Sec. 38a-501-19. Requirement to offer a non-forfeiture benefit

No insurer shall offer for sale a long-term care insurance policy unless the insurer also offers the applicant the option to purchase a policy that provides a non-forfeiture benefit. An insurer shall meet this requirement by providing return of premium, full benefits for a reduced benefit period, reduced benefits for the full benefit period, or another benefit that is acceptable to the Commissioner. A policy that provides a non-forfeiture benefit shall include a schedule of this benefit.

(b) If the offer required to be made under subsection(a) of this section is declined by the applicant, the insurer shall provide a contingent benefit upon lapse that shall be available during a period of 120 days following a substantial increase in premium rates.

(c) An insurer shall meet the requirement of a contingent benefit upon lapse by providing return of premium, full benefits for a reduced benefit period, reduced benefits for the full benefit period, or another benefit that is acceptable to the Commissioner.

(d) A contingent benefit upon lapse shall be triggered each time an insurer increases the premium rates to a level which results in a cumulative increase of the annual premium equal to or exceeding the percentage of the policyholder's initial annual premium described in this subsection, based on the policyholder's age at issue, and where the policy lapses within 120 days of the due date of the premium so increased. Policyholders shall be notified at least thirty days prior to the due date of the premium reflecting the rate increase.

Triggers for a substantial premium 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%

On or before the effective date of a substantial premium increase as described in this subsection, the insurer shall:

(1) offer to reduce policy benefits provided by the current coverage without the requirement of additional underwriting so that required premium payments are not increased;

(2) offer to convert the coverage to paid-up status with a shortened benefit period. With respect to the two offers set forth in subdivisions (1) and (2) of this subsection:

(A) election by the policyholder may be made at any time during the 120 day period following the due date of the increased premium.

(B) The same benefit amounts and frequency in effect at the time of lapse will be payable for a qualifying claim, with a reduction in the lifetime maximum dollars or days under the policy.

(C) The standard non-forfeiture credit for lifetime maximum dollars or days shall be equal to 100% of sum of all premiums paid, including the premiums paid prior to any changes in benefits.

(D) The minimum non-forfeiture credit for lifetime maximum dollars or days shall not be less than thirty times the daily nursing home benefit at the time of lapse; and

(3) notify the policyholder that a default or lapse at any time during the 120-day period

following the premium due date shall be deemed to be the election of the offer to convert to a paid-up status with a shortened benefit period unless the option in subsection (e)(3) of this section applies.

(e) A contingent benefit on lapse shall also be triggered for policies with a fixed or limited premium paying period each time an insurer increases the premium rates within the fixed or limited premium paying period to a level that results in a cumulative increase of the annual premium equal to or exceeding the percentage of the policyholder's initial annual premium described in this subsection, based on the policyholder's issue age, where there is a lapse of the policy within 120 days of the due date of the premium so increased, and where the ratio of the number of completed months of paid premiums divided by the number of months in the premium paying period is forty percent or more. No premium rate increases shall be permitted beyond the fixed or limited premium paying period as the policy is deemed to be fully paid up. Policyholders shall be notified at least thirty 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
Under 65	50%
65-80	30%
Over 80	10%

This provision shall be in addition to the contingent benefit provided by subsection (d) of this section and where both are triggered, the benefit provided shall be at the option of the policyholder.

On or before the effective date of a substantial premium increase as described in this subsection, the insurer shall:

(1) offer to reduce policy benefits provided by the current coverage without the requirement of additional underwriting so that required premium payments are not increased. The policyholder may elect this option at any time during the 120 day period following the due date of the increased premium;

(2) offer to convert the coverage to a paid-up status where the amount payable for each benefit is ninety percent of the amount payable in effect immediately prior to the lapse times the ratio of the number of completed months of paid premiums divided by the number of months in the premium paying period. This option may be elected at any time during the 120 day period following the due date of the increased premium; and

(3) notify the policyholder that a default or lapse at any time during the 120 day period following the premium due date shall be deemed to be the election of the offer to convert to a paid-up status described in subsection (e)(2) of this section if the ratio is forty percent or more.

(f) To determine whether contingent non-forfeiture upon lapse provisions are triggered when a replacing insurer purchases or otherwise assumes a block or blocks of long-term care insurance policies from another insurer, the percentage increase shall be calculated based on the initial annual premium paid by the insured when the policy was first purchased from the original insurer.

(g) Contingent benefits are effective when triggered.

(h) The sum of all benefits paid by the insurer while the policy is in premium paying status or while the policy is in paid up status will not exceed the maximum benefits which would be payable if the policy had continued in premium paying status.

(i) The provisions of this section apply to any long term care policy issued in this state on or after the effective date of this regulation.

(Effective September 30, 1994; Amended June 24, 2009)