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# Group Life & LTC Combinations: New Options for Worksite LTC Planning

By Steve Cain

**W**hen it comes to long-term care (LTC) insurance as an employee benefit, the overwhelming choice over the years has been standalone LTC insurance products—whether offered via a group chassis or with individual (multi-life) products. Genworth, LifeSecure and Transamerica all provide current voluntary and employer-funded product offerings. Additionally, some industry insiders expect market entries or re-entries in 2018.

However, there is an emerging option for LTC planning available to employer groups. The new option is group life Insurance combined with qualified LTC insurance. These plans have been growing in popularity and have been offered in the individual or retail market for a number of years.

Why are these products gaining interest amongst benefits brokers and employers?

We're seeing a few reasons:

1. **Premium Structure**—standalone long-term care insurance (LTCI) has a “use it or lose it” premium structure that some people don't like. On the other hand, a combination life/LTCI plan will always pay either a death benefit or a LTCI benefit as long as premiums are being paid.
2. **Life Stage Planning**—a younger buyer can help ensure that their family is protected at an early age while also investing in Long-Term Care protection that may be needed after retirement. For most people, as they age their life insurance needs decline (as their children leave the house and become self-sufficient), but their need for LTC planning grows.
3. **Premium Stability**—a major appeal of some of the life/LTC plans is premium stability. While today's standalone LTCI is priced with conservative actuarial assumptions, premiums may increase over time due to the plans guaranteed renewable structure. In-force premium increases on both



group and multi-life LTCI policies have been well-documented. Although current products are priced to avoid large future rate increases, it is likely that many potential buyers of LTCI at the worksite will be concerned about rate increases. Some of the group life and LTCI combination products offer guaranteed premiums which will appeal to this group of employers & consumers.

## HOW DO THE GROUP LIFE/LTCI PLANS OFFERED WORK?

Let's look at one plan available in the market—this one happens to offer a lifetime benefit term plan with an accelerated LTCI rider and extension of benefit LTCI rider. With this plan, participants select a dollar amount of coverage, let's say \$100,000 death benefit. Premiums would be guaranteed for the lifetime

of the policyholder, and premiums would be fully paid up at age 100. If the policyholder dies the beneficiary gets the \$100,000.

If the policyholder needs LTC during his or her lifetime, the plan would allow for a monthly acceleration of the death benefit at 4 percent of the death benefit (\$4,000) for 25 months. After the death benefit is exhausted, the policy then pays an extension of benefit rider for up to an additional 50 months. The total LTC Benefit available would be \$300,000.

The rider is a tax-qualified LTC rider, meaning the benefit triggers are the same as standalone LTC insurance and benefit amounts are received income tax-free. The advisor must have completed the required LTCI training in order to be an agent on the plan. Underwriting, such as offering guaranteed issue (GI) depends on the characteristics of the group and the enrollment strategy (i.e., the “broker” and enrollment strategy are usually underwritten by the carriers).

Similar programs (whole life & universal life) are available from a number of highly-rated group life insurance providers. All signs are pointing to more carriers recognizing worksite LTC planning opportunities and entering the marketplace.

Here are things to look for in a group life/LTCI plan:

- Lifetime premiums are a must so the LTC benefit is available into old age—avoid any term life programs with a limited time period. Of course, guaranteed premiums are nice as well.
- Make sure the plan includes a tax-qualified LTCI rider, which includes standardized benefit triggers and tax advantages.
- Consider options for adding additional coverage to keep up with the cost of inflation. Unlike most standalone LTCI plans, automatic inflation increases are normally not included.
- Partnering with a firm specializing in worksite LTC insurance planning, one that can provide employers with robust educational campaigns and telephonic and online support.

Sure, standalone LTCI offers the most LTCI benefit for the dollar and possible tax deductions, but combining life with LTCI may be worth a careful consideration. ■



Steve Cain is director, Sales & Business Development at LTCI Partners, LLC. He can be reached at [Steve.Cain@LTCIPartners.com](mailto:Steve.Cain@LTCIPartners.com).

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