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Circular Letter 2004/11 - Group Long-Term Care Insurance

General

The purpose of a long-term care insurance policy is to provide support for an individual whose condition does not allow him to perform activities of daily living or an individual who needs supervision. The overwhelming majority of these need-of-care cases occur in old age, after the age of 75, therefore the insurance coverage as a long-term product requires special attention.

This circular addresses aspects of long-term care insurance related to group long-term care insurance.

In most group long-term care insurance policies currently available in the market, the insurer is liable for an insurance period of only a limited number of years. These policies do not provide the long-term confidence that characterizes such insurance. Currently, over 3.5 million policy holders are covered by group long-term care insurance policies, and only a small part of them is entitled to insurability on leaving the group or upon the termination of the contract between the policyholder and the insurer. The implication is that for most of those insured, the insurance does not provide long-term coverage.

This situation creates a significant shortcoming for those members of the group, who cannot purchase coverage when the group insurance period is over.

Therefore, this circular determines the insurer's obligation to provide insurance continuity for policyholders in group long-term care insurance policies. Insurance continuity is guaranteed by the option of transition to an individual insurance without new underwriting, based on the principle of insurability – the availability of continuation insurance without new underwriting. This principle provides only a partial solution to the continuity problem, since the individual insurance premium may be much more expensive than the premium paid in the framework of the group policy, and at more advanced ages it may be prohibitive altogether.

In the first stage, this circular provides a solution to this aspect of continuity by determining the principle of insurability for group long-term care insurance policyholders. In the next stage, a solution to the sharp increase in the premium should be presented, but, because of the great number of policyholders in group long-term care insurance, the solution to the continuity issue must be gradual; therefore, it begins with the imposition of the principle of insurability. In completion, instructions regarding insurance benefits, premium waiver and prohibition of insurance coverage conditioning in long-term care insurance are determined.

1. Insurability – continuation insurance without underwriting

- a. In cases listed in subparagraph (b) below, the group long-term care insurer will grant an option of transition to an individual lifelong insurance policy (henceforth the **continuation policy**), for an individual who was insured under the group policy for at least three consecutive years, under the following terms:
 - 1) The premium will be the standard premium at the time of transfer accepted for all of the policyholders set by the insurer under similar policy.
 - 2) The sum insured and benefit payment period in the continuation policy will be equivalent to those defined in the group long-term care insurance policy.
 - 3) The transition will be performed while maintaining insurance continuity (without new underwriting or revision of a previous medical condition), and without a qualification period.
- b. The transition to the continuation policy will be granted in the following cases in accordance with the respective terms, and as long as the insurance event defined in the existing group policy has not yet occurred:
 - 1) Termination of cover under the group policy as a result of policyholder leaving the group due to retirement, employment termination (including dismissal) or leaving the organization, transfer to another Health Fund or cancellation of the Complementary Health Service, or end of insurance period for a specific policyholder. The transition option will be given to the policyholder 60 days subsequent to the termination of the insurance.

The beginning of the period of the continuation insurance will be retroactive to the day of the insurance termination.

- 2) Divorce or death that causes one of the spouses to lose his/her entitlement to the policy. The transition option will be given to the policyholder 60 days subsequent to the event. The beginning of the period of the continuation insurance will be retroactive to the day of the insurance termination.
- 3) The group policy is not renewed in any insurance company for all or part of the policyholders. In such case, the insurer will apply in writing to each policyholder (or to those that the policy is not renewed for them), and will offer him to transfer to a continuation policy, 60 days subsequent to his notice. The beginning of the period of the continuation insurance will be retroactive to the day of the insurance termination. The policyholder may transfer to the continuation policy, provided that his group policy was not renewed with another insurer at the time of transition.

If, during the last group policy period, the law was changed so as to grant those policyholders coverage similar to that provided by the group policy, the continuation policy will provide coverage for risks in the group policy, that were not granted by the law.

- c. In the continuation policy, the policyholder will be allowed to purchase reduced insurance benefits.
- d. The aforementioned provisions will be added to the policy terms.
- e. The insurer will specify, alongside the "continuity clause" in the information provided to the policyholder in accordance with the instructions of circular "adequate disclosure in group health insurance" (2002/3), that transition to the continuation policy might be accompanied by a significant premium increase.

2. Insurance benefits in the policyholder's home

A group long-term care insurance policy will include the option of benefit payments for nursing care in the policyholder's home. The benefit payments at home will be in form of an agreed amount (compensation only) or by providing actual service by the insurer, according to the policy's terms.

3. Waiver premium payments

In a group long-term care insurance policy, the policyholder will be waived from long-term care premium payments while receiving insurance benefits.

4. Prohibition of long-term care coverage conditioning

Insurer will not make any coverage cancellation conditional to cancellation of group long-term care insurance; i.e. long-term care insurance policy will be terminated by the policyholder only if he requested it.

5. Application

The provisions of this circular letter will apply to group long-term care insurance policies.

6. Effective Date

The provisions of this circular letter will apply to all new group long-term care insurance policies issued (or renewed) as from 1.7.04.

Eyal Ben-Shlush
Commissioner of Insurance

Note: In any case of discrepancy between this translation and the original circular letter in Hebrew, the original will govern.