

OFFICE OF FISCAL ANALYSIS

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SB-1046

AN ACT CONCERNING LONG-TERM CARE INSURANCE.

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 22 \$	FY 23 \$
Attorney General	GF - Potential Cost	38,986	80,310
State Comptroller - Fringe Benefits ¹	GF - Potential Cost	16,101	33,168
Revenue Serv., Dept.	GF - Potential Revenue Loss	See Below	See Below

Note: GF=General Fund

Municipal Impact: None

Explanation

The bill makes various changes regarding long-term care (LTC) insurance laws. This may result in costs to the Office of the Attorney General (OAG) to hire a Legal Investigator, to the extent the bill results in an increased number of investigative rate filings. Costs to OAG could be \$38,986 in FY 22 and \$80,310 in FY 23, with associated costs for fringe benefits of \$16,101 and \$33,168 respectively if this occurs. It is estimated that there are currently over 100,000 LTC policies.

The bill may also result in a revenue loss due to lower insurance premium taxes, to the extent the following provisions of the bill result in reduced direct written premiums: (1) limiting the frequency of large rate increases, (2) enabling policyholders to switch to a lower cost

¹The fringe benefit costs for most state employees are budgeted centrally in accounts administered by the Comptroller. The estimated active employee fringe benefit cost associated with most personnel changes is 41.3% of payroll in FY 22 and FY 23.

policy for a minimum set of benefits, and (3) prohibiting LTC carriers from selling and renewing LTC policies after January 1, 2022, unless they are also authorized to sell another line of insurance.²

There is no fiscal impact to the Insurance Department, as they have the capacity to develop the minimum set of affordable benefit options and to otherwise carry out the regulation required by the bill.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

²The insurance premiums tax is levied at a rate of 1.5% on all net direct premiums underwritten. The Department of Revenue Services collected \$202.5 million from the insurance premiums tax in FY 20; it is uncertain how much of that revenue is from policies that could be affected under the bill. As all LTC insurance is “guaranteed renewal,” it is not clear if the bill can require a mono-line carrier to non-renew existing policies.