



California Department of Insurance

Steve Poizner, Insurance Commissioner

June 14, 2010 SA06-10

SENIOR ADVISORY

Long-Term Care insurance rate increases

This advisory was prepared by the California Department of Insurance to provide useful information when faced with premium increases in your long-term care insurance (LTCI) policy.

While the Department of Insurance has some authority to regulate rate increases in LTCI policies, these policies can experience rate increases over the years.

The following information and tips can help you avoid being "priced-out" of your LTCI policy:

1. **Make an informed choice:** When initially considering the purchase of a long-term care insurance policy, you must be given a summary of the terms of the policy that you can use to compare different policies. By law, every long-term care insurer and insurance agent must treat senior consumers honestly and fairly. No excessive insurance or inappropriate replacement policies may be sold. High pressure tactics are forbidden.
2. **Review the history of rate increases:** When you purchase long-term care insurance, you must be given a Personal Worksheet that will provide information on the company's history of rate increases. You may also find information on rate increases for a particular company at the Department of Insurance website www.insurance.ca.gov (click on the Seniors Information Center to find the Long-Term Care Insurance section).
3. Prior to the effective date of a rate increase, the insurance company will send you a letter that describes various options available to you. Rather than allowing your policy to lapse, consider the following two options which may be available:
 - a. **Consider reducing benefits:** If you find that you cannot afford to continue paying the increased premiums for the coverage you bought, you have the right to reduce your benefits in return for a lower premium. Companies must, at a minimum, let you reduce the daily benefit or change the number of years the company will pay benefits, thereby reducing the premium to an amount that is more affordable.
 - b. **Consider non-forfeiture benefits:** Non-forfeiture benefit provisions allow you to retain benefits equal to the amount of premium you have already paid. While the amount of premium paid might only pay for a small amount of care, even that can be helpful.
4. **Consider the tax consequences:** Some long-term care policies are "tax qualified" which means that some or all of the premiums paid for the policy may be tax deductible. If you are considering allowing your tax qualified long-term care policy to lapse, consult with your financial or tax advisor to discuss any resulting tax implications.
5. **Know that you have rights!** Contact the California Department of Insurance if you have any questions about a long-term care policy rate increase. Call our toll free telephone number **1-800-927-HELP (4357)** or visit our website at www.insurance.ca.gov (click on "Consumers" and scroll down to "Talk to us").
6. **Call for assistance:** HICAP, the Health Insurance Counseling and Advocacy Program sponsored by the Department of Aging, provides free counseling on long-term care insurance. Call **1-800-434-0222** to find the local project in your community.