

## Senate Bill No. 1810

### CHAPTER 312

An act to amend and repeal Section 10236.14 of, and to add Section 10235.35 to, the Insurance Code, relating to long-term care insurance.

[Approved by Governor September 18, 2006. Filed with  
Secretary of State September 18, 2006.]

#### LEGISLATIVE COUNSEL'S DIGEST

SB 1810, Dunn. Long-term care insurance.

(1) Existing law provides for the regulation of long-term care insurance by the Insurance Commissioner.

This bill would authorize the commissioner to require administration by an insurer of the contingent benefit upon lapse, as specified, as a condition to approving or acknowledging a rate adjustment for a block of business for which that benefit is not otherwise available.

(2) Existing law, until January 1, 2008, requires the commissioner to disapprove a premium rate schedule increase request if it exceeds a specified amount, except under specified circumstances.

This bill would delete the provision terminating this particular rate increase prohibition thereby extending its operation indefinitely.

*The people of the State of California do enact as follows:*

SECTION 1. Section 10235.35 is added to the Insurance Code, to read:

10235.35. (a) Notwithstanding any other provision of law, the commissioner may require the administration by an insurer of the contingent benefit upon lapse, as described in Section 26 (A), (D) (3), (E), (F), (G), and (J) of the Long-Term Care Insurance Model Regulation promulgated by the National Association of Insurance Commissioners, as adopted in October 2000, as a condition of approval or acknowledgment of a rate adjustment for a block of business for which the contingent benefit upon lapse is not otherwise available.

(b) The insurer shall notify policyholders and certificate holders of the contingent benefit upon lapse when required by the commissioner in conjunction with the implementation of a rate adjustment. The commissioner may require an insurer who files for such a rate adjustment to allow policyholders and certificate holders to reduce coverage pursuant to Section 10235.50 to avoid an increase in the policy's premium amount.

(c) The commissioner may also approve any other alternative mechanism filed by the insurer in lieu of the contingent benefit upon lapse.

SEC. 2. Section 10236.14 of the Insurance Code, as added by Section 9 of Chapter 812 of the Statutes of 2000, is amended to read:

10236.14. Approval of all premium rate schedule increases shall be subject to the following requirements:

(a) Premium rate schedule increases shall demonstrate that the sum of the accumulated value of incurred claims, without the inclusion of active life reserves, and the present value of future projected incurred claims, without the inclusion of active life reserves, will not be less than the sum of the following:

(1) The accumulated value of the initial earned premium times 58 percent.

(2) Eighty-five percent of the accumulated value of prior premium rate schedule increases on an earned basis.

(3) The present value of future projected initial earned premiums times 58 percent.

(4) Eighty-five percent of the present value of future projected premiums not in paragraph (3) on an earned basis.

(b) In the event the commissioner determines that a premium rate increase is justified due to changes in laws or regulations that are retroactively applicable to long-term care insurance previously sold in this state, a premium rate schedule increase may be approved if the increase provides that 70 percent of the present value of projected additional premiums shall be returned to policyholders in benefits and the other requirements applicable to other premium rate schedule increases are met.

(c) All present and accumulated values used to determine rate increases should use the maximum valuation interest rate for contract reserves. The actuary shall disclose as part of the actuarial memorandum the use of any appropriate averages.

(d) If the requested premium rate schedule increase on any new policy form approved under Section 10236.11 exceeds 15 percent or if the requested premium rate schedule increase on any policy form approved under Section 10236.11 plus all increases occurring after July 1, 2002, in the premium rate schedule for the same policy form exceed 15 percent, no request for a rate increase on any policy form shall be approved by the commissioner except as follows: all the insurer's individual experience on long-term care policy forms issued in this state that have been approved pursuant to Section 10236.11 are pooled together to project future claims experience and the combined experience satisfies the requirements in subdivision (a). An insurer is not precluded from filing requests for premium rate schedule increases on all of its policy forms if the combined experiences after pooling all applicable policy forms satisfies the requirements of subdivision (a).

(e) No approval for an increase in the premium schedule shall be granted unless the actuary performing the review for the commissioner certifies that if the requested premium rate schedule increase is implemented and the underlying assumptions, which reflect moderately adverse conditions, are realized, no further premium rate schedule

increases are anticipated. The certification may rely on supporting data in the filing.

(f) The provisions of this section are applicable to all individual and group policies issued in this state on or after July 1, 2002.

SEC. 3. Section 10236.14 of the Insurance Code, as added by Section 10 of Chapter 812 of the Statutes of 2000, is repealed.

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