

2015 Approval of CT Partnership for Long-Term Care Regulation Revisions

We are very pleased to be able to report that on March 24th, CT's Legislative Regulation Review Committee approved the revisions to the CT Partnership for Long-Term Care regulations that have been working on for over a year. The revisions will go into effect in a week or two once our Secretary of State officially signs off on the revisions, which is just a formality.

Below is a summary of the revisions. **The changes are designed to provide more affordable CT Partnership policies by reducing the Partnership's inflation protection requirement, as well as providing important protections for Partnership policyholders who have experienced significant increases in their premiums.**

The next step in the process is that our participating insurers need to develop new rates and forms and file them with the CT Insurance Department for review and approval. **This is where we need your help. Anything you can do to let the insurers you work for know how important it is to make more affordable Partnership policies available in the marketplace as soon as possible would be greatly appreciated.** It is critical that the insurers hear from agents like yourself that these regulatory revisions provide a great opportunity to revive and expand the marketplace in CT for Partnership policies.

INFLATION PROTECTION & MINIMUM DAILY BENEFIT:

- **The CT Partnership's minimum inflation protection requirement has been changed from 5% compounded to 3 ½% compounded.**

The 3 ½% compounded inflation protection minimum would apply to all benefits under a CT Partnership policy, including both the daily and lifetime benefit amounts. The regulations still allow insurers to offer a CT Partnership policy to individuals 65 and older with no inflation protection on the lifetime benefit.

The 3 ½% rate is a minimum. Insurers will not be required to offer 3 ½% inflation protection – they will have to offer at least 3 ½% compounded. However, insurers will be required, as is currently mandated for non-Partnership policies, to offer a CT Partnership plan where the benefits under the policy inflate at 5% compounded. Therefore, if an insurer is going to offer an inflation protection benefit other than 5% compounded, for instance the 3 ½% level, the Partnership application will have to be revised to be consistent with the non-Partnership application where there will need to be a signoff for the applicant who chooses not to take the 5% compound inflation protection required to be offered to them.

Insurers will not be required to offer existing CT Partnership policyholders the ability to lower their 5% inflation protection but could choose to do so if they wish. We envision the new inflation protection provision to apply to new CT Partnership policy purchases. **However, it is likely that at some point an existing CT Partnership policyholder will inquire as to lowering their inflation protection and then it will be up to each individual insurer how they will handle such requests.**

Currently, the minimum daily benefits for CT Partnership policies inflate at a rate of 5% compounded each year. **With these regulation revisions, the minimum daily benefit will now inflate at 3 ½% so that individuals purchasing the minimum benefit level won't fall behind the minimum levels in the future. This change will go into effect for the minimum daily benefits for CT Partnership policies applied for in 2016.**

RATE INCREASES:

- **The CT Partnership regulations were also revised to note that any CT Partnership policyholder who has experienced a lifetime cumulative rate increase of 50% or more would be able to reduce his or her benefits to a level below the Partnership minimum requirements and still have his or her policy retain its Partnership status.** This means the CT Partnership policyholder could reduce his or her daily benefit to a level below the Partnership minimum for that year. In addition, the policyholder could reduce his or her inflation protection to a level below the minimum 3 ½% compound level. However, in order for the policy to retain its Partnership status there must be some level of inflation protection (it could be simple or compounded at any level) built into the policy. **In other words, the policyholder could not totally drop their inflation protection or switch to an inflation protection provision that was a future or guaranteed purchase option since, with those types of inflation protection options, the policyholder could opt not to take the inflation protection, which would violate our CT Partnership statute.**

As is currently required whenever a rate increase is approved, insurers would have to offer their Partnership policyholders the ability to reduce their benefits. However, with the approval of these regulatory revisions, for those policyholders with a minimum 50% cumulative rate increase, the insurer would offer the option, along with other options, for the policyholder to reduce his or her benefits below the Partnership minimum requirements (reduce daily benefit and/or change to a less costly inflation protection) and still retain his or her Partnership plan status.