

Long-Term Care Insurance Rate FAQs

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 previous product in the market that provided the benefits offered by Long-Term Care policies. There was also no data on claims costs that companies could rely upon to help set the product price. So insurers had to base the price of the product on predictions of what long term care expenses would cost 20, 30, or even 40 years later. This resulted in a product insurers have struggled to price appropriately. Insurers across the country have been raising rates over the past several years to address the fact that key assumptions used to price their product initially have turned out to be incorrect. Some examples are as follows:

- Far fewer policyholders have allowed their policies to lapse than anticipated.
- People are living longer and using more services than expected.
- Claim costs are higher than anticipated because more policyholders are using benefits than expected and the cost for long term care is rising faster than the rate of inflation.

Why would the Pennsylvania Insurance Department approve rate increases?

The Department of Insurance 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 may become insolvent and be liquidated. If the company is liquidated it will be taken over by the Insurance Department of the domiciliary state. In liquidation the state guaranty associations will continue coverage for policyholders up to applicable statutory coverage limits. In most states the coverage limit for long term care policies is at least \$300,000. Limits are determined by each state. The determination of which guaranty association will provide coverage will depend on several factors including your state of residency, where the insurance company was licensed and whether statutory coverage exclusions or limitations apply. In the event your company is liquidated, you must continue to pay the premiums due under your policy to remain eligible for state guaranty association 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 increases while ensuring the Long-Term Care provider remains solvent and able to pay claims when the time comes for a policyholder to make a claim.

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 our Consumer Services at (877)881-6388 or visit online www.insurance.pa.gov.