If an insurance company asks for a rate increase and the Pennsylvania Insurance Department approves an amount lower than requested, does the company then add the amount not approved to premiums at a later date?

No.

If an insurance company chooses to request a subsequent rate increase beyond what was approved by the Department, even if what the Department approved was lower than the increase requested, they would need to submit an entirely new request. This request would have to include justification for the additional increase and new information including historical premium and claims data, as well as, revised projections for future claims. The Department would then determine if a second rate increase is justified.

The Department may also approve a requested increase but spread the increase over multiple years to lessen the impact on consumers.

2020 2030 2040 2050 2060

Who do I call if I have questions about rate increases?

You can always contact your agent or company that sold you the policy. They should be able to discuss options available to you.

You can also contact us for more information about long term care insurance at:

www.insurance.pa.gov

and click

"Long Term Care" under Coverage

Or call the department at 1-877-881-6388

Follow and Like Us!

@PAInsurnaceDept

Facebook.com/ PAInsuranceDepartment

PA pennsylvania

pennsylvania
INSURANCE DEPARTMENT

Insurance Insights

Long-Term Care Rate Increases

Long-term care (LTC) insurance is one option many people choose to provide financial protection if they can no longer perform the most basic functions of daily activity.

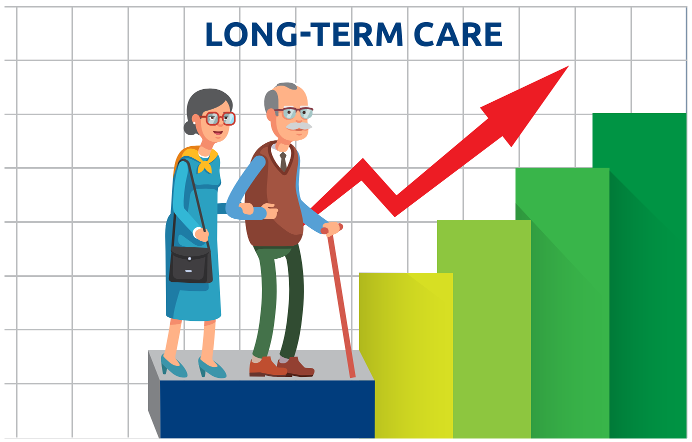
Premiums have been rising in recent years, creating financial hardship for many consumers. In the next few pages you will learn why rates are increasing, why the Pennsylvania Insurance Department would allow rates to increase, and what happens if an insurance company does not collect enough premium to cover claims on a long term basis.

pennsylvania
INSURANCE DEPARTMENT

Why are Long-Term Care insurance rates increasing?

Long-term care insurance is a product that started gaining popularity in the 1980's.

There was no data on claims costs that companies could rely upon to help set the product price. The insurers struggled to price LTC insurance appropriately because they were predicting what long term care expenses would be 20, 30, or even 40 years in the future. The predictions made were not accurate. Far fewer policy holders allowed their policies to lapse than anticipated. People are living longer. More policyholders used benefits than expected and the cost for long term care increased faster than the rate of inflation.



2020 2030 2040 2050 2060

Can the Pennsylvania Insurance Department modify rate increases requested by insurance companies?

The Insurance Department can, and often does, modify or limit the premium increases requested by insurance companies.

We can also block the premium increases altogether. Our challenge is to ensure consumers are treated fairly and not subjected to unreasonable premium increases while also making sure companies receive sufficient premiums to pay claims over time.

What happens if an insurance company does not collect enough premium to cover claims on a long term basis?

If a company doesn't collect sufficient premium to pay future benefits and operating expenses, it will be insolvent.

If the company becomes insolvent, it will be taken over by the Insurance Department of the company's home state. When a company is liquidated the state guaranty associations will continue coverage for policyholders up to applicable statutory coverage limits. Guaranty associations are funded by insurers to cover claims of insolvent companies. In most states the coverage limit for long-term care policies is at least $300,000. Limits are determined by each state.

You must continue to pay any premiums due under your policy to remain eligible for coverage.

When a company becomes insolvent (or unable to pay claims in this case), policyholders may forfeit some of the benefits that they were entitled to under the policy they purchased. The Pennsylvania Insurance Department must weigh the immediate concerns of the policy premium increase while ensuring the Long-Term Care provider remains solvent and able to pay claims when the time comes for a policy holder to make a claim.

2020 2030 2040 2050 2060