



June 2004

America's Health  
Insurance Plans

Providing Health  
Benefits to Over  
200 Million Americans.

## Research Findings

### Long-Term Care Insurance in 2002





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# Long-Term Care Insurance in 2002

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# Contents

List of Illustrations .....	5
Preface .....	7
Survey Methodology .....	9
Summary of Study Findings .....	11
Market Trends, Future Directions and Challenges for the Long-Term Care Insurance Market .....	13
Illustrations .....	15



# List of Illustrations

## *Figures*

Figure 1	Long-Term Care Insurance Policies Sold, Cumulatively, 1987-2002 .....	15
Figure 2	Companies Selling Long-Term Care Insurance, 1987-2002 .....	16
Figure 3	Length of Time Companies Have Sold Long-Term Care Insurance Policies .....	17
Figure 4	Long-Term Care Insurance Policies Sold in the Individual Market, Cumulatively, 1987-2002 .....	21
Figure 5	Percentage of HIPAA Tax-Qualified Individual Long-Term Care Insurance Policies Sold, 1998-2002 .....	25
Figure 6	How Individual Long-Term Care Insurance Policies Are Sold .....	26
Figure 7	Ranking of Long-Term Care Insurance Sales by State .....	27
Figure 8	Long-Term Care Insurance Sales, Alphabetically by State in Which Policy Was Sold .....	28
Figure 9	State-by-State Long-Term Care Insurance Market Penetration .....	29
Figure 10	Number of States That Individual Long-Term Care Insurers Sell In .....	30
Figure 11	Long-Term Care Insurance Policies Sold in the Employer and Life Insurance Markets, Cumulatively 1987-2002 .....	33
Figure 12	Number of Employer-Sponsored Long-Term Care Insurance Plans Offered, Cumulatively 1987-2002 .....	34
Figure 13	Sizes of Employers Offering Long-Term Care Insurance .....	35

## *Tables*

Table 1	Companies That Sold Long-Term Care Insurance in 2002 .....	18-19
Table 2	Long-Term Care Insurance Products by Percentage of Policies Sold and Average Age of Buyer .....	20
Table 3	Premium Volume of Individual Long-Term Care Insurance Policies Sold in 2000, 2001, and 2002 .....	22
Table 4	Ratio of Policies Sold to Policies In-Force and In-Force Premium Volume of Individual Long-Term Care Insurance Policies as of December 31, 2002 .....	23
Table 5	Claims Paid by Individual Long-Term Care Insurers .....	24
Table 6	Typical Coverage Offered by Top Long-Term Care Insurance Sellers in 2002 .....	31
Table 7	Average Annual Premiums for Top Long-Term Care Insurance Sellers in 2002 .....	32



# Preface

*Long-Term Care Insurance in 2002* is the latest installment of our series of Long-Term Care Insurance Market Surveys. This survey series measures the growth of the long-term care insurance industry and monitors the evolution of long-term care insurance products.

This is the only comprehensive survey series that surveys all long-term care insurers. The survey series is the definitive source of data on the status of the long-term care insurance market. We hope this publication will assist policy makers, consumers, and the insurance industry in their discussions on how to solve the nation's long-term care financing crisis.

I would like to thank Susan Coronel, AHIP's Director for Long-Term Care and the author of this publication, for her contribution to this project, Megan Shriver and Kathie Zettervall for help in gathering the survey data, and all the companies that have participated in our survey throughout the years. We are grateful for your input and cooperation.



Karen Ignagni  
*President and CEO*  
*America's Health Insurance Plans*



# Survey Methodology

Since the mid-1980s, the organization now known as America's Health Insurance Plans (AHIP) has been conducting surveys of long-term care insurance companies. These unique surveys have become the primary source of information on the status of this important market. *Long-Term Care Insurance in 2002* is AHIP's latest effort to track this market.

In April 2003, AHIP distributed written surveys to every long-term care insurance seller in the following markets:

- Individual\*;
- Employer sponsored; and
- Riders to life insurance (accelerated death benefits).

Survey respondents were given the option of filling out and submitting the survey electronically. The survey questions were designed to gather information on the companies' market experiences in 2002.

Each participating firm was asked to send AHIP a copy of its most recent and widely circulated policies and marketing materials along with its completed survey.

In order to capture as much of the market as possible, AHIP made numerous follow-up telephone calls to the majority of the participants. These calls also served to check the validity of the data. AHIP also reviewed various studies and reports that contained data on the long-term care insurance market. By doing these, AHIP gathered information on all long-term care insurance sellers.

Once the answers to the survey questions had been entered into the existing database, AHIP looked at overall market trends and at the results from each of the three market types.

Data were analyzed, and the top sellers of individual and group association policies in 2002 were identified. AHIP then made a more in-depth study of the top sellers' policies. This study also closely monitored and evaluated employer-sponsored long-term care insurance and accelerated death benefits for long-term care markets.

The analysis of the information is reported in this Research Findings. AHIP is grateful to all the companies that took the time to participate in this study.

\* Long-term care insurance policies sold through groups or associations that were individually underwritten are classified as individual policies.



# Summary of Study Findings

The number of individuals purchasing long-term care insurance has grown dramatically in recent years. In 2002, 104 companies sold more than 900,000 policies. This is the largest number of policies sold in a single year since 1987, when the market was first analyzed. With this surge in sales, there have been 9.16 million policies sold from the inception of the market through the end of 2002. The market grew an average of 18 percent each year between 1987 and 2002. Insurance policies sold included individual, group association, employer-sponsored policies, and riders to life insurance policies that accelerate the death benefit for long-term care.

As of December 31, 2002, approximately 80 percent of all long-term care insurance policies were sold through the individual market. Ninety-four percent of long-term care insurers sold in this market.

In contrast, as of December 31, 2002, 28 percent of the 2002 long-term care insurance carriers sold policies in either the employer-sponsored or life insurance markets. This is in comparison with only 14 percent in 1988. The employer-sponsored and life insurance markets also represented 21 percent of all long-term care policies sold as of 2002, up from less than 3 percent in 1988.

Although the individual and employer-sponsored markets experienced tremendous growth in recent years, the long-term care life insurance rider market has remained stagnant since 1996.

In fact, 68 percent of the entire long-term care market's growth in 2002 can be attributed to the individual and group association markets. The total premium volume for the individual and group association policies sold in 2002 alone was more than \$1 billion.

This study validates the persistency of long-term care insurance coverage. Findings from this study show significantly lower than expected lapse rates. Based on data reported by many individual insurers, AHIP estimates that roughly 7 in 10 of all individual policies sold remain in force. The in-force premium volume for individual and group association policies sold as of 2002 was about \$6.1 billion. Moreover, individual long-term care insurance carriers paid more than \$8 billion in benefits to their claimants. In 2002 alone, long-term care insurance claims paid exceeded \$1 billion.

In 2002, the employer-sponsored market experienced a landmark year. More than 280,000 new long-term care insurance policyholders, representing almost one-third of all policies sold in 2002, purchased their coverage through their employer. A significant portion of this growth can be attributed to the launching of the Federal Long-Term Care Insurance Program.\* This program made long-term care insurance available to federal government employees and annuitants and their qualified dependents and relatives. Open enrollment for the program began in July 2002 and ended in December 2002.

By the end of 2002, more than 5,600 employers were offering a long-term care insurance plan to their employees, retirees, or both. There were about 1,700 employer-based plans introduced in 2001 and 2002 alone. Most of these plans were employee "pay-all" plans, where the employer did not contribute toward the employee's long-term care insurance premium.

As we have said, long-term care coverage offered as an additional benefit through a rider of a life insurance policy has experienced virtually no growth since 1996. Sales have remained stagnant since the mid-1990s, and many insurers have left this market. This may indicate that consumers view their life insurance and long-term care insurance needs differently and therefore do not want to combine these risks and needs in one product.

Sales remained concentrated in a few states notwithstanding the growth of long-term care insurance in most regions of the country. Since the inception of the market through the end of 2002, half of all individual policies were sold in only 10 states: California, Florida, Illinois, Iowa, Minnesota, New York, Ohio, Pennsylvania, Texas, and Washington. If the total sales by state were divided by each state's over-50 population, estimates of

the market penetration appear highest in Iowa, Kansas, Indiana, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota, and Washington.

As in previous years, the long-term care insurance market was concentrated among a relatively small number of sellers. Thirteen companies represented approximately 80 percent of all individual policies sold in 2002. AHIP conducted an in-depth look at the top sellers' latest policies and found that these insurers offer policies with a wide range of benefit options and design flexibility at moderately priced premiums. Key findings show that:

- All companies offer plans covering nursing home, assisted living facility, home health care, hospice care, respite care, and alternate care services.
- Other common benefits include case management services, homemaker or chore services, restoration of benefits, reimbursement of bed reservations in long-term care facilities, coverage of some medical equipments, survivorship benefits, and caregiver training.
- Spousal discounts are more prevalent and offer significant reductions in premiums. The discount ranges from 10 to 40 percent.
- There appears to be consumer interest in limited pay policies and some companies are beginning to offer these types of policies in different variations, such as single pay, 10-pay, and pay until 65 options.
- Criteria used for benefit eligibility remain deficiency in performing activities of daily living (ADLs) and cognitive impairment.
- All plans are guaranteed renewable, have a 30-day "free look" period, cover Alzheimer's disease, have a waiver of premium provision, and offer unlimited or lifetime nursing home maximum periods.
- All companies use a six-month or less preexisting condition limitation.
- Age limits for purchasing continue to expand. Companies offer individual policies to people as young as 18 and as old as 99.
- All plans offer the National Association of Insurance Commissioners (NAIC) Long-Term Care Model Act and Regulation inflation protection requirement of benefits increasing at an annual 5 percent compounded rate, funded with a level premium.
- All companies offer plans that have a nonforfeiture benefit; shortened benefit period is the most common type offered.

In addition to examining top sellers' policy provisions and marketing materials, AHIP reviewed the premiums the sellers offered for their most recent policy. Premiums for long-term care insurance policies varied widely depending on multiple factors, including entry age of the policyholder and benefit designs chosen.

AHIP analysis reveals that the average premiums reported by the 2002 top sellers remained fairly constant when compared to the average premiums for the 2001 top sellers. The average percentage change in premiums for the different age and policy categories was about 5 percent. The change in premiums ranged from a decrease of 4 percent to an increase of 12 percent. Premiums increased substantially when additional benefits, such as a lifetime 5 percent compounded inflation protection feature, nonforfeiture benefits, or both were added to the base plan.

\* The Federal Long Term Care Insurance Program was created by the Long-Term Care Security Act, which was signed into law by President Bill Clinton on September 19, 2000 and is sponsored by the Office of Personnel Management (OPM). OPM selected its insurer, Long-Term Care Partners, on December 2001. The program's education campaign began in February 2002.

# Market Trends, Future Directions, and Challenges for the Long-Term Care Insurance Market

As advances in medical technology and general health increase the American life span, the number of people who will live with chronic illness and need long-term care will also increase. Additionally, rising income, particularly among the current elderly and future baby boom retirees, makes insurance against the costs of long-term care more affordable.

Trends indicate that long-term care insurance is gradually being folded into America's extensive private health insurance system. The long-term care insurance industry is ready for this challenge. Findings from this study and other research show a strong and growing long-term care insurance market delivering proven benefits to policyholders, their families, and to taxpayers.

The latest survey, *Long-Term Care Insurance in 2002*, clearly shows continued strong and steady growth in the long-term care insurance market. Between 1995 and 2002, the number of long-term care insurance policies grew by at least 10 percent or 500,000 new policies each year. This growth was sustained by consistent sales in the individual market and significant increases in the employer-sponsored market.

Long-term care insurance policies have also continued to show consistent improvement in product design. Policies today are comprehensive and cover virtually all sites and levels of long-term care. Current products provide expanded benefits and also, perhaps largely owing to the Health Insurance Portability and Accountability Act of 1996 (HIPAA), more uniform benefits and benefit eligibility criteria.

This survey also confirms the persistency and value of private long-term care insurance coverage. Findings from this study show significantly lower than expected lapse rates. AHIP estimates that 7 out of 10 long-term care policies sold remain in force. Additionally, this survey shows that long-term care carriers are paying the benefits that they have promised. From the inception of the long-term care insurance market through the end of 2002, insurers had paid more than \$8 billion in long-term care insurance claims.

We have also seen the policies evolve to a more consumer-driven product. Because the government is not expected to expand funding for future long-term care expenses, consumers are realizing that they will need to rely on their own resources, especially if they are seeking more long-term care choices. The market has answered with a proliferation of integrated policies that allow policyholders freer rein to exercise choice over settings and services. No doubt such enhancements will continue to spread.

AHIP's survey series has also documented the general stability of long-term care insurance premiums. Considering the significant improvement in products, this general stability of premiums is obviously bringing to consumers better value for their long-term care insurance premium dollars.

There continues to be great promise in the employer-sponsored long-term care insurance market. In 2002, one in three policies was sold through employer groups, and since the inception of this market through 2002, more than 1.6 million long-term care policies were sold through more than 5,600 employers. The average annual growth of this market segment has also consistently outpaced the individual market, and every year employer-sponsored policies constitute a greater percentage of all long-term care policies sold. This market is expected to show even stronger growth in the future.

Facing federal and state fiscal constraints, private long-term care insurance has an increasingly important role to play in helping Americans meet the staggering costs of long-term care. Many legislators and regulators have recognized the potential of private long-term care insurance with efforts to advance public policy that would encourage private long-term care coverage. Examples of these recent efforts include the inclusion of tax incentives in President George W. Bush's budget proposals, allowing the sale of long-term insurance through Health Savings Accounts, government-funded research and efforts on using reverse mortgages for long-term care insurance, expanding the state long-term care partnership programs, and consumer education efforts.

However, the most effective demonstration of the federal government's support for encouraging individual responsibility for long-term care would be the enhancement of tax incentives for the purchase of long-term care insurance. Specific tax changes include establishing an above-the-line deduction for long-term care insurance premiums paid; permitting the tax-free use of individual retirement account and 401(k) funds for purchases of long-term care insurance; permitting long-term care premiums to be paid through cafeteria plans and flexible spending arrangements; and encouraging state tax incentives for the purchase of long-term care insurance. These efforts would lead to an increase in private coverage to protect individuals and families against catastrophic long-term care expenses. The expansion of this market would have the parallel effect of reducing Medicaid and Medicare outlays, thus decreasing future costs to the federal and state governments.

The future of the private long-term care insurance market ultimately depends upon consumer education and the development of insurance products that truly respond to the needs of the current elderly as well as the demands of the baby boom generation. The need for better consumer education is essential if long-term care policies are to realize their potential in financing our nation's growing long-term care needs. Efforts should be focused on early education, so that working-age people understand their risks for long-term care and can plan for their potential needs while they have the income to do so.

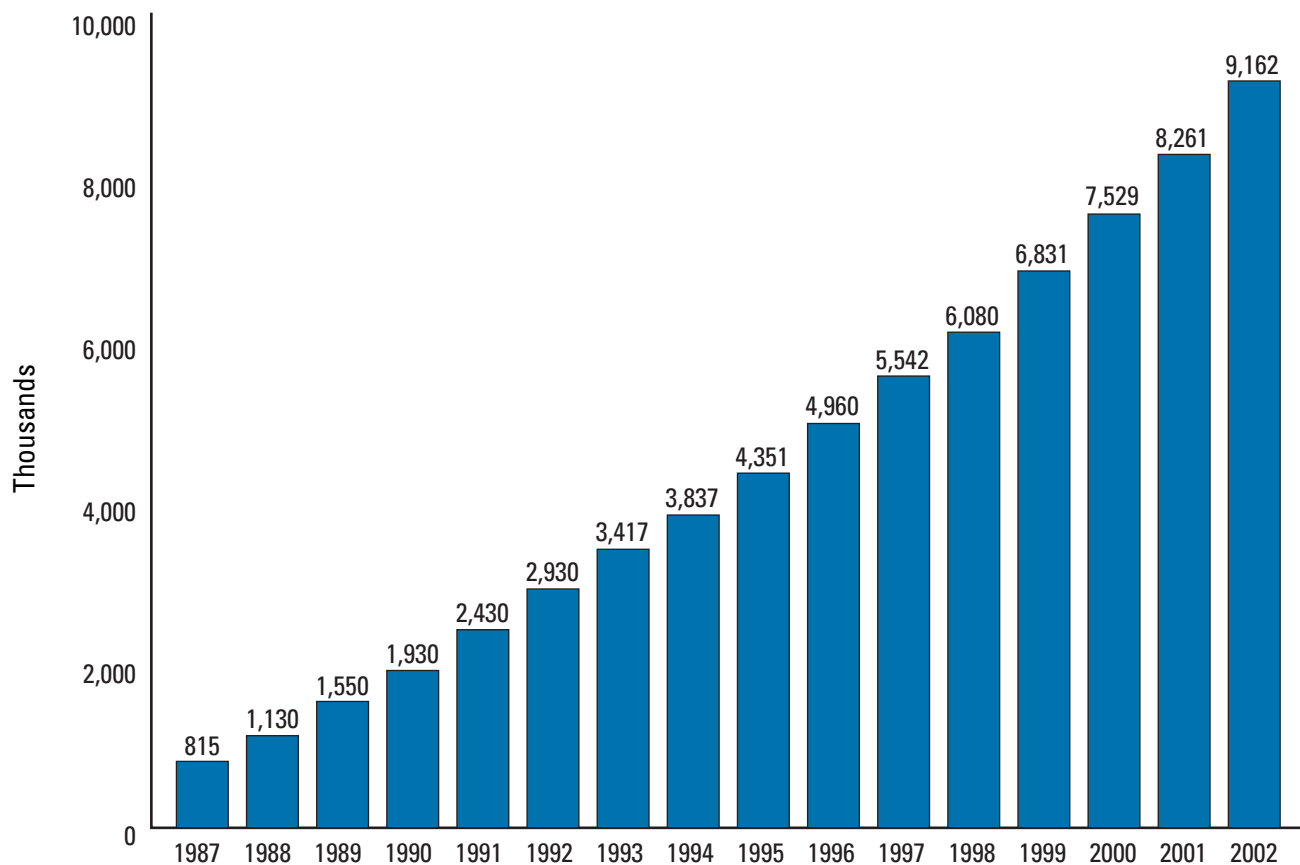
As the baby boom generation ages, finding ways to solve the nation's long-term care problem has become a crucial priority. Although long-term care insurance is not the only solution for financing long-term care costs, for many it offers a dependable and sensible approach to meeting potential long-term care needs. It is important to ensure that private long-term care insurance plays a key role in any effort to reform nation's long-term care financing public policies.

# Illustrations

From the inception of the long-term care insurance market through December 31, 2002, more than 9 million long-term care insurance policies were sold. The number of policies purchased increased by more than 900,000 in 2002 alone. From 1987 to 2002, the annual rate of growth averaged 18 percent. Types of long-term care insurance policies include individual, group association, employer-sponsored, and accelerated death benefits specifically for long-term care (life insurance riders). ♦

*Figure 1*

## Long-Term Care Insurance Policies Sold, Cumulatively, 1987-2002

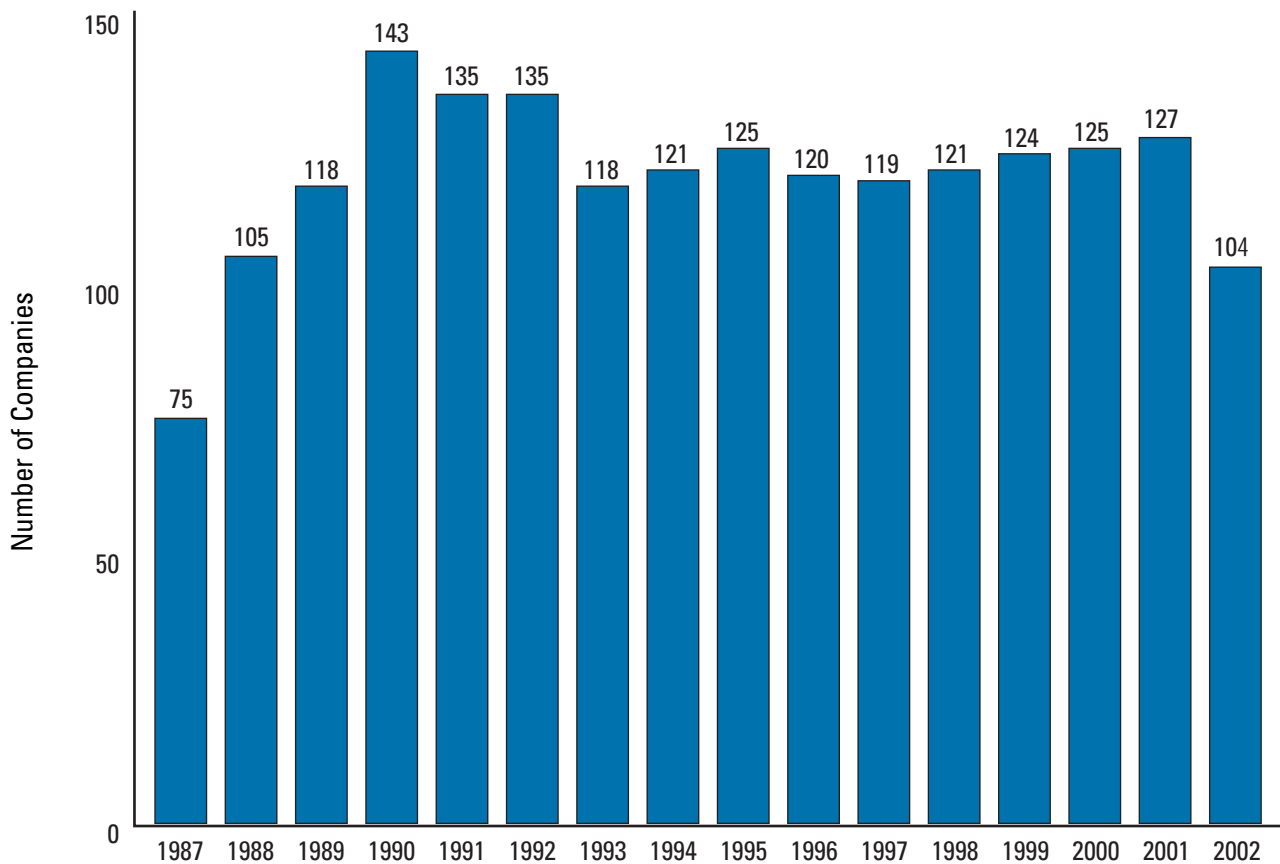


Source: AHIP LTC Insurance Market Surveys.

During 2002, 104 companies sold long-term care insurance. A number of companies either merged, stopped selling through one of its subsidiaries, or completely left the marketplace. This figure includes companies that sold individual, group association, or employer-sponsored policies, as well as companies with an accelerated death benefit rider specific to long-term care. ❖

*Figure 2*

### **Companies Selling Long-Term Care Insurance, 1987-2002**

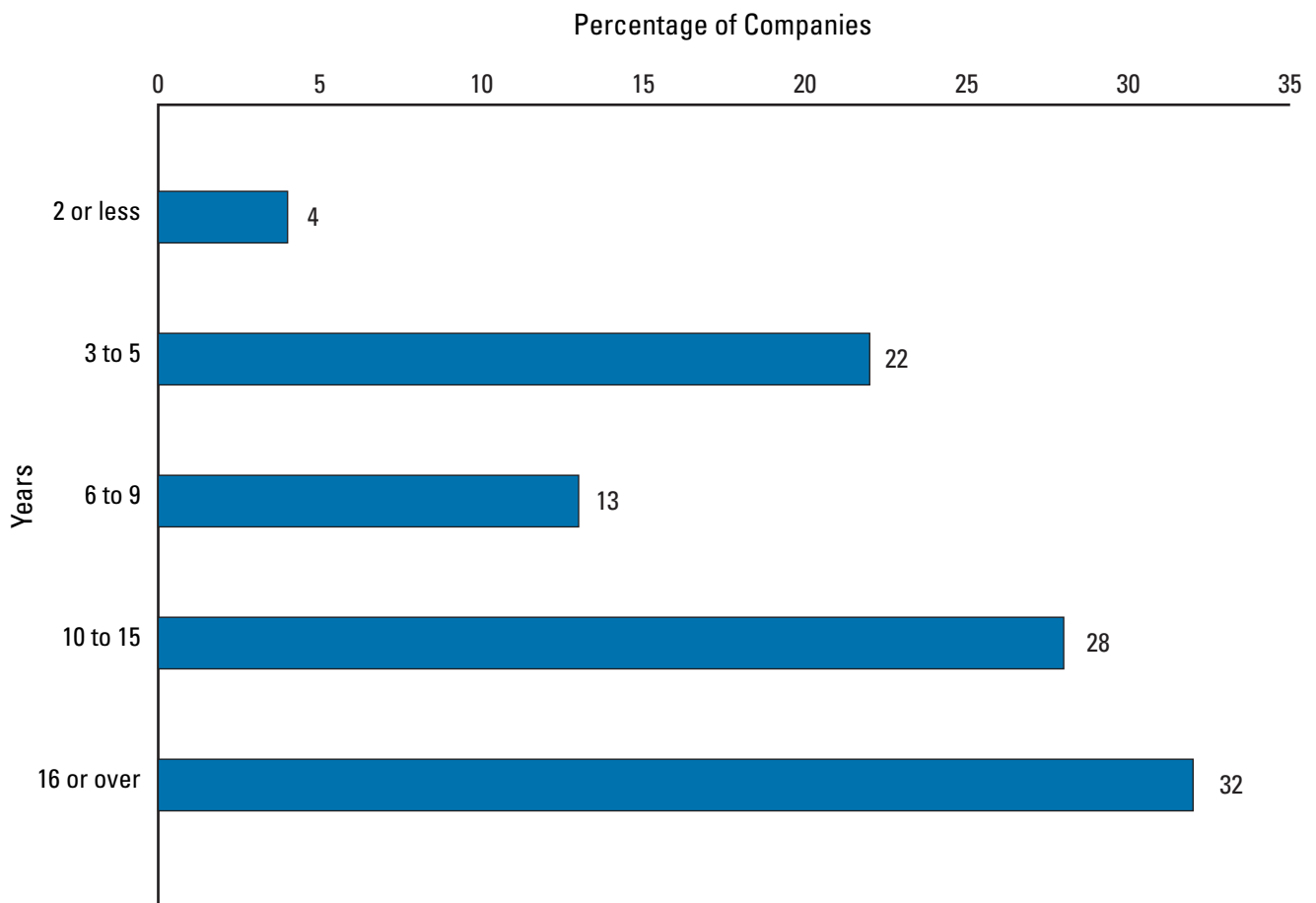


Source: AHIP LTC Insurance Market Surveys.

Six out of 10 long-term care insurance sellers in 2002 have been in the market for at least 10 years. About half of these companies began selling policies between 1987 and 1989. ❖

*Figure 3*

### Length of Time Companies Have Sold Long-Term Care Insurance Policies



Source: AHIP LTC Insurance Market Surveys.

The companies that sold long-term care insurance in 2002 are listed below. Italicized names are affiliates or subsidiaries of the companies listed above them. It is important to note that some of these companies may not be in the long-term care insurance market today. ❖

*Table 1*

## Companies That Sold Long-Term Care Insurance in 2002

Aetna Life & Casualty <sup>1</sup>	GE Capital Assurance
AF&L Insurance Company	<i>GE Capital Life Assurance Company of New York</i>
<i>Senior American Life Insurance Company</i>	Golden Rule Life Insurance Company <sup>3</sup>
Allianz Life Insurance Company of North America	Great American Life Insurance Company
<i>Life USA, Incorporated</i>	Great Republic Insurance Company
American Family Life Insurance Company of Columbus (AFLAC)	Guarantee Trust Life Insurance Company
American Family Mutual Insurance Company	IDS Life Insurance Company
American Fidelity Assurance Company	<i>IDS Life Insurance Company of New York</i>
American Heritage Life Insurance Company	John Hancock Life Insurance Company <sup>2</sup>
American Pioneer Life Insurance Company	Kanawha Insurance Company
American Progressive Life and Health	Knights of Columbus
American Republic Insurance Company	Life Investors Insurance Company of America
Bankers Life & Casualty Company	<i>AUSA Life Insurance Company</i>
California Public Employees' Retirement System (CalPERS) <sup>1</sup>	<i>Bankers United Life Assurance Company</i>
Catholic Order of Foresters	<i>Monumental Life Insurance Company<sup>4</sup></i>
Colonial American Life Insurance Company	<i>PFL Life Insurance Company</i>
Central States Health and Life of Omaha	<i>Transamerica Life Insurance Company<sup>4</sup></i>
Cincinnati Financial Corporation	Lincoln Benefit Life Insurance Company
Combined Insurance Company of America	Lincoln National Life Insurance Company <sup>4</sup>
Continental Casualty Company (CNA) <sup>2</sup>	Long Term Care Partners <sup>1</sup>
Continental General Insurance Company	Massachusetts Mutual Life Insurance Company <sup>2</sup>
COPIC Insurance Company	MedAmerica Insurance Company <sup>2</sup>
Country Life Insurance Company	Medico Life Insurance Company
CUNA Mutual Group	<i>Mutual Protective Insurance Company</i>
Equitable Life and Casualty Company of Iowa <sup>4</sup>	Mega Life and Health Insurance Company
	Metropolitan Life Insurance Company <sup>2</sup>
	Mid-West National Life Insurance Company

National States Life Insurance Company  
 New York Life Insurance Company  
 Northwestern Mutual Life Insurance Company  
 Penn Treaty Insurance Company<sup>2</sup>  
*Network America Life Insurance Company*  
 Physicians Mutual Insurance Company  
 Prudential Insurance Company of America<sup>2</sup>  
 Pyramid Life Insurance Company  
 Southern Farm Bureau Life Insurance Company  
 State Farm Mutual Insurance Company  
 State Life Insurance Company  
 Teachers Insurance and Annuity Association (TIAA)<sup>2</sup>  
 Teachers Protective Mutual Life Insurance Company  
 Thrivent Life Insurance Company  
 Trustmark Insurance Company  
 Union Labor Life Insurance Company  
 United American Insurance Company  
 United Security Assurance Company of Pennsylvania  
 United Teachers Associates Insurance Company  
 Universal American Financial Corporation  
 Unum Provident<sup>2</sup>  
 US Life Corporation<sup>3</sup>  
*All American Life Insurance Company*<sup>3</sup>  
 WEA Insurance Group<sup>2</sup>  
 Wellpoint Health Networks, Inc.  
 Woodmen Life and Accident

### **Blue Cross and Blue Shield Plans, By State**

Blue Cross of Alabama  
 Blue Cross-and Blue Shield of Arizona  
 Blue Cross and Blue Shield of Delaware  
 Blue Cross and Blue Shield of Florida  
 Hawaii Medical Service Association<sup>2</sup>  
 Regence Blue Shield of Idaho  
 Anthem Blue Cross and Blue Shield of Indiana  
 Wellmark Incorporated Blue Cross and Blue Shield  
 of Iowa  
 Blue Cross and Blue Shield of Kansas<sup>2</sup>  
 Blue Cross and Blue Shield of Minnesota<sup>2</sup>  
 Blue Cross and Blue Shield of Montana<sup>2</sup>  
 Blue Cross and Blue Shield of the National Capital Area  
 Blue Cross and Blue Shield of Nebraska  
 Horizon Blue Cross and Blue Shield of New Jersey<sup>2</sup>  
 Blue Cross and Blue Shield of North Carolina<sup>2</sup>  
 Blue Cross and Blue Shield of North Dakota<sup>2</sup>  
 Anthem Blue Cross and Blue Shield of Ohio  
 Regence Blue Cross and Blue Shield of Oregon  
 Blue Cross of Northeastern Pennsylvania<sup>2</sup>  
 Independence Blue Cross (Philadelphia, Pennsylvania)  
 Blue Cross and Blue Shield of South Carolina  
 Wellmark Blue Cross and Blue Shield of South Dakota  
 Regence Blue Cross and Blue Shield of Utah  
 Premera Blue Cross (formerly Blue Cross of  
 Washington and Alaska)  
 Blue Cross and Blue Shield United of Wisconsin

<sup>1</sup> Provides an employer-sponsored plan only.

<sup>2</sup> Provides an individual and an employer-sponsored plan.

<sup>3</sup> Provides long-term care coverage as part of a life insurance policy only.

<sup>4</sup> Provides an individual plan and a plan offered as a part of a life insurance policy.

The majority of long-term care insurers continued to sell policies in the individual and group association markets during 2002. As of December 31, 2002, 79 percent of all long-term care insurance policies ever issued had been sold directly to individuals. The same is essentially true of policies sold in 2002, albeit a slightly smaller percentage—68 percent of 2002 policies were individual and group association policies.

The employer-sponsored long-term care insurance policies accounted for a significant percentage of 2002 sales. About one in three policies sold in 2002 was offered through and sponsored by an employer. This jump could be largely attributed to the rollout of the Federal Long Term Care Insurance Program.

In 2002, 27 percent of the long-term care insurance carriers sold policies in either the employer-sponsored or life insurance markets (up from 14 percent in 1988). These two markets also represented 21 percent of all long-term care insurance policies ever sold as of the end of 2002 (up from less than 3 percent in 1988).

From 1988 to 2002, the average age of the purchasers in the individual market steadily fell, decreasing from 72 in 1990 to 60 in 2002. The average age of the employee purchaser has remained fairly constant at about 45 since 1990. ❖

*Table 2*

### Long-Term Care Insurance Products by Percentage of Policies Sold and Average Age of Buyer

Long-Term Care Product	Percentage of Companies <sup>1</sup> (n=103)	Percentage of all LTC Policies Ever Sold as of 12/02 (n = 9.16 million)	Percentage of Policies Sold in 2002 (n = 901,000)	Average Age of Buyer in 2002
Individual <sup>2</sup>	94	79	68	60
Employer-Sponsored	20	18	32	45
Long-Term Care as Part of a Life Insurance Policy	7	3	NA	NA

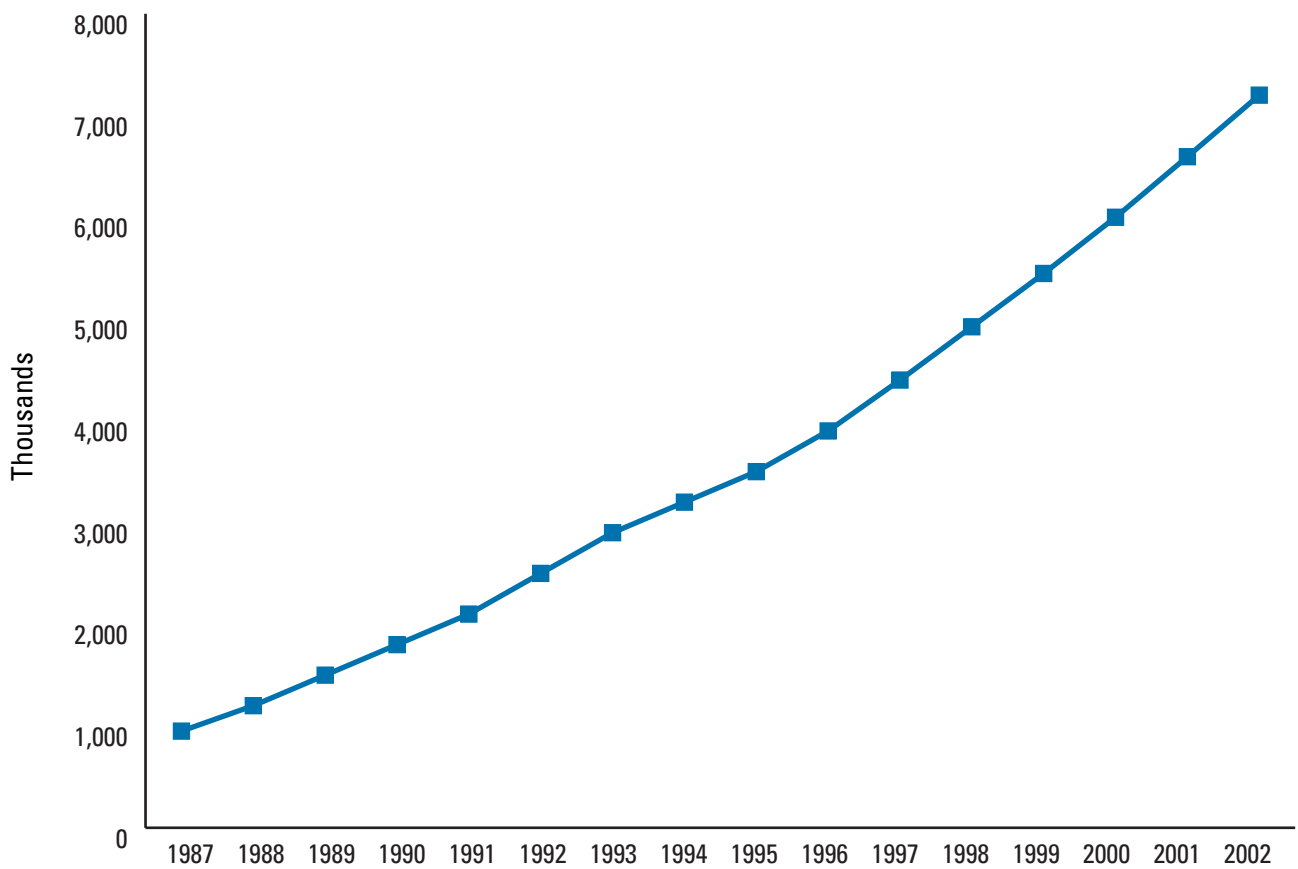
<sup>1</sup> Totals more than 100 percent because some companies sell their products in more than one type of market.

<sup>2</sup> Long-term care insurance policies sold through group associations that are individually underwritten are classified as individual policies.

The majority of long-term care insurance policies have been sold to individuals. The individual market grew steadily between 1987 and 2002. ❖

*Figure 4*

**Long-Term Care Insurance Policies Sold in the Individual Market, Cumulatively, 1987-2002**



Note: Long-term care insurance policies sold through group associations that were individually underwritten are classified as individual policies.

Source: AHIP LTC Insurance Market Surveys.

The annual premium volume for individual policies has been increasing. In 2000, it was \$981.5 million. During 2001, the premium volume reported was \$1.03 billion. The premium volume for individual policies sold in 2002 was \$1.16 billion. ❖

*Table 3*

**Premium Volume of Individual Long-Term Care Insurance Policies Sold in 2000, 2001, and 2002**

<b>Year</b>	<b>Premium Volume</b>	<b>Percentage of Market Represented</b>
2000	\$981.5 million	95
2001	\$1.03 billion	95
2002	\$1.16 billion	98

Note: Long-term care insurance policies sold through group associations that were individually underwritten are classified as individual policies.

Source: AHIP LTC Insurance Market Surveys.

AHIP asked all individual long-term care insurers to report their total in force policy count and premium volume as of the end of 2002. Three-fourths of the companies, representing 71 percent of all individual policies sold as of December 31, 2002, reported in-force policy counts. A slightly higher percentage of companies—85 percent, representing 90 percent of the individual market—reported their total annualized in-force premium as of December 2002.

Based on these reported numbers, roughly 7 out of 10 individual policies sold remain in force. Furthermore, the in-force premium volume for all individual policies sold as of 2002 was \$6.1 billion. ❖

*Table 4*

**Ratio of Policies Sold to Policies In-Force and In-Force Premium Volume of Individual Long-Term Care Insurance Policies as of December 31, 2002**

	<b>Sold to In-Force Ratio/ Premium Volume</b>	<b>Percentage of Companies Reporting In-Force Policy Count and Premium Volume</b>	<b>Percentage of Market Represented</b>
Ratio of policies in-force to policies sold	72%	75	71
Annualized premium for policies in-force as of Dec. 31, 2002	\$6.1 billion	85	90

Note: Long-term care insurance policies sold through group associations that were individually underwritten are classified as individual policies.

From the inception of the long-term care insurance market through the end of 2002, individual long-term care insurance carriers paid \$8.4 billion in benefits to their claimants. In 2002 alone, long-term care insurance claims paid was \$1.4 billion. ❖

*Table 5*

**Claims Paid by Individual Long-Term Care Insurers**

	<b>Dollar Amount of Claims Paid</b>
Paid from inception through Dec. 31, 2002	\$8.4 billion
Paid between Jan. 1 and Dec. 31, 2002	\$1.4 billion

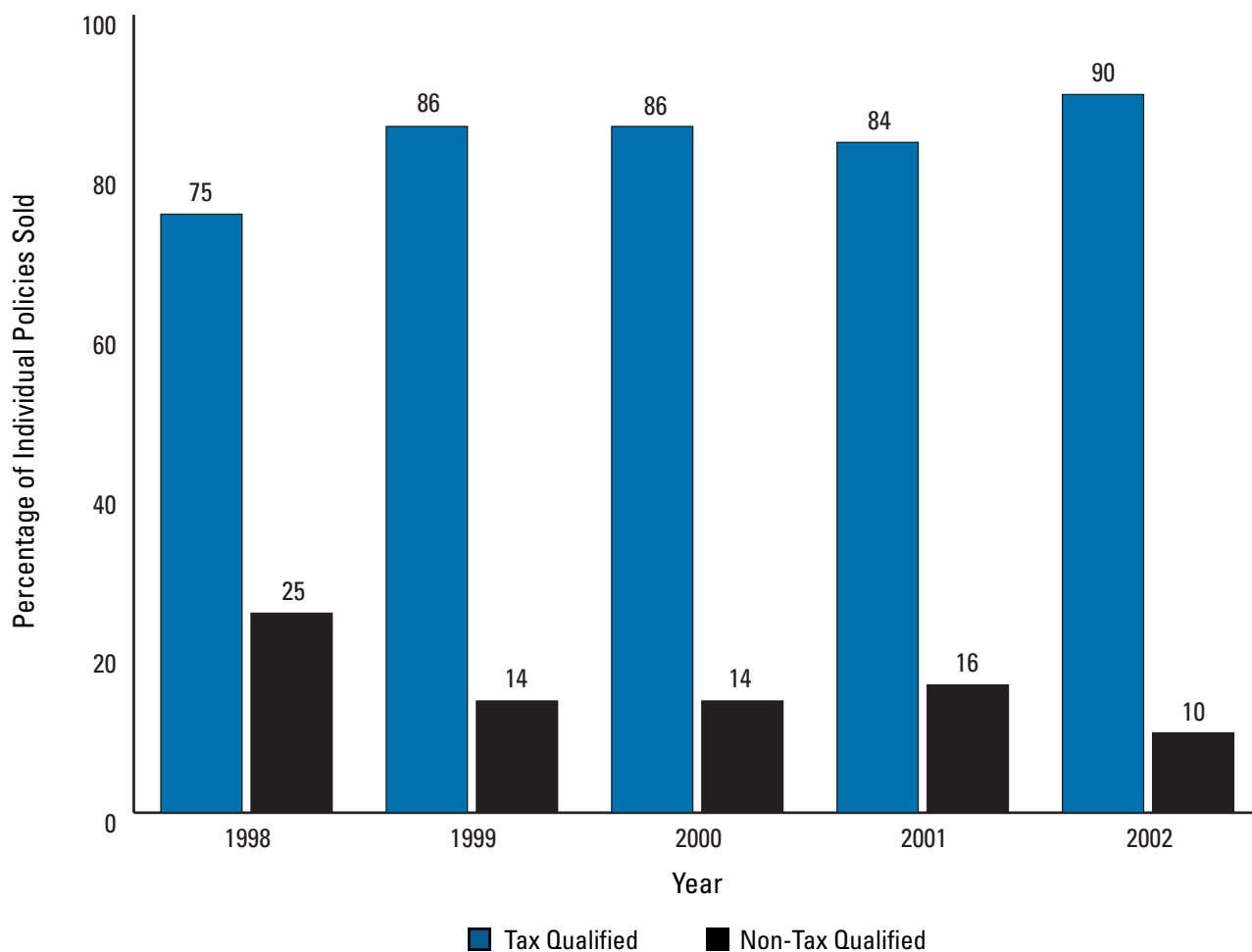
Note: Long-term care insurance policies sold through group associations that were individually underwritten are classified as individual policies.

Source: AHIP LTC Insurance Market Surveys.

The vast majority of individual policies sold in 2002 complied with the long-term care insurance requirements contained in HIPAA and were considered HIPAA tax-qualified policies. In 1998, 75 percent of policies sold were HIPAA tax-qualified policies. This majority further increased to 90 percent in 2002. ❖

*Figure 5*

### Percentage of HIPAA Tax-Qualified Individual Long-Term Care Insurance Policies Sold, 1998-2002



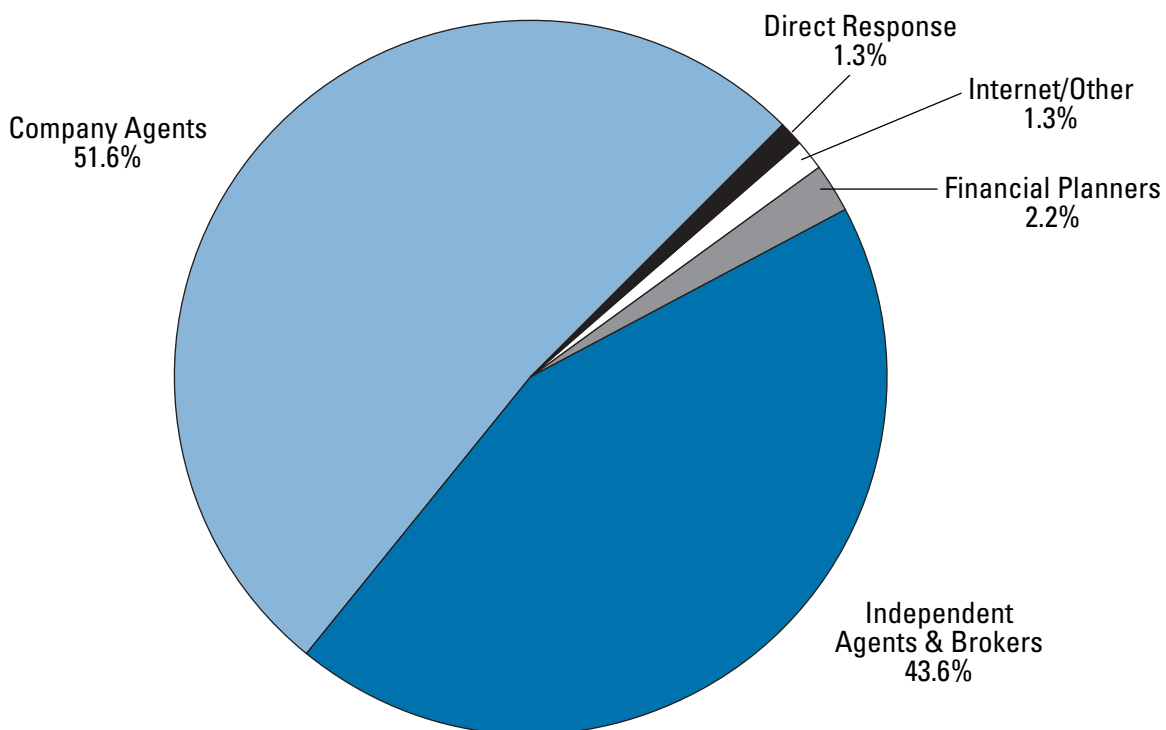
Note: Long-term care insurance policies sold through group associations that were individually underwritten are classified as individual policies.

Source: AHIP LTC Insurance Market Surveys.

Almost all-95 percent-individual policies sold from the inception of the market through December 31, 2002, were marketed through independent agents and brokers or through company agents. ❖

*Figure 6*

### How Individual Long-Term Care Insurance Policies Are Sold



Note: Long-term care insurance policies sold through group associations that were individually underwritten are classified as individual policies.

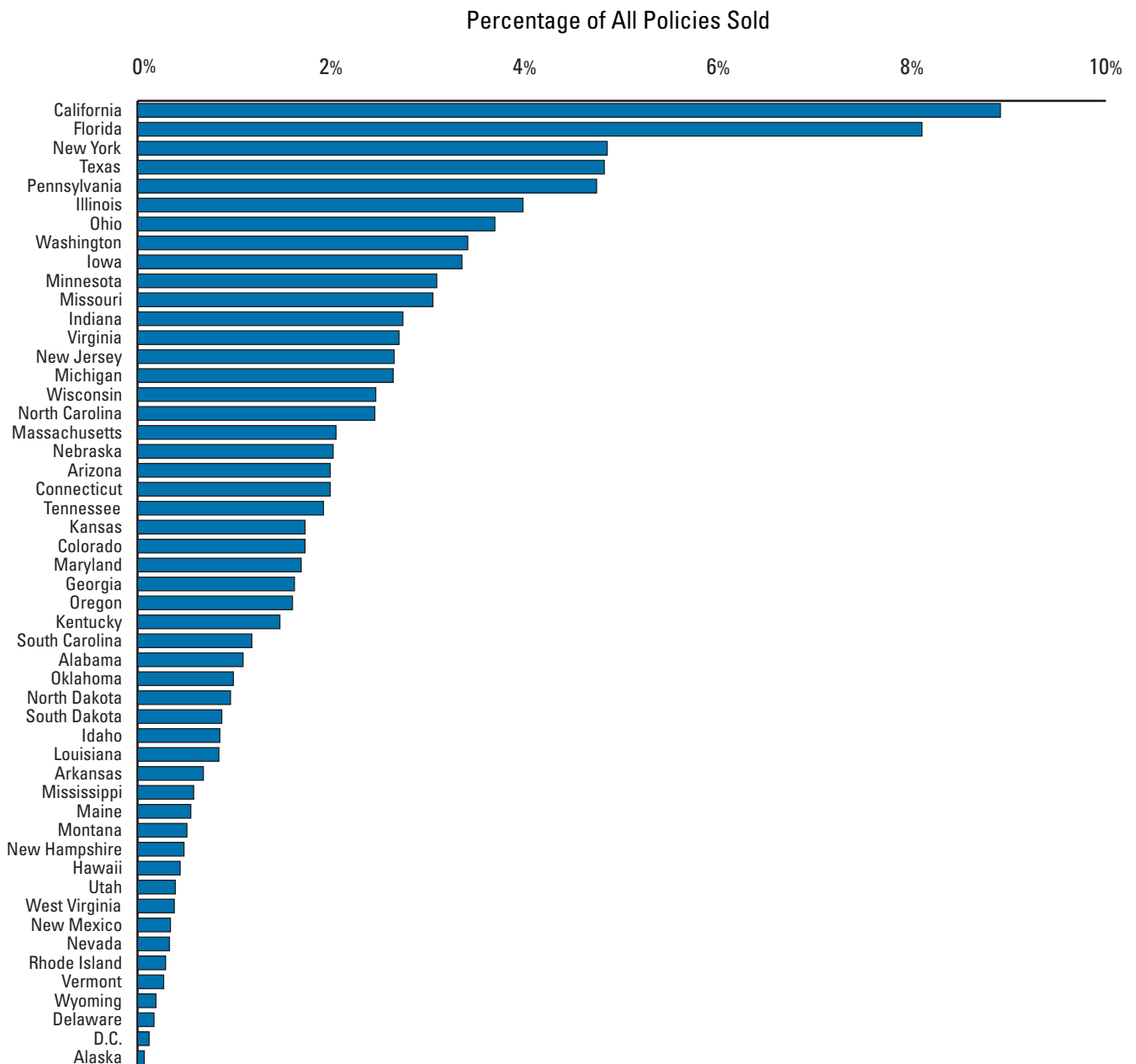
Source: AHIP LTC Insurance Market Surveys.

In 2002, all individual long-term care insurers were asked to break down their sales by state. More than 70 percent of the companies responded, representing more than 84 percent of all individual policies sold since the inception of the market through December 31, 2002.

From the inception of the market through the end of 2002, half of all individual and group association policies had been sold in only 10 states: California, Florida, Illinois, Iowa, Minnesota, New York, Ohio, Pennsylvania, Texas, and Washington. ❖

*Figure 7*

## Ranking of Long-Term Care Insurance Sales by State

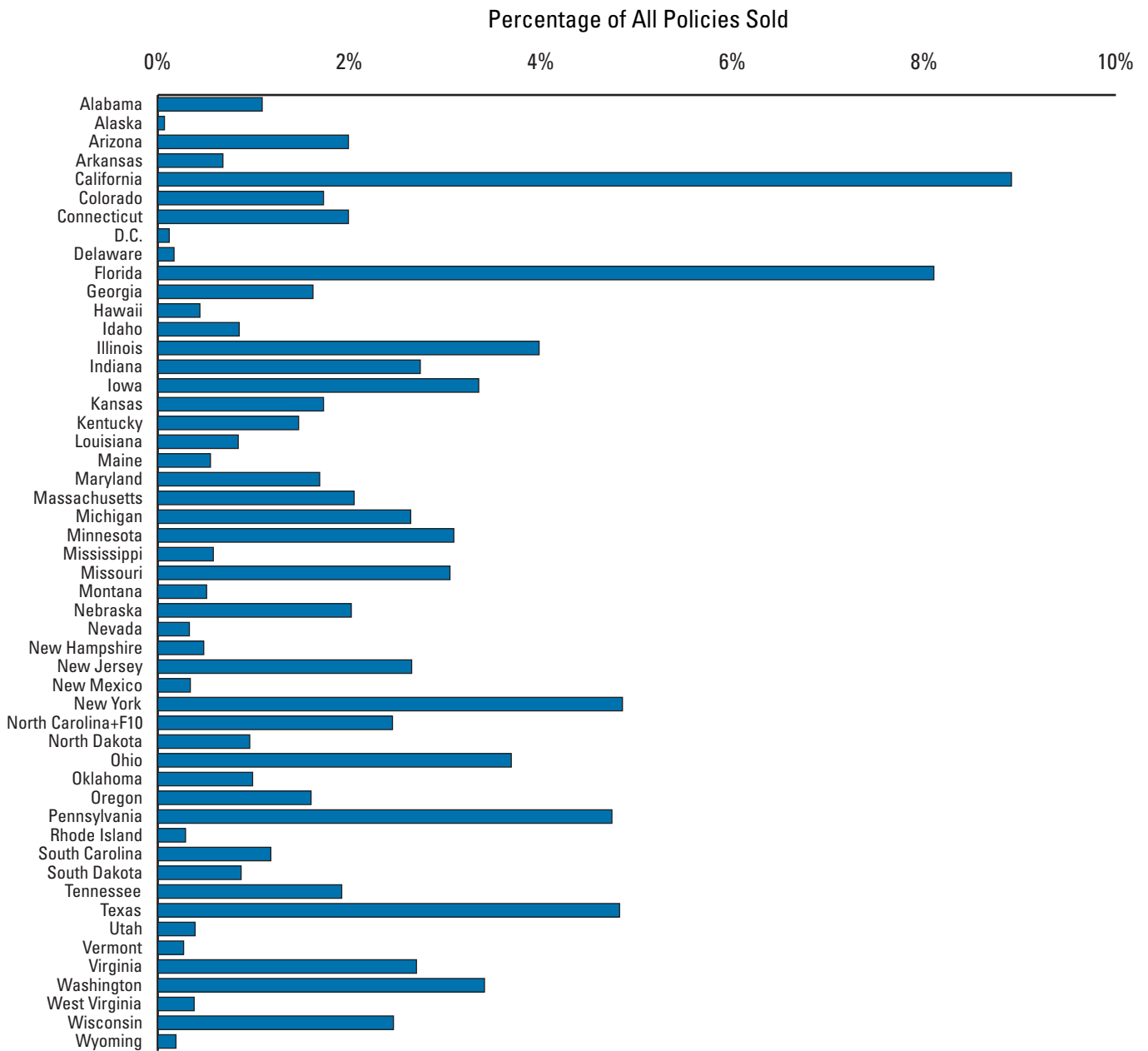


Source: AHIP LTC Insurance Market Surveys.

This bar chart shows the percentage of long-term care insurance policies that were sold in each state. As in the previous chart, these data collectively represent more than 84 percent of all individual long-term care policies ever sold as of December 31, 2002. ❖

*Figure 8*

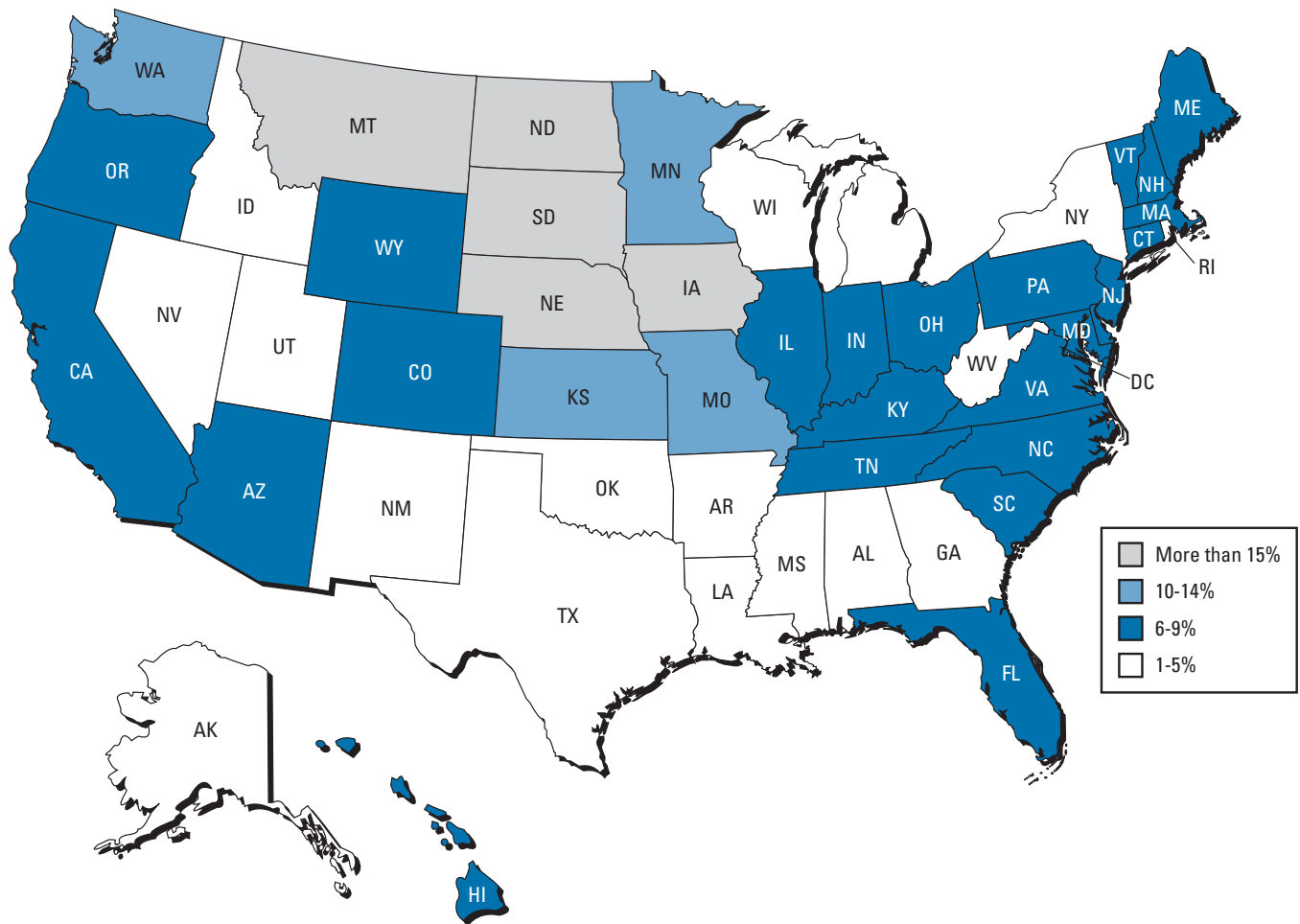
### Long-Term Care Insurance Sales Alphabetically by State in Which Policy Was Sold



Source: AHIP LTC Insurance Market Surveys.

AHIP used long-term care insurance sales data by state (see Figures 7 and 8), and estimated state market penetration rates. These estimates were calculated by dividing the number of policies sold in each state by the reported number of people age 50 or over living in that state. AHIP found that Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota, and Washington had the highest market penetration rates. ❖

*Figure 9*  
**State-by-State Long-Term Care Insurance Market Penetration**

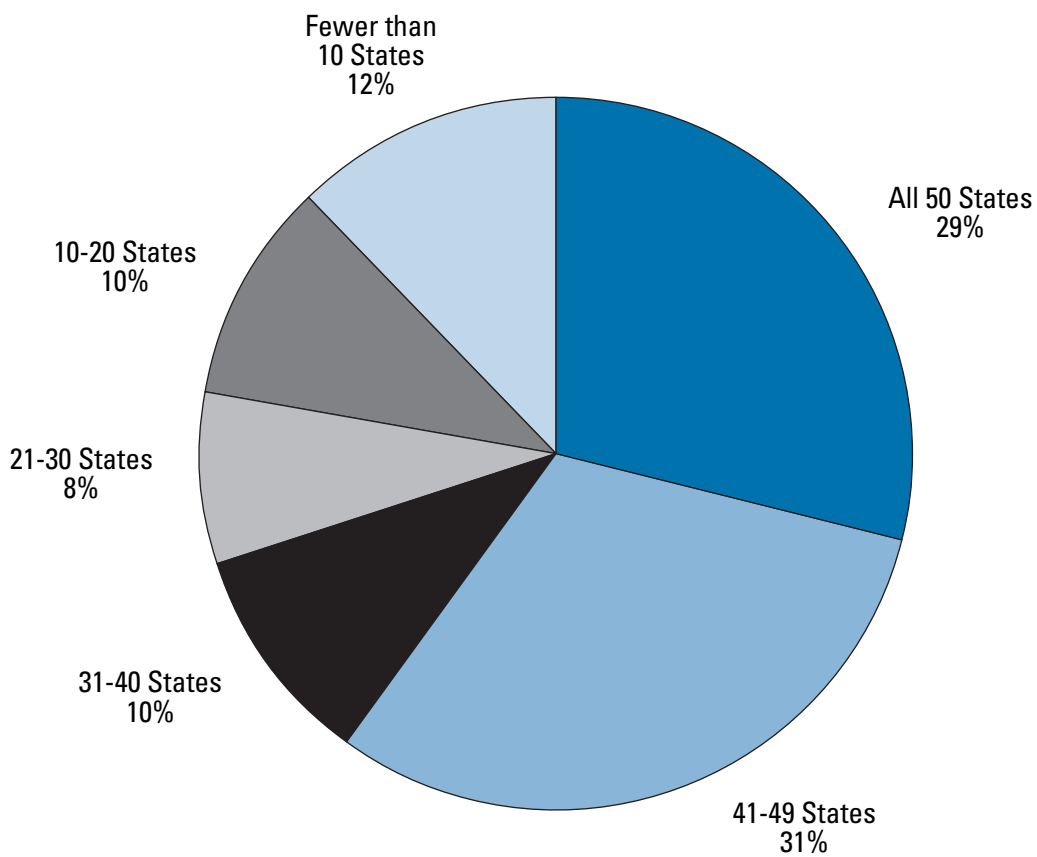


Source: AHIP LTC Insurance Market Surveys.

Six out of 10 insurers in the individual market sell a policy in at least 41 states. Moreover, about one-third of all companies sell in all states and the District of Columbia. Most of these insurers sell in Arizona, Iowa, Indiana, Illinois, Kentucky, Missouri, Nebraska, and Ohio. However, only 40 percent of insurers sell in New York. ❖

*Figure 10*

### Number of States That Individual Long-Term Care Insurers Sell In



Note: Long-term care insurance policies sold through group associations that were individually underwritten are classified as individual policies.

Source: AHIP LTC Insurance Market Surveys.

Policies offered in 2002 offer a wide range of benefit options and design flexibility. ❖

*Table 6*

### Typical Coverage Offered by Top Long-Term Care Insurance Sellers in 2002

<b>Services Covered</b>	Nursing home care Assisted living facility Home health care Alternate care Hospice care Respite care	13 out of 13 13 out of 13 13 out of 13 13 out of 13 13 out of 13 13 out of 13; 15-30 days
<b>Other Benefits Offered</b>	Bed reservation benefit Care coordination/care management Caregiver training  Medical equipment coverage Restoration benefit Survivorship benefit	13 out of 13; 21-60 days 13 out of 13 13 out of 13; 5-50 times daily benefit amount 10 out of 13 13 out of 13 10 out of 13
<b>Discounts Offered</b>	Spousal and “preferred health” reduces premium 10-40%	13 out of 13
<b>Integrated Policy Offered</b>	Yes	13 out of 13
<b>Daily Benefit Ranges</b>	\$50-500/day benefit	
<b>Benefit Eligibility</b>	ADLs or cognitive impairment	13 out of 13
<b>Benefit Period Ranges</b>	1 year to lifetime	
<b>Maximum Benefit Period</b>	Unlimited or lifetime offer	13 out of 13
<b>Deductible Period Ranges</b>	0-365 days	
<b>Preexisting Condition</b>	6 months or less	13 out of 13
<b>Limited Pay Policies Offered</b>	Single premium/10-pay/pay until age 65	7 out of 13
<b>Renewability</b>	Guaranteed	13 out of 13
<b>Non-Tax Qualified Policies Offered</b>	Yes	3 out of 13
<b>Alzheimer’s Disease Coverage</b>	Yes	13 out of 13
<b>Age Limits for Purchasing</b>	18-99	
<b>Waiver of Premium</b>	Yes	13 out of 13
<b>Free-Look Period</b>	30 days	13 out of 13
<b>Inflation Protection</b>	Offers 5% compounded annually	13 out of 13
<b>Nonforfeiture Benefit</b>	Shortened benefit period	13 out of 13

Note: Thirteen sellers were identified as having sold 80 percent of all individual and group association long-term care insurance policies in 2002.

Source: AHIP LTC Insurance Market Surveys.

The average premiums reported by the 2002 top sellers remained fairly constant when compared to the average premiums for the 2001 top sellers. The average percentage change in premiums for the different age and policy categories was about 5 percent. The change in premiums ranged from a decrease of 4 percent to an increase of 12 percent.

Premiums increased substantially when a lifetime 5 percent compounded inflation protection feature, nonforfeiture benefits, or both were added to the policy. ❖

*Table 7*  
**Average Annual Premiums for  
Top Long-Term Care Insurance Sellers in 2002\***

<b>Age</b>	<b>Base</b>	<b>With 5% Compounded Inflation Protection (IP)</b>	<b>With a Nonforfeiture Benefit (NFB)</b>	<b>With IP and NFB</b>
40	\$422	\$890	\$537	\$1,117
50	\$564	\$1,134	\$715	\$1,474
65	\$1,337	\$2,346	\$1,646	\$2,862
79	\$5,330	\$7,572	\$6,479	\$8,991

Note: Coverage is \$150 daily benefit amount, four years of coverage, and a 90-day elimination period.

\* Reported by 11 of the 13 sellers identified as having sold 80 percent of all individual and group association long-term care insurance policies in 2002.

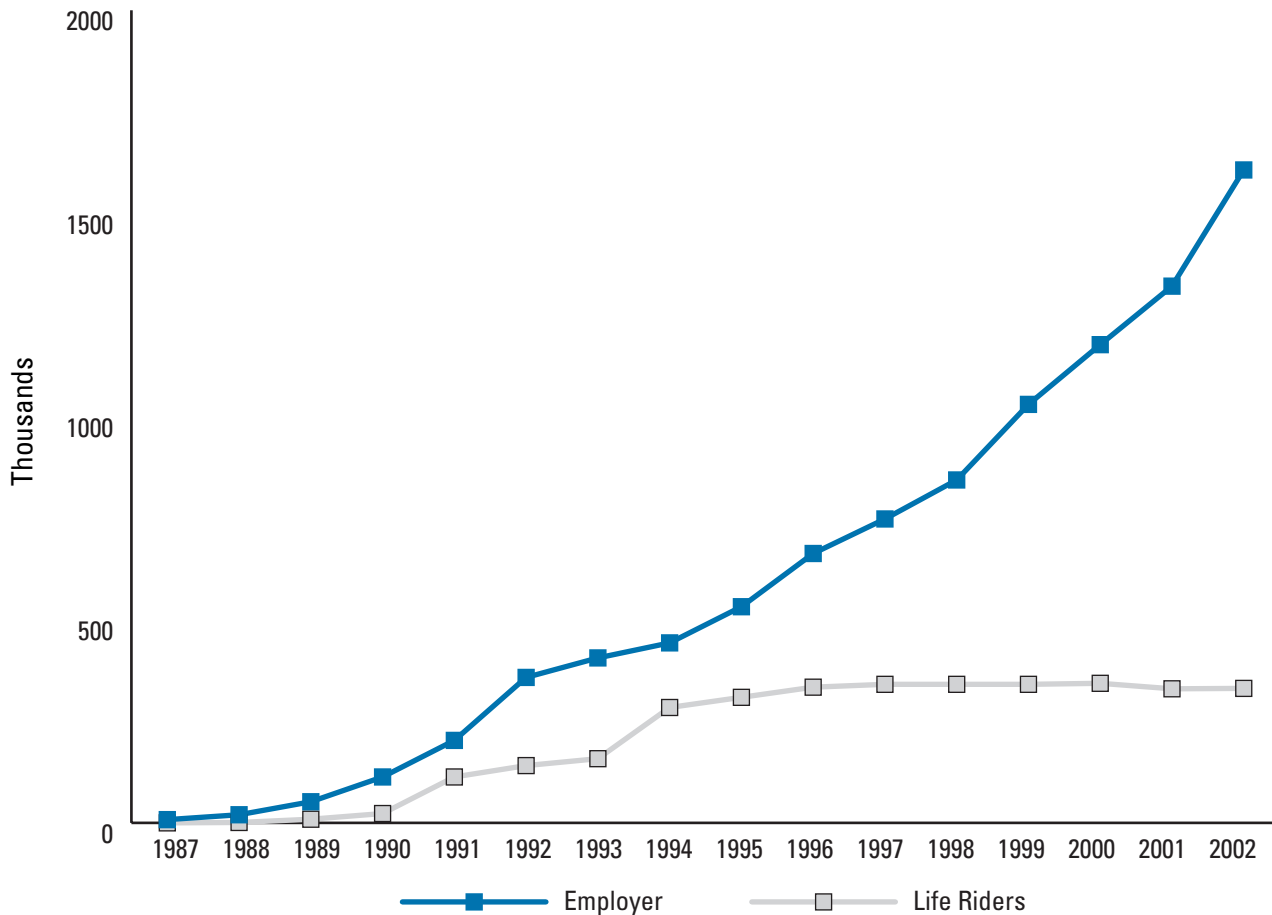
Source: AHIP LTC Insurance Market Surveys.

The employer-sponsored market has grown substantially. Since its inception through the end of 2002, more than 1.6 million policies were sold in this market.

The life insurance riders market, on the other hand, has experienced virtually no growth since 1996. Many insurers in this market have significantly decreased their marketing efforts, stopped selling a long-term care rider, or totally left the marketplace. ❖

*Figure 11*

### Long-Term Care Insurance Policies Sold in the Employer and Life Insurance Markets, Cumulatively, 1987-2002

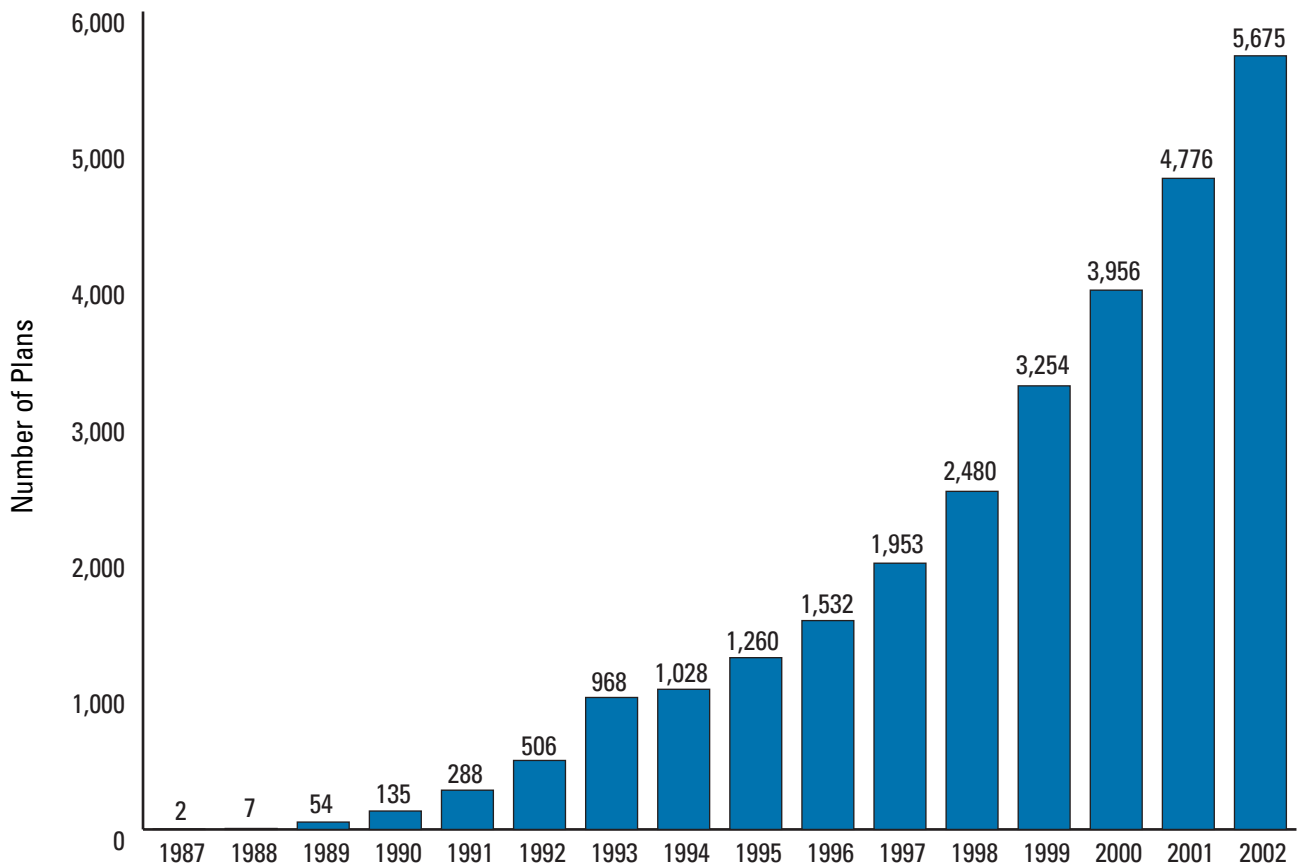


Source: AHIP LTC Insurance Market Surveys.

By the end of 2002, more than 5,600 employers were offering a long-term care insurance plan to their employees, their retirees, or both. There were about 1,700 employer-based plans introduced in 2001 and 2002 alone. Most of these plans were employee “pay-all” plans where employers did not contribute toward their employee’s long-term care insurance premium. ❖

*Figure 12*

### Number of Employer-Sponsored Long-Term Care Insurance Plans Offered, Cumulatively, 1987-2002



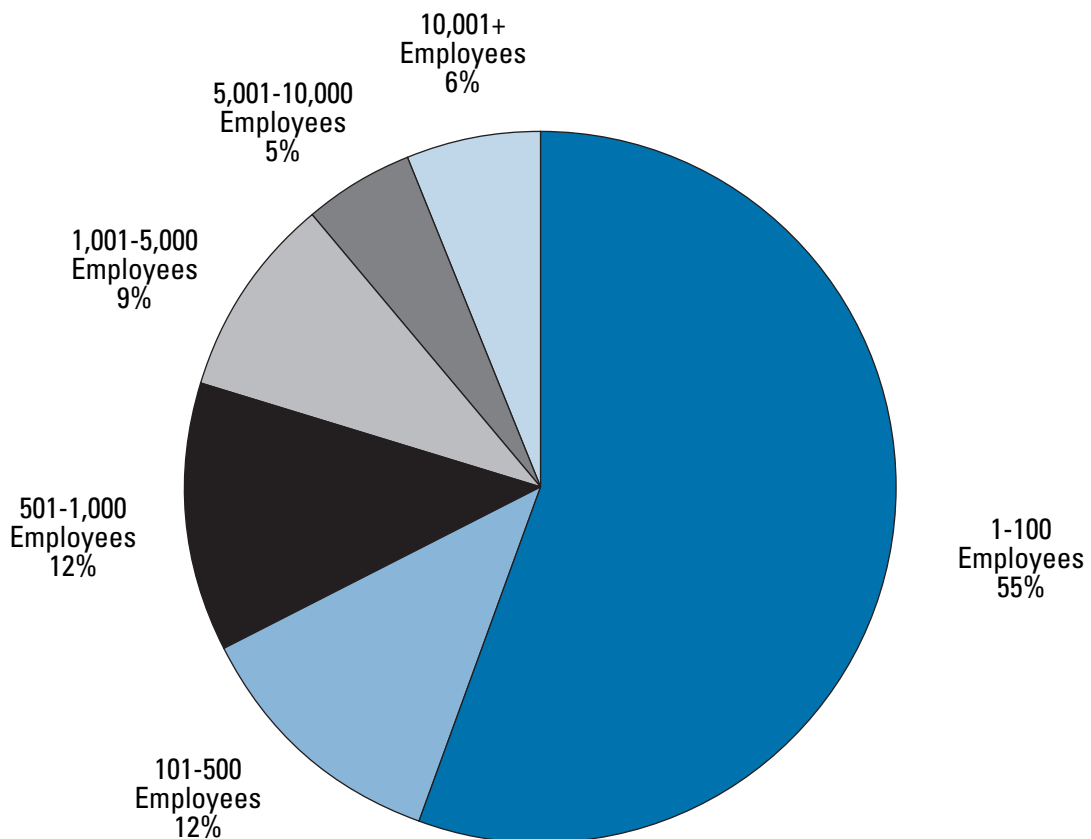
Source: AHIP LTC Insurance Market Surveys.

Since June 1990, many small- to medium-sized employers (1-500 employees) have started offering long-term care coverage to their employees. The number of these firms increased from 58 in 1990 to more than 3,500 by the end of 2002. This group represents 67 percent of all employers offering long-term care coverage to their employees, their retirees, or both.

Also, there have been substantial increases in the number of large-sized employers (more than 500 employees) offering long-term care coverage. ❖

*Figure 13*

### Sizes of Employers Offering Long-Term Care Insurance



Source: AHIP LTC Insurance Market Surveys.



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