

State of Idaho
DEPARTMENT OF INSURANCE

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SHAD PRIEST
Acting Director

BULLETIN NO. 06-7

DATE: December 22, 2006

**TO: INSURANCE CARRIERS OFFERING LONG-TERM CARE
INSURANCE IN THE STATE OF IDAHO**

**FROM: SHAD PRIEST
ACTING DIRECTOR**

**SUBJECT: NOTICE REGARDING INFLATION PROTECTION
REQUIREMENTS FOR LONG-TERM CARE PARTNERSHIP
POLICIES**

The Deficit Reduction Act of 2005 (DRA) and Idaho Rule IDAPA 18.01.60 (adopting the NAIC model LTC Rule wording) require that a long-term care policy provide certain levels of inflation protection in order to qualify for the Long Term Care Insurance Partnership Program. A Partnership Policy must provide “compound annual inflation protection” if sold to a person under the age of 61 and “some level of inflation protection” if sold to a person between 61 and 75 years old. A qualifying policy may, but is not required to, provide some type of inflation protection if sold to a person aged 76 or older. The DRA does not define “inflation protection” for purposes of the Partnership Program.

The Department has received inquiries from insurers regarding the minimum level of inflation protection required to qualify for the Idaho LTC Partnership Program and whether the inflation protection may be offered as an annual purchase option or may adjust as the policyholder ages. At the present time, there is limited guidance regarding what was intended by Congress when it imposed the inflation protection requirement and the Department is continuing to review this issue. The Department’s current interpretation of this language is that it requires the policy provide at a minimum a benefit growth rate sufficient to provide meaningful protection against the reasonably expected effects of inflation in the costs of long term care services.

In order to allow the filing and sale of long-term care Partnership Policies while the Department continues to review the question of what is required by the inflation protection requirements of the DRA, the Department has identified minimum levels of inflation protection that will be required for a policy to be certified as qualifying for the Idaho Partnership Program. Until further notice, a long-term care insurance policy intended to qualify for Idaho’s LTC Insurance Partnership Program must provide at least the following levels of inflation protection: If the policy is sold to a person under the age of 61, it must provide automatic compound annual inflation protection of at least 5%; if sold to a person aged 61 to 75, the policy must provide automatic annual inflation

protection of at least 5%; and, if sold to a person aged 76 or older, there will be no level of inflation protection required. As an alternative to these standards, a policy may qualify for the Idaho Partnership Program by providing inflation protection that guarantees automatic benefit increases of not less than the annual percentage change in the Consumer Price Index (CPI). If sold to a person under the age of 61, the CPI adjustments must be made on a compounding basis. Pending further review, the inflation protection requirements will not be considered to have been met for purposes of the Idaho Partnership Program by a policy that provides an option to purchase additional coverage or that reduces the level of protection based on the policyholder's age.

The Department believes these standards are consistent with the DRA requirements for inflation protection. These standards will remain in place until the Department develops more comprehensive guidelines relating to inflation protection requirements for Partnership Policies sold in Idaho.