

Circular Letter 2003/9 - Definition of an Insurance Event for Long-Term Care Insurance

General

An insurance event in long-term care insurance is usually defined as the insured's inability to perform activities of daily living (ADL). The existing policies may vary in their definitions of the ADL's, as well as the insurance event.

When purchasing a long-term care policy, practically speaking the insured is unable to compare the different medical definitions, and consequently he cannot be aware of the differences between different policies that may result from these definitions in the insurance cover.

Furthermore, the insured should receive reasonable long-term care insurance cover when he is unable to perform 3 of the 6 ADL's, or when he is defined as cognitively impaired, as detailed below.

It should be mentioned that there are similar directives in England and the USA.

1. Definition of the Insurance Event

The insurance event shall be defined in accordance with the minimal standards that are in this clause. An insurer also present other methods for determining entitlement in an insurance event, on condition that the insurer has obtained prior approval from the Commissioner. The insurance event shall be defined as at least one of the following two events:

- a. Deterioration in the insured's medical condition and ability to function as a result of illness, an accident or ailment, on account of which he is unable to perform unassisted a substantial part (at least 50% of the activity), of at least X of the following 6 activities:

1. **Transferring:** The insured is able, unassisted, to move from a lying to a sitting position and/or to get out of a seat, including performing this activity from a wheelchair and/or bed.
2. **Dressing:** The insured is able, unassisted, to put on and/or take off all garments, including to fasten and/or attach a medical corset and/or artificial limb.
3. **Bathing:** The insured is able, unassisted, to wash in a bathtub, in a shower or any other accepted manner, including getting in and out of the bathtub or shower.
4. **Eating and drinking:** The insured is able, unassisted, to feed himself in any manner (including drinking and not eating through a straw) after the food has been prepared and served to him.
5. **Contenance:** The insured is able, unassisted, to control bowel and /or bladder functions. The inability to control one of these functions, which for example implies the regular use of ostomy or catheter receptacles, or the regular use of diapers or other types of absorbent pads, shall be deemed incontinence.
6. **Mobility {Ambulation}:** The insured is able, unassisted, to move from place to place. If the insured is able to perform this function independently and without help from another person, but using crutches and/or a cane and/or a walker and/or any other mechanical, motorized or electronic appliance, he shall be deemed mobile. However, if the insured is confined to bed or to a wheelchair, and is unable to move about unassisted, he shall be deemed immobile.

- b. A deterioration in the insured's medical condition and ability to function, resulting from "**cognitive impairment**", determined by

a specialist in this field. In this case, “cognitive impairment” – shall mean that the insured’s cognitive activity is impaired and his intellectual ability has deteriorated, including impaired understanding and judgement, decline in long and/or short-term memory and a lack of orientation in time and place, that require supervision during at most of the daytime hours, confirmed by a specialist in this field, the cause of which is a medical condition such as: Alzheimer's disease, or other forms of dementia.

2. **The Insurance Event**

- a. If insurance event occurs due to the inability to perform 3 of the 6 activities, the insured will be eligible for at least 50% of the monthly long term care payments.
- b. If insurance event occurs due to “cognitive impairment”, the insured will be eligible for 100% of the monthly long term care payments.

3. **Application**

- a. The provisions of this circular letter shall apply to policies for long-term care insurance.
- b. Notwithstanding the above, an insurer may submit a request to the commissioner that the requirements of section 2 not apply to a specific group of insureds, if the necessary premium increase would be substantial so that the insurance will stay inforce. The commissioner will decide whether or not to approve the request.

4. **Effective Date**

The provisions of sections 1 and 2 shall apply to policies sold or renewed as of 1.09.2003.

5. Transition Rules

Notwithstanding section 4 above, in policies that are sold or renewed prior to 31.12.2004, an insurance event due to “cognitive impairment” will entitle the insured to at least 50% of the monthly payment.

6. Implementation Rules

Insurers must submit the required changes to their policies to the Commissioner for approval not later than 1.06.2003.

Eyal Ben-Chelouche

Commissioner of Insurance

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