Title 31 MARYLAND INSURANCE ADMINISTRATION

Subtitle 14 LONG-TERM CARE

Chapter 02 Long-Term Care Insurance — Premium Rates and Reserves

Authority: Health-General Article, §19-705; Insurance Article, §§2-109, 14-124, Title 18, Subtitle 1, and Title 27; Annotated Code of Maryland

.03 Required Disclosure of Rating Practices to Consumers.

A. (text unchanged)

B. Other than policies for which no applicable premium rate or rate schedule increases can be made, insurers shall provide all of the information listed in §D of this regulation to the applicant at the time of application or enrollment, unless the method of application does not allow for delivery at that time. *In such a case, an insurer shall provide all of the information listed in § D of this regulation to the applicant no later than at the time of delivery of the policy or certificate.*

C. – K. (text unchanged)

.08 Long-Term Care Personal Worksheet.

The disclosure required by Regulation .03J of this chapter shall read as follows:

Long-Term Care Insurance

Personal Worksheet

People buy long-term care insurance for many reasons. Some don't want to use their own assets to pay for long-term care. Some buy insurance to make sure they can choose the type of care they get. Others don't want their family to have to pay for care or don't want to go on Medicaid. But long-term care insurance may be expensive, and may not be right for everyone.

[By state law, the insurance company must fill out part of the information on this worksheet and ask you to fill out the rest to help you and the company decide if you should buy this policy.**]**

This worksheet will help you understand some important information about this type of insurance. State law requires companies issuing this [policy] [certificate][rider] to give you some important facts about premiums and premium increases and to ask you some important questions to help you and the company decide if you should buy this [policy][certificate][rider]. Long-term care insurance can be expensive and it may not be right for everyone.

Premium Information

Policy Form Numbers ________________________

The premium for the coverage you are considering will be [$_____ per month, or $_____ per year,] [a one-time single premium of $_____.]

Type of Policy (noncancellable/guaranteed renewable):

The Company's Right to Increase Premiums:

[The company cannot raise your rates on this policy.] [The company has a right to increase premiums on this policy form in the future, provided it raises rates for all policies in the same class in this state.] [Insurers shall use appropriate bracketed statement. Rate guarantees shall not be shown on this form.]

Rate Increase History

The company has sold long-term care insurance since [year] and has sold this policy since [year]. [The company has never raised its rates for any long-term care policy it has sold in this state or any other state.] [The company has not raised its rates for this policy form or similar policy forms in this state or any other state in the last 10 years.] [The company has raised its premium rates on this policy form or similar policy forms in the last 10 years. Following is a summary of the rate increases.]

Drafting Note: A company may use the first bracketed sentence above only if it has never increased rates under any prior policy forms in this state or any other state. The issuer shall list each premium increase it has instituted on this or similar policy forms in this state or any other state during the last 10 years. The list shall provide the policy form, the calendar years the form was available for sale, and the calendar year and the amount (percentage) of each increase. The insurer shall provide minimum and maximum percentages if the rate increase is variable by rating characteristics. The insurer may provide, in a fair manner, additional explanatory information as appropriate.

Drafting Note: If the summary of premium increases is extensive, the company may disclose the required premium increase history via an addendum attached to this worksheet. The company may substitute the language below for the last sentence in the paragraph above and include the summary as an attachment to this worksheet.

"Over the past 3 years, the company has increased premiums by__ %." "A summary of premium increases in the last 10 years is attached to this worksheet."

Questions Related to Your Income

*You do **not** have to answer the questions that follow: They are intended to make sure you've thought about how you'll pay premiums and the cost of care your insurance doesn't cover. If you don't want to answer these questions, you should understand that the company might refuse to insure you.*

How will you pay each year's premium?

[ ] From my Income [ ] From my Savings/Investments [ ] My Family will Pay **[**[[ ] Have you considered whether you could afford to keep this policy if the premiums went up, for example, by 20%?

Drafting Note: The issuer is not required to use the bracketed sentence if the policy is fully paid up or is a noncancellable policy.**]**

Could you afford to keep this [policy][certificate][rider] if your spouse or partner dies first? [ ] Yes [ ] No [ ] Have not thought about it [ ] Do not know [ ] Does not apply

[What would you do if the premiums went up, for example, by 50%?[ ] Pay the higher premium [ ] Call the company/agent [ ] Reduce benefits [ ] Drop the [policy] [certificate] [rider] [ ] Do not know]

***Drafting Note**: The insurer is not required to use the bracketed sentence if the policy is fully paid up or is a noncancellable policy.*

What resources will you use to pay your premium?[ ] Current income from employment [ ] Current income from investments [ ] Other current income [ ] Savings [ ] Sell investments [ ] Sell other assets [ ] Money from my family [ ] Other

What is your annual income? (check one) [ ] Under $10,000 [ ] $[10-20,000] [ ] $[20-30,000] [ ] $[30-50,000] [ ] Over $50,000

Drafting Note: The issuer may choose the numbers to put in the brackets to fit its suitability standards.

How do you expect your income to change over the next 10 years? (check one)

[ ] No change [ ] Increase [ ] Decrease

If you will be paying premiums with money received only from your own income, a rule of thumb is that you may not be able to afford this policy if the premiums will be more than 7% of your income.

If you plan to pay premiums from your income, have you thought about how a change in your income would affect your ability to continue to pay the premium?[ ] Yes [ ] No [ ] Don't know

Will you buy inflation protection? (check one) [ ] Yes [ ] No

If not, have you considered how you will pay for the difference between future costs and your daily benefit amount?

[] From my Income [ ] From my Savings/Investments [ ] My Family will Pay

The national average annual cost of care in [insert year] was [insert $ amount], but this figure varies across the country. In 10 years the national average annual cost would be about [insert $ amount] if costs increase 5% annually.

Drafting Note: The projected cost can be based on federal estimates in a current year. In the above statement, the second figure equals 163% of the first figure.

What elimination period are you considering? Number of days ____ Approximate cost $_____ for that period of care.

Approximate cost of care for this period: $ ($xxx per day times number of days in [elimination period] [waiting period], where "xxx" represents the most recent estimate of the national daily average cost of long-term care)

[Cash Deductible $]

How are you planning to pay for your care during the elimination period? (check one)

[ ] From my Income [ ] From my Savings/Investments [ ] My Family will Pay

Questions Related to Your Savings and Investments

Not counting your home, about how much are all of your assets (your savings and investments) worth? (check one)

[ ] Under $20,000 [ ] $20,000-$30,000 [ ] $30,000-$50,000
[ ] Over $50,000

How do you expect your assets to change over the next 10 years? (check one)

[ ] Stay about the same [ ] Increase [ ] Decrease

If you are buying this policy to protect your assets and your assets are less than $30,000, you may wish to consider other options for financing your long-term care.

Disclosure Statement

[ ]	The answers to the questions above describe my financial situation.
	Or
[ ]	I choose not to complete this information.
	(Check one.)
[ ]	I acknowledge that the carrier and/or its agent (below) has reviewed this form with me including the premium, premium rate increase history, and potential for premium increases in the future. [For direct mail situations, use the following: I acknowledge that I have reviewed this form including the premium, premium rate increase history, and potential for premium increases in the future.] I understand the above disclosures. I understand that the rates for this policy may increase in the future. (This box must be checked).

Signed:

(Applicant)(Date)

[[ ] I explained to the applicant the importance of completing this information.

Signed:

(Agent)(Date)

Agent's Printed Name:]

[In order for us to process your application, please return this signed statement to [name of company], along with your application.]

[My agent has advised me that this policy does not seem to be suitable for me. However, I still want the company to consider my application.

Signed:]

(Applicant)(Date)

Drafting Note: Choose the appropriate sentences depending on whether this is a direct mail or agent sale.

The company may contact you to verify your answers.

Drafting Note: When the Long-Term Care Insurance Personal Worksheet is furnished to employees and their spouses under employer group policies, the text from the heading "Disclosure Statement" to the end of the page may be removed.

.09 Potential Rate Increase Disclosure Form.

The disclosure required by Regulation .03J of this chapter shall read as follows:

Long-Term Care Insurance

Potential Rate Increase Disclosure Form

[1. **[Premium Rate] [Premium Rate Schedules]:** [Premium rate] [Premium rate schedules] that [is] [are] applicable to you and that will be in effect until a request is made and [filed] [approved] for an increase [is] [are] [on the application] [$]

Drafting Note: Use "approved" in states requiring prior approval of rates.

2. **The [premium] [premium rate schedule] for this policy [will be shown on the schedule page of] [will be attached to] your policy.**

3. **Rate Schedule Adjustments:** The company will provide a description of when premium rate or rate schedule adjustments will be effective (e.g., next anniversary date, next billing date, etc.) (fill in the blank):.

4. **Potential Rate Revisions:** This policy is Guaranteed Renewable. This means that the rates for this product may be increased in the future. Your rates can **NOT** be increased due to your increasing age or declining health, but your rates may go up based on the experience of all policyholders with a policy similar to yours.

If you receive a premium rate or premium rate schedule increase in the future, you will be notified of the new premium amount and you will be able to exercise at least one of the following options:

• Pay the increased premium and continue your policy in force as is.

• Reduce your policy benefits to a level such that your premiums will not increase. (Subject to state law minimum standards.)

• Exercise your nonforfeiture option if purchased. (This option is available for purchase for an additional premium.)

• Exercise your contingent nonforfeiture rights.* (This option may be available if you do not purchase a separate nonforfeiture option.)**]**

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're 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. Exercise your nonforfeiture option if purchased. (This option is available for an additional premium.) Another choice may be to exercise your contingent nonforfeiture rights. (This option may be available if you do not purchase a separate nonforfeiture option.)*

*** 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 11th 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 COMAR 31.14.01.13E(6) and (9) 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 when 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.