

# 2020 NATIONAL LONG-TERM CARE INSURANCE PRICE INDEX

## Comparing "Traditional" to "Linked Benefit" LTC Insurance



**REQUEST TO EDITORS:** We would deeply appreciate if you would link the Association's name to our website ([www.aaltci.org](http://www.aaltci.org)) when writing online. It really helps us. Thank you.

Credit to American Association for Long-Term Care Insurance, [www.aaltci.org](http://www.aaltci.org)

Price analysis of leading long-term care insurers. Conducted January & February 2019. Rates vary by state and subject to change.

**OVERVIEW:** Consumers have basically two options today. Traditional long-term care insurance (what most reporters talk about) and linked-benefit (or hybrid) policies. These are typically life insurance policies that can pay out the death benefit or draw down paying LTC benefits for qualifying care.

**Traditional policies** cost much less. For those seeking LTC benefits, they offer the greatest 'financial leverage' for the consumer's premium dollar. BUT ... if you die without ever needing long-term care, there's no payout (almost no one buys the optional Return of Premium rider).

**Linked Benefit policies** cost more because they offer a potential benefit for the policyholder's heirs if no LTC care is needed (you are buying a life insurance policy that will initially pay LTC out of your death benefit). These policies offer less 'financial leverage' in terms of LTC benefits for your premium dollar. In simple terms, the death benefit is not a freebie thrown in by the insurance company. Generally purchased by older consumers, few ask if they really need a life insurance benefit. We've never seen anyone suggest a "buy term (in this case traditional LTCi) and invest the rest" concept.

**Quote from Jesse Slome, Director, American Association for Long-Term Care Insurance:** "Some long-term care coverage is always better than none and consumers would be wise to compare both approaches and even compare the benefit levels and benefit payout options because they can vary significantly. So can the cost for virtually identical levels of coverage."

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### **COMPARING: A Traditional Long-Term Care Insurance Policy**

Monthly Benefit of \$5,000, 3-Year Benefit Period, **NO** Inflation Growth Option. Pool of Money = \$180,000 in available LTC benefits.

<b>SINGLE MALE AGE 55</b>	<b>Annual Premium: \$ 875</b>
<b>SINGLE FEMALE AGE 55</b>	<b>Annual Premium: \$ 1,350</b>

### **TO: A Linked-Benefit Life Insurance + Long-Term Care Policy**

Monthly Benefit of \$5,000, 3-Year Benefit Period, **NO** Inflation Growth Option. Pool of Money = \$170,000 to \$180,000 in available LTC benefits. **PLUS DEATH BENEFIT = \$130,000.**

<b>SINGLE MALE AGE 55</b>	<b>Annual Premium: \$ 3,625 (Company A) / \$5,010 (Company B)</b>
	<i>FYI:</i> <b>1-Time Payment = \$83,762 (Company A)</b> Single lump-sum payment
<b>SINGLE FEMALE AGE 55</b>	<b>Annual Premium: \$ 3,400 (Company A) / \$4,550 (Company B)</b>
	<i>FYI:</i> <b>1-Time Payment = \$73,510 (Company A)</b> Single lump-sum payment

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### **COMPARING: A Traditional Long-Term Care Insurance Policy WITH 3% Compound Growth**

**INITIAL** Monthly Benefit of \$5,000, 3-Year Benefit Period, **WITH** Inflation Growth Option.

**INITIAL** Pool of Money = \$180,000 in available LTC benefits. **At Age 90**, the Pool of Benefits equals approximately **\$505,000**

<b>SINGLE MALE AGE 55</b>	<b>Annual Premium: \$ 1,710</b>
<b>SINGLE FEMALE AGE 55</b>	<b>Annual Premium: \$ 2,750</b>

### **TO: A Linked-Benefit Life Insurance + Long-Term Care Policy**

**INITIAL** Monthly Benefit of \$5,000, 3-Year Benefit Period, **WITH** Inflation Growth Option.

**INITIAL** Pool of Money = \$170,000 to \$180,000 in available LTC benefits. **At age 90**, the Pool of benefits equals approximately **\$505,000**

**PLUS DEATH BENEFIT = \$120,000 to \$167,000.**

<b>SINGLE MALE AGE 55</b>	<b>Annual Premium: \$ 5,278 (Company A) / \$6,710 (Company B)</b>
<b>SINGLE FEMALE AGE 55</b>	<b>Annual Premium: \$ 5,500 (Company A) / \$7,010 (Company B)</b>

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WOMEN PAY MORE FOR TRADITIONAL LTC INSURANCE BECAUSE they are far more likely to receive care (66% of all LTC insurance benefits paid, are paid to women: AALTCI Claims study).

WHY DO WOMEN PAY LESS IN SOME CASES FOR LINKED BENEFIT LTCI (Than MEN) ... because the actuaries know most policyholders will ultimately claim the death benefit and women live longer (paying more premium for years).