

INSURANCE | More middle-age Americans are buying

**LONG-TERM-CARE** coverage. *By Mary Beth Franklin*

# PAYING TODAY FOR TOMORROW'S CARE

**M**ARTIN AND Susan Strouch are typical of a new breed of long-term-care insurance buyers: They're in their fifties and have already taken steps to provide for care they may need in their old age. "Even if we live into our eighties, the total amount spent on premiums would

Small-business owners and the self-employed, who can deduct some or all of the premiums as a business expense, are among the most willing buyers.

The market is also one in turmoil, thanks to insurance-company mergers and the recent entries of several major companies. So how do you find the best deal?

Unfortunately, there's no one com-

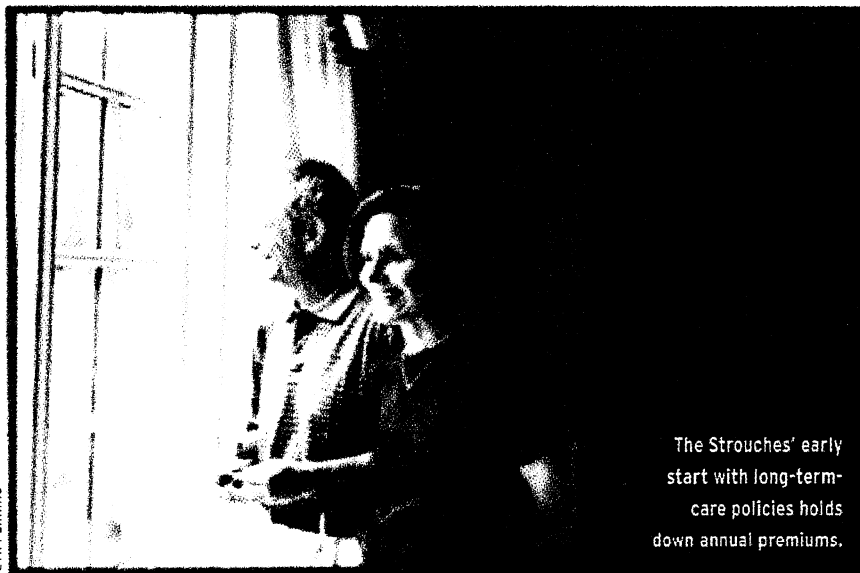
free premium quotes on up to three policies.

**The chosen few.** More than 100 firms sell long-term-care policies, but consumers in good health should focus on top-tier companies such as Aegon (which now owns Bankers United Life Assurance and TransAmerica), CNA, GE Long-Term Care (which bought Travelers earlier this year), John Hancock (which purchased Fortis) and Unum. Newcomers that deserve a look include Mass Mutual, Met Life, New York Life, Northwest Mutual and Prudential.

Phyllis Shelton, author of *Long Term Care Planning Guide* (\$15.95; 800-844-4893; [www.ltcshelton.com](http://www.ltcshelton.com)), predicts that the recent consolidation in the market will be good for consumers because it will bolster companies' ability to pay future claims. And don't worry if your insurer is taken over: Policies must be honored by the new company.

**Shopping around.** The Strouches chose Travelers Life & Annuity policies that will provide five years worth of benefits, up to \$150 a day, for care in a nursing home, assisted-living facility or at home. Their policies include 5% inflation protection, compounded annually, which about doubles their annual premiums. It's a prudent choice because they may not need care for two decades or more. The American Council of Life Insurers estimates that average nursing-home expenses will quadruple over the next 30 years, from about \$44,000 a year (or \$120 a day) to more than \$190,000 by 2030. After 20 years the Strouches' inflation clause will bump the daily benefit to nearly \$400 a day.

Martin, 56, pays \$1,418 a year for his policy, and Susan, 51, pays \$1,197—rates that reflect their good health and a 20% discount for buying two policies at once. A few months after purchasing the policies, Susan developed health problems that could have jeopardized the preferred rate—another reason the Strouches are



The Strouches' early start with long-term-care policies holds down annual premiums.

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probably not equal the cost of one year of long-term care," says Martin, a dentist in Avon, Conn. "I saw it as a way to round out our estate planning and protect our assets" because a few years in a nursing home could easily wipe out a lifetime of savings.

Insurance agents around the country report a dramatic drop in the average age of long-term-care insurance buyers because baby-boomers with rising discretionary income are willing to pay to make long-term-care insurance part of their retirement planning.

pany or policy that is best suited to everyone, says long-term-care specialist Kim Purnell of Palm Bay, Fla. But some companies are definitely better than others. The right one for you depends on your age, your health and the benefits you want. You'll have to shop around and get good advice. For a list of experienced long-term-care agents, visit the American Association for Long Term Care Insurance's Web site ([www.aaltci.org](http://www.aaltci.org)). Long Term Care Quote (800-587-3279; [www.longtermcarequote.com](http://www.longtermcarequote.com)) offers

pleased that they bought early.

Had they waited until age 65 to buy insurance, a similar policy would have cost Martin about \$3,500 a year, and at 70, more than \$5,300 a year. However, by then they would likely have wanted a higher daily benefit to keep up with rising costs, boosting the premiums even higher.

**Health matters.** If health is an issue, it is particularly important to work with an experienced agent, says Arthur Stein, a financial planner and vice-president of Cassaday & Co., in McLean, Va. While individuals with certain controllable conditions, such as diabetes, might not qualify for the

best rates at a top-tier company, an agent who knows the market may still be able to write a policy at standard rates with a top-notch company.

"I hardly ever have to go to second-tier companies such as Penn Treaty or Conseco," Stein says of two major sellers of long-term-care insurance with a reputation for liberal policy writing—and a history of rate increases.

Once you purchase a policy, the premium will not increase as you age. But that doesn't mean the price will never go up. Insurers may raise premiums if they do it for all policyholders in your state. If you can't afford the hike, you lose your coverage.

Penn Treaty has increased premi-

ums on in-force policies by as much as 21% since 1995, and Conseco Senior Health Insurance has hiked rates by as much as 56% since then, according to StrateCision Inc.'s *LTC Advisor* software, which compares long-term-care policies. On the other hand, GE, John Hancock, Travelers and Unum have never raised rates on in-force policies.

Conseco needed to hike premiums on an underpriced block of business it bought from American Travellers Life Insurance. Penn Treaty president Glen Levit, who is proud of his company's generous payouts, says it is better to raise rates than to deny claims for those in need. **K** —Reporter:

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