Insurers Pitch Long-Term Care to the Younger Set

Ruth Simon

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Young and healthy? The long-term care insurance industry wants you.

Long-term-care policies, which cover nursing-home, assisted-living and home-care costs, typically are purchased by people in their mid- to late 60s. But, in a major shift, insurers have begun targeting people in their 50s, 40s and even 30s.

New York Life Insurance Co.'s new long-term care brochures feature models in their 40s instead of their 60s. The company is training agents to make intergenerational sales. Loews Corp.'s CNA insurance companies are pitching long-term care as a way to maintain control and independence in an effort to attract younger buyers. This April, John Hancock Financial Services Inc. unveiled a family plan that provides long-term care coverage for as many as four people.

It allows baby boomers to "talk to their parents about long-term care and to start the coverage process for themselves," says John Hancock Senior Vice President Michele Van Leer.

The insurance industry is certainly hoping so. Sales of long-term care fell by more than 5% last year, according to Limra International, an insurance-research organization in Windsor, Conn. Nearly five million people were covered by long-term-care policies in 2001.

The majority of Americans don't buy their coverage until they are in their 60s., when it is quite expensive. However, the industry's pitch is that the young people can buy it for a fraction of the yearly premium.

It may sound persuasive, but most financial planners say people less than 50 or 60 years old generally shouldn't be buying this coverage.

What's more, a lot of people don't need long-term-car insurance at any age, planners say. Wealthy people usually can afford to pay nursing-home costs themselves. Long-term-care insurance also doesn't make sense for people with few assets, who are likely to qualify for Medicaid. On the other hand, long-term-care insurance can make sense for the middle class, who could see their retirement nest egg savaged by nursing-home or assisted-living costs.

Even so, Deena Kata, a financial planner in Coral Gables, Fla., advises her clients to buy long-term care coverage around 50. "I can't see it earlier unless you have something in your family that frightens you, for instance, Alzheimer's disease," she says.

She believes there is a good reason to buy at 50 rather than waiting. The same policy that costs a 50-year old $1,120 a year will carry a $2,720 a year premium for someone who buys it at age 65, she calculates. Assuming both pay premiums until age 85, the 50-year-old would spend a total of $39,200, compared with $54,400 for the 65-year-old. In addition, people who wait too long to purchase coverage may not be able to get it when they want it because of age or medical problems.

Other experts advise delaying the purchase consumers are in their late 50s or early 60s. "By they most people have some idea of what their [retirement] income is going to be." Say Charles Mondin, director of United Seniors Health Council, a program of the National Council of the Aging. Getting an affordable policy is crucial because long-term care policies typically don't provide any benefits for people who stop making payments.

Another big reason to wait: Buying coverage a consumer likely won't need for 40 or 50 years can be a risky proposition. As the troubles of Arthur Andersen and Enron show, a company that looks solid today could wind up in trouble a few years later.

Consumers could also be hit with rate increases. Insurers can't boost long-term-car premiums for individual customers, but they can raise rates for a group of policyholders. Many people who bought coverage in the 1990s already have been hit with stiff premium increases, in part because insurers underestimated how long people would live and how long they would need care. The rate increases "have been 10% to 20% on average, but we have seen upwards of 60%" says Joseph Zazzera, a financial analyst at A.M. Best Co. in Oldwick, N.J.

Insurers ay they have a better fix on what their costs will be, making rate increases less likely. But consumers should be wary. "One of he key things for consumers is it is expected that premiums will go up," says Marlene Stum, an associate professor of family social science at the University of Minnesota in St. Paul. "That's a know and a given."

Another problem is that standards of care – and the cost of care – charge over time. Long-term-care policies written a decade ago, for instance, typically cover nursing-home care, not assisted living. "People who buy policies 40 years before they expect to use them could have inflexible and out-dated benefits," says Bonnie Burns, director of consumer education at California Health Advocates in Santa Ana, Calif. For a higher premium, the insurance companies sell policies where the coverage rises with inflation.