Why are you increasing my premiums?

How long term care insurance premiums are developed

When insurers set the premium prices for long term care insurance policies, they make assumptions about what will happen over the time period between when people purchase and ultimately use their policies. These assumptions help ensure that the premiums collected over time will sufficiently cover expected claims. Generally, policyholders do not submit claims for decades after purchasing long term care insurance, so these assumptions are made looking many years into the future.

About Premium Increases

Why Increases are Needed

My Options

Value of Coverage

Genworth's Promise

FAQs

Some key assumptions around the number of people that will claim, as well as the amount of money that will be available to pay those claims, determine the premium price for long term care insurance. These assumptions include, but are not limited to:

- When policyholders will start to need their insurance benefits and for how long
- How long policyholders will live
- How many policyholders will keep their policies
- Future interest rates and
- Amount of eligible benefits that will be paid

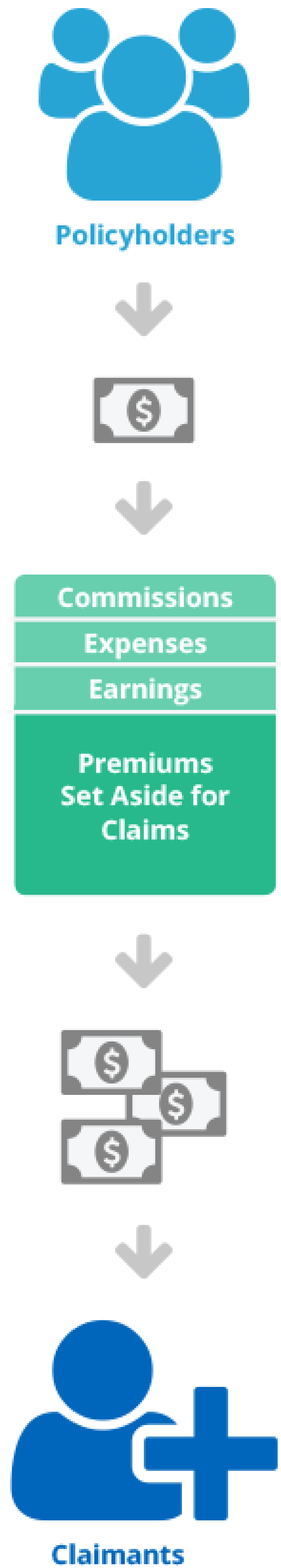
To initially set the premium price for long term care insurance, insurers complete a thorough assessment of these key assumptions to develop as accurate a price as possible.

However, if key assumptions do not turn out (or are not expected to turn out) as originally anticipated, after careful review and analysis, insurers may determine the need to make changes to the premiums on existing policies in order to cover the expected claims.

Why premium increases on long term care insurance policies may be necessary

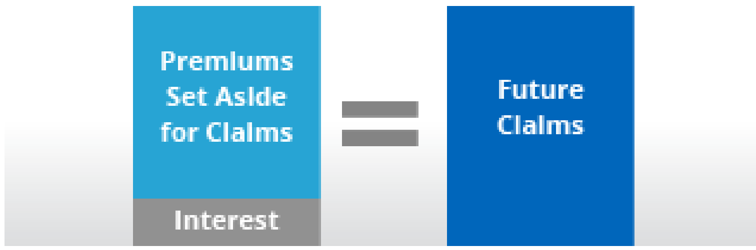
Over the lifetime of a policy, most premium dollars will be set aside to pay future claims. Remaining premium dollars are used to cover commissions, expenses and earnings. Although long term care insurance is originally priced to generate a profit, if claims are higher than expected, insurers may experience losses - which is the case for many of the products for which we are seeking premium increases. The diagram below illustrates how premiums are intended to be used over the lifetime of a long term care insurance policy.

Intended allocation of premiums



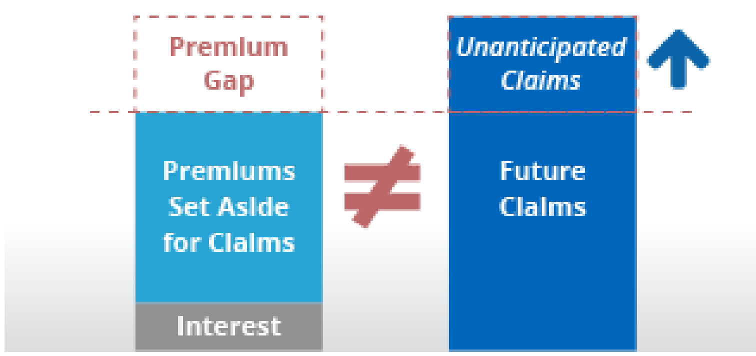
The information and diagram above are intended to provide you a general overview of how premium dollars are allocated. The process is more complex than depicted and the actual results may vary depending on the outcome of certain factors.

Why premium increases are needed explained in 3 steps



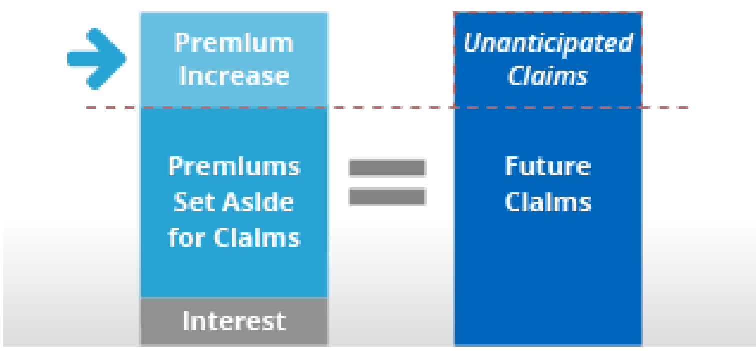
Step 1

The premiums set aside to pay claims earn interest, similar to a savings account. Ideally, the amount of premiums set aside to pay claims, plus the interest earned, is equal to future claims.



Step 2

Generally, industry experience has shown that many more people are keeping their policies than originally anticipated. While this shows that people truly value their coverage, it also leads to significantly more claims than anticipated. If key assumptions, like the one above, do not turn out (or are not expected to turn out) as originally anticipated, the premiums set aside for claims may not be sufficient to cover future claims.



Step 3

To restore balance, insurers may request premium increases to ensure that they are funded adequately to meet their responsibility to pay claims.

How we seek premium increases

First and foremost, we cannot change premiums for specific policyholders due to individual circumstances. We implement premium increases on a group of policies that have similar characteristics and benefits, and that are issued in the same state on the same policy form. In addition, long term care insurance is a "guaranteed renewable" product, which means that as long as you continue to pay the premium, we cannot cancel or change your policy, other than to adjust premiums as necessary.

In order to raise premiums, we need to submit actuarially-justified requests to the insurance regulators in each state* where the policies were sold. Because each state regulator may have different criteria for allowing an increase, the amount and timing of each increase varies by state. In states where we receive less than we requested, we will often submit a subsequent request for an additional premium increase.

* with the exception of Alaska