Statement
Insurance Association of Connecticut
Insurance & Real Estate Committee

February 3, 2016

HB 5442 An Act Concerning Long-Term Care Insurance Policy Premium Rate Increases

My name is Dallas Dodge and I serve as Counsel to the Insurance Association of Connecticut ("IAC"). The IAC opposes **HB 5442 An Act Concerning Long-Term Care Insurance Policy Premium Rate Increases**.

For several years, the Insurance and Real Estate Committee has expressed concern with the size of rate increase filings for long-term care insurance policies. In 2014, Connecticut addressed this concern by enacting Public Act 14-10, which instituted significant reforms that changed the rate setting process. Among these reforms was the current requirement that insurers must spread premium rate increases of 20 percent or more over at least 3 years.

When Public Act 14-10 was debated before this Committee, the IAC argued – and continues to believe – that the injection of subjective input into the highly complex rate and review process is counterproductive to the best interests of long-term care insurance consumers. This is because the payment of long term care benefits is dependent upon the solvency of the issuing insurer. In order to remain solvent, and ensure that adequate funds are available to pay claims, insurers must be able to charge necessary rates and change them when actuarially justified.

At the same time, the IAC understands and appreciates the desire to lessen the shock of legitimate and necessary rate increases. To the extent change was required, Public Act 14-10 struck a fair balance. Today, insurers can institute rate adjustments when actuarially necessary – albeit spread out over time – and consumers are protected against sudden and steep increases in their premiums.

House Bill 5442, however, goes too far. As stated above, rate setting and actuarial analysis is a highly complex process, and insurers must be able to set necessary rates. This is especially true for guaranteed renewable insurance products, in which insurers are obligated to continue coverage as long as premiums are paid on the policies. Arbitrary limitations on rates are not appropriate for the management of this type of risk, and will threaten the financial solvency of insurers and the availability of funds for the payment of future claims.

House Bill 5442 will harm both insurers and consumers who rely on the availability of adequate funds to pay for their long term care needs. An arbitrary limitation on increases may also have the perverse effect of forcing insurers to increase their initial premium rates, knowing that their hands will be tied if an increase becomes actuarially necessary.

Thank you for the opportunity to testify on HB 5442.