

Avoid premium waste: Burn your house & total your car



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One of the standard arguments against getting long-term care insurance is, “What if I pay premiums for 10, 20 or 30 years and never need LTC coverage?” Well, there are a couple of ways to look at it. Does staying healthy and living independently for life constitute a waste? Are the premiums you pay for fire, auto and health insurance wasted if your place doesn’t burn down, your car isn’t totaled and you are able to run a 10K at age 90? The other is that lots of us, for good reason, don’t like to think about what-if bad situations, like not being able to take care of ourselves.

The government recently announced that later this year premiums in its LTC program will be going up. This will be the first price increase since 2009. The federal LTC program covers about 274,000 workers, retirees, military personnel and some family members. The headline for most was:

LTC PREMIUMS TO RISE, or something like that. In fact the real headline should be:

YOU CAN STILL GET LTC INSURANCE AT GROUP RATES

The top story isn’t that premiums are going up. The real story is that only one company even bid to continue the federal contract. There are at least 10 large companies that offer LTC but only one bid. Also worth noting is that a dozen years ago more than 20 major insurance companies offered LTC. Now they don’t. Why? Most got out for a good reason. They were/are losing money paying benefits to people.

I got LTC years ago through The Washington Post group plan. Still have it. But the company that underwrites my policy no longer sells LTC. They kept me and others who had it at the time. They had to. But they are no longer in the LTC business. They stopped taking new customers years ago. Why? Because they were losing money because people are living longer and more of them need help either at home or in a facility.

In 2012, Consumer Reports said that “in the past five years, 10 of 20 top insurers (by sales) have stopped selling new LTC policies.” How come? It said, “Insurers are exiting the market or raising rates because they overestimated how many people would stop

paying for their policies over time and underestimated the costs of long-term care. And low interest rates have made it difficult to grow the reserves they need on hand to pay claims.” And that was four years ago! Things haven’t gotten any better since then, which explains why only one carrier even bid on the federal program this year.

Contrary to what some people think, Medicare doesn’t and won’t cover expenses associated with long-term care.

So unless you’ve got a couple of million dollars set aside for a rainy day, don’t grumble too much about the (likely) upcoming premium increase. Instead, be grateful you can get — or keep — coverage at a group rate.

Best of all possible worlds: Hope that every dollar you pay out in premiums is “wasted,” meaning you never have to use your insurance.