DEPARTMENT OF LABOR AND REGULATION

DIVISION OF INSURANCE

POTENTIAL RATE INCREASE DISCLOSURE FORM

Chapter 20:06:21

APPENDIX I

SEE: § 20:06:21:60

**Source:** 28 SDR 157, effective May 19, 2002; 33 SDR 230, effective July 2, 2007; 44 SDR 184, effective June 25, 2018.

***Instructions:*** *Insurers shall provide all of the following information to the applicant regarding premium, premium adjustments, potential premium increases, and policyholder options in the event of a premium increase except as noted below. This form does not need to be provided in the event the policy does not reserve the right to increase rates.*

As used in this Appendix:

"Policy," is a policy, certificate, or rider, as applicable.

"Premium," includes premium schedules, as applicable.

Companies may substitute whichever term is appropriate to reflect the long-term care insurance for which the applicant is applying.

**Long-Term Care Insurance**

**Potential Premium Increase Disclosure Form**

|  |
| --- |
| **Important Notice:** Your long-term care insurance company **may** increase the premium for your policy **every year**. You have certain rights and it's important that you understand them before you buy a long-term care insurance policy. Please read this information and be sure you understand it before you buy a policy. |

***This policy is guaranteed renewable.*** *Companies can increase the premiums for guaranteed renewable policies in the future. The company* ***cannot*** *increase your premiums because* ***you are*** *older or* ***your*** *health declines. It can increase premiums based on the experience of all individuals with a policy like yours.*

**1.  What Is Your Premium?**

The agent/company has quoted you a premium of [$\_\_\_\_\_] for this policy. This is not **a** final premium. The premium might change during the underwriting process or if you choose different benefits. The premium you'll be required to pay for your policy will be [shown on the schedule page of] [will be attached to] your policy.

**2.  How Will I Know If My Premium Is Changing?**

The company will send you a notice. The notice will include the new premium and when you will start paying it. It also will give you ways you could avoid paying a higher premium. One likely choice will be to keep your insurance policy, but with fewer or lower benefits than you bought. Another choice may be to stop paying premiums and have a "paid-up" policy with fewer or lower benefits than the policy you bought. You may have other choices.

**\*  Contingent Nonforfeiture**

If the premium rate for your policy goes up in the future and you didn't buy a nonforfeiture option, you may be eligible for contingent nonforfeiture. Here's how to tell if you are eligible:

You will keep some long-term care insurance coverage, if:

* Your premium after the increase exceeds your original premium by the percentage shown (or more) in the following table; and
* You lapse (not pay more premiums) within 120 days of the increase.

The amount of coverage (i.e., new lifetime maximum benefit amount) you will keep will equal the total amount of premiums you've paid since your policy was first issued. If you have already received benefits under the policy, so that the remaining maximum benefit amount is less than the total amount of premiums you've paid, the amount of coverage will be that remaining amount.

Except for this reduced lifetime maximum benefit amount, all other policy benefits will remain at the levels attained at the time of the lapse and will not increase thereafter.

Should you choose this Contingent Nonforfeiture option, your policy, with this reduced maximum benefit amount, will be considered "paid-up" with no further premiums due.

**Example:**

* You bought the policy at age 65 and paid the $1,000 annual premium for 10 years, so you have paid a total of $10,000 in premium.
* In the eleventh year, you receive a rate increase of 50%, or $500 for a new annual premium of $1,500, and you decide to lapse the policy (not pay any more premiums).
* Your "paid-up" policy benefits are $10,000 (provided you have at least $10,000 of benefits remaining under your policy).

|  |  |
| --- | --- |
| **Contingent Nonforfeiture** | |
| **Cumulative Premium Increase over Initial Premium** | |
| **That Qualifies for Contingent Nonforfeiture** | |
|  | |
| (Percentage increase is cumulative from date of original issue. It does NOT represent a one-time increase.) | |
| **Issue Age** | **Percent Increase Over Initial Premium** |
| 29 and under | 200% |
| 30-34 | 190% |
| 35-39 | 170% |
| 40-44 | 150% |
| 45-49 | 130% |
| 50-54 | 110% |
| 55-59 | 90% |
| 60 | 70% |
| 61 | 66% |
| 62 | 62% |
| 63 | 58% |
| 64 | 54% |
| 65 | 50% |
| 66 | 48% |
| 67 | 46% |
| 68 | 44% |
| 69 | 42% |
| 70 | 40% |
| 71 | 38% |
| 72 | 36% |
| 73 | 34% |
| 74 | 32% |
| 75 | 30% |
| 76 | 28% |
| 77 | 26% |
| 78 | 24% |
| 79 | 22% |
| 80 | 20% |
| 81 | 19% |
| 82 | 18% |
| 83 | 17% |
| 84 | 16% |
| 85 | 15% |
| 86 | 14% |
| 87 | 13% |
| 88 | 12% |
| 89 | 11% |
| 90 and over | 10% |

[The following contingent nonforfeiture disclosure need only be included for those limited pay policies to which §§ 20:06:21:58(4)(d) and 20:06:21:58(4)(f) are applicable.]

In addition to the contingent nonforfeiture benefits described above, the following reduced "paid-up" contingent nonforfeiture benefit is an option in all policies that have a fixed or limited premium payment period, even if you selected a nonforfeiture benefit when you bought your policy. If both the reduced "paid up" benefit AND the contingent benefit described above are triggered by the same rate increase, you can choose either of the two benefits.

You are eligible for the reduced "paid-up" contingent nonforfeiture benefit if all three conditions shown below are met:

1.  The premium you are required to pay after the increase exceeds your original premium by the same percentage or more shown in the chart below:

|  |  |
| --- | --- |
| **Triggers for a Substantial Premium Increase** | |
| **Issue Age** | **Percent Increase Over**  **Initial Premium** |
|  |  |
| Under 65 | 50% |
| 65-80 | 30% |
| Over 80 | 10% |

2.  You stop paying your premiums within 120 days of when the premium increase took effect; AND

3.  The ratio of the number of months you already paid premiums is 40% or more than the number of months you originally agreed to pay.

If you exercise this option your coverage will be converted to reduced "paid-up" status. That means there will be no additional premiums required. Your benefits will change in the following ways:

a.  The total lifetime amount of benefits your reduced paid up policy will provide can be determined by multiplying 90% of the lifetime benefit amount at the time the policy becomes paid up by the ratio of the number of months you already paid premiums to the number of months you agreed to pay them.

b.  The daily benefit amounts you purchased will also be adjusted by the same ratio.

If you purchased lifetime benefits, only the daily benefit amounts you purchased will be adjusted by the applicable ratio.

**Example:**

* You bought the policy at age 65 with an annual premium payable for 10 years.
* In the sixth year, you receive a rate increase of 35% and you decide to stop paying premiums.
* Because you have already paid 50% of your total premium payments and that is more than the 40% ratio, your "paid-up" policy benefits are .45 (.90 times .50) times the total benefit amount that was in effect when you stopped paying your premiums. If you purchased inflation protection, it will not continue to apply to the benefits in the reduced "paid-up" policy.