

TITLE 50: INSURANCE
PART 2012 TRADITIONAL LONG-TERM CARE INSURANCE
CHAPTER I: DEPARTMENT OF INSURANCE

Section 2012.127 Requirement to Offer Nonforfeiture Benefit

- a) No policy or certificate may be delivered or issued for delivery in this State unless the policy or certificate includes a written offer at the time of issue for nonforfeiture benefits to the defaulting or lapsing policyholder or certificate holder. This Section does not apply to life insurance policies or riders containing accelerated traditional long-term care benefits. A policy or certificate offered with nonforfeiture benefits shall have coverage elements, eligibility, benefit triggers and benefit length that are the same as coverage to be issued without nonforfeiture benefits. The nonforfeiture benefit included in the offer shall be the benefit described in Section 2012.127(c).
- b) After July 1, 2002, if the offer of a nonforfeiture benefit is rejected, the insurer shall provide the contingent benefit upon lapse as follows:
- 1) The contingent benefit on lapse shall be triggered every time an insurer increases the premium rates to a level that results in a cumulative increase of the annual premium equal to or exceeding the percentage of the insured's initial annual premium set forth below based on the insured's issue age, and the policy or certificate lapses within 120 days of the due date of the premium so increased. Unless otherwise required, policyholders shall be notified at least 30 days prior to the due date of the premium reflecting the rate increase.

Triggers for a Substantial Premium 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%

- 2) On or before the effective date of a substantial premium increase as defined in Section 2012.127(b)(1), the insurer shall:
 - A) Offer to reduce policy benefits provided by the current coverage without the requirement of additional underwriting so that required premium payments are not increased;
 - B) Offer to convert the coverage to a paid-up status with a shortened benefit period in accordance with the terms of Section 2012.127(c). This option may be elected at any time during the 120-day period referenced in Section 2012.127(b)(1); and
 - C) Notify the policyholder or certificateholder that a default or lapse at any time during the 120-day period referenced in Section 2012.127(b)(1) shall be deemed to be the election of the offer to convert in Section 2012.127(b)(2)(B).
 - 3) In the event a group policyholder elects to make the nonforfeiture benefit an option to the certificateholder, a certificate shall provide either the nonforfeiture benefit or the contingent benefit upon lapse.
- c) Benefits continued as nonforfeiture benefits, including contingent benefits upon lapse, are described as follows:
- 1) For purposes of this Section, attained age rating is defined as a schedule of premiums starting from the issue date which increases age at least 1% per year prior to age 50, and at least 3% per year beyond age 50.
 - 2) For purposes of this Section, the nonforfeiture benefit including the contingent benefit upon lapse shall be a shortened benefit period providing paid-up traditional long-term care insurance coverage after lapse. The same benefits (amounts and frequency in effect at the time of lapse but not increased thereafter) will be payable for a qualifying claim, but the lifetime maximum dollars or days of benefits shall be determined as specified in subsection (c)(3) of this Section.
 - 3) The standard nonforfeiture credit for an offered nonforfeiture benefit will be equal to 100% of the sum of all premiums paid, including the premiums paid prior to any changes in benefits. The insurer may offer additional shortened benefit period options, as long as the benefits for each duration equal or exceed the standard nonforfeiture credit for that duration. However, the minimum nonforfeiture credit shall not be less than 30 times the daily nursing home benefit

at the time of lapse. In either event, the calculation of the nonforfeiture credit is subject to the limitation of subsection (d) of this Section.

- 4) No policy or certificate which includes a nonforfeiture benefit shall begin a nonforfeiture benefit later than the end of the third year following the policy or certificate issue date except that, for a policy or certificate with attained age rating, the nonforfeiture benefit shall begin on the earlier of:
 - A) The end of the tenth year following the policy or certificate issue date; or
 - B) The end of the second year following the date the policy or certificate is no longer subject to attained age rating.
 - 5) Nonforfeiture credits may be used for all care and services qualifying for benefits under the terms of the policy or certificate, up to the limits specified in the policy or certificate.
- d) All benefits paid by the insurer while the policy or certificate is in premium paying status and in the paid up status will not exceed the maximum benefits which would have been payable if the policy or certificate had remained in premium paying status.
 - e) There shall be no difference in the minimum nonforfeiture benefits which are offered under the requirements of this Section for group and individual policies.
 - f) The requirements of this Section shall apply to any traditional long-term care policy issued in this State, except for:
 - 1) Life insurance policies or riders containing accelerated long-term care benefits; or
 - 2) A group traditional long-term care insurance policy that was in force prior to July 1, 2002.
 - g) Premiums charged for a policy or certificate containing nonforfeiture benefits shall be subject to the loss ratio requirements of Section 2012.110 of this Part treating the policy as a whole.
 - h) To determine whether contingent nonforfeiture upon lapse provisions are triggered under Section 2012.127(b)(1), a replacing insurer that purchased or otherwise assumed a block or blocks of long-term care insurance policies from another insurer shall calculate the percentage increase based on the initial annual premium paid by the insured when the policy was first purchased from the original insurer.
 - i) A nonforfeiture benefit for qualified long-term care insurance contracts that are level premium contracts shall be offered that meets the following requirements:
 - 1) The nonforfeiture provision shall be appropriately captioned;
 - 2) The nonforfeiture provision shall provide a benefit available in the event of a default in the payment of any premiums and shall state that the amount of the benefit may be adjusted subsequent to being initially granted only as necessary to reflect changes in claims, persistency and interest as reflected in changes in rates for premium paying contracts approved by the Director for the same contract form; and
 - 3) The nonforfeiture provision shall provide at least one of the following:

- A) Reduced paid-up insurance;
- B) Extended term insurance;
- C) Shortened benefit period; or
- D) Other similar offerings approved by the Director.

(Source: Amended at 26 Ill. Reg. 8835, effective July 1, 2002)