

April 30,  
2001

To: ALL LONG-TERM CARE INSURERS  
From: NATHANIEL S. SHAPO, DIRECTOR  
Re: **COMPANY BULLETIN 2001-2 LONG-TERM CARE INSURANCE ASSISTED  
LIVING FACILITIES**  
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**This Company Bulletin will replace Company Bulletin 2000-05 issued July 25, 2000.**

Long-Term Care Policies sold prior to the development of Assisted Living Facilities do not provide coverage for such facilities despite the fact that these facilities may provide a more appropriate and cost-effective treatment for the consumer than traditional 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 as a covered provider of care under their policy.

Companies may want to consider adding Assisted Living Facilities as a covered provider under their policy. The consumers who purchased these policies before these facilities were developed may wrongfully believe that they will have claims paid due to the fact that they need care and have entered a long-term care facility regardless of the type of facility.

The Illinois Department is requesting that insurers providing long-term care benefits, who voluntarily decide to cover assisted living facilities, submit an amendment form which would give the policyholder the opportunity to enhance the benefit provided under the policy they purchased in the past. If companies decide to provide an amendment to grandfathered long-term care contracts, a disclosure form would need to be provided to the insured indicating that acceptance of the rider may adversely affect the tax qualification status of the older contracts. In addition, the rider may be accompanied by appropriate rating structure as well as subjecting policyholders to company underwriting standards.

Companies may also wish to allow policyholders the right to purchase new contracts with assisted living facility benefits built into them subject to company underwriting standards, of course.

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.