



Long Term Care University

Long Term Care University – Question of the Month

By Aaron Skloff, AIF, CFA, MBA

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Q: We read the Long Term Care University article ‘Traditional Versus Hybrid Life and Long Term Care Insurance’ and ‘Not All Hybrid Life And Chronic Illness And Long Term Care Insurance Policies Are The Same’ Part 1 and Part 2, ‘Hybrid Life Insurance With Care Riders Versus Hybrid Life And Long Term Care Insurance’ Part 1, and prefer the Hybrid Long Term Care Insurance (LTC) policy. Can you give us examples of premiums and benefits of these policies if paid each year over 10 years?

Overview. Hybrid Life Insurance policies with care riders like Chronic Illness and LTC, as well as Asset Based 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 – Oftentimes Hybrid Life Insurance Policies are Lumped Together with Little to No Explanation as to How They Differ
Although most Hybrid Life policies appear the same on the surface, there are many differences.

The Solution – Understanding the Various Policies and Comparing Them Side by Side

The best way to identify the strengths and weaknesses of the policies is to see what benefits they provide under various scenarios.

Asset Based Hybrid Life and Long Term Care Insurance. This type of policy provides a multiple of care benefits to death benefits (“5:1 ratio policy” or “10:1 ratio policy”). **For example, if the care benefit is \$500,000, then the death benefit is \$100,000.** The ratios vary but represent a multiple of care to death benefits. The death benefit is reduced by \$1 for each \$1 of care benefit received. **The premium reflects the risk the insurance company will pay between \$0 and \$500,000 of care benefits or just \$100,000 if you do not need care.** Part of the premium can be expensed as an LTC policy by a business, or used as an itemized deduction by an individual.

Hybrid Life Insurance with Long Term Care or Chronic Illness Rider. This type of policy provides an equal amount of care benefits as death benefits (“1:1 ratio policy”). **For example, if the care benefit is \$300,000, then the death benefit is \$300,000.** The death benefit is reduced by \$1 for each \$1 of care benefit received. **The premium reflects the risk that the insurance company will pay \$300,000, whether or not you need care.** None of the premium can be expensed as an LTC policy by a business, nor used as an itemized deduction by an individual.

Bill and Sue Example. Let’s look at a husband and wife, Bill and Sue, who are each 55 years old, in average health (“Standard”) and reside in Texas. They are looking for policies with a \$10,000 premium paid each year for 10 years per person. On the Hybrid Life Insurance policies with care riders they want access to the death benefit at a rate of 4% per month. On the Asset Based Hybrid Life and LTC policies they want to maximize their monthly LTC benefit and total LTC benefit, based on needing care at age 80. We examine three types of policies, estimating care at age 80.

Asset Based Hybrid Life and Long Term Care Insurance. With **Lincoln MoneyGuard Fixed Advantage**, Bill will have \$11,281 monthly and \$920,725 total LTC benefits, while Sue will have \$8,720 and \$676,866, respectively. With **Securian Minnesota Life SecureCare III**, Bill will have \$11,298 monthly and \$858,648 total LTC benefits, while Sue will have \$9,904 and \$752,685, respectively.

With **NationwideCareMatters II**, Bill will have \$11,871 monthly and \$968,985 total LTC benefits, while Sue will have \$8,779 and \$681,447, respectively. With **OneAmerica State Life Asset Care**, Bill and Sue will each have \$7,604 monthly or \$6,690 monthly with 3% compound inflation protection, and unlimited total LTC benefits. See the policies in green in the chart below.

Hybrid Life Insurance with Long Term Care Rider. With **Nationwide No-Lapse Guarantee UL II**, Bill will have \$6,795 monthly and \$169,880 total LTC benefits, while Sue will have \$6,795 and \$169,870, respectively. See the policies in blue in the chart below.

Hybrid Life Insurance with Chronic IllnessRider. With **Securian Eclipse Protector II IUL**, Bill will have \$10,106 monthly and \$252,650 total LTC benefits, while Sue will have \$11,025 and \$275,632, respectively. See the policies in orange in the chart below.

Insurance Company and Product Name	Policy Owner - Age	Type of Hybrid Policy	Benefit Payment Method	Elimination Period	10-Pay Premium	Premium That Can Be Expensed	Age 120 Death Benefit	Age 55 Monthly LTC Benefit	Age 55 Total LTC Benefits	Inflation Protection	Age 80 Monthly LTC Benefit	Age 80 Total LTC Benefits
Lincoln MoneyGuard Fixed Advantage	Bill - 55	Asset Based	Reimbursement or	0 Days	\$ 10,000	\$ 0	\$ 100,000	\$ 3,331	\$ 271,893	5% Compound	\$ 11,281	\$ 920,725
	Sue - 55	Hybrid Life and LTC	50% Cash Indemnity	0 Days	\$ 10,000	\$ 0	\$ 100,000	\$ 4,165	\$ 323,275	3% Compound	\$ 8,720	\$ 676,866
Securian Minnesota Life SecureCare III	Bill - 55	Asset Based	Cash Indemnity	90 Days	\$ 10,000	\$ 4,723	\$ 120,512	\$ 5,021	\$ 406,728	5% Simple	\$ 11,298	\$ 858,648
	Sue - 55	Hybrid Life and LTC	Cash Indemnity	90 Days	\$ 10,000	\$ 5,773	\$ 105,640	\$ 4,402	\$ 356,535	5% Simple	\$ 9,904	\$ 752,685
Nationwide CareMatters II	Bill - 55	Asset Based	Cash Indemnity	90 Days with	\$ 10,000	\$ 5,540	\$ 100,000	\$ 3,506	\$ 286,144	5% Compound	\$ 11,871	\$ 968,985
	Sue - 55	Hybrid Life and LTC	Cash Indemnity	0 Days Retroactive	\$ 10,000	\$ 5,138	\$ 100,631	\$ 4,193	\$ 325,463	3% Compound	\$ 8,779	\$ 681,447
OneAmerica State Life Asset Care	Bill - 55	Asset Based	Reimbursement	0 Days Home	\$ 20,000	\$ 9,697	\$ 253,453	\$ 7,604	Unlimited	None	\$ 7,604	Unlimited
	Sue - 55	Hybrid Life and LTC	Reimbursement	90 Days Other	Combined	Combined	Combined	\$ 7,604	Unlimited	None	\$ 7,604	Unlimited
OneAmerica State Life Asset Care	Bill - 55	Asset Based	Reimbursement	0 Days Home	\$ 20,000	\$ 15,541	\$ 109,697	\$ 3,291	Unlimited	3% Compound	\$ 6,690	Unlimited
	Sue - 55	Hybrid Life and LTC	Reimbursement	90 Days Other	Combined	Combined	Combined	\$ 3,291	Unlimited	3% Compound	\$ 6,690	Unlimited
Nationwide No-Lapse Guarantee UL II	Bill - 55	Life Insurance with LTC Rider	Cash Indemnity	90 Days	\$ 10,000	\$ 0	\$ 169,880	\$ 6,795	\$ 169,880	None	\$ 6,795	\$ 169,880
	Sue - 55	Life Insurance with LTC Rider	Cash Indemnity	90 Days	\$ 10,000	\$ 0	\$ 169,870	\$ 6,795	\$ 169,870	None	\$ 6,795	\$ 169,870
Securian Eclipse Protector II IUL	Bill - 55	Life Insurance with Chronic Illness Rider	Cash Indemnity	90 Days	\$ 10,000	\$ 0	\$ 252,650	\$ 10,106	\$ 252,650	None	\$ 10,106	\$ 252,650
	Sue - 55	Life Insurance with Chronic Illness Rider	Cash Indemnity	90 Days	\$ 10,000	\$ 0	\$ 275,632	\$ 11,025	\$ 275,632	None	\$ 11,025	\$ 275,632

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

Aaron Skloff, Accredited Investment Fiduciary (AIF), Chartered Financial Analyst (CFA), Master of Business Administration (MBA), is the Chief Executive Officer of Skloff Financial Group, a Registered Investment Advisory firm. The firm specializes in financial planning and investment management services for high net worth individuals and benefits for small to middle sized companies. He can be contacted at www.skloff.com or 908-464-3060.