

Go Long?

We all want to be well cared for and comfortable in our old age without being a financial burden to our loved ones. Long Term Care insurance can make those wishes come true. But...if you have a LTC insurance policy or are thinking about buying one, you may already know the problem with LTC premiums: They're pricey. And getting pricier. But so are the costs of nursing home and in-home care; costs that have wiped out many a family's assets.

Buying this type of insurance is still a wise investment for those who can afford it. But current LTC policyholders are in a bind. Steep premium increases are forcing a tough choice: Drop it and get no protection in return for all the money they've paid, or hang in there and suffer the increases. There's one more option that's becoming more common: a "non-forfeiture" option that allows the consumer to recoup premiums paid in return for letting the policy lapse.

LTC premiums are increasing because insurers underestimated how long their customers would need care and how much that care would cost. Insurers want to earn profits selling this type of coverage and the premiums they charge (plus income on their investments that supplements those premiums) must be enough to cover claims. Because they overestimated their investment income and the number of people would let their policies lapse before making a claim, insurers are now substantially raising rates. Regulators are grappling with the situation.

Options for existing LTC policyholders:

- Grit your teeth and keep paying the premiums
- Adjust the policy to reduce the premium:
 - Reduce the daily benefit amount
 - Increase the waiting period
 - Shorten the benefit period
 - Change the inflation rider
[e.g. go from compound to simple or reduce inflation percentage from 5% to 4%]

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- Change/remove other rider
- If your policy has a non-forfeiture benefit that allows for a “paid-up reduced benefit”, consider this option. You’ll get at least some value for the premiums you’ve paid, but remember: Once you accept the option the policy will not be reinstated. Some States are now requiring that all new policies include this feature. It’s relatively rare in older policies. UP believes every state should mandate that LTC policies contain a non-forfeiture benefit.
- Drop the policy.

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