

PUERTO RICO

JANUARY-FEBRUARY 2007

2nd Annual Luncheon

The CPCU Puerto Rico Chapter recently celebrated its 30th Anniversary during its 2nd Annual Luncheon at Restaurant Los Chavales. During the meeting, founding member of the Chapter, Xavier González, CPCU shared with the attendees numerous anecdotes on the Chapter's origins and history.

Fellow Chapter Member Miriam Ortiz, CPCU spoke on behalf of the PR Insurance Commissioners Office about new regulation regarding condominium insurance policies which generated a lively and interesting discussion.

On behalf of the Chapter, we would like to thank all those who attended this important event.



Who is Going To Pay For The Long Term Care Services Of Puerto Rico's Elderly?

By Peter B. Daenzer, CLU, CPCU
LTC Consultant Group, Inc.

At a recent two-day Gerontologist Symposium at the University of Puerto Rico some experts painted a bleak economic picture for P.R.'s elderly population, who may need long term care services. We are living longer and that is a gift! However, we are uncertain about our future. Will we be healthy, or will we need care and assistance from others? According to the American Society on Aging, over 70% of those over age 65 will need some type of long term care services in their lifetime. Most of this care is "custodial" care, and can be rendered in your own home. It was estimated at the symposium by Jorge Valentin, head of the government's Home Care program, that the cost of care at home in Puerto Rico is \$40 to \$60 a day, over \$15,000 annually. Who will pay for these Caregivers? How does Caregiving affect the workplace?

Caregiving is a responsibility that falls on the shoulders of individuals, families, public and private organizations, and society as a whole. Under the law in Puerto Rico, the "Prospera," program was implemented in 2002. This new law requires children, grandchildren and even great grandchildren to be ultimately responsible for either paying for or personally providing long term care services for their parents over age 60. Medicare, the primary Federal health care program for retirees and some disabled workers, may pay under strictly enforced regulations for some "skilled" care in

a nursing home up to 100 days, and for very limited "skilled" care at home, but never pays for "custodial" long term care services at home or in an assisted living facility. According to Rebecca Martinez DPA, our consulting gerontologist there is a 70% chance that you will become a caregiver at some point during your working years. A MetLife Mature Market Institute study showed that over half of the 15 million working caregivers in America reported that they had to make some sort of workplace accommodation, such as coming in late to work or leaving early, dropping back to part time, turning down a promotion, choosing early retirement, or giving up work entirely. The cost to private business has been estimated to exceed \$60 billion annually.

According to the American Council of Life Insurance (ACLI) the annual cost of long term care for an individual is projected to escalate from over \$55,000 today to more than \$200,000 by the year 2030 in the United States.

In Puerto Rico, current lower annual long term care costs of \$15,000-\$20,000 will rise to \$60,000 or more by the year 2030. Contrary to common belief in Puerto Rico, soaring Long Term care costs are not covered by individual or group Medical insurance, Disability Income insurance plans, Medigap/Medicare Supplement policies or Medicare + HMO's. Also, the US General Accounting Office estimates that 40% of those receiving long term care services are working age adults under the age of 65. These misconceptions and outright denial that it won't happen to "me", because of our family history of longevity has proven to be wrong historically. Just ask someone who is going through the process of taking care of a loved

one. Additionally, most middle income families must deplete their life savings to receive government assistance for long term care services. According to a Wall Street Journal article, "Cracks in the Nest Egg," the biggest mistake investors are making with their retirement savings is failing to consider long term care needs. Unless solutions are developed and actions are taken now by individuals, families, businesses, & government to plan ahead and handle these enormous LTC expenses for you and for your loved ones this bleak economic picture for P.R.'s elderly will become an unfortunate reality. Planning for Long Term Care in the future should be a bipartisan issue for the benefit of the Puerto Rican society as a whole.

Long Term Care insurance (LTCi) could be a big part of the solution for many Puerto Ricans! Long Term care insurance is now a \$6.7 billion annual premium industry, with a five-year compound growth rate of 17% according to Conning Research & Consulting. Individual and endorsed group LTC insurance is available for purchase in Puerto Rico from several well rated, LTC experienced & financially strong life insurance companies authorized by the Puerto Rico Office of the Commissioner of Insurance. More insurance companies offering LTCi are in the process of being approved by the Puerto Rico Office of the Commissioner of Insurance as well. LTC insurance policies basically provide a daily benefit amount that pays for the costs of long term care services either at home or in a licensed care facility. You may, for example, start with a policy that pays \$100 a day for licensed facility care and \$50 a day for home care, which may be adequate today, but

could automatically increase in the future through the purchase of a benefit increase rider. Depending on the benefit period you pick, the benefit period can vary from one or two years to an unlimited lifetime benefit period.

LTC insurance policies are not all the same. There are sizable discounts available such as those for "preferred" health, discounts for married individuals, and discounts for employees in an employer sponsored voluntary group program. These voluntary employee group discounts may also be available to retired employees, parents, children, spouses & grandparents. There are some standard policy provisions, but benefit provisions vary widely in type and flexibility. Waiver of Premium provisions which stop premium payments when you are receiving benefits, limited premium payment options so policies can be paid up in 10 - 20 years or at age 65, Shared care where spouses share coverage to save premium costs, international coverage provisions, full and partial non forfeiture provisions are just a few examples. Underwriting is a big factor since you must be healthy enough to qualify. The younger you are the lower the premium and the easier it is to qualify for coverage. Because it not so simple and understanding these policies thoroughly is so important, it pays to work with a well trained licensed independent LTC insurance specialist.

All businesses in Puerto Rico should encourage participation in voluntary and employer paid LTC insurance programs. Products such as LTC insurance help employees protect their retirement nest egg, and balance caregiving responsibilities for loved ones with workplace

demands. Government should encourage the purchase of LTC insurance through tax incentives and offer group LTC to it's employees on a voluntary basis also, just as it was done several years ago for Federal government employees. Recent developments in the states include the expansion of the Medicaid Partnership programs, state tax deductions & state tax credits for the purchase of LTCi, the inclusion of LTCi premiums in Health Savings Accounts (HSA), and just recently the provisions to allow for LTCi coverage in some 401(k) plans. Long term care insurance is an evolving product and only part of the solution for Puerto Rico's long term care needs.

Good financial management, increased availability of reverse mortgages, sharing costs of care with siblings, happily working to a later age, and healthy living will all contribute to Puerto Rico's success in handling the challenges of living longer – so it truly is a gift!



Patrick Alemán, CPCU will be representing the Chapter in this year's Leadership Summit to be held in Orlando, Florida on April 18-21, 2007.



The Puerto Rico Chapter is currently planning a CPCU Society Workshop to take place during the months of April-May 2007. Details to follow shortly.

In Appreciation

The Puerto Rico Chapter of the CPCU Society thanks Antilles Insurance Company and United Surety Insurance Company for their generosity in contributing to the Chapter Co-Sponsorship of the Luncheon at the CPCU Society Leadership Summit.



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