

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 'What Happens if You Die Before Using Any of the Benefits in a Hybrid Life and Long Term Care Insurance Policy?'. Can you explain what happens if you die after using some of the benefits in a Hybrid Life and Long Term Care (LTC) Insurance policy?

Overview. Hybrid policies provide long term care benefits if you need long term care, a death benefit if you die without needing LTC, or both if you need a limited amount of LTC.

The Problem – Not All Versus Hybrid Life and Long Term Care Insurance Death Benefits Are the Same
Although all Hybrid LTC policies provide a death benefit if you do not need LTC, death benefits vary if you use the policy's LTC benefits.

The Solution – Understand Your Policy's Death Benefits
Hybrid Life and Long Term Care Insurance provides both life and long term care benefits. Each $1 of long term care benefits reduces the death benefit (life insurance benefit) by $1. Some policies provide additional death benefits (DB). Selecting a policy with the right balance of each should be based on your personal needs. The three most common types of death benefits are described below.
Residual Death Benefit. The residual DB is paid even if you use all your LTC benefits.
Minimum Death Benefit. The minimum DB is paid even if you use all your LTC benefits.
No Minimum or Residual Death Benefit. If your use all of your LTC benefits, you will not have a DB.

What Happens if You Die After Using Some of the Benefits in a Hybrid Life and Long Term Care Insurance Policy?
Let's look at a husband and wife, Bill and Sue, who are each 55 years old and reside in Maryland. They each pay a $100,000 one-time premium ($200,000 combined with Nationwide CareMatters Together and OneAmerica State Life Asset Care) and are expected to need LTC in 25 years at the age of 80. They are comparing Hybrid policies that offer the largest LTC benefits with inflation protection (unless noted). See reimbursement policies in blue and cash indemnity policies in green in the chart below. What happens when they die after they each use $100,000 of LTC benefits? The following chart compares the top policies based on death benefits.

Brighthouse SmartCare. No Minimum or Residual DB policy. If they die after they each use $100,000 of LTC benefits, Bill's DB is $30,275, while Sue's DB is $61,925.
John Hancock LifeCare. Residual DB policy. If they die after they each use $100,000 of LTC benefits, Bill's DB is $41,699, while Sue's DB is $14,354.
Lincoln MoneyGuard Fixed Advantage. Residual DB policy. If they die after they each use $100,000 of LTC benefits, Bill's DB is $90,173, while Sue's DB is $63,562. The policy also includes the Benefit Transfer Rider (BTR). It allows beneficiaries who are also policyholders, the ability to increase their benefits at the first death claim. Beneficiaries have three options: 1. Take the full death benefit. 2. Use the full death benefit to purchase more benefits on their own policy, 3. Take the partial death benefit and use the remainder to purchase more benefits on their own policy.
Nationwide CareMatters II. Minimum DB policy. If they die after they each use $100,000 of LTC benefits, Bill's DB is $67,513, while Sue's DB is $42,654.
Nationwide CareMatters Together. Minimum DB policy. If they die after they each use $100,000 of LTC benefits, the second to die DB is $61,322.
OneAmerica State Life Asset Care without Inflation Protection. No Minimum or Residual DB policy. If they die after they each use $100,000 of LTC benefits, the second to die DB is $98,293.
OneAmerica State Life Asset Care with Inflation Protection. No Minimum or Residual DB policy. If they die after they each use $100,000 of LTC benefits, the second to die DB is $0. Their combined use of $200,000 of LTC benefits exceeded the $139,146 DB.
Securian Minnesota Life SecureCare IV. No Minimum or Residual DB policy. If they die after they each use $100,000 of LTC benefits, Bill's DB is $64,036, while Sue's DB is $40,217.

Insurance Company and Product Name	Policy Owner - Age	Benefit Payment Method	Premium	Inflation Protection	Initial Max Death Benefit (DB) 0% LTC Used	Minimum Guaranteed / Residual DB 100% LTC Used	Die Using $100,000 LTC Per Person Death Benefit	Residual Death Benefit Provision and Mechanics
Brighthouse SmartCare	Bill - 55 Sue - 55	Cash Indemnity Cash Indemnity	$ 100,000 $ 100,000	5% Compound 3% Compound	$ 130,275 $ 161,925	$ 0 $ 0	$ 30,275 $ 61,925	LTC ADBR accelerates DB; ROP guarantee reduced dollar-for-dollar by LTC paid. LTC ADBR accelerates DB; ROP guarantee reduced dollar-for-dollar by LTC paid.
John Hancock LifeCare	Bill - 55 Sue - 55	Cash Indemnity Cash Indemnity	$ 100,000 $ 100,000	5% Compound 5% Compound	$ 141,699 $ 114,354	$ 7,085 $ 5,718	$ 41,699 $ 14,354	Residual DB is 10% of initial LTC pool ($7,085) payable upon death even if 100% LTC used. Residual DB is 10% of initial LTC pool ($5,718) payable upon death even if 100% LTC used.
Lincoln MoneyGuard Fixed Advantage	Bill - 55 Sue - 55	Reimbursement or 80% Cash Indemnity Reimbursement or 80% Cash Indemnity	$ 100,000 $ 100,000	3% Compound 3% Compound	$ 190,173 $ 163,562	$ 9,509 $ 8,178	$ 90,173 $ 63,562	Guarantees a minimum 5% residual death benefit floor if 100% of LTC benefits are exhausted. Guarantees a minimum 5% residual death benefit floor if 100% of LTC benefits are exhausted.
Nationwide CareMatters II	Bill - 55 Sue - 55	Cash Indemnity Cash Indemnity	$ 100,000 $ 100,000	3% Compound 3% Compound	$ 167,513 $ 142,654	$ 33,503 $ 28,531	$ 67,513 $ 42,654	Guaranteed minimum 20% residual death benefit remains after full LTC exhaustion. Guaranteed minimum 20% residual death benefit remains after full LTC exhaustion.
Nationwide CareMatters Together	Bill - 55 Sue - 55	Cash Indemnity Cash Indemnity	$ 200,000 Combined	3% Compound 3% Compound	$ 261,322 Combined - Second to Die	$ 26,132 Combined - Second to Die	$ 61,322 Combined - Second to Die	Guaranteed minimum 10% residual death benefit remains for second-to-die after full LTC exhaustion. Guaranteed minimum 10% residual death benefit remains for second-to-die after full LTC exhaustion.
OneAmerica State Life Asset Care	Bill - 55 Sue - 55	Reimbursement or 75% Cash Indemnity Reimbursement or 75% Cash Indemnity	$ 200,000 Combined	None None	$ 298,293 Combined - Second to Die	$ 0 $ 0	$ 98,293 Combined - Second to Die	100% of base DB accelerated for LTC; DB fully depleted to $0 upon 100% LTC use. 100% of base DB accelerated for LTC; DB fully depleted to $0 upon 100% LTC use.
OneAmerica State Life Asset Care	Bill - 55 Sue - 55	Reimbursement or 75% Cash Indemnity Reimbursement or 75% Cash Indemnity	$ 200,000 Combined	3% Compound 3% Compound	$ 139,146 Combined - Second to Die	$ 0 $ 0	$ 0 Combined - Second to Die	100% of base DB accelerated for LTC; DB fully depleted to $0 upon 100% LTC use. 100% of base DB accelerated for LTC; DB fully depleted to $0 upon 100% LTC use.
Securian Minnesota Life SecureCare IV	Bill - 55 Sue - 55	Cash Indemnity Cash Indemnity	$ 100,000 $ 100,000	5% Simple 5% Simple	$ 164,036 $ 140,217	$ 10,000 $ 10,000	$ 64,036 $ 40,217	Guarantees a minimum residual death benefit (10% of initial base DB) upon full LTC use. Guarantees a minimum residual death benefit (10% of initial base DB) upon full LTC use.

Action Step – Compare Death Benefits Before Purchasing Your Policy
Death benefits can differ significantly between policies. Work closely with an independent insurance expert to compare policies that meet your needs. Since premiums vary greatly based on 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.