

July 25, 2000

To: ALL LONG-TERM CARE INSURERS  
From: Nathaniel S. Shapo, Director  
Re: **(CB 2000-5) LONG-TERM CARE INSURANCE ASSISTED LIVING FACILITIES**  
Reply to: CHARLES J. BUDINGER AT (217) 782-4572 OR  
LINDA J. FRITZ AT (217) 785-7350

It has come to the attention of this Department that companies are denying claims for Long-Term Care Policies sold prior to the advent of Assisted Living Facilities, that do not have definitions for such Assisted Living Facilities, received from claimants in those type facilities.

Many policyholders covered under older long-term care contracts may find themselves in situations where they will not receive payment from their insurance carriers due to "no coverage under the contract." These policyholders may erroneously think that they have coverage due to the activities of daily living language only to realize that the policy they purchased some time ago does not recognize the facility in which they live. The denial of those claims will place undue hardship on the policyholders and their families at a time when they are least likely to be able to appeal a claim.

It is our position that Assisted Living Facilities are legitimate long-term care facilities. The consumers who purchased these policies before these facilities were developed have a reasonable expectation to have claims paid due to the fact that they need care and have entered a long-term care facility regardless of the type of the facility.

The Illinois Department is requesting that insurers providing long-term care benefits submit an amendment form giving the policyholder the opportunity to correct this problem with previously marketed policies. The amendment would address the level of care being provided, make consideration for payment based on specific benefit triggers and allow that payment of claims from Assisted Living Facilities be provided under the terms of the contracts. This would be beneficial to the policyholder and the insurance company since these costs are usually lower than those incurred in Nursing Facilities. The amendment should be offered to the policyholder on an accept or reject basis.

If you have any questions regarding the above, please contact either Charles J. Budinger at (217) 782-4572 or Linda J. Fritz at (217) 785-7350.