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## Long-term care insurance not as popular as hoped

An article in *The New York Times* (<http://bucks.blogs.nytimes.com>) in November announced that MetLife planned to discontinue the sale of new long term care insurance policies as of December 31, 2010. MetLife was just one more major company to discontinue or limit sales of long term insurance over the last few years. Although aging advocates still encourage the use of long term care insurance in planning, several commentators have written their opinions as to why long term care insurance is still not as popular as was hoped.

In a recent article "Ignore Long-Term Care Planning at Your Peril," the author, Ron Lieber, was quoted in *The New York Times* article as addressing the issue of the unpopularity of long term care insurance. Lieber indicated some things that stand in the way of consumers purchasing this type of insurance, including the "incorrect assumption that Medicare will pay for long-term care, doubts about the odds of needing care, and misconceptions about how much it would cost to self-fund such care." A MetLife spokesperson, when asked about why rate increases were made earlier this year, responded "...assumptions used to initially price many long-term care insurance products have changed. Evolving assumptions and their impact on pricing is a challenge the industry is facing over all. The primary assumptions that have changed since the initial pricing of these products include: interest rates, persistency, morbidity and mortality experience, which have not materialized as expected."

Richard O'Boyle, publisher of "The Insider's Guide to Retirement and Insurance Planning" (<http://www.retirementandinsurance.com>) wrote "Insurance companies do a pretty good job of managing mortality risk when they underwrite life insurance policies. They are judging whether a person will die based upon their current health status within a set time frame (usually 20 years) or else through their life expectancy. When it comes to determining whether an individual will develop dementia, a chronically debilitating condition or elderly frailty, insurance companies admit that they haven't got a clue. Or as MetLife says: "The primary assumptions...have not materialized as expected." Projecting medical outcomes over two or three decades is difficult enough. To wit, our understanding of Alzheimer's disease is just in its infancy. Add into this basic lack of information on morbidity an uncertain investment environment, cost escalation trends in homecare and nursing homes, and it would make even the most dedicated actuary have palpitations... I am sure that some companies will get it right, but MetLife's admission that they are no longer trying should give pause to people considering buying a policy from a company that does not have stellar ratings."

Does this mean that long term care insurance has, or will go the way of the dinosaur? Thomas M. Lilly, JD CLU of Futurecare Associates, Inc. ([www.futurecareassociates.com](http://www.futurecareassociates.com)) wrote on the PA Elder Law Section listserv recently that he believes that the long term care insurance industry will "weather the storm," and that it is important that individuals who are considering new long term care policies "keep a well balanced perspective on their own foreseeable needs and resources," and to take the time to compare benefit structures, including Partnership policy benefits, and current costs to their own circumstances. Tom suggests that long term care insurance needs to be evaluated both personally and competitively.