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**5** Reasons  
to Embrace  
Traditional  
LTC Insurance

Uncovering  
the **JOY** in a  
Nursing Home

Four Tiers of  
Long-Term Care  
Clients

**NEW IDEAS**  
on How to Fix  
the LTC Insurance  
Market



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# 5 Reasons to Embrace Traditional LTC Insurance

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We all know that the Traditional LTCI market has struggled over the past several years—from carrier exits to significant in-force premium increases. Are you ready for the good news? There are more planning options available today—Traditional coverage, Linked-Benefits and Life Insurance with CI/ADB riders. and Traditional LTC Insurance is not going away! In fact, we're seeing LTCI Version 2.0 (sales growth and responsibly priced products).

Here are five reasons why Traditional LTCI may be a good fit for advisors and their clients:

## 1 TAX ADVANTAGES

The tax advantages of LTC Insurance are many, and have been well documented. Each year, the IRS increases the available deduction, and as more people build health savings account balances they can pay their premiums from the HSA. For businesses, the ability to deduct LTCI premiums as a health insurance expense is also really nice. Many small business owners take advantage of this.

## 2 TRADITIONAL LTCI OFFERS THE MOST LEVERAGE PER PREMIUM DOLLAR

It's true that both Linked-Benefits LTCI products and riders on Life Insurance products can provide significant LTC protection. However, if someone is looking for pure bang-for-the-buck, Traditional LTC insurance is the way to go.

## 3 TRADITIONAL LTCI IS BUDGET-FRIENDLY

Let's be real, LTC Insurance provides meaningful benefits and can't be called inexpensive. In addition, current LTC policies have higher initial premiums than older policies did. However, this doesn't mean policies aren't available to a wider group of prospects than assumed. According to the comprehensive 2017 Milliman LTC Insurance Survey published by Broker World, the average LTC premium in 2016 was \$2,480, almost unchanged from previous years. For many mass affluent consumers who are buying policies in their late 50's, this is a manageable premium amount. Another way of looking at the average premium is it is about 2% of income of someone earning \$120,000.

How much does that premium buy? According to the survey, it buys an average of \$4,776 of monthly benefit



for 4.07 years, or \$233,259.84 of benefit. To keep it simple, understand that \$2,500 buys \$250,000 of coverage, or 100x premium.

## 4 | LTC INSURANCE WORKS...JUST ASK THE PEOPLE WHO HAVE BENEFITED

For investors in LTC insurers, the last few years have been painful as claims incurred greatly exceeded actuaries projections. However, the policyholder experience with LTC Insurance, with a few exceptions, has worked very well. Current sellers of LTC Insurance paid billions in claims in 2016 and companies who no longer sell have paid billions more. The types of claims paid are well balanced, with roughly similar dollar amounts in 2016 paid for home healthcare, assisted living, and nursing home care.

Another surprise that was not anticipated by insurers is the amount of assisted living claims paid by LTC coverage. The average claim amount for assisted living is higher than either home health care or nursing home care.

## 5 | FLEXIBILITY OF BENEFIT OPTIONS AVAILABLE

Although Linked-Benefits (Life/LTC) policies are offering more options, Traditional coverage still allows for the most customization of benefits. Here are some of

the interesting and innovative options that are available through traditional LTC coverage:

- Lifetime coverage
- Multiple inflation options
- Waiver of premiums upon claim
- Shared-care coverage


Although there are numerous of ways to design a LTCI plan, be sure to not overwhelm clients with choices when recommending a solution. With consciousness about this issue at an all-time high, it's a great time to be involved in helping clients plan for LTC. More choice and insurance solutions are better for your clients, just don't forget to consider Traditional LTCI products.




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