

11 NCAC 12 .1006 REQUIRED DISCLOSURE PROVISIONS

- (a) **Renewability.** Individual long-term care insurance policies shall contain a renewability provision. This provision shall be prominently displayed, shall appear on the first page of the policy, and shall clearly state that the coverage is guaranteed renewable or noncancellable. This provision does not apply to long-term care policies which are part of or combined with life insurance policies.
- (b) **Premium Rate Changes.** A long-term care insurance policy or certificate, other than one where the insurer does not have the right to change the premium, shall include a statement that premium rates may change.
- (c) **Riders and Endorsements.** Except for riders or endorsements by which the insurer effectuates a request made in writing by the insured under an individual long-term care insurance policy, all riders or endorsements added to an individual long-term care insurance policy after date of issue or at reinstatement or renewal that reduce or eliminate benefits or coverage in the policy shall require signed acceptance by the individual insured. After the date of policy issue, any rider or endorsement which increases benefits or coverage with a concomitant increase in premium during the policy term must be agreed to in writing signed by the insured, except if the increased benefits or coverage are required by law. Where a separate additional premium is charged for benefits provided in connection with riders or endorsements, the premium charge shall be set forth in the policy, rider or endorsement.
- (d) **Payment of Benefits.** A long-term care insurance policy that provides for the payment of benefits based on standards described as "usual and customary," "reasonable and customary" or words of similar import shall include a definition of these terms and an explanation of the terms in its accompanying outline of coverage.
- (e) **Limitations.** If a long-term care insurance policy or certificate contains any limitations with respect to preexisting conditions, the limitations shall appear as a separate paragraph of the policy or certificate and shall be labeled as "Preexisting Condition Limitations."
- (f) **Other Limitations or Conditions on Eligibility for Benefits.** A long-term care insurance policy or certificate containing any limitations or conditions for eligibility other than those prohibited in 11 NCAC 12 .1008 and G.S. 58-55-30 shall set forth a description of the limitations or conditions, including any required number of days of confinement, in a separate paragraph of the policy or certificate and shall label such paragraph "Limitations or Conditions on Eligibility for Benefits."
- (g) **Disclosure of Tax Consequences.** With regard to life insurance policies that provide an accelerated benefit for long-term care, a disclosure statement is required at the time of application for the policy or rider and at the time the accelerated benefit payment request is submitted that receipt of these accelerated benefits may be taxable, and that assistance should be sought from a personal tax advisor. The disclosure statement shall be prominently displayed on the first page of the policy or rider and any other related documents. This Paragraph shall not apply to tax qualified long-term care insurance contracts.
- (h) **Benefit Triggers.** Activities of daily living and cognitive impairment shall be used to measure an insured's need for long term care and shall be described in the policy or certificate in a separate paragraph and shall be labeled "Eligibility for the Payment of Benefits." Any additional benefit triggers shall also be explained in this section. If these triggers differ for different benefits, explanation of the trigger shall accompany each benefit description. If an attending physician or other specified person must certify a certain level of functional dependency in order to be eligible for benefits, this too shall be specified.
- (i) **Tax Qualified.** A qualified long-term care insurance contract shall include a disclosure statement in the policy and in the outline of coverage as contained in 11 NCAC 12 .1015(e) that the policy is intended to be a qualified long-term care insurance contract under Section 7702B(b) of the Internal Revenue Code of 1986, as amended.
- (j) **Tax Non-Qualified.** A nonqualified long-term care insurance contract shall include a disclosure statement in the policy and in the outline of coverage as contained in 11 NCAC 12 .1015(e) that the policy is not intended to be a qualified long-term care insurance contract.

History Note: *Authority G.S. 58-2-40(1); 58-55-30(a);*
 Eff. September 1, 1990;
 Amended Eff. August 1, 2002; December 1, 1992;
 Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. May 1,
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