

## **GUIDELINES FOR INFLATION PROTECTION FOR LONG TERM CARE PARTNERSHIP POLICIES ISSUED IN NEBRASKA**

The Nebraska Department of Insurance is providing this guidance to issuers of Long Term Care Partnership Policies with regard as to what the Department will find acceptable for purposes of inflation protection.

- A policy must offer 5% compound inflation protection to the potential insured. However, the Department of Insurance will permit acceptance of any inflation protection that offers an automatic protection of at least 1% per year through the required attained ages as denoted by the Deficit Reduction Act or an inflation protection mechanism that is tied to the Consumer Price Index (CPI) as published by a governmental source.
- Any inflation protection mechanism within the policy should be automatic and increases should not be contingent on evidence of insurability. If a policy/certificate allows an insured to “opt out” of the inflation protection mechanism, the consequences of such action should be disclosed to the purchaser before the time of sale. If the owner of the policy/certificate does opt out of the aforementioned prior to the relevant attained ages in the Deficit Reduction Act, the policy/certificate holder must be sent a notice at the time of opting out that discloses the loss of partnership status.
- At the time of the point of sale, the potential purchaser must be provided side by side comparisons and/or illustration of expected premium and benefit patterns. Since an offer of 5% compound insurance is mandatory, a 5% inflation protection example must be used in conjunction with all other examples used in the comparison/illustration. Examples must be made available to the Department of Insurance upon request.
- The fact that an inflation protection rider for a non-Partnership Long Term Care policy was previously filed and accepted does not imply that the rider is acceptable for use with a Partnership Long Term Care Policy/Certificate. If the inflation protection does not clearly meet guidelines stated in this communication, it is unlikely to qualify.
- When filing new Long Term Care inflation protection riders, please indicate if your intention is to use it with Partnership Long Term Care policies.
- The Nebraska Department of Insurance will not allow as acceptable any inflation protection mechanism that mandates that an insured affirmatively opts into periodic increased coverage in order to maintain their inflation protection and their qualified partnership status. A future purchase option rider (FPO) or guaranteed purchase option (GPO) rider are not acceptable alternatives for partnership policies.
- A long term care policy, certificate or rider issued on or after July 1, 2006 which has inflation coverage meeting the aforementioned standards would be considered adequate to qualify as a partnership policy providing all other partnership requirements are met.