

**PA 14-10**

SB199

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**CONNECTICUT  
GENERAL ASSEMBLY  
HOUSE**

**PROCEEDINGS  
2014**

**VOL.57  
PART 9  
2693 - 3043**

DEPUTY SPEAKER SAYERS:

Have all members voted? Have all members voted?  
Will the members please check the board to determine  
if your vote is properly cast?

If all members have voted, the machine will be  
locked and the Clerk will take a tally.

Will the Clerk please announce the tally.

THE CLERK:

House Bill 5500 as amended by House "A."

Total number voting	143
Necessary for passage	72
Those voting Yea	143
Those voting Nay	0
Those absent and not voting	8

DEPUTY SPEAKER SAYERS:

The bill as amended is passed.

Will the Clerk please call Calendar Number 420.

THE CLERK:

On page 26, Calendar Number 420, favorable report  
of the joint standing committee on Insurance and Real  
Estate, Substitute Senate Bill Number 199, AN ACT  
CONCERNING LONG-TERM CARE INSURANCE PREMIUM RATE  
INCREASES.

DEPUTY SPEAKER SAYERS:

Representative Megna.

REP. MEGNA (97th):

Thank you, Madam Speaker.

Madam Speaker, I move acceptance of the joint committee's favorable report and passage of the bill in concurrence with the Senate.

DEPUTY SPEAKER SAYERS:

The question is acceptance of the joint committee's favorable report and passage of the bill in concurrence with the Senate.

Representative Megna, you have the floor, sir.

REP. MEGNA (97th):

Thank you, Madam Speaker.

Madam Speaker, this is a bill like the one this chamber passed earlier to help people deal or soften the blow on large long-term care insurance premium increases. As I had mentioned earlier, we've -- we've heard a lot of testimony on policyholders, particularly older policyholders who were subject to 40, 50, 60 percent rate increases in a single year with regard to their long-term care insurance premium. It's a two-section bill that comes to us from the Department of Insurance. Section 1 of the bill will empower the Department of Insurance to phase in an

rate increase greater than 20 percent over a period of more than three years. We heard testimony from the Department of Insurance that one particular company came in for a rate increase of 60 percent or something to that effect and the department had asked them if they could phase it in and they would factor in the value of the money, et cetera, et cetera, and the company literally said "no." Hence, why is this section of the bill before us?

Madam Speaker, I have an amendment which strikes section 2 and does some fixes to it. It is LCO 3124. I ask that it be called and I be permitted to summarize.

DEPUTY SPEAKER SAYERS:

Will the Clerk please call LCO Number 3124, which has been designated Senate Amendment "A."

THE CLERK:

LCO Number 3124, designated Senate "A" and offered by Senator Crisco and Representative Megna.

DEPUTY SPEAKER SAYERS:

The Representative seeks leave of the chamber to summarize the amendment. Is there any objection to summarization? Is there any objection?

Hearing none, Representative Megna, you may proceed with summarization.

REP. MEGNA (97th):

Thank you, Madam Speaker.

Madam Speaker, the amendment strikes section 2 and makes it more consumer friendly to the policyholder. What section 2 does is it gives the policyholder the permission if they so chose to reduce their coverage but they have to acknowledge that reduction and sign for it otherwise the same coverage with that rate increase moves forward. This section is there just to help people with paying these premiums, paying high premiums when long-term care insurance spikes. With that, I would move adoption of the amendment. Thank you, Madam Speaker.

DEPUTY SPEAKER SAYERS:

The question before the chamber is adoption of Senate Amendment Schedule "A."

Will you remark on the amendment?

Representative -- Representative Megna, no?

If not, will you remark? Will you remark further on the amendment that is before you?

If not, I will try your minds.

All those in favor, please signify by saying aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER SAYERS:

Those opposed, nay.

The ayes have it. The amendment is adopted.

Will you remark further on the bill as amended?

Will you remark further?

Representative Sampson.

REP. SAMPSON (80th):

Thank you, Madam Speaker.

I rise to just briefly state that the chairman did a great job of describing what this bill does and that I think it is a good measure that will ease the pain of those are in a position of facing premium increases for long-term care insurance. It's unfortunate that long-term care insurance being a relatively new product is something that is going through some growing pains and insurance carriers and premium carriers alike are having to deal with unexpected premium increases and this legislation is being put forth in an effort to try and ease that transition and allow ratepayers to continue their policies or accept a reduction in coverage and

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therefore not lose the value of a long-term care insurance that they wanted to have to begin with.

So with that, Madam Speaker, I urge adoption.

Thank you.

DEPUTY SPEAKER SAYERS:

Representative Yaccarino of the 87th.

REP. YACCARINO (87th):

Thank you, Madam Speaker.

I would just like to comment on the bill. I serve on the Insurance Committee with Representative Sampson and Megna and many of us here and we've heard testimony over the last couple of years and it's heart wrenching when you have a senior -- generally, a senior that all of a sudden their rates go up 30 to 40 to 50 percent and I feel unjust and this is a start. And I feel we should all support this. I wish it was even a lower rate, but it's better than it was before so I urge adoption and support. Thank you. And thank you to the good work of the Ranking Member Sampson and Chairman Megna. Thank you.

DEPUTY SPEAKER SAYERS:

Will you remark? Will you remark further on the bill as amended?

If not, will staff and guests please come to the well of the House. Will the members please take your seats. The machine will be opened.

THE CLERK:

The House of Representatives is voting by roll.

The House of Representatives is voting by roll. Will members please return to the chamber immediately.

DEPUTY SPEAKER SAYERS:

Have all members voted? Have all members voted? Will the members please check the board to determine if your vote is properly cast?

If all members have voted, the machine will be locked and the Clerk will take a tally.

Will the Clerk please announce the tally.

THE CLERK:

Senate Bill 199 as amended by Senate "A."

Total number voting 142

Necessary for passage 72

Those voting Yea 142

Those voting Nay 0

Those absent and not voting 9

DEPUTY SPEAKER SAYERS:

The bill as amended is passed.

Will the Clerk please call Calendar Number 410.

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**CONNECTICUT  
GENERAL ASSEMBLY  
SENATE**

**PROCEEDINGS  
2014**

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Will you remark further?

Senator Crisco.

SENATOR CRISCO:

Thank you, Mr. President.

If there's no objection, I ask it be placed on the  
Consent Calendar.

THE CHAIR:

Seeing no objection, so ordered.

Mr. Clerk, would you return to the call of the  
Calendar, please.

THE CLERK:

On page 8, Calendar 83, Substitute for Senate Bill  
Number 199, AN ACT CONCERNING LONG-TERM CARE INSURANCE  
PREMIUM RATE INCREASES; Favorable Report of the  
Committee on Insurance and Real Estate, and we have  
amendments.

THE CHAIR:

Senator Crisco.

SENATOR CRISCO:

Thank you, Mr. President.

Mr. President, I move for acceptance of the joint  
committee's Favorable Report and passage of the bill.

THE CHAIR:

Acting on approval and acceptance of the bill, will  
you remark further, Senator?

SENATOR CRISCO:

Yes, Mr. President. I believe the Clerk has an  
amendment, LCO 3124. I request that it be called and  
I be given permission to summarize.

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THE CHAIR:

Mr. Clerk.

THE CLERK:

LCO Number 3124, Senate "A," offered by Senator Crisco  
and Representative Megna.

THE CHAIR:

Senator Crisco.

SENATOR CRISCO:

Yes, Mr. President. Mr. President, it's basically an amendment, very simply just --

THE CHAIR:

Would you move -- move adoption?

SENATOR CRISCO:

I'm sorry, Mr. President. Let me go back. Mr. President, I move for adoption of the amendment.

THE CHAIR:

The question is on adoption. Will you remark?

SENATOR CRISCO:

Yes, Mr. President. It's very simple. It corrects certain technicalities in the bill and, as I stated before, I ask that it be adopted.

THE CHAIR:

Thank you, Senator.

Any further remarks on the amendment? Any remarks?

The Chair will try your minds. All those in favor of the amendment, please indicate by saying Aye. And those opposed say No or Nay.

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The Ayes have it. The amendment is adopted.

Senator Crisco.

SENATOR CRISCO:

Thank you, Mr. President.

Mr. President, the bill would, along with the amendment really clarifies the process in giving those individuals who are so dependent upon long-term care what their options may be. As I stated previously, because of former actuarial tables, insurance companies have been forced to increase premiums on certain long-term care policies. This bill very importantly will enable a policy holder to spread the increase in their, in that cost over a definite period of time, thus preserving the -- the long-term care policy forum and enable them to take full benefits of their original objective and making sure that they have long-term care.

THE CHAIR:

Thank you, Senator.

Will you remark further?

Senator Kelly.

SENATOR KELLY:

Thank you, Mr. President.

I rise in support of this bill because we do have an issue in, not only in Connecticut but in our country with regards to the increasing and significant costs of long-term care. Not only is those, are those costs increasing, but it places a greater and greater burden on the public fisc. And what we need to do is to get more people to purchase long-term care insurance, but it's not just to purchase it one year or two years but it's to maintain that policy. And it's this type of initiative that enables the policy holders who are experiencing an increase in a premium to be able to

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spread that over a number of years and keep that policy intact.

I believe this is a good public policy for that reason; it enables to policy holders to afford the policy that they have and to -- to keep it by putting the premiums over a -- a number of years if the premium exceeds 20 percent. So I certainly support this bill.

Thank you.

THE CHAIR:

Thank you, Senator.

Other members like to remark?

Senator Looney.

SENATOR LOONEY:

But thank you, Mr. President.

Speaking in support of the bill as -- as amended, again, I want to commend Senator Crisco and Senator Kelly for their work on this bill, as it does highlight a very important problem is that we have been trying to encourage people in this state for years to purchase long-term care insurance, to provide for a future where that care might be necessary.

The problem has been that the policies tend to be quite expensive, especially if they're purchased as when someone is already along in years. And then the premium increases have been drastic, in some cases causing people to -- to drop the policies that they could no longer afford and to, and to undertake that difficult balancing act between maintaining increasingly expensive coverage and not having the coverage at all.

And what this bill as amended does, provides two major components and first of all spreads premium increases over a period of time to provide to people greater opportunities to absorb them. But also the amendment that was adopted will make sure that people have

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notice of a possible option to elect instead a reduction in policy benefits as -- as another way to control premium, to keep a policy in effect but at a lower benefit level, if that's something that could be more affordable to them if they can't afford the -- the spiraling increase to keep the original policy level of coverage in -- in place. So it is two significant options to deal what is a very challenging problem in our society.

Again, I want to commend the -- the committee for bringing this forward.

Thank you, Mr. President.

THE CHAIR:

Thank you, Mr. Majority Leader.

Senator Kelly -- Senator Welch.

A VOICE:

The other Irishman.

THE CHAIR:

The other, the other Kelly. Excuse me.

SENATOR WELCH:

Thank you, Mr. President.

I do have a question for the proponent of the bill, if I may, through you, Mr. President, and that is this: When a long-term care insurance company increases the premium rate in a given year, does that rate increase, is it also effective in all of the out years?

Through you, Mr. President.

THE CHAIR:

Senator Crisco.

SENATOR CRISCO:

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Mr. President, through you to the good Senator, yes.

SENATOR WELCH:

Thank you. Thank you, Senator Crisco. Thank you, Mr. President.

And, you know, I -- I applaud everybody for bringing this bill forward. My biggest concern, though, is that we're not really getting to the root of the problem. And the root of the problem is what actually drives the cost of long-term care insurance up, and -- and I would submit to everybody here that that's what we need to solve.

I think disclosure is great. I think notice is great. I think trying to find a way to -- to make it affordable in the short period of time is great, but I think as Senator Crisco noted, those increased costs just go -- go on ad infinitum, as it were. And, in fact, they'll probably see even more increases, so -- so spreading something out over three years doesn't seem to be the solution to me.

Although I am respectful of their ideas, I will, I'll be voting no because I think it's important to make the point that I just made, and that is we really need to get to the root of the problem here.

Thank you, Mr. President.

THE CHAIR:

Thank you, Senator.

Senator McLachlan.

SENATOR McLACHLAN:

Thank you, Mr. President.

I stand in support of this amended bill and thank leadership for bringing it forward, but I think Senator Welch touched on another issue that is driving some of the challenges with long-term care insurance. Now certainly the cost of health care that Senator Welch refers to is important, but I think one of the

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other very important aspects of encouraging people to purchase long-term care are the very limited tax deductions for making that decision. And the reality is that people who are making the investment in long-term care insurance are saving taxpayer dollars down the road. There's no question that regardless of someone's current net worth, current financial ability to sustain oneself through a major health event can -- can change overnight with the case of a very serious illness and where long-term care insurance comes into play.

This policy being in force keeps that person off of taxpayer-funded insurance plans. And so we should be much more aggressive, both at the state and federal level to see to it that anyone who purchases long-term care insurance realizes tax benefits for doing that.

Thank you, Mr. President.

THE CHAIR:

Thank you, Senator.

Senator Crisco.

SENATOR CRISCO:

Thank you, Mr. President.

Mr. President, I have the utmost respect for my colleagues in regards to their comments, and I -- I appreciate the fact that there are many areas that we have to be more competitive, and we are trying. One of the areas, you know, our state is the leader in early diagnosis of breast cancer when dense tissue is involved; in fact, we have started a national trend in the United States, and even from countries across the sea have looked to Connecticut. And I believe this is one step in regards to trying to reduce health care cost with early diagnosis. In addition to saving many lives, you save millions of dollars in future health care costs, and yet it's only one small step.

And I realize that, you know, as -- as it was mentioned when we landed on the moon, it's just one small step, but we are making a lot of progress in

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many areas of -- of health care. And I think that we're all very conscious that we have to continue on that endeavor.

And, Mr. President, when the vote is taken, I request there be a roll call vote.

THE CHAIR:

A roll call will be ordered.

Will you remark further? Will you remark further?

If not, will the Clerk please announce a roll call vote, and the machine will be opened.

THE CLERK:

Immediate roll call has been ordered in the Senate.  
Immediate roll call has been ordered in the Senate.

THE CHAIR:

Have all members voted? Have all members voted? If all members have voted, the machine will be locked.

Would you please, the Clerk please announce a tally.

THE CLERK:

Senate Bill Number 199 as amended.

Total Number Voting	35
Those voting Yea	34
Those voting Nay	1
Absent and not voting	1

THE CHAIR:

Bill passes.

Mr. Clerk, would you please return to the call of the Calendar.

THE CLERK:

**JOINT  
STANDING  
COMMITTEE  
HEARINGS**

**INSURANCE AND  
REAL ESTATE  
PART 1  
1 – 434**

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With that, we'll commence the public hearing. First up will be Legislators, agency heads, then the municipalities.

And I would like to welcome Commissioner Leonardi, and you have the floor, sir.

HB 5053

COMMISSIONER THOMAS B. LEONARDI:

SB 199

Thank you, so much.

SB 189

SB 188

Senator Crisco and Representative Megna, members of the committee, thank you. It's always a pleasure to be here.

SB 185

SB 194

HB 5254

We have a number of bills to be heard this morning or this afternoon, I guess it is now. What I wanted to do was to talk about some of them but not necessarily all of them. I was going to not go beyond our written testimony on the third-party administrators, the bail bonds, and the guaranty association. But I would like to touch on, in some cases, briefly; in other cases, a little bit more in detail, on the other bills in the order that -- that you have them listed.

And if it's okay with the committee, what I'd like to do is maybe talk about each bill separately and leave time for questions at the end of each and then move on. So the first one I'd like to -- and -- and, again, I'm not going to be reading a speech and I'm not going to be rehashing the written; you've already got that. And I'm obviously happy to take any questions to clarify.

Some of these are obviously somewhat complicated, even for people in the insurance industry, so if there, if there are any questions for clarification, please let me



living longer; that's good for us, for people, but for the insurance companies, it results in a longer pay-out period and more claims than they had anticipated.

As we all know, health care costs have risen dramatically over the CPI, so those expenses as part of the analysis have been higher than they expected. And then on top of that, we have this artificially prolonged, low-interest rate environment as a result of the fed policy. And because of that, we have investment returns to these companies that are -- where they expected to have a certain component for investment returns. Those aren't developing either.

And we've also seen some significant players totally abandon the market, not sell any new policies. And I'm, I've often said, and in speeches as well as here in this committee, that one of great consumer protections that we can provide in any line of business is to have a vibrant market with lots of competition and a lot of people providing products. And this is a concern here because there are a number of companies that have decided they just can't make this work.

So this is, this is one of a -- a small option to provide, to -- to address that. I think that there are, there are a number of us insurance commissioners throughout the country -- and I know through regulators and Legislators throughout the country as well -- trying to grapple with this and to try to find a longer-term solution to the long-term care problems.

So that's -- shall I continue these or --

REP. MEGNA: Yeah, actually, if we could just ask a

couple of questions --

COMMISSIONER THOMAS B. LEONARDI: Sure.

REP. MEGNA: -- for a topic we're very interested in?

In terms of the marketplace here in Connecticut, what types of changes; is it shrinking or expanding? The long-term care, is it --

COMMISSIONER THOMAS B. LEONARDI: Well, we have --

REP. MEGNA: You talked about players dropping out.

COMMISSIONER THOMAS B. LEONARDI: We have -- I can get you the information, exactly how many companies, but I know on a national basis there is a contraction, and then there have been some sales of product lines from one company to another and then other companies that have asked for increases that we have denied. And we -- we used, again, actuarial numbers. We have loss ratios built into the statutes. And even in those cases, where we think companies are doing quite well -- and there's a couple of companies in particular, which I can't name them -- but I think their performance is actually quite good, which means that they probably had a better handle on their assumptions back when -- have -- have expressed concerns about continuing in the market, just because of the pressure on a raise.

REP. MEGNA: Okay. Thank you, very much, Commissioner.

Are there any other questions on long-term care before the commissioner moves on? We could, you could ask them later, too.

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mhr/gbr INSURANCE AND REAL ESTATE COMMITTEE  
February 25, 2014  
1:00 P.M.

Well, thank you, very much, Commissioner.

COMMISSIONER THOMAS B. LEONARDI: Well, I want to thank you and the committee for your time and attention and -- and for your support for us at the department. It's very much appreciated.

Thank you.

REP. MEGNA: Okay; we're going to continue on to the public portion of the public hearing.

Nobody signed up for 5053, so we'll move on to 199.

Bob Kehmna.

ROBERT A. KEHMNA: Thank you, Mr. Chairman, members of the committee.

For the record, by name is Bob Kehmna, from the Insurance Association of Connecticut. I'm here to offer some comments today on Senate Bill 199, AN ACT CONCERNING LONG-TERM CARE INSURANCE PREMIUM RATE INCREASES.

This committee has looked over the past couple years at the issue of the size of recent, some recent filings, rate filings concerning long-term rate insurance and expressed some concern about them. Ultimately, the Legislature has rejected legislative initiatives that would have compromised the actuarial basis of that review. We argue and continue to argue that the process should be actuarial in its basis and not be subjected to subjective information that would be counterproductive to the fair and complete review of the filing.

We don't believe any change is necessarily due

in the current regulatory scheme, but if a, if this committee remains concerned about that issue, we would suggest that this bill before you is a preferable regulatory alternative to what you've seen and in other bills, including another bill you have before you this year. This would require insurers, as you've heard, where there's a filing for an increase of more than 20 percent to spread that increase over three more years and to give the insured notice that he or she has the right to also reduce the premium by reducing the benefits that are paid under the policy.

What this bill would do would maintain the integrity of the rate-review process. It would still be based on an objective consideration of the actuarial information, the formulas that an integral, that are integral part of any such -- such a filing. The consumer will be able to spread the effects of the increase over some time, reducing what otherwise might -- might be a sticker shock for that increase, but it would also not subject the process to subjective information that does not relate to the validity of the legitimate consideration of rate increases.

We do suggest in our testimony a clarification amendment, that is at the end of my testimony, that tries to clarify the process by which the insured will, would determine whether he or she wants to reduce the benefits within that policy.

We have run this proposed amendment by the Insurance Department. It's my understanding that they are supportive of that clarification.

And I'd welcome any -- any questions.

REP. MEGNA: Thank you, Bob.

Are there any questions of Mr. Kehmna?

Representative Wright, you have the floor.

REP. C. WRIGHT: Thank you, Mr. Chairman.

Just one question: Are -- are there other states that -- that do this same thing, allow people to reduce benefits as a way to -- to hold the -- the premiums down?

ROBERT A. KEHMNA: Yes, I believe so.

REP. C. WRIGHT: Okay; thank you.

REP. MEGNA: Thank you, Representative.

Are there any other questions? No?

Thank you, very much, Bob.

ROBERT A. KEHMNA: Thank you, all.

REP. MEGNA: You -- you may want to sit there. Do we have you or no?

If there's anybody -- there's nobody signed up on Bill 189, but if anybody wants to speak on 189, they can wave their hand or come on up. No?

Bill 188; Tom Hodson.

THOMAS F.X. HODSON: I have to start by complimenting Commissioner Leonardi for being able to speak off notes so eloquently. I, on the other hand, am going to read some testimony that I prepared.

**STATE OF CONNECTICUT***INSURANCE DEPARTMENT***Testimony****Insurance and Real Estate Committee****February 25, 2014****Raised Bill No. 199: AN ACT CONCERNING LONG-TERM CARE INSURANCE PREMIUM RATE INCREASES.**

Senator Crisco, Representative Megna, and members of the Insurance and Real Estate Committee, the Insurance Department thanks the Committee for raising Senate Bill No. 199: An Act Concerning Long-Term Care Insurance Premium Rate Increases, at the Department's request.

The Insurance Department is mindful that the cost of long term care health insurance, in both the individual and group market, is significant for insured policyholders and certificate holders, many of whom are senior citizens with fixed incomes. We are sympathetic to consumers trying to meet these rising costs, especially in these economic times.

Generally, raised Bill No. 199, if enacted, would require Long-term care (LTC) carriers to spread the cost of a premium rate increase of 20% or more over a minimum of three years in addition carriers will be required to give the policy holder the option to reduce his or her benefits in order to minimize the premium increase.

We recognize that this is not a solution to the underlying issue of increasing rates occurring all over the country. Although, we hope that by requiring the carriers to spread the premium increase over a period of three years, coupled with the requirement that policy holders be given the option to reduce their benefits, policy holders can better plan and adjust to meet these rising costs.

The Department thanks the Insurance Committee Chairs and members for the opportunity to provide testimony on Senate Bill 199 and respectfully urges its passage.

**About the Connecticut Insurance Department:** The mission of the Connecticut Insurance Department is to protect consumers through regulation of the industry, outreach, education and advocacy. The Department recovers an average of more than \$4 million yearly on behalf of consumers and regulates the industry by ensuring carriers adhere to state insurance laws and regulations and are financially solvent to pay claims. The Department's annual budget is funded through assessments from the insurance industry. Each year, the Department returns an average of \$100 million a year to the state General Fund in license fees, premium taxes, fines and other revenue sources to support various state programs, including childhood immunization.

**Connecticut's Legislative Commission on Aging***A nonpartisan research and public policy office of the Connecticut General Assembly*

## Testimony of

Julia Evans Starr

Executive Director

Connecticut's Legislative Commission on Aging

Committee on Insurance and Real Estate

February 25, 2014

Senator Crisco, Representative Megna and esteemed members of the Insurance and Real Estate Committee. My name is Julia Evans Starr and I am the Executive Director of Connecticut's Legislative Commission on Aging. I thank you for this opportunity to comment on Senate Bill 199.

As you know, Connecticut's Legislative Commission on Aging is the non-partisan, public policy office of the General Assembly devoted to preparing Connecticut for a significantly changed demographic and enhancing the lives of the present and future generations of older adults. For over twenty years, the Legislative Commission on Aging has served as an effective leader in statewide efforts to promote choice, independence and dignity for Connecticut's older adults and persons with disabilities.

**Senate Bill 199: An Act Concerning Long-Term Care Insurance Premium Rate Increases**  
***~ CT's Legislative Commission on Aging Supports***

Senate Bill 199 requires that insurance companies that raise long term care insurance premiums on policy holders by more than 20% spread the rate increase out over 3 years or more. In addition, the bill requires that insurance companies prior to implementing a rate increase must inform the policy holder of the choice to reduce the policy benefits to reduce the premium rate.

Connecticut's Legislative Commission on Aging supports Senate Bill 199 and the intent of reducing the burden that a profoundly high rate increase has on a policy holder. We respectfully would suggest that the threshold that an insurance company must comply with these requirements would be when a premium rate increase exceeds 10% instead of the 20% threshold in this language.

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Long-term care insurance policies are designed to help people plan for their long-term care needs as they age. Data from the Legislative Commission on Aging and University of Connecticut's Long Term Care Needs Assessment show that all too often individuals are not planning for their needs. Over 1/3 of people between the ages of 42 and 60 have no plans on how they will pay for their long-term care needs. Long-term care insurance policies are an important planning tool for some older adults to plan of their needs. However, the potential for significant rate increases makes them a risky investment. We have heard and continue to hear from constituents who have received notices of significant premium rate increases on their already high cost policies, sometimes upwards of 10% or more, making the policy unaffordable.

***Thank you again for this opportunity to comment. As always, please contact us with any questions. It's our pleasure to serve as an objective, nonpartisan resource to you.***

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**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.