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Local couple fight for their long-term-care insurance.

Edwin Goldstein who has been with his long-term-care insurer since 1993 is being asked to reapply because of an alleged missed payment. Goldstein has turned to attorneys, his congressman, and state officials for help.

At 83, and eight months after a small stroke that affected his balance and eyesight, Edwin Goldstein is feeling pretty positive about life. He drives his car, hits the gym, and even hopes to return to the tennis courts in Florida, where he and his wife, Grace, escape for part of the year from their Penn Valley home. But Ed Goldstein is unhappy about one thing: Six months ago, CNA canceled the couple's long-term-care insurance policies for nonpayment. And Goldstein, a semiretired businessman, is convinced the company did them wrong.

With about \$63,000 in premiums seemingly down the drain, Goldstein is suddenly worried that an extended illness or infirmity could rob his family of all the resources he's spent a lifetime building, and put a burden on his three children and their families.

That's why people buy long-term-care policies – to give themselves and their loved ones peace of mind and to protect their resources if they're unlucky enough to need costly care in the final stages of life.

The truly wealthy can self-insure – if you have billions of dollars, or even a measly few million, it's no sweat to spend \$50,000 or \$100,000 a year on care in a nursing home or assisted-living facility. At the other end of the spectrum, the poor can at least count on Medicaid to pay for nursing-home care – as can middle-class people who have exhausted all their assets.

The Goldsteins didn't want to take that risk. So in 1993, when Ed was still active at ARC Water Treatment Co., the family business he had run for the previous three decades, he bought long-term-care policies for himself and Grace.

Bills were paid dutifully each quarter by the company, where he still serves as board chairman, as an employment perk. But in the spring, something went seriously awry.

Three missing bills?

Citing privacy reasons, a CNA spokeswoman declined to discuss details of the dispute, but the insurer has

made its position clear to Goldstein and to the Pennsylvania Insurance Department.

CNA contends that Goldstein somehow ignored three mailings: a quarterly bill in February; a reminder notice in March, and a late-payment offer in April – all sent to his company address.

Only in May did CNA apparently manage to contact him directly at his Montgomery County home – and that was to invite him to apply for reinstatement.

“When they got around to canceling, they definitely found out where I was,” Goldstein says with a laugh.

But the offer came with a huge catch: CNA sent detailed medical-history forms, along with releases to sign so that it could contact the couple’s doctors – in essence, treating them as new applicants.

Even before Goldstein went online and found a complaint about another lapsed policyholder denied reinstatement because of his medical condition, he realized the risk. At his age, he’d face prohibitively expensive premiums – 10 times as large, or higher – if CNA offered any coverage at all.

So Goldstein decided he’d rather fight, and he turned everywhere he could imagine for help, including attorneys, his congressman, and state insurance officials.

‘A very bleak picture’

His pleas may be working. Last month, Deputy Insurance Commissioner Ronald A. Gallagher sent a letter asking CNA to reconsider its cancellation, saying he was disappointed the company took that step “due to a one time missed payment.”

“The cancellation action of your company, while not in violation of insurance laws, does paint a very bleak picture about your customer focus,” Gallagher wrote.

Goldstein welcomes the assistance – which may or may not pay off – but says he has broader concerns.

“I’m a savvy guy – I’m a businessman,” he says. “I know what I have to do to fight back. But how many older people who get this kind of letter of cancellation just throw their hands up?”

Goldstein also knows about the challenging economics of long-term-care insurance – a market rocked in recent years by steep premium increases. This year alone, at least five Pennsylvania carriers have sought premium increases ranging from 14 percent to 45 percent – the largest a proposal by the same CNA company, Continental Casualty, that wrote the Goldsteins’ lapsed policies.

Nancy Morith, an insurance broker and consultant who specializes in long-term care and has seen recent increases as high as 90 percent, says the carriers’ biggest problem was a miscalculation of so-called lapse rates – the likelihood that some fraction of policyholders, because of budget constraints or other reasons, would willingly abandon coverage after years of paying.

“People really value the coverage,” she says. “They did not drop it, they are not dropping it, and even with the sizable rate increases, they are not volunteering to change the policy structure” – a common pitch from carriers who encourage policyholders to shift away, say, from unlimited “Cadillac” coverage to

a policy that will only provide a couple of years' care.

Companies' stressed finances fuel suspicions such as Goldstein's that something beyond a simple error is at issue – especially when a company could, say, pick up the phone and ask where its money is.

"This is a gigantic penalty to assess on somebody for missing a payment – assuming they actually did get the notice and it somehow got lost in the shuffle," says Amy Bach, executive director of United Policyholders, an education and advocacy group.

Ironically, one protection against inadvertent lapses – a policyholder's ability to designate a third party, such as a child, to receive backup notices – didn't seem to help here.

Spokeswoman Katrina Parker says CNA has offered the option on every bill "since at least 2002" – including, presumably, on the ones it claims just vanished into the ozone, a wastebasket, or a shredder at Goldstein's office. With his company paying the bills, apparently no one noticed.

In recent years, stricter state regulations have required new policyholders to either designate such a backup or sign a waiver saying they don't want one. But back in 1993, Goldstein says, the question never came up.

If nothing else, his case shows why it matters.