Company header

Policy number

Policy form

Customer Support Phone #

TAKE ACTION BY [60 DAY DEADLINE]

Consumer address

RE: **Your Long-Term Care Premiums Are Increasing**

 [ABC Company] is committed to ensuring that your long-term care insurance benefits will be available when you need them. We have made the difficult but necessary decision to increase the premium on your long-term care insurance (LTC) policy. You have not been singled out for this increase. It applies to all policies like yours in the state where you purchased your coverage.

We value you as a policyowner and understand that a premium increase may be unsettling. Please know that we are committed to helping you understand your options so that you can make the best decision for you. Please read this letter carefully and in its entirety. It contains important information about your coverage, the benefit options available to you, and the deadline to inform us of your choice.

If you keep your current long-term care benefit, your annual premium will change as shown in the

chart below:

|  |  |
| --- | --- |
| Date | Annual Premium Amount |
| Current | $3,895 |
| [Policy anniversary date] | $4,907 |
| [2nd policy anniversary date] | $6,183 |
| [3rd policy anniversary date] | $6,672 |

**Why is this increase necessary?**

We know this news may be disconcerting, [especially considering increases implemented in prior years]; however, accurate prices allow us to meet our commitments to our policyholders. We continue to see claims costs higher than expected – people are living longer, filing more claims, and staying on claim longer than initially anticipated.

If these trends continue, additional premium increases may be necessary. Your policy is “Guaranteed Renewable.” “Guaranteed renewable” does not mean that premiums are guaranteed to remain the same indefinitely. “Guaranteed renewable” means that the policy will not be canceled (except if you do not pay or commit fraud.)

In accordance with the terms of your policy, we reserve the right to change premiums and it is [possible**<or>**likely] that your premium will increase again in the future. [**<if future increases planned>**We plan to request [at least [150%] in] additional premium increases over the next **[**6-8**]** years.]

**Understanding your LTC policy**

You chose to purchase long term care coverage to give yourself more control over the type of care you may want in the future. Your current benefits are as follows:

**Your Current Long-Term Care Coverage**

|  |  |
| --- | --- |
| Monthly Maximum Benefit | $5,400 |
|  |  |
| \*Monthly Maximum Benefit in five years | $5,910 |
| \*Monthly Maximum Benefit in fifteen years | $6,240 |
| Lifetime Maximum Benefit | UNLIMITED |
| **Benefit Period** | **UNLIMITED** |
| Inflation Protection | Simple 5% |
| Elimination Period | 100 days facility0 days home care |
| [Coinsurance] | [0%] |
| Annual Premium | $3,895 |

\*Assumes the benefits to include the inflation protection is not reduced. The average age of a long-term care claims is 81 years of age. The average cost of care in your region is $XXX per [month/day] for skilled care or $XXX per [month/day] for home care. A claim lasts and average of 2-3 years and could cost $XXX,XXX at the current cost of care in your region.

The elimination period is how long you must cover the cost of your own care before your insurance will pay. The benefit period is how long your benefits will last after the elimination period passes. Your policy has an unlimited benefit period, which means you will have LTC coverage for life after the elimination period passes. The monthly maximum is the amount your most your policy will pay in any month, and the lifetime maximum is the most your policy will pay in your lifetime. Inflation protection shows how your policy value increases over time. The annual premium shows how much you pay each year currently before the rate increase takes effect.

**Understanding your Options**

If you do not want to or cannot pay the increased premium, you have several options available to help manage the impact of the rate increase. On the enclosed chart, you will find reduced benefit options that can lower the amount of your premium increase. You may choose to pay the increased premiums and keep the current terms of your contract. Or you may choose to modify the terms of your policy and reduce the rate increase. You are not required to reduce coverage and change premiums at this time. The option to reduce benefits and modify the premium you pay is available to you at any time.\*

Each policyholder is different. When reviewing options, consider these factors:

* your current age,
* your current health conditions,
* your near-term need for long-term care benefits,
* your financial condition,
* your current marital status,
* potential caregivers,
* and benefit settings (home care, adult day care, assisted living, nursing home)

The chart on the following page shows five options available to you. These are not the only options you can choose. Please consult with a trusted financial advisor, family member, or insurance professional to help you choose the option that is right for you. In our experience, [x%] of policyholders have paid the rate increase. It is the most popular option.

Elimination Periods

[ABC Company] offers elimination period options of 30, 60, and 100 days on policies like yours. This is the period you are on claim, but you must cover 100% of your own claim costs before your insurance will pay. Consider the cost of covering your own long-term care expenses during that period before choosing the highest elimination period. Can you pay for 100 days of care before insurance pays claims?

**Your Unlimited Benefit Period**

You purchased a policy with an unlimited benefit period. This means you may continue to receive your daily maximum benefit for claims throughout your lifetime once your elimination period has been satisfied. This benefit has tremendous value. If paying increased premiums will cause hardship, you may reduce this coverage to 10-year option, 5-year option or 3-year option for greatly reduced premiums. *[If policyholder has lifetime benefit period AND inflation protection add: You may also shorten your benefit period and reduce future inflation growth to lower premiums.*]

We want you to get the most value out of your policy. Contact customer service for more information.

*Note – if there is a lifetime benefit period and inflation protection, both reduced benefit period and reduced inflation protection options should be illustrated, with no other options shown]*

**Cost of Care information**

The median monthly cost of care provided in your area:

In Home Care [xxx]

Assisted Living [xxx]

Nursing Home {xxx]

*Genworth [year] cost of care study*

A recent, publicly available industry study performed by PwC indicated that the average duration of a long-term care event is about three years and that approximately 75%-80% of long-term care events will

cost less than $250,0001. These figures are averages and approximations and your actual experience

may be different. The U.S. Dept. of Health and Human Services also has information on cost of

care at: LongTermCare.gov.

1 *The formal cost of long-term care services: How can society meet a growing need?* The referenced study, initially made available in October 2016, is

based on data for the period 2000-2015 and reports figures in 2016 dollars.

[Note: This information should be updated to as current as possible given that it is now 2020.]

**Limited Benefits with No Further Premium Required**

**All limited benefit options below are a large reduction of your long-term care coverage.**

**<if OLB>You may elect an Optional Limited Benefit.** As a result of this premium increase, we are offering an Optional Limited Benefit. This endorsement allows you to elect a limited paid-up long-term care insurance benefit, which is available up to 120 days after the next Billing Anniversary Date on which your rate increase is effective. This benefit provides a paid-up benefit with total coverage equal to the total premium paid, excluding waived premium, less any claims paid. A policy lapse at any time during the 120-day period following the due date of the increased premium will be deemed an election of this benefit.

**Please note**: This Endorsement will significantly reduce the policy benefits. Please review the Optional Limited Benefit Endorsement for more detailed information prior to making this election.

**<OR>**

**<if NFO Rider on Policy >**

**You may exercise the Non-Forfeiture Rider.** Your policy includes the Non-Forfeiture Rider which you may elect to exercise at any time. This Rider allows you to have a paid-up long-term care insurance benefit as described in the Rider.

**Please note**: This rider will significantly reduce the policy benefit. Please review the Non-Forfeiture Rider in your policy for more detailed information prior to making this election.

**<OR>**

**<if CNF >**

**You may elect a Contingent Non-Forfeiture Benefit.** This rate increase qualifies you to receive a Contingent Non-Forfeiture Benefit which is available up to 120 days after the next Billing Anniversary Date on which your rate increase is effective. This endorsement allows you to reduce your policy benefits, so the required premium payments are not increased and convert your coverage to a paid-up status with a shortened benefit period and reduced benefits plan. A policy lapse at any time during the 120-day period following the due date of the increased premium will be deemed an election of this benefit.

**Please note:** This Endorsement will significantly reduce the policy benefit. Please review the Contingent Non-Forfeiture Benefit Endorsement for more detailed information prior to making this election.

**Your Next Steps**

**The Benefit Election form must be returned to us by [policy anniversary date] if you wish to change your benefits to lower your premiums.**

* Think about why you bought your policy
* Review the option comparison chart to see ways to change your current coverage
* Review the Value Indicator chart to understand the economic value of your options
* Consult with a trusted advisor
* Consider tax consequences of changing benefits [if cash buy out options apply]
* Consider Partnership consequences of changing benefits [if Partnership qualified policy]
* Return the election form to revise your benefits by mm/dd/yyyy
* Pay premium by [policy anniversary date]

**If you pay nothing further, your policy will be automatically converted to a paid-up policy resulting in a large reduction of your long-term care coverage.**

**Contact Information**

Your local Area Agency on Aging (AAA) or Senior Health Insurance Program (SHIP) office may be able to assist you. Consider talking with a financial advisor about your choices, and the tax [and partnership] implications of your choices. We can assist you in answering questions about the choices presented. We may be able to show you additional options. Our customer help center is [phone, web, hours of operation with time zone]. The [State Department of Insurance] [reviewed/approved] this rate increase. If you have questions about this letter, begin by contacting us. You may also contact [consumer services phone] and reference [SERFF tracking number] to confirm the [review/approval].

Other enclosures: Benefit Election Form, FAQ, Illustrations, 10-year rate increase history for similar forms across the USA.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Your Options****Description of change** | **Keep Current Coverage\***Rate increase of 130% over 3 years | **Option 1**Unlimited benefit period changes to a 10-year benefit period | **Option 2**Unlimited benefit period changes to a 5-year benefit period | **Option 3**10-year benefit period and change 5% simple inflation to 3% simple inflation | **Option 4**5-year benefit period and change 5% simple inflation to 3% simple inflation |
| Annual Premium | **$6,672\*** | $5,900 | $5,700 | $5,800 | $5,430 |
| Current Lifetime Maximum Benefit | Unlimited | $XXX,XXX | $XXX,XXX | $XXX,XXX | $XXX,XXX |
| Monthly Maximum Benefit | $5,400 | $5,400 | $5,400 | $5,000 | $5,000 |
| Monthly Maximum Benefit in five years | $5,910 | $XXX,XXX | $XXX,XXX | $XXX,XXX | $XXX,XXX |
| Monthly Maximum Benefit in fifteen years | $6,240 | $XXX,XXX | $XXX,XXX | $XXX,XXX | $XXX,XXX |
|  |  |  |  |  |  |
| Benefit Period | UNLIMITED | **10 years** | **5 years** | **10 years** | **5 years** |
| Inflation Protection | Simple 5% | Simple 5% | Simple 5% | **Simple 3%** | **Simple 3%** |
| Elimination Period | 100 days facility0 days home care | 100 days facility0 days home care | 100 days facility0 days home care | 100 days facility0 days home care | 100 days facility0 days home care |
| [Coinsurance] | [0%] | 0% | 0% | 0% | 0% |
| Option 5Non-Forfeiture |    Pay Nothing More | $90,000 paid up benefitNonforfeiture option |

\*Most Popular Option: [x%] of policyholders have chosen to maintain benefits and pay the rate increase.

**Options to Reduce Inflation Protection**

These illustrations show the impact of changing your inflation protection option. Your daily benefits will grow more slowly in the future.

 **Option 3 and Option 4 both Reduce Inflation Protection from 5% Simple to 3% Simple**

 **\*Based on $150 original daily benefit, 4 year benefit period, and 5% simple Benefit Increase Option.**

**Look at the Value Indicator on this chart.**

The Value Indicator in this chart is a number that shows each option’s economic value. It shows how many dollars, on average, you are expected to receive in benefits for each dollar of annual premium. The actual amount of benefits received will vary by individual. The Value Indicator in this chart does not reflect any possible future rate increases or your financial or personal circumstances.

The value indicator is calculated using the “present value of future benefits” by your annual premium. The “present value of future benefits” is the present-day amount of dollars the insurer is expected to pay in benefits on a policy in the future.

**A higher Value Indicator generally means a greater economic value for you.** Example: A Value Indicator of 16.45 shows a greater economic value than a Value Indicator of 9.1