CERTIFICATION FOR LONG-TERM CARE

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CLTC DIGEST

QUARTER THREE 2025

Strategic Advantages of LTC Coverage for the Wealthy

BY SHAWN BRITT, CLU®, CLTC®

INSIDER'S Note

Dear CLTC,

Summer is in full swing! And we are happy to share the summer edition of the Digest—enjoy it in a nice air-conditioned space or maybe by the pool!

Unlike the first two quarters of the year, when all of our articles spoke to one singular topic, we are back to a Digest packed with a variety of articles. And as always, from well-respected industry experts.

We often hear from CLTC® professionals about their challenges talking with high-net-worth clients about extended care planning. Our cover story by Shawn Britt, CLU, CLTC, does just that. She has some great advice.

Ramona Neal, CLU, ChFC, CLTC, president of Living Benefit Review, has a follow-up story to our popular April webinar about the value of adding short-term care plans to your toolbox.

We then revisit the basics of long-term care conversations with an article by Lisa Young, CLTC. Patricia Nguyen, FSA, CERA, and Dennis Lu, FSA, FCIA, CERA, share the impact of AI on our industry.

And we round out our diverse content with a spotlight on one of our newest CLTC board members, Karry Ballinger, CLTC, and an insightful case study submitted by Samantha Katchen.

Enjoy!

Celeste

Celeste Cobb, CLTC®
Director of Education

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TABLE OF Contents

Strategic Advantages of LTC Coverage for the Wealthy

By Shawn Britt, CLU®, CLTC®

Unfortunately, too many people think of long-term care (LTC) insurance as protection that is only needed by the middle market to protect assets from depletion should a LTC event occur. Too often, high net worth (HNW) clients who approach their financial professional about purchasing long-term care (LTC) coverage are told "you can afford to self-fund long-term care." It happens in reverse as well, with clients rebuffing a LTC discussion with their advisor with the response "we plan to self-insure."

However, being able to afford to self-fund does not make it a good idea. There are many advantages for the wealthy to use LTC coverage in their financial strategy. We will discuss several reasons (but certainly not all) for incorporating some form of LTC insurance in a highly affluent and HNW client's overall planning.

FINDING THE FINANCIAL PAIN POINT

How do you discuss the need for LTC coverage with HNW clients in a way that makes sense? For these clients, it is about finding their "financial pain point"—meaning you have to pinpoint a concern related to money that can be solved or protected by having LTC coverage. Yes, they can afford to pay for their own care, but that involves spending money—money that could be used for better purposes. Find the financial pain point, and you justify the need for LTC coverage, particularly if that pain point has an emotional tie to it. To set up this discussion, it is important to understand just how much the affluent, and particularly the HNW, spend on long-term care expenses.

HIGHLY AFFLUENT INDIVIDUALS SPEND MORE ON LONG-TERM CARE

High net worth and highly affluent clients typically spend more on LTC than the typical upper middle class or middle market client.

- The HNW and highly affluent people are less likely to receive physical care from their adult children who are more likely to have executive/professional level jobs (i.e., surgeon, attorney, C-suite executive, etc.).

- The HNW are more likely to stay at home for care, no matter the cost. The current national average cost for 24/7 care at home exceeds $260,000 annually, but can exceed $350,000 in the wealthier communties![1]

- For those going to a facility, it is often a top end "luxury" facility with services and amenities not typically found in a traditional facility. The cost of receiving care in such an atmosphere can run upwards of $35,000 a month.[2] That can add up to over $400,000 per year in today's dollars.

Referencing the above costs, an LTC event that lasts three years can easily exceed $1 million or more in today's dollars—and fifteen to twenty years from now, costs could run from $2 million for an individual to $4 million for a couple. That is a lot of money, even for the wealthy! When you discuss that level of cost with a client, the idea of "self-insuring" may start to lose its appeal. How could those same dollars have been put to better use if the HNW client had used cost effective insurance to pay for their LTC expenses?

HOW LTC INSURANCE EASES THE "FINANCIAL PAIN POINTS"

The following are just a few of the potential pain points you may uncover when talking with your financially affluent and HNW clients. There are more than what is on this list, but this will give you an idea of what I am talking about.

1 Preserve Charitable Gifting

Hand your client a piece of paper and a pen and ask them to list the people, charities and causes they would like their estate to donate to upon their death. Next, educate the client on the cost of a 3-year LTC claim that could cost anywhere from $1 million (today) to $2 million or more in the future. Finally, hand the list and the pen back to them and ask them to cross off the list who will not receive a donation or inheritance because the money was spent (dollar for dollar) on a long-term care event. This is an easy way to illustrate why self-funding, while clearly possible, is not necessarily a good idea!

2 LTC Coverage Helps Provide Needed Liquidity to Pay for Care

Do you have HNW clients who are heavily invested in real estate or businesses that cannot be easily liquidated? These clients would not want to be forced to sell assets in a "fire sale" created by not having adequate liquidity to pay for expensive 24/7 home care, and the expenses associated with maintaining their home and the lifestyle of a healthy partner. Worse yet, both could need care while wanting to remain in the home.

Long-term care coverage provides funds needed to pay for care if the HNW client happens to be in an ill-liquid state when care is needed. For those with wishes for luxury or alternative care a typical reimbursement policy may not cover, a cash indemnity policy may be an attractive choice. In this instance, the insurance company places no restrictions on how the LTC benefits are used—making these funds truly liquid and keeping the policy owner in control of their care choices. If you have clients where liquidity can be unpredictable, LTC insurance can be positioned as a *bucket of liquidity* to provide funds for LTC expenses when their financial assets are otherwise tied up.

3 Insure the Portfolio, Not the Person

Wealthy people are more likely to be healthy people since they usually have access to better health care. Ironically, these people are also more likely to need LTC. Sick people often pass away quickly, while healthy people are more likely to linger!

More importantly, clients like to see their portfolio grow, not be stagnant or losing ground. Remind the client that this is not about the chance of needing care—it's about insuring the portfolio from suffering a double loss. The funds pulled out to pay for care cannot grow back, nor grow forward. However, LTC coverage can provide pre-leverage funds, off to the side and not tied to the market. While insurance is paying for LTC expenses, the portfolio stays in place to recover in a bad market or continue to soar in a good market. The key is to focus the conversation on "insuring" the portfolio, not the person.

4 Preserving Family or Generational Wealth

Does your client have parents or other relatives they may be financially responsible for if an LTC event were to occur? Affluent and HNW clients may want to think about family members that may need to be financially supported during an LTC event, and buy policies on those individuals if they are still insurable. This may make better sense than paying for their care out of pocket and draining money that could be better used for other situations.

The gift of LTC coverage to an adult child makes a lot of sense. A policy bought on an adult child in their 40's, with inflation included, can grow to a substantial

benefit by the time they are at an age LTC is generally needed. Such a gift can help preserve generational wealth that can benefit grandchildren and beyond.

5 Tighten the Estate Plan and Give Money to Charity Now

For HNW clients with estate tax liabilities, self-funding may create a weak link in the estate tax plan by setting them up to potentially pay unnecessary estate taxes. To self-fund LTC expenses, they would have to keep a substantial amount of money—let's say $1 million—in their estate to pay for LTC expenses should they arise. Those funds are not sheltered from estate taxes.

But what happens if they are lucky enough to need little or no care? The funds left in the estate to pay for long-term care, assuming estate assets exceed the lifetime exclusion, could be subject to as much as 40% estate taxation, or $400,000.

What if you could avoid that risk by:

- Using the "self-insurance funds" to purchase LTC coverage at a faction of the cost,
- Own the policy in an ILIT (irrevocable life insurance trust) to keep the policy out of the estate,
- Donate the rest of the dollars to charity now (not at death), and
- File for a tax deduction, for which the refund may cover the cost of the LTC policy.

Due to space limitations, I won't go through the process of how the LTC benefits are accessed, but the result is removing the $1 million from the state, replacing the $1 million with LTC coverage that includes inflation—and the charity getting much needed dollars now, not 20 or 30 years from now.

6 Help Avoid Family Dissention

Regardless of wealth, putting one adult child in charge of a parent's care puts them in the position of making financial decisions with which their siblings may not agree. Having LTC insurance helps take that issue off the table. When LTC benefits are paying for care, it is far less likely that siblings will disagree on how the money is being spent, since the care is being paid for by an insurance company, not their inheritance.

FINAL THOUGHTS

How do the HNW become wealthy? Some inherit, but many build their wealth (or build it further) by making good financial decisions throughout their life that include leveraging assets and finding win-win solutions to potential problems. So, why would they stop doing that now?

Long-term care insurance is often thought of as a "safety-net" for the middle and upper middle-class client, but in reality, LTC coverage is for everyone! The key is to find the pain point: something important to the HNW or highly affluent client that has a dollar cost associated with it. Then show the client how self-funding LTC expenses eats up dollars they might otherwise devote to that desire such as charitable giving, liquidity needs, supporting family members needing LTC, inheritances, major philanthropy or whatever that pain point is.

Today's LTC coverage options attached to some form of life insurance can offer guaranteed premiums and benefits, and protect the investment in the policy if LTC is not needed. Long-term care coverage is just as important for the HNW and highly affluent client as with any client—it is just for different reasons.

Shawn Britt, CLU® , CLTC®, Nationwide Financial Director of LTC Initiatives for Advanced Consulting Group, has been engaged in the life insurance and LTC industry for nearly 30 years. Shawn has been a major influence in promoting the need for long-term care and development of Nationwide's LTC product solutions.

1 A Place of Mom—"How Much Does 24/7 Home Care Cost in 2024? An In-Depth Guide"—May 9, 2024

2 Evelyn Battaglia – Brick Underground "Where seniors can find luxury independent living residences with resort-like amenities plus 24/7 personal care"—August 22, 2023

CLTC Board of Advisors Spotlight

Karry Ballinger, CLTC®

How did you first get involved in LTC planning?

- I started my LTC Planning career working with the GE Capital Assurance Career Shop in (Dallas/Fort Worth Branch) 1996-1999.
- I started out helping run their telemarketing office to set appointments for the agents in the field, then I started out in the field part time as an agent until I did that full time.
- In 1999 I took an LTC External Wholesaling position with GE Capital and worked with their Brokerage and Wire house divisions to train agents and advisors on GE's LTCi product portfolio.
- In 2003 I went out on my own as a LTC Planning Specialist.

What do you find most challenging about LTC planning?

Definitely the health underwriting and follow up on each client to make sure we apply for coverage at the right time to give the client the best opportunity for preferred rates.

What is the best (or worst) thing to happen to you since you started in the industry?

- The best thing that has happened to me in this industry is working with all of the wonderful people I have met! From CLTC and Insurance Support teams that have poured education into me, to the advisors and clients that have trusted me with LTC planning guidance. It has been and continues to be a rewarding career because of the people.
- The worst thing that has happened to me has been not being able to provide meaningful LTCi coverage to everyone who needs it due to health or financial reasons.

If you could change one thing about the public views on LTC planning, what would it be?

- Awareness. I think having some type of LTC plan should be a must.
- As much time as we spend on education for investing and saving for retirement, protecting it should be built into the planning process.
- I think it is an uncomfortable topic to bring up to clients, so it often gets overlooked.

What changes do you see happening in the next five years?

- I'm really starting to see the industries of LTC, Medicare, home care and care planners of all types working together as a team to help protect against this risk we all face.
- With our aging population exploding and needing more care than ever, I am hopeful our carrier partners can design benefit rich and affordable products to help advisors more easily include LTC planning into every client planning conversation.

If you were doing something else, what would it be?

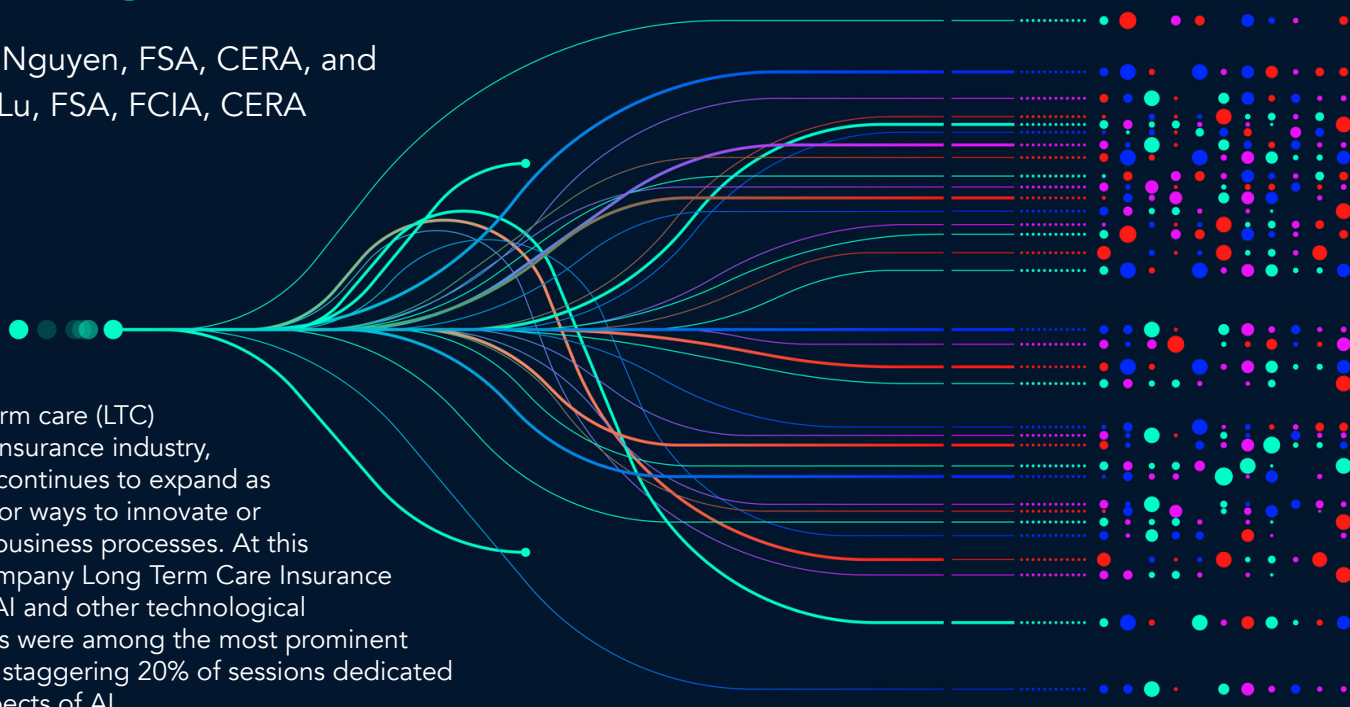
- I can't imagine doing anything else since I have been in this industry for almost 30 years and still love what I do!
- I think if I did choose another career, it would involve travel.

How has being a CLTC professional helped you succeed?

- I got my CLTC designation in 2003 and I truly feel it has kept me up to speed in our industry by providing the education we need to be the best LTC advisor for our clients.
- The LTCi industry is constantly changing with new product offerings, taxation benefits and underwriting guidelines and CLTC is always there to keep us updated on our ever-changing market.
- The CLTC support I have received over my career is something I will always be thankful for!

AI Governance Considerations for Long-Term Care

By Patricia Nguyen, FSA, CERA, and
Dennis Lu, FSA, FCIA, CERA



In the long-term care (LTC) and broader insurance industry, interest in AI continues to expand as carriers look for ways to innovate or supercharge business processes. At this year's Intercompany Long Term Care Insurance Conference, AI and other technological advancements were among the most prominent topics, with a staggering 20% of sessions dedicated to various aspects of AI.

As insurers expand AI applications, concerns around potential adverse impacts, such as unfair bias and discrimination, have prompted regulators to introduce new guidelines in the US. Some are specific to insurance, while others are cross-sectoral. This article briefly overviews the regulatory landscape and governance considerations for LTC insurers currently using (or expecting to use) AI.

HELPFUL DEFINITIONS OF ACRONYMS

Artificial Intelligence (AI)
A relatively broad concept and relates to enabling a machine or system to sense, reason, act, or adapt like a human.

Machine Learning (ML)
An application of AI that allows machines to extract knowledge from data and learn from it autonomously[1]. It has vast applications in insurance—from underwriting to inforce management.

Generative AI (GenAI)
An application of AI that insurers are exploring to improve the efficiency and insightfulness of customer service interactions.

CURRENT AI REGULATORY LANDSCAPE

In March 2024, the European Union (EU) adopted the AI Act, considered the world's first comprehensive AI regulation framework. Compared to the EU, the AI regulatory landscape in the US is still in its infancy stages, with a patchwork of federal and local regulations addressing different AI concerns, many of which apply to insurers.

- **Federal Regulations**
  2023 brought a new wave of federal AI regulations applicable to the insurance industry. In October, President Biden issued an Executive Order to promote AI development while establishing guidelines for federal agencies to comply with when designing, acquiring, deploying, and overseeing AI systems.

  Among other objectives, this Executive Order seeks to establish testing standards to minimize AI-driven risks to infrastructure, cybersecurity, social equity, and data privacy. Most insurers deal with sensitive data from consumers and will therefore benefit from the development of leading practices as a result of this Executive Order.

State Regulations

In December 2023, just a few months after President Biden's Executive Order, the NAIC adopted a Model Bulletin[2] that addresses the increasing integration of AI in insurance operations, particularly in underwriting, claims processing, risk assessment, and customer interactions. At a high level, insurers are expected to develop, implement, and maintain a written program for the responsible use of AI. LTC insurers using AI systems to support decision-making processes (such as digital underwriting and fraud analytics) are expected to align their governance framework to the expectations outlined in the Model Bulletin.

Following the adoption of the NAIC Model Bulletin, states have begun introducing AI regulations for the insurance industry. So far, 11 jurisdictions[3] have adopted AI regulations based on the NAIC Model Bulletin. Additionally, regulators in other jurisdictions have issued their own warnings, placing significant obligations on insurers to ensure that their models and data collection methods are not discriminatory.

In November 2023, the Colorado Division of Insurance (CDOI) adopted a first-of-its-kind regulation[4] establishing governance and risk management requirements for life insurers with AI models that use external consumer data and information sources. In addition, the CDOI is working on a separate reporting regulation that would require insurers to perform quantitative testing on AI models[5]. If approved, the new regulation will impact LTC insurers who use external consumer data, including socioeconomic proxies and health history, in AI-driven applications.

CONSIDERATIONS FOR AI GOVERNANCE FRAMEWORKS

In 2023, Oliver Wyman released its inaugural LTC Predictive Analytics Survey, which included participation from 28 LTC carriers. We found that 60% of survey participants currently use predictive analytics for LTC applications. About 30% of these carriers cited regulatory requirements as an external hurdle adopting predictive analytics and/or AI, and nearly 50% did not yet have fully formed governance processes targeted at unfair discrimination and unintended bias. Considering the ongoing expansion of AI applications in LTC and evolving regulatory guidance focused on risk governance, it is increasingly vital for insurers to develop a robust and well-documented governance framework for their AI models.

Below, we have outlined several key considerations for building an AI governance framework. Insurers could also reference the CDOI risk management requirements and NAIC Model Bulletin, which provide robust guidelines related to AI model oversight, risk assessment, and documentation.

Avoid Unfair Discrimination and Unintended Bias

As an initial step, LTC insurers should establish internal guidelines on (i) protected characteristics that should be excluded from AI models and (ii) prohibited AI use cases. This aligns with several existing regulations, such as the Georgia House Bill 887[6], which prohibits insurance coverage decisions from being solely based on AI tools.

Insurers can mitigate unfair discrimination by systematically examining data used to train AI models and removing biased variables. One method for identifying a biased variable is to evaluate the variable's predictive performance across different ethnic and racial subgroups. For example, a particular variable may be a reliable predictor of LTC claim incidence for an insured population predominantly comprised of a single race; however, this variable may predict a disproportionately biased outcome for minority subgroups, which can go undetected if model accuracy is only evaluated on a total population level.

Companies can further mitigate the risk of unfair discrimination by implementing prescriptive testing to determine if their AI models satisfy internal "fairness" standards. The CDOI's draft regulation on quantitative testing of AI-driven underwriting models can serve as a reference point for insurers interested in defining measurable "fairness" metrics.

Finally, unintended bias in AI systems that result in unfair discrimination can cause substantial financial and reputational damage to insurers. Therefore, bias audits and safeguards are vital in a pre-production AI governance checklist.

Perform Risk Assessments on AI and ML Applications

While there is no best practice in AI applications risk ranking, insurers can leverage local and global regulation guidance to create their own rubric. The CDOI's regulation, for example, mandates that insurers establish a documented

rubric for assessing and prioritizing AI models that use external consumer data and that reasonable consideration be given to consumer impact. Additionally, the EU AI Act[7], a risk-based regulation, provides a framework for companies to categorize AI applications into Unacceptable, High, Limited, and Minimal risk categories.

Common characteristics of high-risk models implied in both the EU AI Act and the CDOI's AI regulation include those that (i) directly profile individuals and (ii) have access to protected data. Given this classification, a model used for in-force experience studies may be considered low-risk. However, if this same model is deployed for accelerated underwriting, it may be considered high-risk due to its potential consumer impact. Common AI models used by LTC insurers that might be considered high-risk include those used for underwriting, fraud detection, or claim adjudication.

Navigate Judgment Through Process

The NAIC Model Bulletin requires insurers to maintain well-documented processes and controls to be followed at each stage of an AI system life cycle, from its development to its decommissioning. For instance, setting up ML models introduces new areas of judgment that can be minimized with robust documentation and controls. One such area is hyperparameter tuning in Gradient Boosting Machines (GBM), an ML technique several LTC insurers use for experience analysis. Hyperparameter tuning controls the model's structure and performance by limiting the depth and number of fitting iterations, where the modeler's judgment may impact model results. Processes and controls should be designed to require model tuning to be performed systematically.

Build Up an Arsenal of Validation Techniques

The black-box nature of certain AI techniques can make it challenging for insurers to identify sources of bias, including data training, model design assumptions, and inadvertent inclusion of biased predictors. To gain comfort with AI model outcomes, actuaries should familiarize themselves with various model visualization and validation techniques. Designing a robust analytics platform can also ease the interpretation and validation of AI models. For example, ML models often deemed "black boxes," such as GBM, can be interpreted using Shapley values.

The CDOI regulation also requires that insurers monitor and document the performance of their AI algorithms and predictive models over time to account for model drift. Validation techniques should enhance, not replace, existing methods such as cross-validation, actual-to-expected analysis, and parallel testing against traditional models, which are still fundamental to model validation and governance.

CONCLUSIONS

Currently, much of the responsibility for developing a compliant governance framework falls upon insurers as existing US regulatory guidance is more descriptive than prescriptive. Looking forward, the more prescriptive nature of the EU AI Act may influence future AI regulations in the US, especially considering ongoing cooperation between the EU and the US as part of the Trade and Technology Council[8]. Additionally, state insurance departments may refine their AI regulations to include more specificity or clarifications as AI applications in the industry evolve.

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This article first appeared in the August 2024 issue of Long-Term Care News, a publication from the Society of Actuaries.

1 "AI vs. Machine Learning: How Do They Differ?", Google Cloud, https://cloud.google.com/learn/artificial-intelligence-vs-machine-learning

2 "NAIC Model Bulletin: Use of Artificial Intelligence Systems by Insurers", NAIC, https://content.naic.org/sites/default/files/inline-files/2023-12-4%20Model%20Bulletin_Adopted_0.pdf

3 As of April 2024, 11 states have adopted the NAIC Model Bulletin, including: Alaska, Connecticut, Illinois, Kentucky, Maryland, Nevada, New Hampshire, Pennsylvania, Rhode Island, Vermont, and Washington

4 https://content.naic.org/sites/default/files/inline-files/AI%20Model%20Bulletin%20-%20April%202024.pdf

5 "Regulation 10-1-1 Governance and Risk Management Framework Requirements for Life Insurers' Use of External Consumer Data and Information", Colorado Division of Insurance, https://www.sos.state.co.us/CCR/GenerateRulePdf.do?ruleVersionId=11153

6 https://drive.google.com/file/d/1BMFuRKbh39Q7YckPqrhrCRuWp29vJ44O/view

7 https://www.legis.ga.gov/api/legislation/document/20232024/220941

8 "Artificial intelligence act", European Parliament https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/698792/EPRS_BRI(2021)698792_EN.pdf

9 The EU and US are collaborating on the implementation of a joint roadmap for evaluation and measurement tools related to trustworthy AI and risk management. "United States approach to artificial intelligence", European Parliament https://www.europarl.europa.eu/RegData/etudes/ATAG/2024/757605/EPRS_ATA(2024)757605_EN.pdf

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1 2025 Future of Benefits Report, Care for Business

Growing Demand for Short-Term Care

By Ramona Neal, CLU, ChFC, CLTC

According to a session at the ILTCI conference in March 2025[1], estimated sales of short-term care are on the rise with 50,000 new policies issued in 2023. That's impressive considering that there were 35,000 policies for Traditional-Long Term Care insurance (T-LTCi) issued during the same period, while Linked Benefit Life insurance products had 28,000 by policy counts.[2]

WHAT IS SHORT-TERM CARE?

Short-term care (STC) has been around for over thirty years and can have the same benefit triggers as long-term care insurance (2/6 ADL's and severe cognitive impairment). As the name implies, STC has a shorter benefit duration of 1-year. Now consider this important context: 50% of claims last 1 year or less.

STC also includes unisex rates (excellent for females), along with a shorter, or zero-day elimination period (EP). As expected, due to the shorter benefit duration, STC is more affordable. The average annual premium for STC is between $500-$2,000[2].

STC is available to older ages (up to age 89), and can boast about a superior new business process. In fact, STC has less underwriting than any other comparable solution in the individual market.

(Translation, policies that are issued more quickly pay out commissions more quickly too). Now consider this, STC may even be available if the applicant has been declined by other long-term care insurance products. I think I just heard a mic drop.

Examples of insurers offering STC solutions include Aetna, Cigna, Guarantee Trust Life, HCG Secure, Manhattan Life, Wellabe/Medico, and more. STC is sold by Medicare brokers and Med Sup agents as an add on. Interestingly, not all LTC Specialists offer STC. This may be due to being less familiar with STC or believing that the benefit duration won't be long enough to meet their client's needs. While this might be true in some cases, perceptions are starting to change. STC benefit durations can exceed one year with benefit restorations. Plus, it is possible to have a larger total benefit pool (compared to T-LTCi) depending on the design. For example, by adding inflation benefits combined with a shorter EP or no EP. Then tack on the favorable and simpler underwriting process[3], and suddenly we see why STC is winning in policy counts.

For LTC Specialists already selling STC, some no longer consider STC exclusively as an alternative Plan B (i.e., when clients can't qualify for T-LTCi.) Instead, it's become a very viable Plan A. Additionally, sometimes stacking two STC policies from different companies (with no coordination of benefits), or by combining STC with a T-LTCi policy is exactly what the client needs by balancing affordability with more benefits and a shorter wait.

WHY ISN'T STC MORE POPULAR?

Some LTC Specialists are waiting on the fence for STC to be offered by insurers with greater brand recognition and/or financial strength. We can't criticize them for that. Even so, it's hard to reconcile a professional holding themselves out as helping clients meet their future care expense needs while at the same time ignoring the entire STC product category.

Other reasons more LTCi Specialists don't offer STC could be due to (a) not all states have approved STC—about 35 states have; (b) it is not tax qualified as long-term care insurance; and (c) STC is not approved by the interstate compact making it more difficult for insurers to file and obtain state approvals.

Note: Some producers question if STC is too good to be true. We can agree it's healthy to be skeptical and that it's crucial to review contract language. For example, ensure the STC policy outlines specific times of services covered, with definitions on who is deemed a qualified provider (i.e. does not require the home care agency and/or home health aid to be Medicare Certified). In addition, review if benefit triggers match T-LTCi versus being "medically necessary" to better help both the producer and client understand claim provisions.

GROWING NEED AND DEMAND

There are over 75 million Baby Boomers. Many want to plan for their own future vs. being a burden on their children. Some currently are (or were) caregivers to their own parents or they had the responsibility of coordinating their care. So, they "know." They know about the hefty price tag of hiring professional care or about the physical and emotional toll of being a caregiver. Adding to their angst is the revelation that Medicare doesn't cover expenses like home health care, assisted living facilities, and nursing homes.

For wealthy Boomers, they have options. They can purchase combination products with rich leverage and guarantees (Life/LTC, or Annuity/LTC). But for some Boomers and for the middle market, they can't afford these pricey combination products.

While we are each responsible for our own due diligence maybe the right time is now to become more familiar with short-term care and offer it when suitable. We are in unprecedented times. The aging Boomers. The Fed and the states are unable to meet the burden of the cost of care for hundreds of millions of Americans. It's a ticking time bomb which many politicians see fit to kick down the road. Meanwhile, the context is astute consumers. They **know**. They know they need a plan. The only thing that is missing is **us**.

If you want to learn more about STC, as a CLTC graduate, you can access the CLTC webinar, recorded on 4/30/25 here. Subject matter experts featured on the webinar were Liz Christofer, COO, HCG Secure; Tom Randall, National Marketing Director, GoldenCare USA; Blaine Webb LTCi Specialist, Blaine Webb Financial; Matt Dean VP Sales Enablement, LTCI Partners.

RAMONA NEAL, CLU®, ChFC, CLTC®, REBC, has 30 years of experience in the life insurance industry with roles in field sales, competitive intelligence, advanced sales, and policy administration. She has extensive history helping advisors and wholesalers position insurance products. Ramona is president of Living Benefit Review, LLC.

1 Source: ILTCI Session, 3/10/25, Rumble in the Breakout Jungle! Short-Term Care v. Long-Term Care Insurance: Is the Market Shifting? (Facilitator: Stephanie Moench FSA, MAAA. Speakers: Erin Buetel, Wellabe; Corri Campbell CLTC, LTCP, Mutual of Omaha; Kent Little, New York Life; Dennis Rinner, GoldenCare). Home - ILTCI

2 Source: (a) LIMRA, 2023 Individual Long-Term Care Insurance Sales and In Force Participant Report (b) LIMRA, 2023 U.S. Individual Life Combo Product Sales and In Force Participant Report.

3 Note: Bankers Life offers T-LTCi solutions with a simplified new-business process too. For example, SimpleChoice Fundamental Plus.

Three Simple Questions

Helping Your Clients Plan for Long-Term Care

By Lisa Young, CLTC®, CRPC™, BFA™, CEPA

It's too much to think about. It's too complicated. It's too expensive. These are all concerns I have heard over the last 18 years of working with clients around pre-planning for a long-term care event.

Planning for long-term care can be overwhelming, but it doesn't need to be. The key is to keep it simple and create a connection. It all begins with helping your clients answer three questions:

- Where do you want to receive care?
- Who will make those decisions?
- How will you pay for it?

When these three questions have been answered, then you will have a long-term care road map that is more developed than most!

QUESTION 1

Where do you want to receive care?

This may seem like a simple question as the answer for many is, "I want to receive care at home." Staying at home is a very common goal; however, it's not that simple.

Thinking of the equity in the home as an asset to be used for care is not an option. Additionally, is the home conducive to aging in place? If not, then the individual (or couple) may need to either move to another home or invest in home modifications. Both have financial consequences such as relying on other sources of funding—savings or retirement assets.

Furthermore, these days, families are spread all across the country so it's important to consider whether your client would want to be near children or grandchildren at this stage in their life, and whether it is realistic.

Knowing this can dictate which state your client expects to be living in down the road, and the cost of care associated with that decision. For example, according to the Genworth/CareScout cost of care site, care in an Assisted Living Facility in Rochester, MN, home of the Mayo Clinic, will cost $4,541 per month. Care in a nursing facility will run $ 9,885 per month for a single occupancy / private room.

Meanwhile, those same rooms in Bedford, NH (where care costs rose over 10% from 2024 to 2025) could be as much as $11,100 for an Assisted Living Facility stay per month or $14,904 for a private room in a nursing home. Location matters.

QUESTION 2

Who will make the care decisions?

This question is often associated with estate planning but is equally important for long-term care planning and is often the most overlooked. Who will make the decisions about when and where care will be received? While married, it's often the spouse, but should a significant other be deceased, or the client is single, then who will be that designated person? Is it the oldest child? The oldest child will think so! But often what causes tension in families is a difference of opinion on whether Mom or Dad can stay at home, how much care is actually needed, who should be providing care, etc. And what if the kids can't agree? When some adult children or family members are seeing Mom or Dad regularly, they will have more urgency than the kids that last saw them over the holidays and felt they 'looked fine'. It won't be until everyone is in the same room that productive conversations can occur, and needs can be addressed.

Putting in writing who will make these important decisions is the best gift a client can give their family.

One child can make the medical/care decisions, another can make financial decisions, etc. Having these discussions can also lead to taking other important steps like creating a power of attorney, a living will, and health care directives. It's critical the client decides who will follow their direction and respect their wishes.

QUESTION 3

How will care be paid?

When talking about care, this is typically the first question that comes to mind and can be the most paralyzing. Often clients do not know where the funds will come from to pay for care. The two largest assets clients have is their home and their retirement accounts.

As mentioned earlier, if the plan is to receive care in the home, or one person will continue living in the home (if the other goes into a facility), the client cannot assume the sale of their home will pay for long-term care. Additionally, if someone wishes to age in place and receive care at home, then most likely home modifications will be required to ensure mobility and safety. How will these costs be financed? In the case of one spouse being active and remaining at home while the other is in a facility, how will expenses impact the healthy spouse's monthly cash flow?

The other option clients tend to jump to is using their portfolio or retirement accounts to pay for care. Let's think about what that could look like. Let's go back to that $178,000 per year nursing home cost in Bedford, NH. How would that new cost impact a client's portfolio growth? How would it impact the standard of living for the healthy or community spouse? Lastly, how would this large distribution impact the legacy your client would want to leave their heirs?

Retirement accounts such as a 401(k) and traditional IRAs are often what come to mind; however, the client has not paid taxes on these funds. As a result, that $800,000 nest egg that has been accumulating over years will drop to $600,000 once taxes are paid on the distribution. And if care is needed prior to 59½ years of age, then the client will need to add a 10% penalty onto the distribution. Relying on these two assets can be problematic. It's wise to explore other available assets or transferring that risk to an insurance company.

With the right help from a financial advisor or insurance specialist, this third question can actually be the easiest to address. There are several ways to transfer the risk to an insurance company.

The three common types of policies:
Traditional Long-Term Care Insurance, Life Insurance with a LTC Rider, and Asset Based LTC/Hybrid

Typically, the goal is not to cover the entire cost of care, but to cover the majority. When designing a policy you will need to help the client choose the monthly benefit amount, the duration (how long the benefits will be paid once on claim), an inflation protection feature (if available) and possibly other optional riders or benefits. These coverage amounts will be based on what the current cost of care is in

the area, the cost of care the client would like to transfer (or the assets we want to protect) and the client's budget.

TRADITIONAL LTCi (T-LTCi)

This is pure insurance and these types of policies have been around for decades. T-LTCi policies are often the lowest cost, but the client will need to pay their premium for as long as they have the coverage. There are advantages, like a couple's discount, tax deductibility for those that qualify, and some are state partnership approved—there could be additional asset protection from Medicaid spend down.

These policies also have options such as first day home care and inflation protection that will ensure the monthly benefit grows over time. The downside is, should care not be needed, nothing will be left for the next generation.

LIFE INSURANCE WITH LTC OR CHRONIC ILLNESS RIDER

These policies are a form of life insurance and as a result, upon death a benefit can be paid to the beneficiary tax free. However, if care is needed, the death benefit can be accelerated (used early) for the purpose of care. Typically, at time of purchase, the client chooses a percentage of the death benefit that can be used as the long-term care monthly benefit. For example, if the policy has a $500,000 death benefit, and 3% can be used each month for long-term care, the client will have access to up to $15,000 a month for care. On the con side, there is no inflation protection feature, so the total benefit amount and the monthly benefit do not increase over time.

ASSET BASED/HYBRID LTC

These policies have a benefit that can increase over time and can provide a small death benefit should care not be needed. A popular feature of these policies is the "paid up" feature meaning that after a certain period of time, no further premiums are paid. The paid up period can be anywhere from a single premium to most commonly a 10-pay, meaning the policy would be fully paid up in 10 years. This can be a popular choice for clients who do not want lifelong premium payments or want something left to a beneficiary should care not be needed.

Everyone's care plan and wishes are different and unique to their situation. Regardless of your client's family and financial circumstances, helping them create a simple written plan that identifies and answers these three questions is vital. Where do you want to receive care? Who is going to make those decisions? How will care be paid for?

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CASE STUDY

Revisiting Financial Plans as Life Evolves:

Violette and Rich

By Samantha Katchen, CLTC®

Violette and Rich are a married couple with two adult children and two prized grandchildren. At the time of our meeting, Rich was 68 and Violette was 67. Both were in excellent health and planned to continue working as long as possible: Rich as an engineer, and Violette as a teacher's aide. Though financially able to retire at any time, they valued their active lifestyles and careers.

Their parents had planned well for their own care needs, and Rich and Violette wanted to ensure their children wouldn't have to worry about theirs. While leaving an inheritance wasn't their top priority, protecting their hard-earned savings from being depleted by future care costs was very important.

Interestingly, this wasn't their first look at long-term care planning. In their mid-50s, they met with a professional referred to them by their financial advisor. At the time, they decided against putting a plan in place for three reasons:

1. They were young and healthy and didn't see it as an immediate need.
2. The cost of insurance, while not excessive, seemed unnecessary for something so far off.
3. They felt confident they had enough savings to self-insure if necessary.

These are reasonable objections I hear often. But as LTCi specialists, it's our responsibility to gently challenge those assumptions and help clients recognize the potential blind spots that can exist, even in otherwise firm financial plans.

Now, more than a decade later, they were revisiting the conversation with fresh eyes. I facilitated a discussion around their evolving priorities as well as the emotional and financial consequences of not having a plan in place. Rich and Violette are proactive and thoughtful individuals, so this resonated deeply with them. Once we identified the gaps and explored solutions they hadn't previously considered, they were eager to find a better strategy.

Upon reviewing their financial situation, I discovered that Rich and Violette owned several universal and whole life policies, which they had purchased years ago when their financial obligations looked quite different. These policies had built up significant cash value, but their original purpose of income replacement and debt protection was no longer relevant in this season of life.This presented an opportunity. Together, we explored repositioning those assets to better align with their current goals. Rather than incurring new out-of-pocket costs or risking their savings to future care expenses, we

utilized a 1035 exchange to roll over the cash value from their existing life insurance policies into a hybrid cash indemnity long-term care plan through Nationwide.

By continuing the same premium payments they were already accustomed to, combined with the rollover of funds, Rich and Violette were able to secure a plan that directly addressed their top concerns while offering meaningful flexibility and peace of mind. The beauty of this approach was that if neither of them ever needed care, the plan would still pay a death benefit to their estate. They quickly recognized this as a far better use of those premium dollars than keeping them tied up in policies designed for a time in life that had long since passed. The original policies weren't bad; they'd served their purpose. This strategy was a smarter, more intentional fit for where they are today.

The Nationwide Care Matters product offered guaranteed LTC benefits, a guaranteed payment structure, and a guaranteed death benefit. The cash indemnity design was especially appealing, allowing them to receive tax-free, cash benefits directly, without restrictions or reimbursement hassles, and would allow them to spend those funds however they choose.

Key features of their plan included:

- Guaranteed long-term care benefits.
- A 90-day elimination period, with benefits paid retroactively.
- Guaranteed 3% compounding inflation protection, allowing their benefit pool and monthly payout to grow over time.
- A guaranteed minimum death benefit, even if all LTCi benefits were exhausted.
- A 10-year premium payment period, after which no further premiums would be required.

This structure gave them a sense of security, knowing they had a plan tailored to their needs. Financially, it protected their estate and made better use of the assets they already had. Emotionally, it gave them confidence knowing they had a flexible plan in place, one that would ease the burden on their children if an extended care event ever arose.

Rich and Violette's story is a perfect example of the value in revisiting financial plans as life evolves, and how repositioning existing assets can create meaningful, customized solutions without added financial strain.

One of the most rewarding outcomes of this case came after we finalized the plan. Rich and Violette were so pleased with the solution that they asked me to connect with their financial advisor to explain the strategy in detail. The advisor, impressed by the thoroughness and creativity of the plan, and recognizing it addressed a critical area he didn't specialize in, began referring other clients to me for long-term care planning. This has evolved into a strong professional partnership over many years, and I'm grateful for the positive ripple effect it has created. It's a powerful reminder that the seeds you plant now can lead to a greater harvest than you ever imagined. That single case sparked a lasting relationship and paved the way for helping many more families in similar situations.

Samantha Katchen, CLTC® is the Chief Operating Officer of Key Retirement Solutions, an independent insurance brokerage dedicated to providing clear, trustworthy guidance. Since entering the insurance industry in 2016, Samantha has guided clients through complex decisions with empathy, clarity, and a deep commitment to listening and tailoring solutions to each client's needs.