

A GUIDE TO LONG-TERM CARE INSURANCE PROTECTION

Answer
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LONG-TERM CARE INSURANCE THE ALMANAC AND BOOK *of* FACTS

Your source for the facts and figures
you need to know.

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What's Your Plan For Living A Long Life?

Some 39 million people age 65 and older live in the United States (up from 3 million in 1900), accounting for 13 percent of the total population.¹

The oldest-old population (those age 85 and over) grew from just over 100,000 in 1900 to **5.7 million in 2006**.

Baby boomers (those born between 1946 and 1964) started turning 65 in 2011. The older population in the 2030s is projected to be twice as large as their counterparts in 2000, growing from 35 million to 72 million and representing nearly 20 percent of the U.S. population.

The U.S. Census Bureau projects that the population of 85 and over could grow from **5.7 million in 2008 to 19 million by 2050**.

Population By Age (millions)²

Male	45-54	55-64	65-74	75-84
1960	10,093	7,537	5,116	2,025
1980	11,009	10,152	6,757	2,867
2000	18,497	11,645	8,303	4,879
2008	21,853	16,251	9,265	5,336

Female	45-54	55-64	65-74	75-84
1960	10,393	8,036	5,881	2,663
1980	11,791	11,551	8,824	4,336
2000	19,181	12,629	10,068	7,482
2008	22,519	17,436	10,858	7,688

Health Expenditures²

Home Health Care		Nursing Home Care	
1960	\$0.1B	1960	\$0.8B
1980	2.4	1980	52.6
2000	30.5	2000	95.3
2007	59.3	2007	132.4
2008	64.7	2008	138.4

Home Health Care By Age (Billions)		Nursing Home Care By Age (Billions)	
55-64	\$2.5B	55-64	\$8.0B
65-74	4.3	65-74	14.8
75-84	7.3	75-84	23.4
85+	6.8	85+	42.5

Life Expectancy¹

	Men	Women
At Age 65		
1970	13.1 yrs	17.0 yrs
1990	15.1	18.9
2007	17.2	19.9
At Age 75		
1980	8.3 yrs	11.5 yrs
1990	9.5	12.0
2007	10.6	12.5
At Age 85		
1980	5.1 yrs	5.3 yrs
1990	5.3	6.7

Marital Status¹

	65-74	75-84	85+
Men			
Married	79.2 %	72.2 %	54.8 %
Widowed	6.9	18.7	37.7
Divorced	9.5	5.6	2.9
Never Mar	4.4	3.6	4.7
Women			
Married	56.8 %	36.6 %	14.9 %
Widowed	25.1	52.5	76.2
Divorced	13.9	7.2	4.8
Never Mar	4.2	3.7	4.1

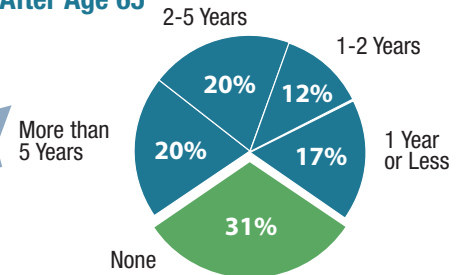
Living Arrangements (Alone)¹

	65-74	75+
Men		
1970	11.3 %	19.1 %
2000	13.8	21.4
2008	16.3	21.5
Women		
1970	31.7 %	37.0 %
2000	30.6	49.5
2008	29.1	50.1

Functional Limitations, Age 65+¹

	Men	Women
IADL only	0.9%	16.1%
1 - 2 ADLs	16.3	8.8
3 to 4 ADLs	3.5	5.3
5 to 6 ADLs	2.1	2.4
7 to 8 ADLs	2.5	4.7

Estimated Years Of LTC Needed After Age 65⁴



Cognitive Disorders⁵

In 2007, **5.2% of the 38.7 million** persons age 65 and older reported having one or more cognitive disorders.

	65-74	75-84	85+
Men	1.0 %	5.2 %	18.8 %
Women	1.2 %	6.5 %	18.3 %

Alzheimer's Disease⁷

Today 5.4 million Americans are living with Alzheimer's disease. **two-thirds are women.**

Most people survive an average of **4 to 8 years** after diagnosis. Some live as long as 20 years.

By 2050, as many as **16 million** will have the disease.

Long-Term Care: Who Gets It?⁸

Long-term care in the United States is needed by **10.9 million** 'community' residents, half of them non-elderly, and **1.8 million nursing home residents**, predominantly elderly.

Total annual spending on paid long-term care services, delivered either in a recipient's home or in a nursing home, amount to **\$147.4 billion** (2009 fig).

Some 80.5% goes to people age 65+.

1 Older Americans 2010, Key Indicators of Well Being, Federal Interagency Forum on Aging-Related Statistics
 2 Health Care in the U.S. 2010; Department of Health and Human Services, Feb. 2011
 3 Peter Kemper, What Can Current Retirees Expect? Inquiry, Winter 2006
 4 Nursing Home Current Residents, Rev. Nov. 2010,
 5 Agency For Healthcare Research, Statistical Brief 310, Jan. 2011
 6 Health Affairs, 29, No. 1 (2010) Long-Term Care: Who Gets It
 7 2011 Alzheimer's Disease Facts and Figures, March 2011, alz.org
 8 2011 LTCI Sourcebook, American Association for Long-Term Care Insurance

Women who live to age 85 will live another 6.7 years.

Over 85% of women age 85+, will be living alone.

49% of new LTCI claims started in 2010 are for home care.⁸

Two thirds (67%) of LTC insurance claims start at age 80+.⁸

There's No Place Like Home!

Approximately **12 million** individuals receive care for causes including acute illness, long-term health conditions, permanent disability or terminal illness. Annual expenditures were over **\$72 billion**.¹

Of these recipients 69% were over age 65 and approximately 64% were women.

Most of the 48.9 million caregivers are family members. The typical caregiver is a 48 year old woman who provides more than 20 hours of care each week.

Home Care Patients' Age, Sex, Payment Source, Location⁵

Age Group	Percentage	Sex	Percentage	Marital Status	Percentage
Under 45	13.9 %	Male	35.2 %	Married	31.9 %
45-64	15.6	Female	64.8	Widowed	34.8
65-69	7.1			Single	18.0
70-74	10.2	Own income/ins	17.3 %	Div / Sep	5.5
75-79	16.8	Medicare	52.4	Unknown	9.9
80-84	14.5	Medicaid	20.4	Living Alone	30.2
85+	21.9	Other	9.8	With family	63.1
				Other	6.8

National Costs: Home Care Services

	Home Health Aides Hourly Rate	Homemaker/ Companions Hourly Rate	Adult Day Services Daily Rate
2010 Average Rate	\$ 21	\$ 19	\$ 66
2009 Average Rate	\$ 21	\$ 19	\$ 66
2008 Average Rate	\$ 20	\$ 18	\$ 64

Source: American Association for Long-Term Care Insurance.

Home Health Care Claims By Diagnosis²

	Men	Women
Alzheimer's	19 %	17 %
Stroke	15	10
Arthritis	8	18
Stroke	15	10
Injury	5	13
Circulatory	10	7
Nervous Sys	10	6
Respiratory	4	4

Average Number Visits Per HHC Claim²

Nervous Sys	284
Stroke	255
Alzheimer's	231
Circulatory	168
Respiratory	160
Injury	136
Cancer	78
Other	173

Impact Of Marital Discount on HHC Claim Days/Visits²

	No Disc	Discount
Alzheimer's	308	261
Stroke	343	391
Nerv Sys	340	307
Arthritis	338	298
Circulatory	261	244
Total	2,13	241

Home Care Utilization

Breakdown by Gender

Female	592
Male	411

Percentage by Age

	Under 50	51 to 60	61 to 65	66 to 70	71 to 75	76 to 80	Over 80
Female	1.2 %	2.5 %	3.5 %	4.1 %	7.6 %	15.0 %	66.0 %
Male	1.3 %	6.3 %	6.3 %	4.4 %	5.1 %	16.0 %	60.0 %

Percentage by Number of Service Days per Week

	1 Day	2 Days	3 Days	4 Days	5 Days	6 Days	7 Days
Female	25.0 %	23.0 %	18.0 %	9.8 %	14.0 %	5.6 %	5.1 %
Male	17.0 %	18.0 %	14.0 %	15.0 %	24.0 %	5.1 %	8.0 %

Number of Hours Per Day Care Was Provided

	1	2 - 3	4 - 7	8 - 12	13 - 23	24
Female	24.0 %	30.0 %	22.0 %	3.5 %	0.8 %	0.0 %
Male	16.0 %	26.0 %	31.0 %	4.1 %	0.5 %	0.0 %

SNAPSHOT Where Age of Individual is 64

Percentage by Number Days Per Week

	1 Day	2 Days	3 Days	4 Days	5 Days	6 Days	7 Days
Female	40.0 %	0.0 %	0.0 %	0.0 %	40.0 %	0.0 %	20.0 %
Male	0.0 %	67.0 %	17.0 %	17.0 %	0.0 %	0.0 %	0.0 %

SNAPSHOT Number of Hours Per Day Care Was Provided

	1 Hour	2 - 3	4 - 7	8 - 12	13 - 23	24
Female	20.0 %	20.0 %	40.0 %	0.0 %	0.0 %	0.0 %
Male	11.0 %	67.0 %	17.0 %	0.0 %	0.0 %	0.0 %

SNAPSHOT Where Age of Individual is 82

Percentage by Number Days Per Week

	1 Day	2 Days	3 Days	4 Days	5 Days	6 Days	7 Days
Female	2.0 %	10 %	34 %	9.4 %	11 %	6.3 %	0.0 %
Male	14 %	14 %	9.1 %	18 %	41 %	0.0 %	4.5 %

SNAPSHOT Number of Hours Per Day Care Was Provided

	1 Hour	2 - 3	4 - 7	8 - 12	13 - 23	24
Female	19.0 %	31.0 %	31.0 %	0.0 %	0.0 %	0.0 %
Male	9.1 %	32.0 %	27.0 %	4.5 %	0.0 %	0.0 %

Home health care patients are age 65 and over (69%) and female (64%).⁴

Some 30.2% of current home health care patients live alone; 63.1% live with family members.⁵

The most common ADLs are bathing (#1), dressing (#2) and transferring (#3).⁵

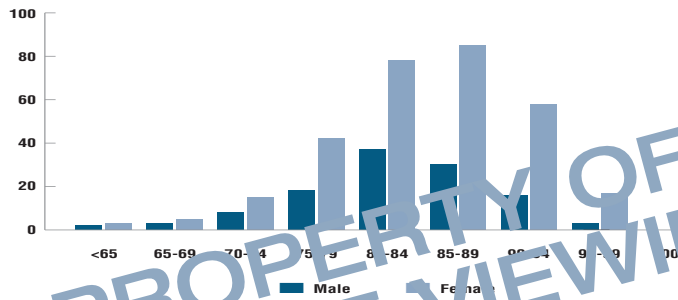
20% of LTCi Claimants whose claim began at home transferred to facility care.⁶

1 National Association for Home Care & Hospice, 2010 Fact Sheet
2 Society of Actuaries, Intercompany Study, November 2007

3 2010 LTC Sourcebook, AALTCI, Actual Homecare Utilization
4 Home Health Care Patients, National Center for Health Statistics 2007

5 Current Home Health Care Patients, CDC.gov 2011
6 2009 LTC Sourcebook, AALTCI, How Often Do Claimants Transfer

Distribution of Move-in Age by Gender



National Costs: Assisted Living Communities

2010 Average Monthly Rate	\$ 3,190
Annualized Cost	\$ 38,280
2010 Median Rate (Monthly)	\$ 3,060
2010 Low Average Rate (Monthly)	\$ 2,075
2010 High Average Rate (Monthly)	\$ 5,055

Source: American Association for Long-Term Care Insurance.

Current Residents by Gender and Age

	Lower Quartile	Median	Upper Quartile	% of Total
Female	83.4	87.7	91.9	73.6%
Male	81.5	86.5	90.1	26.4%
Total	82.6	87.4	91.6	100.0%

Average Number of ADLs by Gender¹

	0 ADLs	1 ADL	2 ADLs	3+ ADLs
Female	32 %	26 %	13 %	29 %
Male	45 %	17 %	16 %	22 %

Resident Discharge Rates

Move Outs	Total
Death	33.1 %
Health reasons	46.8 %
Financial reasons	6.0 %
Dissatisfaction or personal reasons	3.4 %
Other	10.8 %
Move To:	Total
Hospital (other than short stay)	6.0 %
Nursing home	50.9 %
AL residence	4.1 %
Another AL res.	10.6 %
Back home	8.9 %
Children/relative	4.8 %
Hospice	1.9 %
Other	3.8 %

Current Residents by Gender and Marital Status²

	Married / Significant Other	Widowed	Divorced / Separated	Never Married
Female	9.0 %	81.0 %	5.0 %	5.0 %
Male	23.0 %	63.0 %	9.0 %	5.0 %
Total %	12.5 %	76.6 %	6.0 %	4.9 %

Average Length of Stay: Median (to date, in months)¹

	Freestanding AL	AL/DC	AL/IL	AL/Nursing	CCRC
Female	20.0	21.0	24.0	32.0	22.5
Male	20.0	16.0	21.0	16.0	18.0

Primary and Secondary Payment Sources¹

	Freestanding AL	AL/DC	AL/IL	AL/Nursing	CCRC
Primary					
Self	59.0 %	63.5 %	68.8 %	72.0 %	66.0 %
Family	9.8 %	14.7 %	14.5 %	9.9 %	10.6 %
LT insurance	6.2 %	1.1 %	3.3 %	5.9 %	6.1 %
Medicaid	18.9 %	12.2 %	2.1 %	4.4 %	12.7 %

Average Monthly Rates: Median¹

	Freestanding AL	AL/DC	AL/IL	AL/Nursing	CCRC
One Resident	\$2,660	\$3,500	\$2,610	\$2,200	\$3,400
Two Residents	\$3,675	\$4,531	\$3,365	\$2,750	\$3,500
Two Unrelated Residents	\$3,813	\$4,550	\$3,350	\$4,120	n/a

Assisted Living New Claims Almost Double In 8 Years²

The percentage share of new claims beginning within an assisted living community have grown steadily while the percentage of new claims initiating within a nursing home have steadily declined.

Year Claim Incurred	Nursing Home	Assisted Living
2001	78 %	22 %
2002	75 %	25 %
2003	71 %	29 %
2004	66 %	34 %
2005	64 %	36 %
2006	66 %	34 %
2007	61 %	39 %
2008	60 %	40 %

What Percentage of Daily Benefit is Utilized?²

While some policyholders use their full Maximum Daily Benefit (MDB), others do not. And utilization of MDB varies based on setting.

Utilization Percentage MDB	Nursing Home	Assisted Living
< \$ 50	91 %	84 %
\$ 50 - \$ 76	89 %	89 %
\$ 76 - \$ 100	82 %	80 %
\$ 101 - \$ 150	82 %	73 %
\$ 151+	64 %	61 %

Assisted Living Stays (Claims) Will Be Significantly Longer²

The longer the timeframe since the claim began, the greater percentage of claimants who will remain within an ALC.

Year Since Incurral	Nursing Home	Assisted Living
1 Year	463	792
2	313	685
3	238	579
4	177	475
5	118	362
6	77	362
7	50	202
8	30	142
9	17	95
10	10	77

Expected Number Of Months On Claim By Facility Type and Benefit Period²

The average varies quite significantly based on the policy's Benefit Period (BP). Those with a 3-Year BP will average just over 2 years in an ALF versus just over 1 year in a NH.

Months on Claim	Nursing Home	Assisted Living
1 Year BP	7.4	10.4
2 Year BP	12.0	19.2
3 Year BP	15.2	28.8
4 Year BP	17.7	33.0
5 Year BP	19.4	38.0
Lifetime	22.4	50.7

Length Of Stays For Residents Ages 80-84³

Independent Assisted Skilled Extensive facilities

Mean	25th Percentile	50th Percentile	75th Percentile	Mean	25th Percentile	50th Percentile	75th Percentile
Women (Assisted Living only)	957	274	606	313	656	84	415
Men (Assisted Living only)							

Independent Skilled Facility Ultimate Life Expectancy³

Age	65	75	80	85	90	95
Female	17.2	11.2	8.6	6.7	5.1	4.0
Male	13.9	8.6	6.6	4.9	3.9	3.3

There are 30,000 assisted living communities in the U.S.

The median length of stay for assisted living is 21 months.¹

Some 69.9% of residents moved from their own home / family member's home.¹

A quarter (24%) of new LTC insurance claims pay assisted living costs.⁴

1 2010 LTC Sourcebook, AALTCI, ALFA 2009 Overview of Assisted Living
 2 2009 LTC Sourcebook, AALTCI, Claim Utilization Study conducted by DaVinci Consulting

3 Demographic Experience Report, Harold Barney, FSA, MAAA, SOA.org.

LTC Insurance = Nursing Home Avoidance

The number of nursing home beds has declined from **1.7 million** in 1999 to about **1.5 million** currently. The number of residents has also dropped from 1.6 to 1.4 million as alternative options gain favor.

According to a U.S. Department of Health and Human Services Study, **15% of home care recipients** did not think they would be able to receive care at home **if they did not have their long-term care insurance policy**. About the same for Assisted Living residents.⁴

National Costs: Nursing Homes

	Semiprivate Room	Private Room
2010 Average Daily Rate Annualized Cost	\$200	\$225
2009 Average Daily Rate Annualized Cost	\$195	\$220
	\$71,175	\$80,300

Source: American Association for Long-Term Care Insurance.

Nursing Home Residents at time of admission¹

Age	Sex	Marital Status	Prior Residence	Payment Source
Under 65	Male	Married	Priv Res	Private/Ins
65 to 74	Female	Widowed	Assis Liv	Medicare
75 to 84		Div Sep	Nursing hm	Medicaid
85+		Single NM	Skilled NF	Other
		Unknown	Hospital	
			Other inst	
			Unknown	

Nursing Home Claims By Diagnosis.²

	Men	Women
Alzheimer's	28%	26%
Stroke	15	12
Circulatory	10	11
Injury	6	12
Cancer	9	7
Arthritis	5	10
Nervous Sys	8	4
Respiratory	6	5

Average Days On Nursing Home Claim²

	Closed	Open
Alzheimer's	653	656
Nervous Sys	535	542
Stroke	505	387
Arthritis	429	600
Circulatory	407	605
Injury	310	544
Respiratory	333	327
Cancer	111	419
Total	462	603

Impact Of Marital Discount on NH Claim Duration²

	No Disc	Discount
Alzheimer's	705	512
Stroke	600	441
Nerv Sys	612	425
Arthritis	535	431
Circulatory	483	382
Total	493	418

Claimant Transfers Between Home Health Care & Facility³

	HHC to Facility	Facility to HHC
Female	19.5%	8.6%
Male	20.1	8.4
Age <70	9.7%	13.6%
70 to 74	18.0	10.6
75 to 79	19.7	8.6
80 to 84	23.9	7.4
85+	26.1	6.4
Stroke	600	441
Nerv Sys	612	435

Nursing Home Residents By Length Of Time (Since Admission)

	< 3 Months	3 - 6 Months	6 - 12 Months	1 - 3 Years	3 - 5 Years	5 or More	Mean Length of time since admission (days)	Media Length of time since admission (days)
Age 65 - 74	19.4%	9.7%	14.5%	31.1%	13.7%	11.6%	822	471
Age 75 - 84	22.8%	10.3%	15.5%	29.4%	13.1%	8.9%	729	386
85 years +	16.0%	9.1%	13.9%	32.8%	15.0%	13.2%	875	546
Male	24.4%	12.0%	14.1%	26.4%	10.6%	10.5%	762	355
Female	18.2%	8.9%	14.4%	31.0%	14.9%	11.8%	865	511
Married	24.9%	12.1%	14.2%	29.4%	10.9%	8.4%	662	345
Widowed	18.5%	9.4%	14.9%	31.3%	14.4%	11.2%	794	480
Single (Nev M)	17.4%	9.6%	13.9%	28.5%	14.8%	16.8%	1,127	556
From Residence	10.1%	9.6%	13.1%	31.4%	15.5%	14.6%	966	581
From ALF	12.7%	11.2%	17.1%	33.9%	12.4%	9.5%	743	439

Source: LTCI Sourcebook, 2008, American Association for Long-Term Care Insurance.

Over 1 million women are in nursing homes; versus only 400,000 men.¹

Alzheimer's accounts for 26.7% of nursing home LTC insurance claims.²

27% of New LTC insurance claims are for nursing home care.⁵

About 10% of the people who enter a nursing home will stay there 5 years or more.⁶

1 Nursing Home Current Residents, June 2008, Dept of Health and Human Services, National Center for Health Statistics

2 LTC Experience Report, Society of Actuaries, November 2007

3 2009 LTC Sourcebook, AALTCI, study by Milliman, Inc.

4 2008 LTC Sourcebook, AALTCI, Report for HHS, ASPE Office of Disability, Aging and LTC Policy

5 2011 LTC Sourcebook, American Association for Long-Term Care Insurance

6 2011 medicare.gov/longtermcare/static/home.asp

10 Leading Long-Term Care Insurers Pay \$10.8 Million Daily¹

The nation's 10 leading long-term care insurance companies paid over **\$10.8 million in daily claim benefits in 2010**.

This represents a **53 percent increase** over the daily value of claims paid by the same entities in 2007 (\$7.03 million). Benefits paid by just these insurers totaled nearly **\$4 billion for the year**.

During a typical 30-day month, these insurers paid benefits to **134,430 individuals**.

Largest Open Claims - 2011 Study¹

Claims still open in 2010, data from 4 leading insurers

	Male	Female
Insurer A		
\$\$ Paid	\$1,000,000	\$1,500,000
Claim Length	5 yr, 0 mth	13 yr, 10 mth
Time to Claim	2 yr, 10 mth	3 yr, 0 mth
Initial Premium	\$3,374	\$881
Insurer B		
\$\$ Paid	\$938,350	\$1,173,300
Claim Length	8 yr, 8 mth	17 yr, 8 mth
Time to Claim	0 yr, 8 mth	1 yr, 1 mth
Initial Premium	\$5,514	\$1,324

	Male	Female
Insurer C		
\$\$ Paid	\$ 894,950	\$ 940,450
Claim Length	11 yr, 1mth	8 yr, 7 mth
Time to Claim	1 yr, 11 mth	4 yr, 4 mth
Initial Premium	\$3,961	\$1r6,117
Insurer D		
\$\$ Paid	\$ 448,700	\$ 695,950
Claim Length	4 yr, 1mth	9 yr, 8 mth
Time to Claim	7 yr, 8 mth	12 yr, 6 mth
Initial Premium	\$ 703	\$ 229

\$\$ Paid: Total amount of benefit dollars paid through 2010. (Rounded)

Claim Length: Number of years / months this individual's claim has been open (active).

Time to Claim: Number of years / months from the time the policy was purchased until the policyholder claim began.

Initial Premium: Annual amount of premium paid when this policyholder purchased coverage.

New Claims Opened (2010)¹

Men	36 %
Women	64 %

When New Claims Begin¹

	Men	Women	Total
Under 50	0.2 %	0.1 %	0.3 %
50 - 59	0.0 %	0.0 %	1.5 %
60 - 69	1.3 %	4.8 %	8.1 %
70 - 79	8.5 %	14.2 %	22.7 %
80 +	24.4 %	43.0 %	67.4 %

Where New Claims Begin¹

	Men	Women	Total
Home Care	17.0 %	32.0 %	49.0 %
Assisted Living	8.0 %	16.0 %	24.0 %
Nursing Home	8.5 %	18.5 %	27.0 %

Study Examines How Long LTCi Claims Last²

The possibility of having a long-term care insurance claim that lasts longer than three or four years is relative low.

- More than 3 years: 13.1 %**
- More than 4 years: 7.6 %**
- More than 5 years: 4.5 %**

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.

A 55-year-old who exhausts a 3-year LTCi policy can expect to need long-term care for another 3.7 years (Male) to 5.3 years (Female).

An 82-year-old who exhausts a 3-year LTCi policy can expect to need long-term care for another 1.9 years (Male) to 2.9 years (Female).

The study of actual claimants found that 4.3% of total claims last 60+ months.

10.9% of 3-year policies actually paid benefits beyond the 36-month time period and only 8.0% actually exhausted their policy benefits.

% of Claims Lasting X or More Months by Benefit Period

Benefit Period	24+	36+	48+	60+
2	1.4%	1.4%	0.2%	0.1%
3	1.0%	1.4%	0.4%	0.1%
4	25.0%	10.9%	1.4%	0.3%
5	23.9%	12.1%	6.0%	1.0%
6	15.9%	10.2%	6.1%	2.9%
7-20	30.0%	17.1%	8.3%	4.5%
Lifetime	30.5%	19.1%	10.9%	6.3%
	23.3%	13.9%	7.9%	4.3%

Claims by Policyholders w/ Unltd. Benefit Periods

	Claim duration in months				No. of Claims
	24+	36+	48+	60+	
Closed Claims	12.0%	6.8%	3.8%	1.9%	12,874
Open Claims	43.0%	26.2%	15.2%	8.6%	7,390
Total	23.3%	13.9%	7.9%	4.3%	20,264

Years Of Service Remaining At End of Benefit Period

Policy Benefit Period	In Years		In Years	
	Male age 55	Female age 55	Male age 82	Female age 82
1	3.9	4.6	2.1	3.0
2	4.0	5.2	2.0	3.0
3	3.7	5.3	1.9	2.9
4	3.6	5.6	1.9	2.8
5	3.9	6.0	2.1	2.9
6	3.9	6.4	2.2	3.0
8	3.9	6.5	2.3	3.1

¹ 2011 LTC Sourcebook, American Association for Long-Term Care Insurance Claimant Study

² A Special Report On Long-Term care Insurance Protection, 2010 AALTCI, Study by Milliman, Inc.

National Association of Insurance Commissioners Long-Term Care Model

Over the years, regulations, laws and mandated standards have been put in place by states and the federal government to provide levels of protection to consumers who purchase long-term care insurance protection.

The National Association of Insurance Commissioners (NAIC), which is comprised of state regulators from all states, have enacted numerous consumer protections to improve disclosure, producer training, information and rate stability. The NAIC Long-Term Care Model also sets minimum standards that all long-term care insurance policies must meet or exceed.

In August of 2000 the NAIC adopted a new regulatory approach in-tended to encourage insurers to develop and price long-term care policies with rates that are intended to be more stable over the life of the policy.

In 2010 the NAIC developed a claim review process that gives claimants access to a helpful advocate if the insurer denies a claim.

Federal Protections Enacted By Congress

At the Federal level, the law enacted by Congress in 1996 (HIPAA) mandates the NAIC LTC Model using standard definitions all insurers must use to determine claim eligibility for consumers that purchase tax-qualified long-term care policies.

The NAIC continues to monitor the Long-Term Care market to ensure that consumers are treated fairly, and insurers continue to offer quality products that pay benefits as promised.

50 State Guaranty Associations Protect Purchasers

Each state has an insurance guaranty association; most actually have two; one for life and health insurance and one for property and casualty insurance. Because the industries tend to be separate.

The FDIC vs. State Guaranty Associations

The FDIC system collects funds from banks that can provide immediate liquidity to protect customer deposits.

Insurance is generally designed to pay a future benefit. And, when an insurance company fails, they typically still have significant assets and reserves.

If an insurance company fails and it is necessary to come up with a certain amount of money to meet the commitments to the policyholders, the guaranty association sends out an assessment to all of the companies doing business in the state.

Every insurance company that writes business in that particular state is required by law to be a member of and pay into that state's guaranty association when needed.

LTC Insurance Protection Up To \$100,000

The legislation enacted in each state provides a level of guarantees including the dollar limits. Protection is based on where the policyholder resides at the date the insurance company fails.

Generally there are no differences between an individual long-term care insurance policy or one offered through an employer so long as the policies or certificates are issued by a licensed insurance carrier.

Insurer Ratings - What They Mean

When considering long-term care insurance protection, the rating of insurance company is an important piece of information to request.

Several leading independent companies rate long-term care insurers. While these ratings do not offer a crystal ball look into the future they can provide valuable current and historical information.

Three primary companies publish ratings that look at financial strength. Most insurance companies today offer diverse products and LTC insurance is typically a small piece of their overall business.

Each rating company uses a slightly different rating scale but the general idea is somewhat like a grading scale you would expect to see in school. A grade of A++ or AAA is the best possible rating ranging on down to F – which is generally the lowest.

A.M. Best is one of the better known of the insurance rating companies. The A.M. Best rating scale ranges from A++ (Superior) to F (In liquidation).

Standard and Poor's rates the claim-paying ability of over 500 insurance organizations worldwide. Their ratings scale ranges from AAA (Superior) to CCC (Extremely vulnerable).

Moody's rates the financial strength of investment vehicles and institutions including insurance companies.

State Guaranty Association Directory



Maximum Limits Contact Information

AALTCI.org/guaranty

Long-Term Care Insurer Ratings

Current Ratings for Leading LTC Insurers

AALTCI.org/ratings



Answers

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TAKE THE NEXT STEP

- FIND OUT WHAT PROTECTION COSTS?**
- SEE IF YOU CAN HEALTH QUALIFY?**
- ASK WHAT DISCOUNTS YOU QUALIFY FOR?**

A long-term care insurance specialist or financial professional can answer your questions and help you obtain affordable protection.

Please Contact Me For More Information

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The American Association for Long-Term Care Insurance is the industry's professional trade organization representing the nation's leading long-term care insurance agents and brokers. For more information, visit our Website: www.AALTCI.org. Request additional copies of this brochure from your insurance professional, or call (818) 597-3227.

