



# Long-Term Care Planning & Life Insurance

## Understanding “Hybrid” and “Rider” Solutions

The market for Long-Term Care (LTC) plans using a life insurance chassis now exceeds \$4 Billion per year, including Linked-benefit or “Hybrid” LTC Planning solutions and life insurance policies with a LTC or Chronic Illness Rider. While these options *sound and seem* similar, there are significant differences between them, and understanding them can determine the appropriate solution to recommend for a client’s LTC Plan.

	<b>HYBRID</b> (LTC / LIFE COMBO SOLUTION)	<b>RIDER</b> (LIFE INSURANCE WITH AN LTC/CI RIDER)
<b>Plan Design</b>	<b>Objective: LTC PLANNING</b>  LTC benefits are provided by an acceleration of the life insurance death benefit and/or any applicable policy riders; however, <b><i>the plan can be customized</i></b> based on the LTC benefit amount, the benefit duration, inflation protection, and the policy’s Return of Premium guarantee.	<b>Objective = DEATH BENEFIT</b>  LTC benefits are provided by an acceleration of the life insurance death benefit through the LTC/CI Rider; however, as an LTC plan, <b><i>there is no customization</i></b> beyond the structure of the life insurance policy, where the death benefit is usually the only variable for the plan.
<b>Cost Certainty</b>	<b>YES</b>  All premiums are guaranteed.	<b>MAYBE</b>  Most LTC Rider solutions are offered on Indexed, Variable , or Interest-sensitive life insurance policies where premium guarantees are dependent on policy performance. *
<b>Claim Qualification</b>	The inability to perform 2 of 6 Activities of Daily Living or a severe cognitive impairment requiring supervision are the triggers to file a claim, and benefits will be paid once the Elimination (waiting) Period has been met.	The same basic qualification as Hybrid solutions apply; however, many rider solutions require a <b><i>permanent</i></b> chronic illness to file a claim or qualify for LTC benefits.
<b>Inflation Protection</b>	Most hybrid solutions offer an inflation Protection option that increases the LTC benefit over time and mitigates the impact of higher LTC costs in the future.	<b>NOT AVAILABLE</b>
<b>Simplified Underwriting</b>	Includes an application followed by a phone or e-interview to review the medical questions and complete cognitive testing.	<b>GENERALLY NOT AVAILABLE</b>
<b>Licensing &amp; CE</b>	To sell hybrid solutions, states generally require both a Life & Health insurance license <b><u>AND</u></b> an LTC CE certification.	For most carriers, a life insurance license is sufficient to market and sell life insurance with these riders.
<b>Benefit Model</b>	There are two ways LTC benefits are paid after a claim is filed: <b><i>Indemnity or Reimbursement</i></b> . A policy with <b><i>indemnity</i></b> benefits provides cash payments to the policyholder once a claim is certified, whereas a policy with <b><i>reimbursement</i></b> , benefits require the submission of bills or receipts to prove the actual loss for the claim period.	
<b>Plan Funding</b>	Both plans offer flexible funding from monthly to lump sum; including the ability to use existing life insurance cash values with the completion of a 1035 exchange.	
<b>Residual Value</b>	If a Long-Term Care event never occurs, the policy’s death benefit is passed on to the beneficiaries.	
<b>Benefit Taxation</b>	Benefits are intended to be income TAX-FREE under §7702(B) and or §101(g) of the Internal Revenue Code, up to federal limits and will be paid up to the maximum policy limits for all levels of care of the contract.	

\* If the life insurance policy used is variable or indexed, most policy guarantees will not apply.