Consumer Options When Facing Long Term Care Insurance Rate Increases

In recent years, many long term care insurers have requested and received increases in the premiums consumers pay for many of these policies. These increases, some of which are large – though often not as large as the company requested, have become necessary because of faulty assumptions about the cost of long term care made by insurers many years ago. In some cases, consumers have seen multiple premium increases over a period of years.

The Insurance Department's priority in considering rate requests is consumer impact. However, part of the department's consumer protection effort is to make sure companies are able to pay claims filed by policyholders. Companies must have sufficient revenue to cover the cost of claims to do this.

What Options Do Consumers Have When Faced With A Premium Increase In Their Long Term Care Policy?

Consumers do have options when faced with premium increases for their long term care policies. One option is to discuss with their insurers ways to hold down or eliminate a premium increase, through reducing benefits of the long term care policy. Consumers should ask whether their insurer will reduce or eliminate a proposed premium increase if the consumer agrees to such changes as eliminating or reducing an inflation adjustment on the policy, increasing the number of days the policyholder pays for care before then insurance policy kicks in, or limiting the length of care for which the policy will pay. Consumers should make sure they understand any benefit changes, and that their policy will continue to provide the level of protection they may need in the future.

Some Consumers Have Options Even If They Stop Paying Premiums And Let Their Policy Lapse

For all policies sold in Pennsylvania **beginning in September 2002**, consumers have the **option** to purchase a **nonforfeiture rider** with their policy. If the consumer cancels the policy or loses coverage, a nonforfeiture benefit guarantees payment of some benefits. Generally, a nonforfeiture benefit will pay up to the total amount of all premiums paid, or 30 times the daily nursing home benefit at the time the policy lapsed—whichever is greater.

If the policyholder chooses not to purchase the nonforfeiture rider, the insurer must provide a **contingent benefit upon lapse,** if the insurer implements a **substantial premium increase** and the policyholder stops paying premiums, and allows the coverage to lapse, within 120 days of the increase. Like the nonforfeiture benefit, the contingent benefit upon lapse will pay up to the total amount of all premiums paid, or 30 times the daily nursing home benefit at the time the policy lapsed—whichever is greater.

The difference in the two benefits is that a policyholder is only eligible for the contingent benefit if the insurer implements a substantial rate increase, whereas the nonforfeiture rider provides coverage regardless of the reason that the policyholder lapses.

What Is A Substantial Premium Increase

The amount of premium increase required to constitute a **substantial premium increase** for purposes of the contingent benefit upon lapse varies by the age of the policyholder at the time the policy is purchased. Here is the table that determines what constitutes a substantial premium increase. One other key point: if more than one premium increase is applied to a long term care policy, the increases are considered **cumulatively, or one on top of the other**, to determine whether the total premium increase has reached the "substantial increase" threshold.

"Substantial Increase" Table

Issue Age	Percent Increase Over Initial Premium
29 and under	200%
30-34	190%
35-39	170%
40-44	150%
45-49	130%
50-54	110%
55-59	90%
60	70%
61	66%
62	62%
63	58%
64	54%
65	50%
66	48%
67	46%
68	44%
69	42%
70	40%
71	38%

Issue Age	Percent Increase Over Initial Premium
72	36%
73	34%
74	32%
75	30%
76	28%
77	26%
78	24%
79	22%
80	20%
81	19%
82	18%
83	17%
84	16%
85	15%
86	14%
87	13%
88	12%
89	11%
90 and over	10%