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# Long-Term Care Insurance Rate Increase Questions and Answers

## LTC Rate Increase Q&A

On occasion, the Massachusetts Division of Insurance (MA DOI) places on file amended rate requests from long-term care insurance (LTCI) carriers for individual LTCI products. This means that the premium that you currently pay for your LTCI policy may go up. The Division of Insurance does not approve rate changes for employer group plans or policies offered through associations. If you have questions about whether your policy is impacted, contact the carrier or your insurance agent.

*Why can companies raise premiums? I was told they would never go up.*

In Massachusetts, LTCI has never been approved as a fixed premium product – where premiums never change - and it is clearly stated on the front of each policy that premiums may increase in the future. As a guaranteed renewable term product, your policy can never be cancelled as long as you continue to pay your premiums. LTCI should never be marketed as a fixed premium product. The MA DOI will investigate any company or person that is alleged to have misrepresented the features of any LTCI product.

*Does the Mass DOI approve every rate increase that may impact Massachusetts residents?*

No. If your LTCI policy was issued as a group policy (usually through an employer or an association), the rate increase may have been approved by the insurance department in the state where the group policy was issued. Ask the insurance company where the policy is situated in order to determine which state may have approved your rate increase.

Your policy and rate increase could also have been filed and approved through the Interstate Insurance Product Regulation Commission (Insurance Compact). Massachusetts is a member state of the Insurance Compact but is not directly involved in the review or approval of rates for Insurance Compact approved policies. You can request the filing made by the insurance company to support its rate change through the Insurance Compact.

The DOI wants to know whether you are aggrieved by a rate change that was approved elsewhere as it tries to help Massachusetts residents understand their options when rates change, however, the DOI does not have the authority to deny increases that are approved elsewhere.

*When will my rates go up?*

Rates increase on your annual renewal date. When the MA DOI notifies carriers that they may proceed with rate increases, the rate increase is generally subject to certain limits and only if the carriers agreed to certain consumer protections. You will receive a letter from your carrier about the rate increase that applies to your policy at least 90 days before your annual renewal date. The letter will explain the increase and options you might consider when reviewing your benefits and the proposed increase.

*Why are my rates going up?*

When originally pricing LTCI products, carriers used all available information to project the costs of long-term care services that would be received 15-25 years after a policy was bought. Carriers have been able to see that today's experience is very different than what was known when these products were first developed. In general, policyholders are living longer and needing more benefits, and interest rates are substantially below the amounts that were projected. Carriers requested rate increases to have the financial resources to pay for long-term care costs that are much higher than originally projected.

*Why does the MA DOI allow the rates to increase?*

The MA DOI has to balance the needs of consumers and insurance carriers. It needs to make sure that premiums are priced fairly for consumers, but it also needs to make sure that carriers collect enough premiums to be able to keep the promises made in the policies. The Commissioner of Insurance (Commissioner) is keenly aware of how rate increases impact persons on fixed incomes and has permitted them only where carriers have demonstrated such increases are necessary to finance the cost of covered services. Rate increases are only being allowed now for those carriers that agreed to the consumer protections and limitations defined by the Commissioner.

*Does the rate increase apply to all the products offered by a company?*

No, the increase only applies to those specific individual LTCI products identified by a carrier in its filing and only for certain carriers.

*Does the MA DOI just rubberstamp what the company asked for?*

No. The process is quite the opposite. Each LTCI rate increase filing is reviewed by independent actuaries and then by MA DOI staff. The assumptions and financial projections are reviewed and tested to determine whether they are actuarially reasonable. All proposed rates are reviewed to distinguish between what a carrier wanted and what it needed. Through MA DOI and carrier negotiation, the rates allowed by the MA DOI are often significantly lower than what the carriers requested. For example, the MA DOI may limit premium increases to no more than a certain percentage and require that the increase be spread over a number of years so that the increase in any one year would be no more than a certain percentage.

*Why wasn't I told about this increase?*

Carriers can and do submit rate increases at any time. To prevent consumer confusion and disruption in the market, the MA DOI now requires that carriers give consumers at least 90 days' notice before rates go into effect so that policyholders can consider benefit changes that could reduce the impact of their rate increase.

*Was there a hearing about the increase?*

The MA DOI may or may not hold hearings on carriers' rate requests if they demonstrated sufficient actuarial need and agreed to the limits on increases and consumer protections required by the Commissioner. The MA DOI has held educational sessions around the Commonwealth to inform consumers and to hear from consumers regarding their experiences, concerns and questions regarding LTCI products. In imposing the restrictions on increases and conditions related to consumer protection, the Commissioner takes into account the potential impact of the rate increases on consumers.

*Does a rate increase mean that the carrier will never raise its premiums again?*

Not necessarily. Rates could increase again if necessary to pay for the cost of future services. The Commissioner may impose restrictions, however, such as prohibiting a carrier from filing for a rate change until new rates are fully implemented.

*Why not freeze senior citizens' premiums and make new policyholders pay the higher premiums?*

Carriers submit materials with their rate requests that illustrate that they will not be able to generate enough revenue if only new policyholders are paying higher premiums.

*Why should I have to pay more just because a carrier did not plan properly?*

When developing LTCI products, carriers based rates on the best available information at the time, including assumptions about how many policyholders would eventually need to make claims under the policy and assumptions about interest rate returns. The actual trends now that policyholders are using the benefits are very different, with interest rates at extremely low levels and seniors living much longer. Carriers proposed rate changes to have enough money to pay for future costs.

*Why should I pay more when the carrier has more than enough money to make up for its mistakes?*

The MA DOI is responsible for monitoring insurance carriers closely in order to prevent potential market disruption caused by financially unstable carriers. It is imperative that carriers remain solvent and have enough money to pay their claims.

*What should I do if I do not want to or cannot pay the higher premium?*

All consumers should look at their current needs and determine whether they need the level of coverage that they currently have. Certain policyholders' situations may be different today than when they originally bought their policies, with different family or financial situations. After discussing your current situation with a family member, agent, or financial advisor, you may wish to explore ways to limit the amount of the premium increase by reducing benefit periods, daily benefits, or inflation protection. Each carrier can

provide information and resources to answer your questions about benefit changes, and you should explore these options as soon as possible after receiving a premium increase letter.

*If I do not want the policy anymore, can I just get my money back?*

As with most types of insurance, because your money is part of a collective pool for all policyholders and is not deposited into an account devoted to you, there is no provision for an automatic return of premiums. If you are terminating your coverage because of the rate increase, your insurance carrier may offer a benefit – called a paid-up benefit – that will give you a guarantee to pay long-term care services for a limited period of time.

There are some policyholders who chose, when they originally bought their policy, to pay an additional premium amount to be covered under a nonforfeiture benefit. If you have a nonforfeiture benefit on your coverage, you will get whichever is greater between the limited paid-up coverage and the nonforfeiture benefit if you let your policy terminate.

*Can I switch to other coverage for long-term care?*

Traditional LTCI is still being offered by a few carriers in Massachusetts but it may not be available or affordable for those who do not satisfy the carriers' age and underwriting criteria. There is a new product that is a hybrid of life insurance and LTCI that may be another alternative to explore with your insurance agent.

### [Companies Currently Selling Individual Long Term Care Insurance Policies](/doc/long-term-care/download) (/doc/long-term-care/download)

*Where can I go if my agent no longer lives in the area or no longer sells LTCI?*

You should contact your insurance carrier to learn about other insurance agents in your area that may provide help.

*Where can I go for additional help?*

The letter from your carrier will describe the best way to contact the company or your agent for more information. You should consider talking over your coverage with your insurance agent, family, your financial advisor, or other trusted person. You can also contact the Division at (617) 521-7794, or the SHINE Program at 1-800-243-4636.



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