Long Term Care University

Long Term Care University – Question of the Month

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Q: Our automobile insurance company raised our rates after our first fender bender and our homeowners insurance company will not renew our policy after two small claims. Can our Long Term Care Insurance company increase our rates or not renew our policy because we filed a claim or multiple claims?

The Problem – Premium Increases and Cancellations Due to Claims
Both automobile and homeowners insurance companies closely examine your claims history when they set your premium. Then, they monitor how risky you are. File too many claims, even if you are not at fault, and the company will likely raise your rates or drop your coverage entirely. **The April 26, 2015 New York Times article titled, "Spurned by an Insurer After Filing Small Claims", described how a large insurance company told one of its policyholders their homeowners insurance would not be renewed because they had two small claims in the span of two years.**

One never knows when they will need long term care. Whether it's a sudden stroke, a fractured hip due to a fall, debilitating arthritis or a cognitive disorder, the need for care can happen at any time or any age. And when it happens, you want to be sure you can rely on your policy.

The Solution – Guaranteed Renewable Long Term Care Insurance
With a guaranteed renewable Long Term Care Insurance policy:

1. An insurance company cannot cancel or fail to renew coverage because of a change in a person's health or age.
2. As long as premiums are paid and benefits have not been exhausted, coverage will continue.
3. Premiums may be changed for a class or classes of enrollees only.

Fortunately, tax qualified policies must be guaranteed renewable. Tax qualified policies pay tax free benefits and allow the payer to use tax free dollars from a Health Savings Account (HSA) or deduct the premiums on their tax return. Premiums deductions are subject to your age and income.

Example of Two Claims in Three Years. Imagine if you bought a guaranteed renewable Long Term Care Insurance policy that was designed to cover a minimum of five years of care. After only six months, you had an accident that required one year of care. Fortunately, you recover. But, just two years later, you have a stroke that requires two years of home care, physical therapy and speech therapy. Fortunately, you recover again. Even if the insurance company wants to raise your rates or nor renew your policy because you are more likely to file a third or fourth claim, they cannot. Unlike an automobile or homeowners insurance company, the long term care insurance company cannot raise your rates or not renew your policy based on your own high rate of claims.

Action Step – Purchase a Guaranteed Renewable Long Term Care Insurance Policy
When you purchase a tax qualified, guaranteed renewable Long Term Care Insurance policy you gain a policy with strong tax benefits and confidence that the Long Term Care Insurance company cannot raise your rates or not renew your policy based on your own claims.

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