Statement

Insurance Association of Connecticut

Insurance and Real Estate Committee

SB 1046, An Act Concerning Long-Term Care Insurance

March 18, 2021

I am Eric George, President of the Insurance Association of Connecticut (IAC). The IAC is a state-based trade association that represents Connecticut's property and casualty insurance industry and Connecticut's life insurance and financial security industries. Among other insurance-related products, IAC members offer (i) home insurance, (ii) auto insurance, (iii) workers' compensation insurance, (iv) liability insurance, (v) group benefits, (vi) life insurance, (vii) annuities, (viii) retirement plans, (ix) long-term care insurance, (x) disability income insurance, and (xi) reinsurance.

The IAC would like to offer comments on SB 1046, which would impose certain limits on long-term care (LTC) insurance carriers.

We understand and appreciate the desire to lessen the shock of legitimate and necessary rate increases in LTC insurance policies. However, SB 1046 imposes an arbitrary limitation on issuing insurance, one that will harm both insurers and consumers in the long run.

SB 1046, specifically lines 197-199, will jeopardize the solvency of insurers, a necessary condition to maintain the structure of LTC insurance. In order to pay LTC benefits and ensure adequate funding for claims, insurers require the flexibility to adjust premium rates when actuarily justified. Rate-setting and actuarial analysis is a complex process, and prohibiting insurers from filing a rate increase during the period in which a previous rate increase is spread will disrupt that process. As dictated by actuarial analysis and in order to maintain consistency in rate setting, insurers frequently file during these periods and also attempt to do so at their conclusion. The consequences of SB 1046 will destabilize a process that has already been addressed by the Connecticut legislature as outlined below.

In 2014, Connecticut enacted PA 14-10, which required that insurers must spread LTC insurance premium rate increases of 20% or more over at least three years. Today, insurers can institute rate adjustments when actuarily necessary – albeit spread out over time – and consumers are protected against sudden and steep increases in their premiums.

To the extent change was required, we believe PA 14-10 struck a fair balance. However, due to the arbitrary nature of SB 1046, prohibiting insurers from adjusting rates during these periods will harm both the insurer and consumer. The proposed legislation will disincentivize insurers from filing for a predictable rate increase of greater than twenty percent spread out over three or more years. Insurers may instead be pressured to implement smaller, short-term premium rate increases, a change that could increase costs and uncertainty for both insurers and consumers. The injection of subjective input into this highly complex rate and review process is counterproductive to the best interests of LTC insurance consumers.

Thank you for considering the comments of the IAC on SB 1046.