SENATE . . . . No. 00507

The Commonwealth of Massachusetts

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PRESENTED BY:

Jennifer L. Flanagan

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To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the passage of the accompanying bill:

An Act relative to long term care rate stabilization. .

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PETITION OF:

NAME:	DISTRICT/ADDRESS:
Jennifer L. Flanagan	*Worcester and Middlesex*
Phil Reddy	*79 Elm Street*
	☐Leominster, MA 01453

SENATE . . . . No. 00507

The Commonwealth of Massachusetts

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In the Year Two Thousand Eleven

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An Act relative to long term care rate stabilization. .

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1   Section 1. Chapter 118E of the General Laws is hereby amended by inserting after

2   section 33, the following section:-

3   Section 33A. This section shall apply to all existing long term care insurance policies in

4   force in Massachusetts as well as all new policies issued following enactment of this legislation.

5   (a)The Commissioner shall apply current rate stabilization standards adopted under the

6   National Association of Insurance Commissioners' (NAIC) Long Term Care Insurance Model

7   Regulation to prevent the continuation of rate increases and to mitigate the need for future rate

8   increases.

9   (b)Requests for rate increases for policies in force shall be based on Massachusetts

10   historical data within the class of policies for which the rate increase is requested. An

11 independent analysis of historical data must be conducted as part of the rate review process and

12 include verification of raw data submitted by the insurer in support of the rate increase.

13   (c)Rate increases must be based on documented evidence of extraordinary conditions in

14 support of the rate request, such as a company's imminent insolvency and/r the inability to pay

15 claims for policies currently in force. Rate increase4s cannot be considered due to under-pricing

16 or other factors resulting from faulty assumptions or actuarial projections, particularly as it

17 relates to lapse rates and future anticipated claims.

18   (d)In cases where the Commissioner approves a rate increase, all policyholders will be

19 notified in writing by the insurer and be given the opportunity to appeal the increase and/or

20 participate in a hearing 30 days prior to the date the increase will go into effect.

21   (e)For companies who have been granted a prior rate increase for a product class, any

22 new rate request for this class would need to meet an 85% loss ratio consistent with NAIC

23 standards adopted in 2000.

24   (f) Following each rate increase, the company is required to file its subsequent experience

25 with the Commissioner for three consecutive years. If the increase appears excessive, the

26 Commissioner may require the company to reduce premiums or adopt other measures, such as

27 reducing its administrative costs to minimize the cost to policyholders. If premiums rise above a

28 given level for a majority of policyholders based on their age, the company is required to plan for

29 improved administration and claims processing or demonstrate that appropriate claims

30 processing is in effect.

31   (g) If the Commissioner believes that a rate spiral exists, he may require the company to

32 offer policyholders affected by the premium increase to replace their existing policies (without

33 underwriting) with comparable policies currently being sold.

34   (h) If the Commissioner determines that a company has persistently filed inadequate

35 initial premium rates, the Commissioner may ban the company from the long term care insurance

36 marketplace for up to five years.

37   (i) The commissioner will apply current NAIC standards in reviewing claims denials by

38 companies.

39   (j) The Commissioner will apply federal consumer protection standards for long term

40 care.