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Title: Long-Term Care Insurance: Does Experience Matter?

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3 Long-Term Care Insurance: Does Experience Matter?\*4  
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15 December 31, 201416  
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21 **Abstract**22  
23 We examine whether long-term care (LTC) experience helps explain the low demand for  
24 long-term care insurance (LTCI). We test if expectations about future informal care receipt,  
25 expectations about inheritance receipt, and LTCI purchase decisions vary between individuals  
26 whose parents or in-laws have used LTC versus those who have not. We find parental use of a  
27 nursing home decreases expectations that one's children will provide informal care, consistent  
28 with the demonstration effect. Nursing home use by in-laws does not have the same impact,  
29 suggesting that individuals are responding to information gained about their own aging trajec-  
30 tory. Nursing home use by either a parent or in-law increases LTCI purchase probability by  
31 0.8 percentage points, with no significant difference in response between parents' and in-laws'  
32 use. The estimated increase in purchase probability from experience with LTC is about half the  
33 previously estimated increase from tax policy-induced price decreases.  
3435  
36 *JEL Codes:* G22, D81, J1437 *Keywords:* long-term care; insurance; informal care; expectations38  
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