



[home page](#)



[online store](#)



[career center](#)



[meetings & events](#)



[industry links](#)



[online communities](#)

m

LTCOnline

Home Resources
[links](#)
[research](#)
[message board](#)
[who writes what](#)
[key messages](#)
[products](#)

Archives
[LTC e-Wire](#)
[Q&As](#)
[feature articles](#)

News
[news articles](#)
[legislation](#)

About LTC
[online community](#)
[staff](#)
 xdd

Advertise
Electronically-
Explore
Opportunities in
E-newsletters

Articles

Letter to the Editor: Response to "LTC Insurance Presents Problems"

Arthur D. Rudnick writes: I must comment on [LTC insurance presents problems](#), the letter to the editor by William H. Borgilt which appeared in the November 2006 issue of *LTC e-Wire*.

There are what I consider to be erroneous assumptions and misstatements in the letter that need to be addressed.

1) He says: "Currently, many people have LTC insurance, but few are receiving benefits."

My response: LTC insurance has been around for over 20 years and if I had to guess, 90% of all policies were sold post 1995. The average age of a purchaser 11 years ago was 65 years old. Therefore, the average age of that policyholder today is now about 75. Statistics show that the average age of a policyholder going on claim is 80. Therefore the bulk of all LTC policyholders are a minimum of five years away from using their policy and receiving benefits.

By comparison, is there a problem with most people not using the benefits of the fire insurance policy on their home? Is there a problem with most people not filing a claim with their auto insurance company? Or is there a problem with not filing a claim for a dog that has pet insurance? That's the entire concept of LTC insurance, but it's absent from the letter.

2) He says: When a lot of people start filing claims, the LTC company will have to raise its rates for all policyholders.

My response: Remember the word "actuary"? An actuary is a person who sets rates in anticipation of claim payments 10, 20, 30 or 40 years down the road. Premiums are set so when policyholders file claims, there is enough money in the company's reserves in order to pay those claims. And let's not forget the Long Term Care Model Act that most states have adopted. This insures that premiums are adequate to cover future claims so there will be no rate increases.

Many of the major companies that have been in the business for 20+ years have never had a rate increase on existing policyholders. Some have paid out hundreds of millions of dollars in claims. In fact, some have paid out over a billion dollars and never once raised their rates on existing policyholders.

3) He says: People who have sufficient income from pensions, social security and annuities, will find LTC insurance a waste of money.

My response: Really? Let's assume a couple has a retirement income of \$100,000 per year and one spouse needs to enter a nursing home. The cost of nursing homes in the New York metro area is \$100,000-\$130,000 per year. The average stay is about 3 years. So, do the math. Explain how the well-spouse, who remains at home, will survive. Will the well-spouse have to sell all of the assets that the couple has spent a lifetime accumulating? Will the home have to be sold? Will all of the couple's stocks and bonds and other investments have to be cashed in, in order to pay for that care? Will it be the right time to sell those assets, considering there may be a down real estate market or stock losses and/or capital gains taxes to be paid? Would Mr. Borgilt like to see his own clients blow through an entire life's savings in a few short years? There goes the client portfolio and

therefore, the client.

4) He says: The lifetime annuity has benefits that will solve the problem for such a couple, because annuity payments cannot be taken to pay for LTC services.

My response: I beg to differ. In the above scenario, if after running out of money a person winds up on Medicaid, the payments of an annuity to a Medicaid recipient can and will go towards the cost of care. Review the recently passed Deficit Reduction Act. This law states that the beneficiary of an annuity for a Medicaid patient must be the state. So, if the recipient dies and there is still money left in the annuity, Estate Recovery mandates that any remaining funds will be left to the state.

5) He says: Buying LTC insurance to protect the estate is problematic, and that baby boomers should have their kids "stand on their own two feet."

My response: LTC insurance is not always about leaving money to the kids. It's about protecting someone's assets in order to maintain an income that will protect the lifestyle of the well-spouse.

6) He says: People should give money to their kids long before they die so the money cannot be touched by the state.

My response: Interesting concept. If Mr. Borgilt knows exactly when he is going to die, let him start giving his money away exactly 1825 days (5 - years) prior to that event.

7) He says: The above is his plan; he doesn't want to waste money on LTC insurance, which he may never need; his family history is good; and no one in his family has ever been in a nursing home and he's in good health.

My response: That's very commendable. But what happens if he's hit by a car tomorrow and requires care for the next 20 years of his life?

8) He says: Because he's retired from the military, he always has the armed forces retirement home to rely on.

My response: Review the qualifications for admittance to a VA facility. The only way the VA will pay for care is if the reason for needing care is due to a service-connected disability. More importantly, why not visit a VA nursing home and then visit a private-pay nursing home and decide which is preferable.

Mr. Borgilt says he doesn't believe in LTC insurance. I can live with that. Many people feel the same way. But, if the above points are his only reasons, I think he's standing on thin ice.

Arthur D. Rudnick, LTCP
New York Long Term Care Brokers
White Plains, N.Y.
AR4LTC@aol.com