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The future of long-term insurance

Long term care insurance has been in the news lately, and the news has not been good. Elder Law FAX (www.elderlaweducation.com/blog) and Elder Law Answers (www.elderlawanswers.com) both reported recently about long term insurance carriers who either have decided to stop selling policies, or who are seeking sharp increases in premiums. The fate of long term care insurance is in doubt.

Last month, Prudential Group Insurance Company announced that they would no longer offer individual policies for sale. Malcolm Cheung, vice president, Long Term Care, Prudential Group Insurance stated that the "The decision to exit the individual long term care business reflects the challenging economics of the individual market and our desire to focus our resources and capital on the group market where we see the greatest opportunity." Tim Takacs of Elder Law FAX says another way to say the same thing is "After 25 years, we can't make a profit selling policies one at a time, so we are getting out." All existing policies will still be honored per the company spokesperson. According a story in *USA Today,* in the past five years, 10 of the top 20 long-term care insurance companies have exited the market for individual policies, in favor of just selling group long term care insurance policies.

John Hancock Insurance Company has not announced plans to exit the market, but has started the process of seeking sharp increases for certain types of coverage. The Chicago *Sun-Times* reported that an Illinois couple on a fixed income were told that their current premium on their John Hancock Long Term Care insurance would increase from $3,893.40 annually to $7,385.52, an effective 90 percent increase. Minnesotans, per the Minneapolis *Star-Tribune*, face 20 to 90 percent increases. It will be a long process for John Hancock to reach every state, since rate increases must be approved by the state department of insurance. Despite this, nearly every state approves some rate increases, and approval is likely to come easier if the insurance company can demonstrate that they would lose money but for the rate increase.

Hancock's Vice President of Corporate Communications, Roy Anderson, spoke with Elder Law Answers. He stated that the long term care industry is still young, and now they are seeing actual usage. The company needs to increase premiums to be able to meet future claim obligations. Anderson suggested that policy holders "trim" their benefit packages, for instance by reducing the benefit from lifetime to five years, and reducing future inflation rates on their daily benefit, thus keeping benefits already accrued. He also noted that "even with the increase the resulting premiums for all policyholders will be less than what the customers would pay for a new policy today adjusted for benefit differences."

This news about John Hancock insurance does not bode well for governments that are trying to convince consumers to finance their own long term care protection. Minnesota Commerce Commissioner Michael Rothman told the *Star-Tribune*, "Government will not be able to keep up as the population ages, but it's hard to convince someone to buy insurance now if they worry they might not be able to afford it in the future."