benefits.

SB 199 maintains the integrity of the rate approval process by ensuring that the Department's review will be based on an objective consideration of the actuarial documents and formulas presented by the insurer. The consumer will be able to spread the effects of the approved filing over a few years, reducing the financial shock of the legitimate and necessary rate increase, while the process will not be subjected to non-productive input, and unnecessary delays and costs.

If SB 199 is to move out of Committee, IAC would suggest the following amendment to lines 81-86 of the bill (deletions are bracketed; new language is in CAPS; similar changes would need to be made in lines 163-168):

(ii) Provide policyholders not less than thirty calendar days to elect [the periodic rate increase or] a reduction in policy benefits; and

(iii) Include a statement in such notice, that if a policyholder fails to make an election OF A REDUCTION IN POLICY BENEFITS by the end of the notice period and has not cancelled the policy, the policyholder will be deemed to have elected [the periodic rate increase] TO RETAIN THE EXISTING POLICY BENEFITS.

This amendment clarifies the process by which the policyholder or certificate holder may elect a reduction of benefits in order to reduce premiums.