

# The Truth About Long Term Care

- **Began in the early 1980's extrapolating rates from morbidity and mortality tables.**
- **Expected average claim age to be in early 60's with a duration average of 1 year followed by death.**
  - Actual average age of early 70's ten years higher than expected.
  - Actual claim duration average 3 years as opposed to 1 year.
  - Average claimant would survive claim.
- **Industry projected 7%-8% interest rate growth on financial reserves.**
  - Actual interest rates averaged 3%.
  - Actual loss resulted in 30% rate increase.
- **Policy lapse rate was forecast by the industry to be around 9% of policy holders, affecting reserves held by carriers.**
  - Actual lapse rate has been less than 1%.
  - Difference in lapse rate affected premiums by over 30%.
- **Rate Stabilization Pricing took effect in 2001, now adopted by 41 states.**
  - Previously carriers allowed 60% towards claims, 40% towards expense + profits.
  - New rates allow 85% towards claims, 15% towards expenses + profits.
  - Changes created price increase and price stabilization.
- **From 1986-2014 the average client premium paid was \$41,000 and the average client benefit received was \$115,000.**
- **In less than 10 years, the 100 carriers offering LTC has trimmed down to 7, who are striving towards stable growth, by offering stable and strong protection to consumers.**