

INTEGRATED INSIGHTS . . .



Traditional LTCi v. Hybrid Life Insurance

There is considerable concern about traditional long-term care insurance(LTCi). Many insurers have exited the marketplace and now only have closed blocks of business to manage. Some of today’s insurers have set limits on their products and no longer offer benefit and payment options that used to be available. Advisors and clients are extremely concerned about the unpredictability and long-term affordability of LTCi. Advisors are increasingly recommending the use of hybrid LTCi products to ease their clients’ concerns and provide greater value to their long-term care plan.

Traditional LTC Insurance	Hybrid Life Insurance
Advantages	Advantages
Provides maximum leverage for care	Guaranteed Pricing options
Ability to design the benefits you desire	Get something back from your premiums if you don't use care
Simple to understand	Ability to change your mind and get most or all your money back
Disadvantages	Disadvantages
Exposure to price increases	Some options only allow lump sum funding
Pay for something you may not use much of or at all	Higher initial required premium v. Traditional LTCi
Not all desired benefit or premium design options are available	Not all products can be designed to exactly match a Traditional LTCi option

Considerations:

1. Which product would you recommend to your client . . .
 - If they never needed care?
 - If they only needed care for a year or two?
 - If they needed care for a long time?
2. What else would you want to know about the options to make your decision?
3. A hybrid plan offers clients a psychological win because they can’t lose. Generally, a client will at least get their premium back in the form of a death benefit if they use little or none of their long-term care benefits.
4. Conjecture tells us you may never know the best option until you have hindsight.

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LTCi - Comparing the Alternatives
49 Year Old Female, Married, Standard Nonsmoker

Insurer/Option	A	B	C	D	E
A.M. Best Rating	A+	A++	A++	A-	A+
Plan Type	Traditional LTCi ¹	Traditional LTCi ²	Traditional LTCi ¹	Traditional LTCi ¹	Hybrid (UL) ²
Annual Premium	\$ 3,700	\$ 6,300	\$ 7,400	\$ 13,000	\$ 12,800
Premium Period	Continuous	Continuous	Continuous	10 Pay	10 Pay

Today (Age 49)

Total LTCi Pool	\$ 432,000	\$ 432,000	\$ 432,000	\$ 438,000	\$ 465,726
Max Monthly LTCi Benefit	\$ 6,000	\$ 6,000	\$ 6,000	\$ 6,000 ³	\$ 6,000
Benefit Period	6 Years	6 Years	6 Years	6 Years	6 Years
Elimination Period	180 Days	90 Days	180 Days	180 Days	0 Days
Inflation	3% compound	3% compound	3% compound	3% compound	3% compound

Year 30 (Age 79)

Total LTCi Pool	\$ 1,018,036	\$ 1,018,036	\$ 1,018,036	\$ 1,032,176	\$ 1,097,513
Max Monthly LTCi Benefit	\$ 14,140	\$ 14,140	\$ 14,140	\$ 14,336	\$ 14,139
Death Benefit	\$ -	\$ -	\$ -	\$ -	\$ 152,278
Total Premium Outlay	\$ 111,000	\$ 189,000	\$ 222,000	\$ 130,000	\$ 128,000
IRR on LTCi Benefit⁴	12.09%	9.43%	8.61%	8.35%	8.67%
IRR on Death Benefit	N/A	N/A	N/A	N/A	0.68%

Year 35 (Age 84)

Total LTCi Pool	\$ 1,180,183	\$ 1,180,183	\$ 1,180,183	\$ 1,196,575	\$ 1,272,318
Max Monthly LTCi Benefit	\$ 16,392	\$ 16,392	\$ 16,392	\$ 16,619	\$ 16,391
Death Benefit	\$ -	\$ -	\$ -	\$ -	\$ 144,000
Total Premium Outlay	\$ 129,500	\$ 220,500	\$ 259,000	\$ 130,000	\$ 128,000
IRR on LTCi Benefit⁴	10.28%	8.03%	7.33%	7.47%	7.74%
IRR on Death Benefit	N/A	N/A	N/A	N/A	0.39%

Year 40 (Age 89)

Total LTCi Pool	\$ 1,368,156	\$ 1,368,156	\$ 1,368,156	\$ 1,387,158	\$ 1,474,965
Max Monthly LTCi Benefit	\$ 19,004	\$ 19,004	\$ 19,004	\$ 19,266	\$ 19,002
Death Benefit	\$ -	\$ -	\$ -	\$ -	\$ 144,000
Total Premium Outlay	\$ 148,000	\$ 252,000	\$ 296,000	\$ 130,000	\$ 128,000
IRR on LTCi Benefit⁴	9.01%	7.06%	6.46%	6.84%	7.07%
IRR on Death Benefit	N/A	N/A	N/A	N/A	0.33%

*Values as of 2/2019

- LTCi Premiums are not guaranteed
- Hybrid premiums and values are guaranteed. Applicant has the ability to quit and recover a majority of premiums paid upon surrender after the premium paying period.
- Benefits are payable on a daily basis v. monthly
- IRR calculations are based upon the full bucket of care at the end of the given year and does not reflect the usage of this bucket each year after.

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