



Long Term Care University

Long Term Care University – Question of the Month

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Q: We read the Long Term Care University article ‘Traditional Versus Hybrid Life and Long Term Care Insurance’ and prefer the Hybrid Long Term Care Insurance (LTC) policy. The article focuses on Hybrid policies with a multiple of LTC benefits to death benefit. We want to a Hybrid policy that provides an equal amount of care and death benefit. What type of policies are available?

Overview. Hybrid Life and Chronic Illness and Hybrid Life and LTC Insurance policies provide guaranteed benefits and guaranteed premiums. The insurance company either: 1) pays you if you need care, 2) pays your heirs if you do not need care, or 3) pays you and your heirs if you need a modest amount of care.

The Problem – Not All Hybrid Life and Chronic Illness, and Hybrid Life and Long Term Care Insurance Policies are the Same
Although most Hybrid Life policies appear the same on the surface, there are many differences. We focus on the key differences below.

No Upfront Cost Hybrid Life and Chronic Illness Insurance Policy. Unlike a care benefit that you pay for, with this type of policy you ‘pay’ for the care benefit in the form of a benefit discount when you file a claim. For example, you may submit a claim for \$100,000 of care and only receive a \$50,000 benefit due to a discount factor based on interest rates and your life expectancy. Furthermore, with some policies, your death benefit could be reduced by up to \$8 for each \$1 of care benefits you receive. See the chart below.

Paid Hybrid Life and Chronic Illness Insurance Policy. While you pay recurring chronic illness rider charge, your care benefit is fixed at a percentage of your death benefit. For example, you may submit a claim for \$100,000 of care and receive a \$100,000 benefit – reducing your death benefit by \$1 for each \$1 of care benefits you receive, or \$100,000. See the chart below.

Paid Hybrid Life and Long Term Care Insurance Policy. While you pay recurring LTC rider charge, your care benefit is fixed as a percentage of your death benefit. For example, you may submit a claim for \$100,000 of care and receive a \$100,000 benefit – reducing your death benefit by \$1 for each \$1 of care benefits you receive, or \$100,000. Plus, there is required consumer protection. See the chart below.

	No Upfront Cost Chronic Illness Rider	Paid Chronic Illness Rider	Paid Long Term Care Rider
Qualification for Care	Unable to perform, without substantial assistance, 2 activities of daily living for period of at least 90 days eating, bathing, toileting, continence, dressing, transferring OR Having a severe cognitive impairment May NOT qualify for care due to severe cognitive impairment May require the care be PERMANENT	Unable to perform, without substantial assistance, 2 activities of daily living for period of at least 90 days eating, bathing, toileting, continence, dressing, transferring OR Having a severe cognitive impairment	Unable to perform, without substantial assistance, 2 activities of daily living for period of at least 90 days eating, bathing, toileting, continence, dressing, transferring OR Having a severe cognitive impairment
Upfront Cost	No cost until care is needed	Recurring cost	Recurring cost
Claim Cost	Often \$100 to \$300 per claim	None	None
Benefit Amount	Paid over a fixed period or a lump sum	Fixed 1%, 2%, 3% or 4% of death benefit	Fixed 1%, 2%, 3% or 4% of death benefit
Benefit Discount	Percentage discount based on insurance company's estimate of life expectancy	None	None
Benefit Impact on Death Benefit	Up to \$8 reduction in death benefit for each \$1 paid for care	\$1 reduction in death benefit for each \$1 paid for care	\$1 reduction in death benefit for each \$1 paid for care
Benefit Payment Method	Cash indemnity	Cash indemnity or reimbursement	Cash indemnity or reimbursement
Elimination Period	0 to 90 days	0 to 90 days	0 to 90 days
Guaranteed Care and Death Benefit	Many policies do NOT guarantee care and death benefit beyond age 90 Some policies guarantee care and death benefit to age 120	Many policies do NOT guarantee care and death benefit beyond age 90 Some policies guarantee care and death benefit to age 120	Many policies do NOT guarantee care and death benefit beyond age 90 Some policies guarantee care and death benefit to age 120
Consumer Protection	NOT required to offer 3rd party notice of unpaid premium to avoid policy cancellation	NOT required to offer 3rd party notice of unpaid premium to avoid policy cancellation	REQUIRED to offer 3rd party notice of unpaid premium to avoid policy cancellation

The Solution – Purchase a Hybrid Life and Chronic Illness or Hybrid Life and LTC Insurance Policy That Meets Your Needs

As highlighted in the chart above, if you want your insurance company to determine your care benefits, choose a no upfront cost policy. If you want a fixed care benefit, choose either a paid chronic illness or paid long term care rider on your Hybrid Life Insurance policy.

Action Steps. Since premiums vary greatly based on type of riders, age, health and marital status, request individualized quotes.

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