



Long Term Care University

Long Term Care University – Question of the Month

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Q: I am a 52 year old woman. Since my next birthday is six months away, does it make sense to wait until just before my birthday to apply for long term care insurance?

The Problem – Gender Based Long Term Care Insurance Pricing

As President Thomas Jefferson said, “Never put off tomorrow what you can do today”. The longer you delay purchasing a policy, the higher the risk of your health deteriorating. That deterioration could preclude you from obtaining a preferred health discount or make you uninsurable. The longer you delay, the higher the risk of the insurance company raising its rates for all new applicants. And for the first time in the 40 year history of the industry it will mean higher rates for female applicants. (Note: Gender based pricing is prohibited in Colorado and Montana.) Since these risks are cumulative, waiting six months could translate into paying 40%-80% more for the same benefits. **Gender based pricing is expected to be introduced in April 2013, with female applicants expected to pay up to 40% higher prices than male applicants for the same level of coverage.**

Rationale for Gender Based Pricing. The long term care insurance industry is approximately 40 years old. When the companies began issuing policies they did not have the claims experience to accurately set pricing. With each passing decade, they have gathered critical claims data, including: gender, duration, location of care and catalysts for care.

There are no two ways about, women live longer than men and are more likely to need long term care than men. **One of the oldest and largest companies recently indicated that 71% of their claims dollars have been paid to female claimants.** While their average age of claimant was 79, married women tended to claim at an earlier age than single women and men. By age 75, 7 in 10 women do not have a partner or spouse. That means they don't have a partner or spouse to help them with their long term care when the need is likely to occur.

The Solution – Never Put Off Tomorrow What You Can Do Today

The next two months present a small window for female applicants to gain access to today's low rates. If an insurance company receives an application before introducing gender based pricing is implemented, the applicant's pricing will not be affected by the change – even if the policy is issued after the change.

Outsmarting Long Term Care Insurance Companies. When each spouse of a married couple purchases a long term care insurance policy, different insurance companies apply couples discounts of 20%-40% on each policy. Based on the age of each spouse the dollar amount of the discount may be greater than the cost of the second policy – meaning the insurance essentially pays you to buy a second policy.

For example, it costs \$2,563 for a healthy 58 year-old to buy \$200 per day of coverage, for three years of care, with 5% compound inflation protection. Yet, it costs a combined \$2,258 for two policies when the healthy 42 year-old spouse purchases a policy with the same benefits. The insurance company essentially pays the couple \$305 (\$2,563 - \$2,258) when they purchase a second policy.

Action Step – Get Quotations from Numerous Long Term Care Insurance Companies

Some companies do not accept certain height and weight combinations, while others do not accept certain health conditions. Pricing for the same level of coverage can vary greatly between companies, with some companies charging over 100% more than others. Work with an independent insurance agent that can provide quotations from numerous companies.

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