

CalPERS Long-Term Care Insurance Program
For Lifetime Policy with Built-in Inflation Protection
Options Related to Upcoming Premium Increases

Available Options	Benefit Period	Current Daily Benefit Amount	Inflation Protection	Change to Current Premium	Future Premium Increases
Option 1: Accept the 2013 (5%) premium increase with no change to any benefits.	Lifetime	No Change	Keep	5% Increase	2014 (5%) and 2015 (85%)
Option 2: Avoid the 2013 (5%) premium increase by decreasing current Daily Benefit Amount by 5% and keeping current premium the same.	Lifetime	5% Decrease	Keep	No Change	2014 (5%) and 2015 (85%)
Option 3: Avoid the 2013 (5%) premium increase by reducing Lifetime Coverage to a 6-Year Benefit Period and keeping Built-in Inflation Protection.	6-Year*	No Change	Keep	Reduce	2015 (85%)
Option 4: Avoid the 2013 (5%) premium increase by reducing Lifetime Coverage to a 3-Year Benefit Period and keeping Built-in Inflation Protection.	3-Year*	No Change	Keep	Reduce	2015 (85%)
Option 5: Avoid the 2013 (5%) premium increase by reducing Lifetime Coverage to a new 10-Year Benefit Period and dropping your Built-in Inflation Protection, while retaining current Daily Benefit Amount.	10-Year*	No Change**	Drop** (But retain current Daily Benefit Amount)	Reduce	No Premium Increase for 2013, 2014 or 2015
Option 6: Avoid the 2013 (5%) premium increase by reducing Lifetime Coverage to a new 6-Year Benefit Period and dropping your Built-in Inflation Protection, while retaining current Daily Benefit Amount.	6-Year*	No Change**	Drop** (But retain current Daily Benefit Amount)	Reduce	No Premium Increase for 2013, 2014 or 2015
Option 7: Avoid the 2013 (5%) premium increase by reducing Lifetime Coverage to a new 3-Year Benefit Period and dropping Built-in Inflation Protection, while retaining current Daily Benefit Amount.	3-Year*	No Change**	Drop** (But retain current Daily Benefit Amount)	Reduce	No Premium Increase for 2013, 2014 or 2015

***Reducing Comprehensive Lifetime Policy Coverage**

Reducing Lifetime Coverage amount to a 10-Year, 6-Year, or 3-Year Benefit Period will provide a total coverage amount equal to ten years, six years, or three years x 365 days x the current Daily Benefit Amount. For example, a \$257 Daily Benefit Amount will provide coverage up to \$938,050 for a 10-Year Benefit Period (365 days x \$257 x 10 years = \$938,050). The 6-Year Benefit Period will provide up to \$562,830 in total coverage, and the 3-Year Benefit Period will provide up to \$281,415.

The following scenario illustrates premiums for a policy issued 15 years ago. This is an example only and serves to illustrate how monthly premiums for a single policy may change based on a \$257 Daily Benefit Amount. The rates for Lifetime Coverage include the 5 percent premium increases in 2013 and 2014, as well as the 2015 premium increase of approximately 85%.

Illustration of Monthly Premiums				
Plan	Issue Age 40	Issue Age 50	Issue Age 60	Issue Age 70
Lifetime (Option 1)	\$ 262	\$ 420	\$ 652	\$ 1,032
10-Year (Option 5)	\$ 79	\$ 148	\$ 304	\$ 481
6-Year (Option 6)	\$ 54	\$ 87	\$ 166	\$ 481
3-Year (Option 7)	\$ 45	\$ 71	\$ 137	\$ 302

Specific premium amounts for these options will vary depending on policyholder’s age when the policy was issued and other characteristics of the policy.

****Dropping Built-in Inflation Protection and Retaining Current Daily Benefit Amount**

Options 5, 6 and 7 incorporate the concept of retained inflation—the ability to keep the Daily Benefit Amount the policyholder has already accrued and paid for over the years. By dropping Built-in Inflation Protection the policyholder avoids the premium increases, but maintains the current Daily and Monthly Benefit Amounts. For example, if the original \$130 Daily Benefit had Inflation Protection and over time it has increased to \$257, the policyholder will be able to retain the \$257 Daily Benefit and reduce the premium by dropping on-going inflation protection increases.