NOTE: The Product Standards Committee is seeking public input on a proposed provision requested by the Management Committee to document the type of provision being requested by the Industry Advisory Committee and filing companies with respect to the issue of “non-duplication of benefits” or “management of benefits”. Please note this draft provision was prepared by the Compact Office at the request of the Product Standards Committee and the Product Standards Committee has not made a decision with respect to whether to bring forward this provision in response to the Management Committee’s request for language or whether to change its original recommendation for no change to the uniform standards.

DRAFT PREPARED BY COMPACT OFFICE FOR
PRODUCT STANDARDS COMMITTEE CONSIDERATION
AND PUBLIC COMMENT

New Provision under § 3 POLICY PROVISIONS of the CORE STANDARDS FOR INDIVIDUAL LONG-TERM CARE INSURANCE POLICIES

OTHER LONG-TERM CARE INSURANCE WITH THIS COMPANY

1. The policy may include a provision addressing payment of benefits when the insured has more than one long-term care insurance policy originally issued by this company or its affiliates that provide reimbursement of actual expenses incurred for the covered services or items.

Drafting Note: This does not include policies that were assumed by company or its affiliates through merger, sale or other transaction. This provision shall not be permitted if the policy provides indemnity coverage for a daily or monthly amount rather than reimbursement of actual expenses incurred.

2. The provision shall include a statement that the benefits payable for allowable expenses under all long-term care reimbursement insurance policies that include such a provision, cover the same insured and were issued by the same or affiliated company shall not exceed the actual expenses incurred for the covered services or items;

3. The method of calculation of benefit payments, including any pro-rata calculation used, shall be stated in the policy. The policy shall specify that at the time of claim, the company shall provide an explanation of the payment of benefits to the insured or claimant who shall have the option to choose the order of payment of benefits under one or more long-term care insurance policy(ies) provided the amount of benefits shall not exceed the actual expenses incurred for the covered services or items.

4. The provision shall state that the insured is not required to use benefits from a life insurance policy or rider or an annuity contract or rider issued by that company that includes long-term care benefits only in the form of an acceleration of the death benefit or cash value before or in lieu of using the benefits available under one or more individual long-term care insurance policy(ies) issued by that company.
5. The provision shall state the insured is not required to use benefits from a long-term care insurance policy that is not tax qualified before or in lieu of using the benefits available under one or more individual long-term care insurance policy(ies) that are tax qualified.

6. The provision shall state that if the amount of benefits is pro-rated among more than one policy as permitted herein, the maximum total amount of benefits payable for the duration of the policy shall not be reduced.

7. The provision shall state that when the benefits payable under a policy have been prorated among more than one policy as permitted herein, the benefit period of the policy shall not limit the company’s obligation to pay the maximum total amount of benefits payable under the policy.

8. The use of the term “coordination of benefits” shall not be acceptable in describing this provision.

9. The provision shall state that the maximum daily benefit and the maximum total amount of benefit under more than one policy that can be subject to pro-ration shall not exceed the highest maximum daily benefit and maximum total amount of benefit that the company is authorizing under a single policy to an insured in the same or similar circumstances on the date the most recent policy subject to management of benefits is issued.

Drafting Note: This provision only applies when an insured has more than one long-term care insurance policy issued by the same company or its affiliates and does not apply to the management or pro-ration of benefits under multiple policies issued to the insured by different companies. The provision is intended to be administered in a manner most beneficial to the insured.

FOR ADDITIONAL CONSIDERATION:

Minnesota Department of Commerce is requesting a provision be added to the Rate Filing Standards for Individual Long-Term Care Insurance Policies (both versions) in Section 2, Additional Submission Requirements for Initial Rate Filings as follows:

When a policy includes a provision for payment of benefits in accordance with Core Standards for Individual Long-Term Care Insurance Policies,§ 3__, Other Long-Term Care Insurance With this Company, the company shall demonstrate that it will charge a reduced premium to an insured that purchases a second or successive policies with the company compared to the premium for the same policy when it is the first policy purchased by the insured with the company for purposes of reflecting the fact that the insured already has other coverage with the same company and that second policy includes a non-duplication of coverage provision.