ACLI
Financial Security for Life

STATEMENT OF THE AMERICAN COUNCIL OF LIFE INSURERS

Before The
Joint Committee on Insurance and Real Estate

March 18, 2021

Senate Bill 1046 – An Act Concerning Long-Term Care Insurance

Co-Chairman Lesser, Co-Chairman Wood and members of the Joint Committee on Insurance and Real Estate, the American Council of Life Insurers (ACLI) appreciates the opportunity to offer the following statement on Senate Bill 1046, concerning long-term care insurance. ACLI members are the leading writers of life insurance, annuities, disability income insurance, long-term care insurance and supplemental benefit insurance in Connecticut and across the country.

Senate Bill 1046 would require the Insurance Commissioner to develop and disseminate a minimum set of affordable benefit options for long-term care policies; require entities issuing or renewing long-term care policies in Connecticut to be authorized or licensed to sell at least one other line of insurance in the state; require the Insurance Commissioner to refer an specified companies filing a rate filing for a long-term care policy that contains a deliberate or reckless misstatement or omission of fact to the Attorney General for investigation; provides that specified companies filing a rate filing for a long-term care policy that seeks an increase of twenty per cent or more and spreads such increase over a period of not less than three years shall not file a rate filing for an increase in premium rates for the long-term care policy during said period; require specified companies filing a rate filing for a long-term care policy to disclose to insureds the minimum set of affordable benefit options developed by the Insurance Commissioner; and (6) authorizes the Attorney General to investigate a rate filing referred to the Attorney General by the Insurance Commissioner and take action to protect and secure compensation for the insured under the long-term care policy that is the subject of such rate filing.

For the reasons set forth below, ACLI respectfully opposes the following the following provisions of Senate Bill 1046.

Section 3(a)(2)(A)

Section 3(a)(2)(A) states *"Notwithstanding any provision of the general statutes, no insurance company, fraternal benefit society, hospital service corporation, medical service corporation or health care center may deliver, issue for delivery, renew, continue or amend any long-term care policy in this state on or after January 1, 2022, unless the insurance company, fraternal benefit society, hospital service corporation, medical service corporation or health care center*

is authorized or licensed to sell long-term care insurance and at least one other line of insurance in this state."

While we recognize the facial appeal of avoiding mono-line LTC companies, given their history to date, it is not prudent or in consumers' best interest to forever bar mono-line companies from the LTC marketplace.

In addition, for insurance companies, there is not a specific "license" to write the LTC "line of insurance" (see the attached list of Life and A&H "line of business" licenses from the NAIC Uniform Certificate of Authority Applications page). Insurer licenses are at a higher level than a particular product type, so if an insurer is licensed in Connecticut, it can write any product within that line of business. Concerns regarding solvency issues are already addressed by the Connecticut Insurance Department, which has the regulatory authority and ability to assess financial strength of domestic companies and companies doing business in the state. Recent developments such as Actuarial Guideline 51 - The Application of Asset Adequacy Testing to Long-Term Care Insurance Reserves – provide regulators information to assess the reserve adequacy companies. In addition, this requirement would not address potential solvency concerns since the specific other lines of business a company must sell and whether that business is or is not profitable are not addressed. The requirement raises legal and constitutional concerns about mandating the type and volume of business a company must sell. If the intent is that an insurer must be licensed in more than one broad "line of business" (i.e., Life plus A&H; or A&H plus P&C, etc.) the same legal and constitutional concerns apply.

Finally, once issued, tax-qualified LTC business is guaranteed renewable, so any company with in-force business MUST renew its inforce block if the insured continued to pay the required premium. This licensing requirement could not trump those in-force contract obligations.

Section 3(b)(2)(A)

Section 3(b)(2)(A) states "*Any insurance company, fraternal benefit society, hospital service corporation, medical service corporation or health care center that files a rate filing for an increase in premium rates for a long-term care policy that is for twenty per cent or more shall spread the increase over a period of not less than three years and not file a rate filing for an increase in premium rates for the long-term care policy during the period chosen. Such company, society, corporation or center shall use a periodic rate increase that is actuarially equivalent to a single rate increase and a current interest rate for the period chosen.*"

We do acknowledge the challenges associated with the LTC market, specifically relating to substantial rate increases that many LTC policyholders have experienced. LTC policies are designed with premiums intended to be maintained at the same level over the life of the policy based on the policyholder's age when the policy is issued. However, designing a level premium product is difficult due to the duration of the product (40 – 50 years) and the complexity of the actuarial contingencies that impact pricing. This has led to large rate increases.

There have also been challenges associated with containing cost on products with inflation protection and lifetime benefits. The difficulty associated with designing a stable product has led to a decline in insurers actively marketing LTC insurance from over 100 carriers offering LTC products when they were first introduced in the early 70's to about 10 carriers today.

The positive news is that the experience generated by older issue year policies has enabled LTC insurers to more accurately price new policies, making rate increases to them far less likely, and of a lesser magnitude.

Any limitation on an actuarially justified rate increase, either through an arbitrary rate increase cap or through a rate guarantee period is damaging to the industry and consumers. In addition, limitations on actuarially justified rate increases will drive the industry out of existence and lead to more company insolvencies.

Sections 3(b)(1), 4(b)(1) and Section 5

The language in Sections 3(b)(1) and 4(b)(1) and Section 5 is overly subjective on the part of the commissioner, introduces new terms, and appears to be getting at "intent". The DOI has rate approval authority and companies need to be able to file for actuarially justified rates without fear of civil action.

We appreciate the opportunity to provide our comments on Senate Bill 1046.

Respectfully submitted,

Sincerely,

Camille Simpson
Regional Vice President
ACLI