Producer Only

LIVING BENEFITS CAN HELP WITH LTC EXPENSES

A traditional stand-alone LTC insurance plan is by far the most comprehensive, cost-efficient way to create a pool of money exclusively for potential LTC costs. However, if this is not an option, you still may be able to offer your client some level of financial protection through their life insurance or annuity plan should they experience a chronic or critical medical condition or become terminally ill.

Living benefit riders can help protect your clients while they are still living. These popular riders pay out some percentage of the death benefit to cover expenses related to terminal or critical illness/condition. Though using these living benefits will reduce (or may deplete) the death benefit, they help cover costly end-of-life medical costs so that loved ones don't have to.

Some insurers include an accelerated death benefit as a built-in feature of their policies at no additional cost. Other such riders are often optional and available for an additional cost.

Common 'Living Benefits'

(aka, Accelerated Benefits)

Critical Illness – The owner can accelerate a portion of the death benefit for a qualifying Illness/condition associated with high medical costs and shortened life expectancy such as major heart attack, stroke, invasive cancer, paralysis and more.

Terminal Illness – The owner can accelerate a portion of the death benefit if the insured is diagnosed with a terminal condition and is reasonably expected to die in the next 12-24 months. This rider is often automatically included in the life policy.

Chronic Illness

- The owner can accelerate a portion of the death benefit if chronically ill and has a permanent severe cognitive impairment or requires substantial assistance with at least two activities of daily living (ADLs) for the rest of their lifetime.
- Typically, this rider only pays on permanent claims, but some will also pay for temporary claims.
- A great alternative for clients who can't qualify for stand-alone LTC coverage, LTC rider, or cost is an issue.
- May NOT be marketed as long-term care (This type of rider falls under IRS Sec. 101(g) only, not health care regulations).
- State-specific LTC CE NOT required.

Read on....

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Long-Term Care (LTC) Rider

(aka, hybrid, linked, combination, asset-based policy)

More expensive than traditional stand-alone LTC coverage, this plan type utilizes the plan's assets to cover the cost of long-term care services.

- The long-term care rider is attached to a traditional life insurance policy or an annuity to cover the cost of assisted living if daily care is needed based on qualifying criteria.
- Payments permanently decrease the death benefit but ensures that heirs will still receive an inheritance.
- Potentially, the underwriting for this rider is less stringent when compared to a stand-alone LTC plan – a possible option for clients who can't qualify for stand-alone LTC coverage.
- Pays permanent and temporary claims.
- May be marketed as long-term care (IRS Sections 7702B and 101(g).
- State-specific LTC CE may be required

Rule of Thumb - Long Term Care Riders pay all chronic illness claims, but Chronic Illness Riders do not pay all long-term care claims

Just 18% of people own long-term care insurance.

Source: 20210 Insurance Barometer, Study, Life Happens and LIMRA

QUESTIONS

We have a team of specialists that can assist: **(800) 283-8376**

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Click HERE for our LTC Rider & Chronic Illness Rider Decision Guide.