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Agent Reference Guide

Long-Term Care Made Simple

Understand the options. Match coverage to the goal.

Long-term care planning can be approached in several ways. Some clients want dedicated insurance, while others prefer to combine care benefits with life insurance or reposition an existing asset.

Use this guide to compare four common approaches and identify which strategy may deserve a closer look.

Start with the goal

Which problem are you trying to solve?

Four LTC strategies, organized by what the client values most.

Traditional LTC

Dedicated care protection with flexible benefit design

Life + LTC Hybrid

Care benefits plus life insurance / legacy value

Annuity + LTC

Reposition an existing asset for enhanced care benefits

Life + Care Rider

Life insurance first, with access to benefits for qualifying care

First questions to ask

Is the client trying to insure the risk with ongoing premium, reposition an existing asset, preserve a legacy if care is never needed, or primarily buy life insurance? Then determine desired benefit, duration, inflation protection, care setting and liquidity needs.

Traditional Long-Term Care Insurance

Dedicated coverage designed specifically for long-term care.

Traditional LTC insurance is built to help pay for qualifying extended-care needs. Policies can be designed around a monthly or daily benefit, benefit period or pool, elimination period, inflation option and home-care provisions. Because coverage is dedicated to LTC, it offers significant design flexibility. Premiums are generally not guaranteed and may increase by class with regulatory approval.

Advantages

- Dedicated LTC benefit design
- Flexible benefit amounts and durations
- Inflation options may help benefits keep pace
- Shared-care and other features may be available

Tradeoffs

- No death benefit if care is never needed
- Premiums may increase
- Medical and cognitive underwriting can be strict
- Claim payment method and elimination periods vary

Best fit

- ✓ Client wants dedicated LTC protection
- ✓ Ongoing premium fits the budget
- ✓ Legacy value is secondary
- ✓ Flexible benefit design is important

Hybrid Life + LTC

Care protection plus life insurance value if care is never needed.

Hybrid life/LTC contracts combine life insurance with benefits for qualifying long-term care. Depending on the product, LTC benefits may accelerate the death benefit and may include an extension-of-benefits feature that creates an additional care pool. Funding can range from single premium to short-pay or longer schedules. Guarantees depend on the actual contract and funding design.

Advantages

- Provides value whether care is needed or not
- Can combine acceleration and extension benefits
- Some designs offer contractual premium guarantees
- Return-of-premium features may be available

Tradeoffs

- Can require substantial upfront funding
- LTC leverage varies materially by product
- Guarantees and claim methods vary
- Using benefits can reduce remaining death benefit

Best fit

- ✓ Client wants LTC protection plus legacy value
- ✓ Client dislikes use-it-or-lose-it coverage
- ✓ Assets or cash flow are available to fund efficiently
- ✓ Contractual certainty is important

Hybrid Annuity + LTC

Reposition an existing asset for enhanced long-term care benefits.

Annuity/LTC solutions generally use a deposit or transfer from cash, CDs or an existing annuity to establish a contract that can provide enhanced benefits for qualifying care. These designs can appeal to clients who prefer asset repositioning rather than ongoing insurance premiums. Review liquidity, surrender provisions, tax basis and Section 1035 exchange eligibility before moving an existing contract.

Advantages

- Can leverage an existing asset for care
- Generally avoids ongoing premiums after funding
- Remaining contract value can retain legacy value
- May offer a different underwriting path than other LTC products

Tradeoffs

- Requires assets available to reposition
- Surrender charges and liquidity matter
- Care leverage varies by product
- Tax consequences must be reviewed carefully

Best fit

- ✓ Client has conservative or idle assets
- ✓ Existing annuity may be repositioned
- ✓ Ongoing premium is unattractive
- ✓ Client wants remaining value if care is unused

Life Insurance + LTC / Chronic Illness Rider

Life insurance first, with living-benefit access as a secondary objective.

This strategy starts with a life insurance need. A rider may permit acceleration of part of the death benefit following a qualifying LTC or chronic illness event. LTC riders and chronic illness riders are not interchangeable: benefit triggers, payment methods, rider charges, tax treatment and qualification language can differ. Using rider benefits generally reduces the remaining death benefit.

Advantages

- Keeps life insurance as the primary benefit
- Can provide meaningful access to benefits during life
- One policy can address multiple risks
- May be simpler than separate LTC coverage

Tradeoffs

- Can provide less care leverage than dedicated LTC
- Accelerations generally reduce death benefit
- Chronic illness riders vary widely
- Some benefits may be discounted or limited

Best fit

- ✓ Client has a clear life insurance need
- ✓ Care protection is a secondary objective
- ✓ Client wants one policy addressing multiple risks
- ✓ Dedicated LTC is not the primary goal

Know how benefits become payable

Similar benefit amounts can behave very differently at claim time.

Benefit trigger

Commonly 2 of 6 ADLs or severe cognitive impairment, subject to policy definitions and certification.

Reimbursement

Pays eligible expenses up to the policy limit; documentation is generally required.

Indemnity / cash

May pay a stated benefit once claim requirements are met, subject to contract terms.

Elimination period

Waiting or qualification period before benefits become payable; service-day and calendar-day designs differ.

Extension of benefits

Some hybrids continue benefits after the accelerated death benefit is exhausted.

Residual death benefit

Some products preserve a minimum death benefit after LTC benefits are used.

LTC underwriting is not life underwriting

Mobility, cognition and functional independence can matter as much as traditional mortality risk.

Medical / functional review

- Diagnoses and medications
- Recent hospitalizations or unresolved workups
- Falls, mobility aids or oxygen use
- ADL limitations or home-health care
- Physical or occupational therapy
- Memory or cognitive concerns

Application strategy

- Clarify timelines before quoting aggressively
- Recent events can lead to postponement
- New medications or active therapy deserve review
- Pending surgery or testing can materially affect timing
- Pre-screen questionable functional or cognitive histories

Useful pre-screen question

Has the client had any recent change in mobility, memory, ability to perform daily activities, use of assistive devices, home health care, falls, therapy, hospitalization, surgery or pending medical evaluation?

Quick comparison

Match the product to the job

This is a starting point - actual product designs vary by carrier.

Feature	Traditional LTC	Life + LTC	Annuity + LTC	Life + Care Rider
Primary purpose	Dedicated LTC	Care + legacy	Asset + care	Life + care access
Funding	Usually ongoing	Varies	Asset deposit	Life premium
Legacy value	No death benefit	Generally yes	Remaining value	Generally yes
Design flexibility	High	Moderate-high	Moderate	Rider dependent
Key strength	Dedicated care	Care + legacy	Asset repositioning	Life-first solution

Need help positioning or quoting a case?

Thompson Agency can help compare carrier designs, underwriting paths and product fit.

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