Future health of long-term care insurance now in jeopardy

by Will Ashworth | 21 Sep 2015

Sun Life has quietly raised LTC rates for policies sold prior to December 2013 making a tough sell even tougher.

Sun Life's official announcement to the field came in June that it was raising annual premiums up to 25% depending on the type of policy held, age of insured when purchased and the premium-paying period for the product in question. Policies affected include Sun Life and policies sold between 2005 and 2013 as well as Clarica Life policies sold prior to September 2015.

If other insurance companies follow along this could be the death knell for a product that's struggling to make headway here in Canada.

"For clients who bought this policy on a limited budget to protect themselves, and now suddenly there's an increase, where are they going to get the money from?" Mark Halpern, a Toronto-area CFP said recently. "It's definitely a cause for concern."

LTC expert Karen Henderson recently spoke with LHP about the differences between the Canadian and U.S. markets; her diagnosis wasn't good. Hybrid products have become big business when it comes to LTC insurance in the U.S. yet they barely exist here in Canada. With pricing already a sensitive topic with advisors, Sun Life's move suggests Canadian insurers want nothing to do with this important product.

"The U.S. is far more insurance inclined because they don't have the socialized system that we do," said Henderson. "Having said that, too many Canadians believe our health care system will look after them when it won't because it can't afford to."

The repricing of policies has become a bit of a lightning rod in the U.S. and that has led to a dramatic 22% decline in annualized new premiums in 2014, says LIMRA. Here in Canada, CLHIA says the number of people with LTC policies has declined by 10% over the past four years and that's without any repricing.

Sun Life's move is sure to accelerate these numbers.

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