

LTC Premium Increases

What is the history?

Long-term care (LTC) insurance has been around since the 1980s. When those plans were originally priced, there was no specific experience, so general population and nursing home studies were used to set premium rates. The majority of LTC consumers in the 1980s were 50- to 60-year-olds. It takes decades before enough significant claims experience data is accumulated to study claim cost trends.

People are living longer and with more illnesses requiring care than ever before. This has resulted in much higher claims being paid than originally expected.

LTC policies (the contract signed with the company) state that rates can be raised and must be adequate to pay for future benefits.

Regulators have few options other than to approve rate increase requests after a deliberate actuarial review process. Keeping long-term care plans solvent and able to pay future claims is the best-case scenario that protects all consumers.

LTC Insurance Today

Since 2010, the need for premium rate increases to match the cost of benefits has reached a tipping point. Carriers are seeing significantly higher numbers of expensive claims piling up. As a result, they made repeated requests to raise premiums that had long been stable for many years. The problem compounded when the number of carriers offering LTC plans shrunk from more than 100 companies to about six. Most insurers realized their ability to be profitable with LTC was not realistic.

With almost every increase, the claims experience demonstrated that current premiums would not cover future benefit payments. Adequate premiums must be collected by insurers to maintain the ability to meet future obligations under the policy when claims come due.



LTC Insurance Tomorrow

The current state of LTC insurance is of national concern. The National Association of Insurance Commissioners (NAIC) includes all state commissioners and policy experts who collectively work to protect consumers. The NAIC has formed an executive task force to review all possible solutions to large LTC rate increases, premium inequity among states, and other concerns.

NAIC workgroups are in place to address national issues such as perceived state-by-state inequities and reduced benefit options, to make sure that the consumer language describing these options is understandable. The NAIC LTC Insurance (EX) Task Force has additional information online at: [https:// content.naic.org/cmte_ex_ltc_tf.htm](https://content.naic.org/cmte_ex_ltc_tf.htm).

The Department will continue to work with the NAIC to address the issues that affect consumers in the LTC market.

Why Can't Insurers Pay For LTC Shortfalls and Not Raise Premiums?

Insurers are required to set aside a portion of each premium payment in reserve accounts to help pay future claims. The reserve accounts act like savings accounts.

LTC plans are guaranteed renewable for life and must remain viable to pay claims for years to come. Net premiums and reserve accounts must be sufficient to cover all estimated future claims.

However, when current net premiums and reserve accounts are insufficient to pay estimated future claims, rate increases are necessary in order to increase reserves and maintain company solvency.

While some large carriers have the ability to subsidize LTC reserve accounts by transferring funds from their other lines of business to pay future claims, some carriers only sell LTC insurance and therefore only have the option to request premiums rate increases in order to satisfy state law and remain solvent.



LTC Premium Increases

Why can't rate increases just stop?

If a company is not allowed to offset its rising costs with increased premiums, it risks going insolvent. A company insolvency hurts all policyholders. Even a temporary moratorium on rate increases may not provide the company with enough revenue to pay future claims.

In order to protect all consumers, the Department works to balance the needs of both the carrier and the policyholder.

What are my options?

You need to speak to your financial advisor on what is the best option for you personally.

Who can help?

Your LTC policy is a contract with your insurer. For questions on your policy, contact your agent or your carrier.

If you have further questions, contact the Consumer Affairs Division by email at insurance@ct.gov.

www.ct.gov/cid

The Connecticut Insurance Department

About Us

The Department's mission is consumer protection. The Department carries out its mission by enforcing state insurance laws to ensure policyholders are treated fairly, by providing assistance, outreach and education to help consumers make sound choices and by regulating the insurance industry.

Contact Us

CONNECTICUT
INSURANCE DEPARTMENT
Consumer Affairs Division
153 Market St
P.O. Box 816
Hartford, CT 06142-0816

Direct: 860-297-3900

Toll-free: 800-203-3447

Email: insurance@ct.gov

Web: www.ct.gov/cid



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Connecticut Insurance Department

YOUR LONG TERM CARE POLICY

Why do my premiums keep going up?



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