

**Kansas Administrative Regulations
Agency 40. Insurance Department
Article 4. Accident and Health Insurance**

40-4-37k. (a) Long-term care insurance; minimum loss ratios.

Long-term care insurance policies shall return the following to policyholders in the form of aggregate benefits under the policy:

(1) At least 65 percent of the aggregate amount of premiums earned in the case of group policies; and

(2) at least 60 percent of the aggregate amount of premiums earned in the case of individual policies.

(b) Subsection (a) of this regulation shall not apply to the following policies:

(1) Any long-term care policy or certificate issued in this state on or after January 1, 2003; and

(2) certificates issued on or after January 1, 2003 under group long-term care insurance policy as defined in K.S.A. 40-2227(e), and amendments thereto, if the policy was in force at the time this amended regulation became effective. Subsection (a) of this regulation shall not apply to the policy anniversary following 12 months after January 1, 2003.

(c) Insurers shall determine aggregate benefits returned under the policy on the basis of incurred claims experience and earned premiums for the entire period for which rates are computed, in accordance with accepted actuarial principles and practices.

(d) Long-term care benefits provided through the acceleration of the death benefit under a life insurance policy or annuity, if the payment of the long-term care benefits does not result in the decrease of the total amount of benefits payable under the policy, shall be subject to the following requirements in lieu of subsection (a), (b) or (c) of this regulation:

(1) The separately identifiable charge for the acceleration benefit shall not be excessive and shall meet either of the following criteria:

(A) Be a permanent and guaranteed charge; or

(B) have a guaranteed maximum cost that can never be increased.

(2) At the time of policy form filing, the insurer shall file a cost disclosure illustration with the insurance department.

(A) The cost disclosure illustration shall state separately the charges for the life insurance policy and for the accelerated death benefit provision provided for either in the policy or by rider, and the method of application of those charges.

(B) If the separately identifiable charge is illustrated as a percentage, the value or policy feature against which the percentage is to be applied shall also be disclosed.

(C) The cost disclosure illustration shall clearly state whether the accelerated death benefit provision is offered either as a permanent and guaranteed charge or with a guaranteed maximum cost. In policies offering a guaranteed maximum cost, the exact figure of the guaranteed maximum cost shall be clearly and unambiguously disclosed.

(3) At the time of delivery of the outline of coverage, a cost disclosure illustration identical to or substantially similar to that filed with the insurance department shall be delivered to the prospective applicant for review. The cost disclosure illustration shall include all the information required to be filed with the insurance department as set out in paragraphs (2)(A) and (B) of this subsection.

(4) The provisions of paragraphs (1)(A) and (B) shall not apply to and shall have no effect upon the underlying mortality costs and calculations that make up the basic premium for the life insurance policy itself.

(5) In the case of a single premium life insurance policy or annuity providing long-term care benefits via acceleration of the death benefit, the loss ratio requirements of this regulation shall be satisfied if the following conditions are met:

(A) Long-term care benefits are not separately terminated.

(B) At the time of policy form filing, the insurer files a benefit-to-premium illustration, relating cash values to premiums over a 15-year period of time, that is certified as appropriate by a member of the American academy of actuaries using the following assumptions:

(i) Mortality costs according to the appropriate percentage of the 1975-80 select and ultimate mortality tables as annually determined by the society of actuaries;

(ii) cash values calculated using minimum guaranteed interest and maximum total mortality and morbidity charges;

(iii) minimum reserves; and

(iv) lapses as follows:

1st year	20%
2nd year.....	15%
3rd year	13%
4th year.....	10%
5th year.....	8%
6th year through 14th year.....	7%
15th year.....	100%

The resulting benefit-to-premium ratio shall, in the aggregate, not be less than 75% when based upon an expected distribution of insureds for the age range for which the policy is issued.

(6) At the time of delivery of the single premium life policy or annuity, the insurer shall provide the policyholder with a cost disclosure setting out the year-by-year cash value increases on both a guaranteed and projected basis using current assumptions, for at least 20 years if any, and the total gross premium. The illustration shall including the following, clearly and unambiguously:

(A) A statement that specifies that the long-term care accelerated death benefit is an integral part of the policy or annuity and shall not be separately terminated;

(B) a statement of the maximum total charge for mortality and long-term care accelerated death benefit and the method of application of that charge; and

(C) a statement that the maximum total charge includes a charge for a long-term care accelerated death benefit.

(Authorized by K.S.A. 40-103, K.S.A. 40-2228; implementing K.S.A. 40-2228; effective Jan. 4, 1993; amended Aug. 16, 2002.)