



# *Elder and Disability Law Planning & Strategies*



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## *Watch Out for Rising Long-Term Care Insurance Premiums*

John Smith, a resident of Anytown, USA, wanted to preserve some money for his children and not have his assets eaten up by long-term care cost, so 12 years ago he purchased a long-term care insurance policy. But over the past 12 years his premiums have risen 140 percent, including a 49 percent increase in premiums this year, making it more difficult to keep paying for the policy.

As nursing home costs keep rising, so do worries about how to pay for a nursing home stay. Long-term care insurance can be the best solution to pay for these long-term care costs. Insurance agents encourage seniors to buy the insurance early to lock in low premiums. The younger you are when you purchase the insurance, the cheaper the premiums. However, many people who purchase the insurance aren't aware that the premiums can rise significantly. Smith does not remember discussing premium increases with his insurance agent.

While most policies are "guaranteed renewable," this just means that insurance companies cannot increase your long-term care premiums based on your health or your claims. It does not mean, however, that premiums will never increase. Premiums can be increased for a whole class of policyholders. For example, an insurer can raise premiums on everyone who bought a particular type of policy or all insured individuals age 80 and older. Smith started out paying \$632.72 per quarter. His premiums have increased annually and he is now paying \$1515.15 per quarter.

The insurance company must get approval for a rate hike from the state in which the policy was sold, but most states approve these increases. A 2002 report by the AARP's Public Policy Institute found that states do not have mechanisms in place to adequately regulate long-term care insurance premiums. According to the report, most states do not gather all the information necessary for a comprehensive review of the factors that affect premiums.

Big Insurance Life and Annuity Company, which owns Smith's policy, normally do not respond to repeated request for comment on the rate increase, but rate hikes are not uncommon with long-term care insurance policies. According to the AARP, in 2004, most insurers asked for and got big premium increases. Only three of the big ten insurers didn't have significant rate increases.

Smith, now age 85, has already put around \$40,000 into the policy, so he plans to keep it. Someone with lesser resources may have had to drop the policy and lose all that money. While long-term care insurance may still be a good way to preserve assets and pay for nursing home costs, buyers need to take possible premium increases into account when calculating whether they can afford the insurance.

## *Tips on Providing for Children with Disabilities*

One of the major concerns for parents with children with disabilities is how to provide for their financial future. Here are some tips:

**Buy enough life insurance.** A parent is irreplaceable, but someone will have to fill in. In all likelihood, that person or family will have to pay for at least some services the parent or parents had provided when able. If the estate is not large enough for this purpose, it can be made large enough through life insurance proceeds. Premiums for second-to-die insurance (which pays off only when the second of two parents passes away) can be surprisingly low.

**Set up a trust.** Any funds left for a disabled child, whether from an estate or the proceeds of a life insurance policy, should be held in trust for his or her benefit. Leaving money for anyone with a disability jeopardizes public benefits. Many people with disabilities cannot manage funds-especially large amounts. Some families disinherit disabled children, relying on their siblings to care for them. This approach is fraught with potential problems. Siblings can be sued, get divorced, disagree on their responsibilities, or run off with the funds. It can also cause tax problems for siblings.

**Will/appointment of guardian.** While a will and the appointment of a guardian is important for anyone with minor children, it is doubly so if the child is disabled. Finding the right guardian can be difficult. In some cases, the care needs of the child may be so demanding that he or she will need a different guardian from his or her siblings. The will is the vehicle for the appointment of a guardian.

**Care plan.** All parents caring for disabled children should write down what any successor caregiver would need to know about the child and what the parent's wishes are for his or her care. For example, should the child be in a group home, live with a parent, be on his or her own? Usually, the parent knows best, but needs to pass on the information.

**Coordination with other family members.** Even a carefully developed plan can be sabotaged by a well-meaning relative who leaves money directly to the child with a disability. If a trust is created for the benefit of the child, grandparents and other family members should be told about it so that they can direct any bequest they may like to leave to that child through the trust.