

Eye on elder issues

EYE on ELDER ISSUES
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It's Time to Revamp Long-Term Care Insurance Underwriting

Insurance underwriting is critical for helping insurance companies evaluate risks of loss from policyholders, determine premium rates and write appropriate policies. Insurance companies rely on the risk calculations generated by underwriters so they can strike the right balance of attracting and keeping policyholders, while avoiding excessive claims. While underwriters typically make decisions based on financial and statistical data, it may be time to take a closer look at how the risks are evaluated in the case of long-term care insurance.

A typical 2002 long-term care policy with inflation protection added would cost a 50-year-old \$1,134, while a 65-year-old would pay \$2,346 and a 79-year-old would fork out \$7,572.

Source: America's Health Insurance Plans



The National Academy of Elder Law Attorneys (**NAELA**) believes that **underwriters for the long-term care insurance industry should be encouraged to reexamine the financial and statistical data** in order to better understand the true dynamics of what is happening with older Americans and long-term care. Elder law attorneys could provide excellent insight for underwriters based on experiences with their older clients.

On numerous occasions, NAELA members have met with government and long-term care insurance industry leaders to discuss a number of subjects, including the underwriting processes. NAELA members have an innate sense of their clients' needs, cycles, and the probabilities of care, as well as the length of time many clients spend in nursing homes. A visit to any nursing home in the United States reveals that women often reside in nursing homes much longer than men. **According to the Center for Medicare & Medicaid Services (CMS) Nursing Home Data Compendium 2000, there were 2.9 million people living in nursing homes over the course of the year and 70 percent of those residents were female.** Our collective experience leads us to believe that the underwriting criteria utilized by the long-term care insurance industry negatively affects the industry's profitability and reduces the number of viable purchasers.

For example, a male client, age seventy-one (71), with high blood pressure and a history of heart problems, will probably be denied long-term care insurance because of his physical ailments. These are the sort of ailments that justifiably limit his ability to purchase disability insurance, health care insurance or life insurance. However, the likelihood of this gentleman spending any significant time in a long-term nursing home facility is relatively slim. It is more likely that he will die of a heart attack,

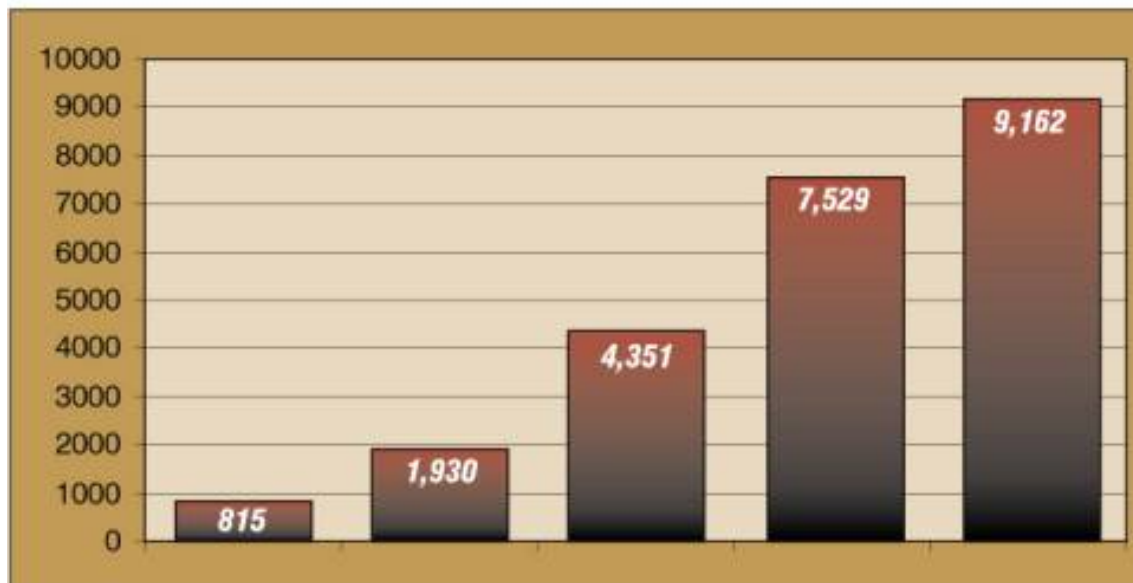
According to a 2006 Metlife Mature Market Institute report, the average cost for one year's stay in a nursing

either before entering into a nursing home or shortly thereafter. On the other hand, a male client in superb health may, subsequent to buying the long-term care insurance, be diagnosed with dementia or Alzheimer's, requiring a long-term stay in a nursing home.

In conclusion, the industry should consider offering long-term care insurance to those who fail the insurance standards for a life insurance or a disability-type policy. If the industry polled its agents and posed this same question, **agents would likely agree that the underwriting standards are in serious need of reform.**

average cost for one year's stay in a nursing home is **\$75,190**. With costs rising annually, experts say that figure could **triple** over the next 20 years.

Long-Term Care Insurance Policies Sold, 1987-2002



Source: AHIP LTC Insurance Market Surveys

Extending long-term care insurance to those who report physical limitations which would significantly shorten their life expectancy would allow families to insure against this risk, and could also allow the industry to increase its pool of viable purchasers. While NAELA recognizes the expertise within the long-term care industry to create the appropriate underwriting criteria, we believe that the industry should re-examine its underwriting criteria for the mutual benefit of our clients and the industry.



For more information about elder law attorneys and the National Academy of Elder Law Attorneys, visit <http://www.naela.org>. Established in 1987, NAELA provides a resource of information, education, networking and assistance to those who deal with the many specialized issues involved with legal services to seniors and people with special needs.

Note to Our Readers: This e-newsletter, *Eye on Elder Issues*, is presented as a public service by the National Academy of Elder Law Attorneys (NAELA). We are pleased to send you this issue and welcome your comments. You can expect to receive this newsletter monthly as NAELA explores, reports and provides insight on timely topics affecting our nation's seniors and their families. In addition, the growing population of Baby Boomers is addressing issues for themselves and their families that are new and unique. This publication is intended to explore those issues from all sides and to educate consumers, aging network professionals, law makers, and

members of the media.

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