



# Long Term Care University

## Long Term Care University – Question of the Month

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Q: We read the February 15, 2013 Long Term Care University article on gender based pricing. Are there any other significant changes expected to occur imminently in the Long Term Care Insurance industry?

### **The Problem – Stricter Underwriting**

Most Long Term Care (LTC) insurance policies are issued as guarantee renewable. This means an insurance company cannot cancel or not renew your coverage because of a change in your health or age. As long as premiums are paid (by you, family members, your employer, etc.) and benefits have not been exhausted, coverage will continue. **Knowing they cannot drop you in the future, insurance companies have been gradually becoming stricter with their underwriting – until now.**

One of the largest companies recently adjusted its height/weight requirements. A five foot, 10 inch male could have weighed over 15% more under the companies old requirements (than the new requirements) and still received a top health rating and 10% good health discount. The company also reduced its maximum acceptable weights across all heights for both males and females.

**Beginning in April 2013, another one of the largest companies will implement stricter underwriting.** Specifically, it will: reduce its maximum issue age from 79 to 75, introduce blood and urine samples with each application and require strict height/weight requirements to receive a top health rating and top health discount. Before these changes almost 50% of applicants were receiving its top health rating and discount. After these changes less than 20% of applicants are expected to receive its top health rating and discount.

**Rationale for Stricter Underwriting.** The LTC industry is approximately 40 years old. With each passing decade, they have gathered critical experience needed to better underwrite applicants. LTC insurance companies will soon be implementing many of the same underwriting techniques life insurance companies have successfully utilized for decades. Note: this does not mean the LTC companies are loosening their already strict cognitive underwriting standards.

An estimated 30% of all long term care claims are caused by cognitive impairment, followed by: circulatory problems (9%), stroke (8%), arthritis (8%) and injury (8%). Since the companies cannot drop your coverage they are focusing their underwriting on your medical history in the categories identified above.

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

The next month presents a small window for applicants that may be soon be considerable uninsurable or who may be pushed down to lower health ratings to gain access to today's low rates. If an insurance company receives an application before introducing stricter underwriting standards are 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.** Although it is not really outsmarting the insurance companies, following your doctor's orders can be good for your health and your wealth. Losing that extra 10 pounds or taking that blood pressure medication could improve your health and save you money in the form of lower LTC insurance premiums for the rest of your life.

### **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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