

### **Accelerated Payment Plans**

An Accelerated Payment Plan is a schedule by which an insured can pay increased premiums for a set number of years and at the end of such time, the policy is paid in full. Typical Accelerated Payment Periods include Single Pay, 5-Year Pay, 10-Pay, 20-Pay and Pay to Age 65 plans.

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### **Benefit Increase Option**

One of the most important considerations should be adding a benefit increase option to your policy. This rider will allow your MDB to increase each year, helping you keep up with future increased costs in care. There are generally 3 options available: Simple Benefit Increase Option, Compound Benefit Increase Option and Guaranteed Purchase Option (GPO).

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### **Cash Benefit Option**

The Cash Benefit Option is an optional rider offered by some companies that provides the insured with a cash benefit in addition to other benefits otherwise available under the policy. The insured would have the ability to use this additional cash at his or her discretion.

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### **Compound Benefit Increase Option**

The Compound Benefit Increase Option provides for an automatic increase of the Daily Benefit on each policy anniversary of an amount equal to 5% of the previous year's Daily Benefit. For example, if you had a \$100 Daily Benefit on your 1st policy anniversary, your benefit would increase to \$105 per day. On the 2nd anniversary it would increase 5% of \$105 to \$110.25 per day. The benefit would continue compounding over the life of the policy. With the Compound Benefit Increase Option your Daily Benefit would double in 15 years.

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### **Full Return of Premium Rider**

This optional rider provides that at the death of the insured, the insurance company will pay to the insured's beneficiary (or estate) a benefit equal to the total premiums paid into the policy regardless of the amount of any claims paid.

Thus if the insured had paid \$20,000 in premiums over the course of the policy and received \$7,500 in benefits before he or she died, under the Full Return of Premium Rider the

insurance company would pay the full \$20,000 to the insured's beneficiary.

See also Return of Premium Rider.

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### **Guaranteed Purchase Option**

The Guaranteed Purchase Option (GPO) provides the insured with periodic opportunities to purchase additional Daily Benefits at attained-age rates. The Purchase Options are considered "Guaranteed" because the insured is not required to go through medical underwriting in order to acquire the daily benefit increase.

The details surrounding the increases may vary from company to company. For instance:

- Frequency of the Increases - The frequency of the daily benefit increases varies but is typically every two, three or four years;
- Amount of the Increases - The amount of the daily benefit increases will also vary; some examples are:
  - increase at 5% compounded per year;
  - increase based on the percentage of the increase on the Consumer Price Index increase over the years since the last daily benefit increase; or
  - increase of a flat dollar amount (i.e. \$20 per day).

Most GPOs give the insured the option to accept or reject the increase. Some policies limit the number of times the insured may reject the increases - for instance, four times. Once the insured has declined four increases, the GPO would terminate and the insured would receive no further benefit purchase options, however the policy would remain in force.

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### **Non-Cancelable Contract**

An insurance contract that cannot be cancelled or the rates changed by the insurance company.

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### **Rate Guarantee**

Most policies in force today reserve the right to increase premiums should the carrier find its experience to be less than expected. This means that if the insurance company experiences more claims than it originally anticipated, the company could file for a rate increase with the state Department of Insurance.

Some companies are offering a Rate Guarantee on their policies. These Rate Guarantees may be included as a policy feature or available as an additional premium option. In either case, the Rate Guarantee assures the insured that his or her premiums will not increase for a set number of years. This does not preclude the insurance company from raising rates after

the insured's Rate Guarantee period has expired.

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### **Return of Premium Rider**

This optional rider provides that at the death of the insured, the insurance company will pay to the insured's beneficiary (or estate) a benefit equal to the total premiums paid into the policy less the amount of any claims paid. Thus if the insured had paid \$20,000 in premiums over the course of the policy and received \$7,500 in benefits before he or she died, under the Return of Premium Rider the insurance company would pay \$12,500 to the insured's beneficiary.

See also Full Return of Premium Rider.

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### **Shared Care Rider**

Different companies use varying versions of the Shared Care Rider. Generally speaking, the Shared Care Rider allows a married couple to access benefits under the same policy or from the spouse's policy provided that:

- Both spouses have identical coverage from the same carrier, and
  - One spouse has exhausted the benefits under his or her own policy.
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### **Shortened Benefit Period Nonforfeiture Option**

This additional premium option provides that if the policy has been in force (typically) for at least three years and then later lapses, coverage will continue in force and benefits available on a reduced basis.

This option varies from company to company but after lapse, the Benefit Amount typically becomes the greater of

- the total of the premiums paid for the policy and all additional options and riders, or
  - 30 times the Daily Benefit amount in effect at the time the policy lapsed.
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### **Simple Benefit Increase Option**

The Simple Benefit Increase Option provides an automatic increase in your Daily Benefit on each policy anniversary. The increase will be 5% of the original Daily Benefit. For example if you had a \$100 Daily Benefit on your 1st policy anniversary, the benefit would increase to \$105 per day. On the 2nd anniversary it would increase to \$110 per day etc. With the Simple Benefit Increase Option, your Daily Benefit would double in 20 years.

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## **Spousal Survivorship Option**

The Spousal Survivorship Option provides that if both spouses are covered under the same policy series, or if they share a policy (for companies who offer the joint coverage option), coverage may become paid-up when one spouse dies.

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## **Step-Rated Benefit Increase Option**

This Benefit Increase Option increases both the insured's benefit amounts and premiums by 5% per year. This means the Step-Rated Benefit Increase Option increases benefit levels at the same pace as a Compound Benefit Increase Option.

However, though the premium at issue is typically considerably less for a Step-Rated Benefit Increase Option LTCI policy than for the same LTCI policy with a Compound Benefit Increase Option, the premium for the Step-Rated policy will eventually surpass the premium for the Compound policy and continue increasing

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## **LTC Definitions - Benefits Riders**

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See also Return of Premium Rider.

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