**Section 2012.120 Reserve Standards**

a) When long-term care benefits are provided through the acceleration of benefits under group or individual life policies or riders to such policies, policy reserves for such benefits shall be determined in accordance with Section 223 of the Code. Claim reserves must also be established when the policy or rider is in claim status (see 50 Ill. Adm. Code 2004.40). Reserves for policies and riders subject to this subsection should be based on the multiple decrement model utilizing all relevant decrements except for voluntary termination rates. Single decrement approximations are acceptable if the calculation produces reserves which differ from the reserves based on the multiple decrement approach by less than 5% for each combination of issue age and duration, or are greater than the reserves based on the multiple decrement approach, or if the reserves for this line of business are less than 5% of the statutory net worth of the company. The calculations may take into account the reduction in life insurance benefits due to the payment of long-term care benefits. However, in no event shall the reserves for the long-term care benefit and life insurance benefit be less than the reserves for the life insurance benefit assuming no long-term care benefit. In the development and calculation of reserves for policies and riders subject to this subsection, due regard shall be given to the applicable policy provisions, marketing methods, administrative procedures and all other considerations which have an impact on projected claim costs, including, but not limited to, the following:

1) Definition of insured events

2) Covered long-term care facilities

3) Existence of home convalescence care coverage

4) Definition of facilities

5) Existence or absence of barriers to eligibility

6) Premium waiver provision

7) Renewability

8) Ability to raise premiums

9) Marketing method

10) Underwriting procedures

11) Claims adjustment procedures

12) Waiting period

13) Maximum benefit

14) Availability of eligible facilities

15) Margins in claim costs

16) Optional nature of benefit

17) Delay in eligibility for benefit

18) Inflation protection provisions

19) Guaranteed insurability option

b) The valuation morbidity table shall be accompanied by a statement declaring it as appropriate as a statutory valuation table by a member of the American Academy of Actuaries.

c) When long-term care benefits are provided other than as in subsection (a), reserves shall be determined in accordance with Section 353a of the Code.

(Source: Amended at 32 Ill. Reg. 7600, effective May 5, 2008)