Insurance and Real Estate Committee
JOINT FAVORABLE REPORT

Bill No.: SB-1046
Title: AN ACT CONCERNING LONG-TERM CARE INSURANCE.
Vote Date: 3/22/2021
Vote Action: Joint Favorable
PH Date: 3/18/2021
File No.:

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SPONSORS OF BILL:

Insurance and Real Estate Committee

REASONS FOR BILL:

Long-term care premiums have increased substantially causing Connecticut residents to pay increased premiums or cancel their policy. This bill would require the Insurance Commissioner to develop a minimum set of affordable benefit options for long-term care policies and provide that no insurance company issue, renew, continue or amend such policies in the State of Connecticut. This bill would also authorize the Attorney General to investigate rate filing referred to their office from the Department of Insurance and take action to protect and secure compensation for the insured under the long-term care policy that is subject of rate filing.

RESPONSE FROM ADMINISTRATION/AGENCY:

William Tong, State of CT Attorney General written testimony is limited to Section 5 of the bill, which would give the Attorney General the authority to investigate, in consultation with the Insurance Commissioner, long-term care policies subject to rate filings with the Connecticut Insurance Department. Additionally, Section 5 would allow the Attorney General to bring a civil action to recover damages on behalf of an insured. While we are supportive of the effort to ensure transparency in rate filings, we would submit that Section 5 is unnecessary and urge the Committee to strike Section 5 from this bill. Under current law, specifically the Uniform Administrative Procedures Act, the Insurance Commissioner already has full investigatory authority and broad discretion to impose significant orders, including civil penalties and license revocation for fraudulent acts by insurers. Our Office's role is to enforce the Commissioner's administrative orders through the courts and to defend the Commissioner's administrative orders in court, should they be appealed. This bill seeks to directly involve our Office in both investigations and the pursuit of sanctions. While an investigation by our Office and a civil action may give the impression of heightened enforcement, it may actually serve to diminish the state's ability to hold insurers liable for their fraud. Creation of a redundant and parallel investigation and civil prosecution would be less streamlined and could possibly lead to differential treatment under the law, thus creating unnecessary exposure to the state.

NATURE AND SOURCES OF SUPPORT:

Mike Klein, AARP Volunteer Advocate stated after a personal and family hardship he purchased long term care insurance. It was a three year benefit coverage with a yearly premium of $3,268. He received notification that the insurance company asked the CT Insurance Commission for a 16% rate increase but receive a 15% increase. Each year after he had several increases.
Soon after they have said that when they started selling these policies years ago, they didn't calculate that people would live longer, be healthier, or that the price of care will go up and up. I am stuck between a rock and a hard place. At the age of almost 74, if I look for a new LTC policy, the prices of premiums are ridiculous, yet my current policy is unaffordable if the premium keeps going up. I, like many others seeing these continued rate increases, might have to drop our long-term care insurance.

Bob Rodman, AARP Volunteer stated he had many annual premium increases. As a senior citizen he truly believes seniors should have the option to remain at home and live independently for as long as they choose.

Lori Suzik feels Connecticut taxpayers will foot the bill, for LTC , for every senior that relinquishes their policies , due to unaffordable, unsustainable rate increases. The insurance lobby is strong in CT. Connecticut is the insurance capital. I believe this is part of the reason these LTC rate increases have been allowed to victimize senior citizens. Last year no LTC reform bill was passed to help seniors. I support SB1046. If possible I would request stronger language to lower allowable rate increases to no more than the 2-3% cost of living increase. A 3 year moratorium on increases would be welcome. These measures are necessary to help CT seniors keep their LTC policies, many policies which were promoted through the Connecticut Partnership Program and purchased in good faith by CT Senior citizens.

Terry Williams submitted testimony that the State of CT Insurance Department lists the latest forty-one long-term care rate filings and their decisions about them. Insurance company rate request increases for 2020 were mostly double and triple digit. For example, Lincoln National Life Insurance requested a 30% increase and was approved for that amount. John Hancock requested a 68.3% average increase and was approved for a 10-15% increase. Finally, Brighthouse requested a 173% hike and received a 50% increase. In short, the companies highballed their requests and still received a draconian hike for their efforts.

It’s time for legislators to have compassion for the folks who voted them into office in the first place. It’s time for the DOI to do “something different” or “think outside the box” for a change. If not, their greatest fear—bloated Medicaid rolls— will become a reality and there will be nobody but themselves to blame.

Robert Schoengerber testified we need this bill to provide relief to seniors regarding LTC policy rate increases. 100,000 senior citizens bought LTC1 policies in CT and do not have a voice today. I am advocating for myself, my wife and all those seniors who were unable to participate today. Let’s write a bill that will allow seniors to keep their LTC policies. This will protect seniors LTC needs and save taxpayers pocket books. Remember, the state of CT promoted many of these LTC1 policies, so the state should assume responsibility to correct the problem.

NATURE AND SOURCES OF OPPOSITION:

Eric George, President , Insurance Association of CT offered comments on the bill, which would impose certain limits on long-term care insurance carrier.
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.
He feels that 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. 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.
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.

Camille Simpson, Regional Vice President, ACLI 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 in force block if the insured continued to pay the required premium. This licensing requirement could not trump those in-force contract obligation.

<u>Joan and Milton Wallack</u> feel that the solution for increasing premium rates for LTC should be strong and we therefore recommend a COL consideration which we feel is more than adequate and very reasonable. In addition, because of previous excessive increases, we also suggest that consideration be given to premium abatements to make up for previous flagrant increases.

Reported by: Diane Kubeck **Date: April 1, 2021**