

Richard A. Courtney, CELA
Certified Elder Law Attorney
4400 Old Canton Road, Suite 220
Jackson, Mississippi 39211
601-987-3000 or 1-866-ELDERLAW
For more Articles, go to: www.elderlawms.com



MEMBER

How Risky Is Buying a Limited-Duration Long-Term Care Insurance Policy?

More consumers are buying shorter-duration policies as a way to keep the cost of long-term care insurance affordable. For example, in 2009 almost one-third of individual buyers purchased a three-year benefit period policy, according to the American Association for Long-Term Care Insurance. But is that sufficient coverage or is the policyholder likely to run out of benefit dollars?

According to a new consumer guide by the industry trade association, the risk of running out of benefits on a three-year policy is small, particularly for men. Overall, of people who bought a policy with a benefit period longer than three years and made a claim for long-term care, only 13.1 percent needed that care for longer than three years. Only 7.6 percent of those with a policy that paid out longer than four years actually needed care for longer than four years, and only 4.5 percent of those buying policies lasting longer than five years needed care beyond five years.

Men with a three-year policy who begin a long-term care claim at age 82 (a typical age) have a 12.4 percent likelihood of exhausting their benefits, while women face almost twice the risk (23.5 percent).

The guide reports that a policy that pays benefits for three years costs between 42 percent and 54 percent less than one that will pay claims for an unlimited number of years. A two-year policy is 51 percent to 64 percent cheaper than an unlimited policy, while a five-year policy brings a 30 percent to 39 percent savings.

However, if you are one of the individuals whose claim goes past the expected number of years of your policy, you can expect to need care for anywhere from two to six more years, the guide reports. A 55-year-old man who exhausts a three-year policy can expect to need long-term care for another 3.7 years, while a woman of the same age would need an average of 5.3 years of additional care. An 82-year-old who exhausts a three-year policy can expect to need long-term care for another 1.9 years (men) to 2.9 years (women).

The new guide combines comprehensive claims-related data from various studies conducted over the past year by the trade group. In addition, the guide includes findings of a special study conducted for the association by the consulting firm Milliman, Inc.

"Before they buy, people want to know their real risk of using their insurance policy," said Jesse Slome, the association's executive director.

Copies of the guide are available only to association members, but it can be read for free online at http://www.aaltci.org/subpages/resources/marketing_claims_brochure.html.

For consultation about ways to pay for long-term care, including LTC insurance, call us today at 866-ELDERLAW(353-3752).