STATE OF CONNECTICUT

INSURANCE DEPARTMENT

NOTICE OF INTENT TO ADOPT REGULATION

In accordance with section 4-168(a) of the Connecticut General Statutes, notice is hereby given that the Insurance Commissioner, pursuant to the authority of sections 38a-501(d) of the Connecticut General Statutes, proposes to adopt a regulation concerning a contingent benefit upon lapse under individual long-term care insurance policies.

Statement of purpose: This proposed regulation is to describe the circumstances and type of contingent benefit upon lapse which must be offered under individual long-term care insurance policies, where (1) the insured rejected a nonforfeiture benefit at the time of purchase of the policy, and (2) thereafter there has been a substantial increase in premium rates under the policy. The intent of the regulation is to provide a range of options to the insured where there is a substantial increase in premium rates, so that the insured has additional options besides lapse of the policy.

All interested persons are invited to submit written data, views or arguments in connection with the proposed action within thirty days following publication of this notice in the Connecticut Law Journal to the State of Connecticut, Insurance Department, Attention: Timothy Lyons, P.O. Box 816, Hartford, CT 06142-0816.

Copies of the proposed regulation may be obtained by writing to the Insurance Department at the above address or sending an e-mail to Timothy.Lyons@ct.gov. The proposed regulation may also be viewed by visiting the Insurance Department's Internet Web site at www.ct.gov/cid/ and clicking on "Proposed Regulations".

Thomas R. Sullivan
Insurance Commissioner

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Individual Long-Term Care Insurance

Section 1. Section 38a-501-19 of the Regulations of Connecticut State Agencies is amended to read as follows:

Sec. 38a-501-19. Requirement to offer a non-forfeiture benefit

(a) No insurer shall offer for sale a long-term care insurance policy unless the insurer also offers the applicant the option to purchase a policy that provides a non-forfeiture benefit. An insurer shall meet this requirement by providing return of premium, full benefits for a reduced benefit period, reduced benefits for the full benefit period, or another benefit that is acceptable to the Commissioner. A policy that provides a non-forfeiture benefit shall include a schedule of this benefit.

(b) If the offer required to be made under subsection (a)of this section is rejected, the insurer shall provide a contingent benefit upon lapse that shall be available for a specified period of time following a substantial increase in premium rates.

(c) An insurer shall meet the requirement of a contingent benefit upon lapse by providing return of premium, full benefits for a reduced benefit period, reduced benefits for the full benefit period, or another benefit that is acceptable to the Commissioner.

(d) A contingent benefit upon lapse shall be triggered each time an insurer increases the premium rates to a level which results in a cumulative increase of the annual premium equal to or exceeding the percentage of the policyholder’s initial annual premium described in this subsection, based on the policyholder’s age at issue, and where the policy lapses within 120 days of the due date of the premium so increased. Policyholders shall be notified at least thirty days prior to the due date of the premium reflecting the rate increase.

Triggers for a substantial premium increase

Issue Age	Percent Increase Over Initial Premium
29 and under	200%
30-34	190%
35-39	170%
40-44	150%
45-49	130%
50-54	110%
55-59	90%
60	70%
61	66%
62	62%
63	58%
64	54%
65	50%
66	48%
67	46%
68	44%
69	42%
70	40%
71	38%
72	36%
73	34%
74	32%
75	30%
76	28%
77	26%
78	24%
79	22%
80	20%
81	19%
82	18%
83	17%

84	16%
85	15%
86	14%
87	13%
88	12%
89	11%
90 and over	10%

On or before the effective date of a substantial premium increase as described in this subsection, the insurer shall:
(1) offer to reduce policy benefits provided by the current coverage without the requirement of additional underwriting so that required premium payments are not increased;
(2) offer to convert the coverage to paid-up status with a shortened benefit period; and
With respect to the two offers described in this subsection

(A) election by the policyholder may be made at any time during the 120 day period following the due date of the increased premium.
(B) The same benefit amounts and frequency in effect at the time of lapse will be payable for a qualifying claim, with a reduction in the lifetime maximum dollars or days under the policy.
(C) The standard non-forfeiture credit for lifetime maximum dollars or days shall be equal to 100% of sum of all premiums paid, including the premiums paid prior to any changes in benefits.
(D) The minimum non-forfeiture credit for lifetime maximum dollars or days shall not be less than thirty times the daily nursing home benefit at the time of lapse; and

(3) notify the policyholder that a default or lapse at any time during the 120-day period following the premium due date shall be deemed to be the election of the offer to convert to a paid-up status with a shortened benefit period unless the option in subsection (e)(3) of this section applies.

(e) A contingent benefit on lapse shall also be triggered for policies with a fixed or limited premium paying period each time an insurer increases the premium rates within the fixed or limited premium paying period to a level that results in a cumulative increase of the annual premium equal to or exceeding the percentage of the policyholder’s initial annual premium described in this subsection, based on the policyholder’s issue age, where there is a lapse of the policy within 120 days of the due date of the premium so increased, and where the ratio of the number of completed months of paid premiums divided by the number of months in the premium paying period is forty percent or more. No premium rate increases shall be permitted beyond the fixed or limited premium paying period as the policy is deemed to be fully paid up. Policyholders shall be notified at least thirty days prior to the due date of the premium reflecting the rate increase.

Triggers for a Substantial Premium Increase

Issue Age	Percent Increase Over Initial Premium
Under 65	50%
65-80	30%
Over 80	10%

This provision shall be in addition to the contingent benefit provided by subsection (d) of this section and where both are triggered, the benefit provided shall be at the option of the policyholder.

On or before the effective date of a substantial premium increase as described in this subsection, the insurer shall:
(1) offer to reduce policy benefits provided by the current coverage without the requirement of additional underwriting so that required premium payments are not increased;

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(2) offer to convert the coverage to a paid-up status where the amount payable for each benefit is ninety percent of the amount payable in effect immediately prior to the lapse times the ratio of the number of completed months of paid premiums divided by the number of months in the premium paying period. This option may be elected at any time during the 120 day period following the due date of the increased premium; and
(3) notify the policyholder that a default or lapse at any time during the 120 day period following the premium due date shall be deemed to be the election of the offer to convert to a paid-up status described in subsection (e)(2) of this section if the ratio is forty percent or more.

(f) To determine whether contingent non-forfeiture upon lapse provisions are triggered when a replacing insurer purchases or otherwise assumes a block or blocks of long-term care insurance policies from another insurer, the percentage increase shall be calculated based on the initial annual premium paid by the insured when the policy was first purchased from the original insurer.

(g) Contingent benefits are effective when triggered.

(h) All benefits paid by the insurer while the policy is in paid up status will not exceed the maximum benefits which would be payable if the policy had remained in premium paying status.

(i) The provisions of this section apply to any long term care policy issued in this state on or after the effective date of this amended regulation.

Statement of Purpose:

To provide, under individual long-term care insurance policies, a contingent benefit upon lapse of the policy, where there is a substantial increase in premium rates under the policy and the insured declined the offer of a non-forfeiture benefit upon issuance of the policy.

A. The problems, issues or circumstances that the regulation proposes to address.

The regulation applies to individual long-term care insurance policies and requires a contingent benefit upon lapse of the policy, due to a substantial premium increase, in situations where the policyholder earlier rejected a non-forfeiture benefit at the time of purchase of the policy. This regulation provides options for the policyholder to continue the policy, instead of lapse of the policy.

B. A summary of the main provisions of the regulation.

The regulation describes the triggers for what is a substantial premium rate increase. When there is a substantial increase in the premium rates, the policyholder will now have various options available, including a policy with reduced benefits at the same premium rate, or a paid-up policy with a shortened benefit period.

C. The legal effects of the regulation, including all ways that the regulation would change existing regulations or other laws.

This broadens the existing Regulation and provides additional protections to individual long-term care insurance policyholders.