

DEPARTMENT OF FINANCE BILL ANALYSIS

AMENDMENT DATE: May 11, 2011
POSITION: Neutral
SPONSOR: California Department of Insurance

BILL NUMBER: AB 999
AUTHOR: M. Yamada

BILL SUMMARY: Long-Term Care Insurance

This bill would make various changes to the long-term care insurance ratemaking process.

FISCAL SUMMARY

The California Department of Insurance indicates that any costs resulting from this bill would be minor and absorbable within existing resources.

COMMENTS

The Department of Finance is neutral on this bill because it would help provide stability to long-term care insurance rates at no additional cost to the state.

Existing law regulates long-term care insurance rates and requires the Insurance Commissioner (IC) to annually prepare a consumer rate guide for long-term care to include specified information.

This bill would require the consumer rate guide to include a specimen outline of coverage for each product currently marketed by each insurer listed in the rate guide. This bill would also require a long-term care insurer to indicate on its Internet Web site (and provide written notice at the time of solicitation) that a specimen individual policy form or group master policy and certificate form for each policy form offered by the insurer is available upon request, and to provide that form within 15 calendar days upon request.

Existing law requires premium rate schedules for all individual and group long-term care insurance policies issued in this state to be filed with (and to receive the prior approval of) the IC before the policy may be offered, sold, issued, or delivered to a California resident. Existing law also requires IC approval of all proposed premium rate schedule increases and that specified information be included with the rate application.

This bill would require that a policy's premium loss ratio must be greater than or equal to the loss ratio produced by prior policy filings when submitting a rate revision filing, as specified.

This bill would prohibit reliance on asset investment yields as a justification for rate increases, require that loss experience on all of an insurer's policy forms be pooled for purposes of measuring loss ratios for both pre- and post-stabilization policies, and limit the approval of rate increases on pre-stabilization policies to no more than once every five years and once every ten years for post-stabilization policies.

This bill would provide that the IC may approve rate filings if an insurer demonstrates that the rates are necessary to protect the financial condition of the insurer, including avoidance of further reductions in capital and surplus.

Analyst/Principal Date Assistant Program Budget Manager Date
(0221) John Fitzpatrick

Department Deputy Director Date

Governor's Office: By: Date: Position Approved
Position Disapproved

BILL ANALYSIS Form DF-43 (Rev 03/95 Buff)

**BILL ANALYSIS/ENROLLED BILL REPORT--(CONTINUED)**

**AUTHOR**

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AB 999

Code/Department Agency or Revenue Type	SO	(Fiscal Impact by Fiscal Year)							Fund Code
	LA	(Dollars in Thousands)							
	CO	PROP							
	RV	98	FC	2010-2011	FC	2011-2012	FC	2012-2013	
0845/Insurance	SO	No		-----	No/Minor	Fiscal Impact	-----		0217
<u>Fund Code</u>	<u>Title</u>								
0217	Insurance Fund								