

## **11 NCAC 12 .1009 REQUIREMENT TO OFFER INFLATION PROTECTION**

(a) No insurer may offer a policy unless the insurer also offers to the applicant the option to purchase a policy that provides for benefit levels to increase with benefit maximums or reasonable durations that are meaningful to account for reasonably anticipated increases in the costs of long-term care services covered by the policy. Insurers must offer to 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 minimum of 5 percent;
- (2) Guarantees the insured individual the right to periodically increase benefit levels without providing evidence of insurability or health status as 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 the existing policy benefit compounded annually at a rate of at least five percent for the period beginning with the purchase of the existing policy benefit and extending until the year in which the offer is made.
- (3) Covers a specified percentage of actual or reasonable charges and does not include a maximum specified indemnity amount or limit.

(b) Where the policy is issued to a group, the required offer in Paragraph (a) of this Rule shall be made to the group policyholder; except, if the policy is issued to a group defined in G.S. 58-55-20(3)d other than to a continuing care facility, the offering shall be made to each proposed certificate holder.

(c) The offer in Paragraph (a) of this Rule is not required of life insurance policies or riders containing accelerated long-term care benefits.

(d) 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 20-year period.
- (2) any expected premium increases or additional premiums to pay for automatic or optional benefit increases. If premium increases or additional premiums will be based on the attained age of the applicant at the time of the increase, the insurer shall also disclose the magnitude of the potential premiums the applicant would need to pay at ages 75 and 85 for benefit increases. An insurer may use a reasonable hypothetical or a graphic demonstration for the purposes of this disclosure.
- (3) Inflation protection benefit increases under a policy that contains such benefits shall continue throughout the period of coverage without regard to an insured's age, an insured's claim status or claim history, or the length of time an insured has been covered under the policy.
- (4) An offer of inflation protection that provides for automatic benefit increases shall include an offer of a premium that the insurer expects to remain constant. This offer shall disclose in bold faced print that the premium may change in the future unless the premium is guaranteed to remain constant.

(e) Inflation protection provided in this Rule shall be included in a policy unless an insurer obtains a rejection of inflation protection, signed by the applicant, as follows:

- (1) The rejection shall be considered a part of the application by addendum or supplement to the application; and
- (2) The rejection notice 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."

*History Note:* Authority G.S. 58-2-40(1); 58-55-30(a);  
Eff. September 1, 1990;  
Amended Eff. December 1, 1992;  
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. May 1, 2018.