Sec. 38a-501-20. Requirement to offer inflation protection

(a) 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 for meaningful periodic benefit level increases to account for reasonably anticipated increases in the costs of long-term care services. Insurers shall offer each applicant, at the time of purchase, the option to purchase a policy with an inflation protection feature no less favorable than one of the following:

(1) Increases benefit levels annually in a manner so that the increases are compounded annually at a rate not less than five percent (5%);

(2) Guarantees the insured individual the right to periodically increase benefit levels without providing evidence of insurability or health status so long as the option for the previous period has not been declined. The amount of the additional benefit shall be no less than the difference between the existing policy benefit and that benefit compounded annually at a rate of at least five percent (5%) for the period beginning with the purchase of the existing benefit and extending until the year in which the offer is made; or

(3) Covers a specified percentage of actual or reasonable charges and does not include a maximum specified indemnity amount or limit.

(b) Insurers shall include the following information in or with the outline of coverage:

(1) A graphic comparison of the benefit levels of a policy that increases benefits over the policy period with a policy that does not increase benefits. The graphic comparison shall show benefit levels over at least a twenty (20) year period.

(2) Any expected premium increases or additional premiums to pay for automatic or optional benefit increases.

An insurer may use a reasonable graphic demonstration for the purposes of this disclosure.

(c) Inflation protection benefit increases under a policy which contains such benefits shall continue without regard to an insured's age, claim status or claim history, or the length of time the person has been insured under the policy.

(d) An offer of inflation protection which provides for automatic benefit increases shall include an offer of a premium which the insurer expects to remain constant. Such offer shall disclose in a conspicuous manner the fact that the premium may change in the future unless the premium is guaranteed to remain constant.

(e) Inflation protection as provided in subsection (a) of this section shall be included in a long-term care insurance policy unless the insurer obtains a rejection of inflation protection signed by the policyholder as required in this subsection. The rejection shall be considered part of the application and shall state:

I have reviewed the outline of coverage and the graphs that compare the benefits and premiums of this policy with and without inflation protection. Specifically, I have reviewed Plans_____, and I reject inflation protection.

(Effective September 30, 1994)