THE WALL STREET JOURNAL

November 23, 2012

Women Face Higher Costs

BY KELLY GREENE

Shopping for long-term-care insurance is about to get even trickier for families—and potentially costlier.

Until now, insurers have charged the same premiums regardless of gender for the policies, which help pay for future nursing-home, assisted-living and home care. But beginning early next year, Genworth Financial, the country's largest long-term-care insurer, plans to start charging women applying for coverage as much as 40% more than men.

The move is designed to better reflect the risks involved in covering women, who are paid two out of every three benefit dollars from long-term-care insurance, in part because they live longer and often have no caregivers at home, according to the American Association for Long-Term Care Insurance, a trade group based in Westlake Village, Calif.

Other insurers are expected to follow Genworth's lead, says Jesse Slome, the association's executive director.

"Historically, the claims experience of single female applicants has been worse," says Steve Zabel, Genworth's senior vice president for long-term-care insurance.

Insurers have been battered by low interest rates and more lenient underwriting practices on long-term-care policies in the past that have led to expensive claims. A few large insurers, including Prudential Financial and MetLife, have quit selling new policies in the past few years; others have raised rates dramatically on existing policyholders.

There are other reasons families might have to shell out more. "Insurers are eliminating certain discounts, and the underwriting is getting tougher," says Natalie Karp, a long-term-care insurance broker in Roslyn, N.Y.

Here are a few ways long-term-care policies are changing next year—and how to prepare yourself for them.

Higher price tags for women. Genworth has filed with insurance regulators to raise prices for single women in all states but the two that require unisex rates (Montana and Colorado), and it already has won approval in more than half. The rate increases are expected to be significant—more than 10% higher than Genworth charges single women now, Mr. Zabel says.

And they could wind up paying significantly more in premiums than men. For example, Genworth's North Carolina rate filing shows that a 55-year-old woman buying $3,000 a month in coverage for three years with a 3% inflation-protection rider would pay $2,000 a year—36% more than the $1,466 a man would pay.

Married couples who buy coverage together can still get a discount, because the premium will be the "blended experience" of men and women, Mr. Zabel says.

When a man's health declines, "a lot of times a woman is in the home and can provide some care," lowering costs overall, he explains. "Many times when the female claims, there is no husband. The female needs to claim almost immediately and winds up in a facility more often."

Married women who apply for insurance on their own would pay the individual rate for Genworth's new policy. A wife who applies with a husband who is declined would receive a discount—but not as deep a discount as an approved couple, a spokesman says.

Some people who think they have to apply as individuals might be able to qualify as part of a couple: Husbands and wives who are getting divorced but haven't completed the process yet can qualify for a marital discount "that stays with you for the life of the policy," Ms. Karp says. Same-sex couples and unmarried domestic partners also can qualify with most carriers, she adds.

Single women who want to lock in lower rates now might consider adding a "future purchase option" to a smaller policy, Mr. Slome says. That way, they can qualify for additional coverage later using their current health status while locking in lower rates.

A closer examination of medical records. Insurers are getting tougher about applicants' health. At the same time it starts charging single women more, Genworth plans to start doing blood tests on all applicants, mainly to confirm what they report about nicotine and drug use, Mr. Zabel says.

Genworth also wants to be able to look at some indicators of cardiovascular disease and stroke, the insurer's No. 2 morbidity cause after cognitive issues, he says.

Both moves—charging different premiums for men and women, and doing blood work—would bring underwriting for long-term-care insurance more in line with current underwriting practices for life insurance, Mr. Zabel says.

Genworth predicts that it isn't going to wind up declining more customers, Mr. Zabel says. However, it could get tougher to qualify for the insurer's best rates.

Insurers typically interview people who are under age 69 by phone to test their memory skills; those who are older often get an in-home assessment, Ms. Karp says.

She often advises women doing the phone interviews from home to stop whatever else they're doing, because checking email or doing other tasks at the same time can make them miss things, or delay in giving their answers. And for people getting a home visit, it's important for the insurer to see that they can get around well and have a safe place to live, she says.

She also is seeing insurers taking a closer look at medical records, with insurers asking to see medical records for specialists as well as primary-care physicians—often to see if a health problem was healed completely or lingers, she says.

Cheaper inflation protection. Many experts consider inflation protection the most important piece of a long-term-care policy, because people often hold the coverage for a decade or two before making their first claim and need to make sure their coverage value keeps up with rising costs.

In the past, the most widely recommended option has been 5% compound inflation protection, meaning the benefits increase in value by 5% each year. But it's also the most expensive option.

Insurers have started offering a number of less-expensive hedges, including 3% or 4% simple protection, meaning a $100,000 benefit would get $3,000 or $4,000 tacked onto it each year.

The upshot: More families buying coverage should be able to find some level of inflation protection they can afford.