

'Hybrid' insurance policies offer a way to cover long-term care

By **Elliot Raphaelson, Tribune Content Agency**

The Savings Game

JANUARY 3, 2017, 10:30 PM

Because everyone is living longer, many life insurance companies have found traditional long-term care (LTC) policies are not profitable enough.

Several years ago, MetLife and Prudential stopped selling these policies, and they were joined recently by John Hancock, which increased the premiums for existing policies. Genworth still offers new policies, but it has increased the premiums for existing and new policies. Other companies are still selling traditional policies, but premiums are generally guaranteed for one year only, and can be increased if the insurance company gets your state insurance commissioner's approval.

Consumers do have other policy options that cover both life insurance and long-term care. These options are generally known as "hybrid" policies. One of these options is purchasing a single-premium policy that provides both traditional life insurance coverage and a rider that provides some LTC coverage.

Three companies dominate the single-premium market: Lincoln Financial, Nationwide and OneAmerica. One advantage of the single-premium option is that generally it is easier to obtain coverage even if an individual has a pre-existing health problem. Usually, coverage can be obtained via a 45-minute phone conversation, although some companies require more detailed health information.

With the single-premium policy, the insurance company specifies a specific lump-sum that is available for LTC-related expenses, such as home health care, adult health care, assisted living expenses or full-time confinement in an LTC facility. After a specified surrender period, such as five years, the policyholder can elect to receive almost all of the lump-sum as a refund. Companies that offer lump-sum policies also offer policies in which premiums can be paid annually, monthly or quarterly. The lump-sum option is viable one for individuals who have some assets set aside, such as a CD, that are not required for day-to-day living expenses.

There are other hybrid options associated with whole life and universal life policies. With such options, the insurance companies offer the LTC coverage as an add-on rider. Universal life policies

would have a lower premium than the whole life policy. The premium of the universal life policy could be 50 percent of the whole life policy. You would have to apply for the rider when you purchase the policy. Generally, you would not be able to add it to an existing policy. Using this option, the premiums would not be as high. Generally, these policies provide LTC benefits when the policyholder cannot do two of the six activities associated with daily living.

One of the potential benefits of the hybrid policies is that your heirs could receive a death benefit if you did not use all of the LTC benefits. Another benefit is unlikely premium increases. Many individuals who purchased traditional LTC health policies have found that premiums have increased dramatically. There is no reason to believe this trend will not continue. Another advantage of the hybrid policy is that you may be able to purchase an "extension" or "benefit rider" which would allow you to receive monthly benefits after the base amount has been exhausted. This could double the time frame for receiving LTC benefits.

However, there are disadvantages in comparison to the traditional policy. A significant disadvantage is that the traditional policies are generally more flexible and provide more options than a hybrid policy. Some coverage associated with hybrid policies is more limited. For example, assisted living benefits might be limited to 60 or 75 percent of the actual costs. In addition, some contracts exclude common mental and nervous conditions.

Whether you are considering a traditional policy or a hybrid one, an excellent source for information, cost comparisons and selection of an insurance agent is the American Association for Long-Term-Care Insurance (www.aaltci.org; 818-597-3227).

(Elliot Raphaelson welcomes your questions and comments at raphelliot@gmail.com.)

(c) 2017 ELLIOT RAPHAELSON. DISTRIBUTED BY TRIBUNE CONTENT AGENCY, LLC.

Copyright © 2017, Chicago Tribune

This article is related to: [Health Insurance](#)