cltc | Certification for Long-Term Care

Today, there are many plans available for funding an extended care plan. Which one is right for your client will be influenced by many factors, and one of the most important is how they answer the following question. “What are you solving for? Is long-term care the priority, asset preservation or a death benefit?”

The chart below was designed to help you identify the best solution based on how your client answers this question. Plans are presented as a continuum, starting with a pure long-term care solution on the left and expanding to include asset preservation and death benefit needs as you move to the right.



	Traditional LTC Insurance	Linked Benefit Life Insurance (or Annuity) with LTC Extension of Benefits	Life Insurance (or Annuity) with LTC Rider	Life Insurance with a separate premium Chronic Illness Rider	Life Insurance with a no-charge Chronic Illness Rider
Structure of Coverage	A tax-qualified LTC insurance contract designed solely to pay for defined long-term care services.	A base life insurance (or annuity) policy that accelerates the DB (or CV) for tax-qualified LTC with an additional LTC extension of benefits.	Life insurance with a separate tax-qualified LTC rider that only accelerates the death benefit (DB) or a defined percentage of the DB.	Life insurance with a separate Chronic Illness rider that only accelerates the death benefit (DB) or a defined percentage of the DB for a policy-defined “chronic illness.”	Life insurance with a built-in (no premium) Chronic Illness rider that allows for a limited portion of the death benefit (DB) to be accelerated for a policy-defined “chronic illness.”

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Qualification for LTC Benefits	Follows strict state LTC insurance and federal HIPAA (7702B) tax-qualified LTC regulations: • At least "stand-by" assistance with 2 of 6 physical ADLs expected to last at least 90 days; or • "Substantial" supervision for a "severe" cognitive impairment. Benefit payments begin after benefit eligibility and after satisfaction of an Elimination Period.	Follows strict state LTC insurance and federal HIPAA (7702B) tax-qualified LTC regulations: • At least "stand-by" assistance with 2 of 6 physical ADLs expected to last at least 90 days; or • "Substantial" supervision for a "severe" cognitive impairment. Benefit payments begin after benefit eligibility and after satisfaction of an Elimination Period.	Follows strict state LTC insurance and federal HIPAA (7702B) tax-qualified LTC regulations: • At least "stand-by" assistance with 2 of 6 physical ADLs expected to last at least 90 days; or • "Substantial" supervision for a "severe" cognitive impairment. Benefit payments begin after benefit eligibility and after satisfaction of an Elimination Period.	No explicit state or federal standards. Definition of "Chronic Illness" determined by the carrier/contract language. May mimic HIPAA (7702B) language. May not use 90-day ADL requirement and/or the "substantial" supervision and "severe" terms from the cognitive impairment definition. Benefit payments begin after benefit eligibility and after satisfaction of an Elimination Period	No explicit state or federal standards. Definition of "Chronic Illness" determined by the carrier/contract. Could vary as follows: • May mimic HIPAA (7702B) language. • Require ADL loss and/or cognitive impairment be "permanent"; • No 90-day ADL requirement and/or "substantial" supervision and "severe" terms for cognitive impairment • Cover a physical ADL loss only • Pay if in facility only Benefit payments begin after benefit eligibility and after satisfaction of an Elimination Period.

	Traditional LTC Insurance	Linked Benefit Life Insurance (or Annuity) with LTC Extension of Benefits	Life Insurance (or Annuity) with LTC Rider	Life Insurance with a separate premium Chronic Illness Rider	Life Insurance with a no-charge Chronic Illness Rider
Benefit Payments	LTC Benefit Amount, Benefit Period (total benefits), inflation increases, and Elimination Period, chosen at time of issue. No death benefit or cash value if LTC is not used, but a "Return of Premium" rider is commonly available that creates a type of DB. Benefit Periods commonly range from 2 to 6 years though may go longer, including lifetime. Optional automatic inflation increases available.	LTC Benefit Amount, Benefit Period (total benefits), and inflation increases can be chosen at time of issue OR determined as a function of both premium and the amount of the base DB (or annuity CV). DB (or CV) not accelerated for LTC remains payable at death. There are two LTC phases: 1. Acceleration of base DB (or CV) on a monthly basis – typically over 2-3 years. 2. LTC Extension of Benefits	Amount of total death benefit accelerated for LTC set by rider – policyholder may be able to choose total DB accelerated from 100% to 50%. DB not accelerated for LTC remains payable at death. The more DB accelerated for LTC, the higher the LTC rider premium. LTC Benefit Amount set by rider is typically 2% to 4% per month of total LTC acceleration. Policyholder may be able to choose the percent.	Amount of total death benefit accelerated for Chronic Illness (CI) is set by rider – the policyholder may be able to choose the total DB accelerated from 100% to 50%. DB not accelerated for CI remains payable at death. More DB accelerated for CI, higher CI rider premium. CI Benefit Amount is set by rider and typically 2% to 4% per month of total CI acceleration – policyholder may be able to choose percent.	**Discounted Method:** Death benefit "actuarially discounted" at time of acceleration based on such factors as attained age, expected mortality, type and degree of impairment, gender, rate class, cash value and discount interest rate. The amount accelerated will be significantly less than full DB. Acceleration of death benefit not paid as a CI benefit is forfeited. **Lien Method:** A portion of DB can be accelerated in form of a lien against the policy after diagnosis of CI.

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	Elimination Period chosen by policyholder at issue – 30, 60, 90, 180, or 365 days. A 0-day EP for home care is a common option or built-in.	(EOB) continues monthly LTC payout after DB (or CV) exhausted – optionally for additional 2-5 years. One carrier offers unlimited EOB. Contract may offer a guaranteed residual DB if base policy is used up for LTC - from 5% to 20%. Optional automatic LTC inflation increases available. May apply to all benefits or only to LTC EOB. Elimination Period set by contract – typically 0 to 90 days.	No option for LTC benefit inflation increases. Cash values or dividends may increase total LTC acceleration pool on a non-guaranteed basis. Elimination Period set by rider – typically 90 days.	No option for CI benefit inflation increases. Policy may pay the CI acceleration as annual lump-sum vs. month-to-month. Elimination Period set by rider – typically 90 days.	Policy may pay CI acceleration as annual lump-sum vs. month-to-month. No option for CI benefit inflation increases. Elimination Period set by rider – typically 90 days.

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Reimbursement or Indemnity model?	Reimbursement Policy may offer a limited "cash alternative"	Reimbursement or Indemnity	Reimbursement or Indemnity	Reimbursement or Indemnity	Indemnity
Benefits Known at Time of Issue?	Yes	Yes	Yes	Yes	Discounted Method: NO Lien Method: Yes
Tax Status	HIPAA "Tax Qualified" IRC 7702B	HIPAA "Tax Qualified" IRC 7702B	HIPAA "Tax Qualified" IRC 7702B	IRC 101(g)	IRC 101(g)
Underwriting	Morbidity only. Generally, the strictest medical underwriting for LTC/morbidity risks.	Life Chassis: Mortality and morbidity. May offer "simplified" or streamlined underwriting. Annuity Chassis: Morbidity only for LTC EOB benefits on a "simplified" basis. Health history less likely to have an impact on LTC underwriting decision.	Mortality and morbidity. Emphasis on life/mortality underwriting. LTC rider/ morbidity underwriting may be "simplified."	Mortality and morbidity. Emphasis on life/mortality underwriting. Chronic Illness rider/morbidity underwriting may be "simplified."	Mortality only. Generally, no morbidity underwriting on a no-charge Chronic Illness rider.

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LTC-specific Continuing Education?	Yes	Yes	Yes	No	No
Partnership eligible?	Yes	No	No	No	No
Tax-free benefits?	Yes	Yes	Yes	Yes – with potential limitations	Yes – with potential limitations
Tax-deductible Premiums?	Yes – up to 100%	Life or annuity premium: No LTC charges/ rider premiums: Yes, if properly structured	Life premium: No LTC rider premium: Yes, if properly structured	No	No
Premium structure	Life-pay. Two carriers offer limited 10-pay option, one carrier offers a single-pay. Designed to remain level, but not guaranteed.	Single-premium or limited-pay (5 to 15 years) most common. Two carriers offer life-pay. Guaranteed premiums.	Based on life policy. Life-pay most common with limited-pay or single-pay options. Premiums may be guaranteed-based on the life policy. LTC rider premium may or may not be guaranteed separately.	Based on the life policy. Life-pay most common with limited-pay or single-pay options. Premiums may be guaranteed-based on the life policy. Chronic Illness rider premium may or may not be guaranteed separately.	Based on the life policy. Life-pay, limited-pay, or single-pay options. Premiums may be guaranteed-based on the life policy.

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Client Application	Pro's • Pure LTC protection • Lowest premium - maximum benefit • Most plan design flexibility • Partnership eligible	Pro's • LTC-purposed coverage • Guaranteed premiums • Simplified underwriting available • Death benefit without LTC use • Return of premium built-in • Cash indemnity LTC benefits available	Pro's • Life insurance focused with an LTC option • Premium flexibility • Reduced LTC underwriting • Cost effective, particularly < age 50 • Cash indemnity LTC benefits available	Pro's • Life insurance focused with a Chronic Illness option • Premium flexibility • Reduced morbidity underwriting • Cost effective, particularly < age 50 • Cash indemnity LTC benefits available	Pro's • Life insurance with limited "living benefits" • Premium flexibility • No "chronic illness" underwriting • Cost effective, particularly < age 50 • Benefits may be paid as a lump sum or monthly
	Con's • Premiums not guaranteed • Strictest underwriting • No return of premium if benefits not used • (ROP available as rider) • No cash value	Con's • Highest premium - single or limited pay may be required • Limited death benefit • Cash value/ death benefit used first to pay LTC claims • Not Partnership qualified	Con's • Premiums may not be guaranteed • LTC inflation rider not available • LTC benefits reduce death benefit • Not Partnership qualified	Con's • Premiums may not be guaranteed • Inflation rider not available • Chronic Illness benefits reduce death benefit • Not Partnership qualified	Con's • Premiums may not be guaranteed • No inflation protection • Chronic illness benefits unknowable until claim • CI benefits < full death benefit • CI benefits reduce or eliminate the death benefit • Not Partnership qualified