Guide To Long Term Care Insurance

Planning Your Future



Contents

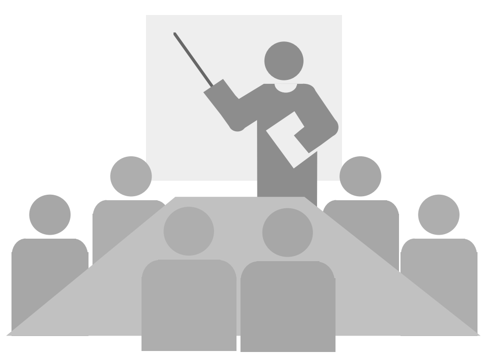
Introduction To Legacy Services

Legacy Services specializes in workplace programs for individual long term care insurance (LTCi). We are an independent agency representing major carriers.

Our mission is two-fold. First, we consult employees on whether LTCi makes financial sense for them. Second, we help those who wish to buy this coverage get the best value for their money.

The first half of this book covers introductory concepts that give employees a basic understanding of LTCi. The second half goes into greater detail regarding key decisions consumers must make when buying LTCi. All pricing and examples shown are for illustration purposes only and do not represent a specific carrier.

For guidance about your personal situation we offer no obligation one-on-one phone consultations.



Thank you for participating in our seminar.

What Is Long Term Care?

Long term care is a variety of services and supports to help meet personal care needs over an extended period of time. Long term care commonly involves non-skilled personal care assistance, such as supervision for cognitive impairment or help performing Activities of Daily Living (ADLs), which are:

Bathing	Eating
Toileting	Dressing
Continence	Transferring

Why Do People Need This Care?

Alzheimer's	27%	Cancer	8%
Stroke	14%	Arthritis	7%
Circulatory	11%	Nervous System	6%
Injury	9%	Respiratory	5%

Society of Actuaries LTC Experience Subcommittee, June 2011

Where Is This Care Provided?

Home	45%	Nursing Home	17%
Assisted Living	31%	Other	7%

AHIP/LifePlans Study of LTCi Claimants, September 2016

Who Provides The Care?

Registered Nurse	Physical Therapist
Vocational Nurse	Social Worker
Home Health Aid	Family Member *

* Some LTCi policies may pay family members who provide care

Long Term Care Is Expensive

The cost of long term care depends on what kind of care you need and where you are living when you need the care. Based on the 2017 Genworth and CareScout Cost of Care Survey, average costs around the country are:

Home Health Care

Average annual cost today * $34,300

* assumes six hours a day, five days a week

Assisted Living – Base Rate

Average annual cost today $45,000

Nursing Home – Semiprivate Room

Average annual cost today $85,800

Cost of Care in Your Area

If you do an internet search on Genworth Cost of Care, a website is listed that contains an interactive map to analyze LTC costs in your area.

https://www.genworth.com/corporate/about-genworth/industry-expertise/cost-of-care.html

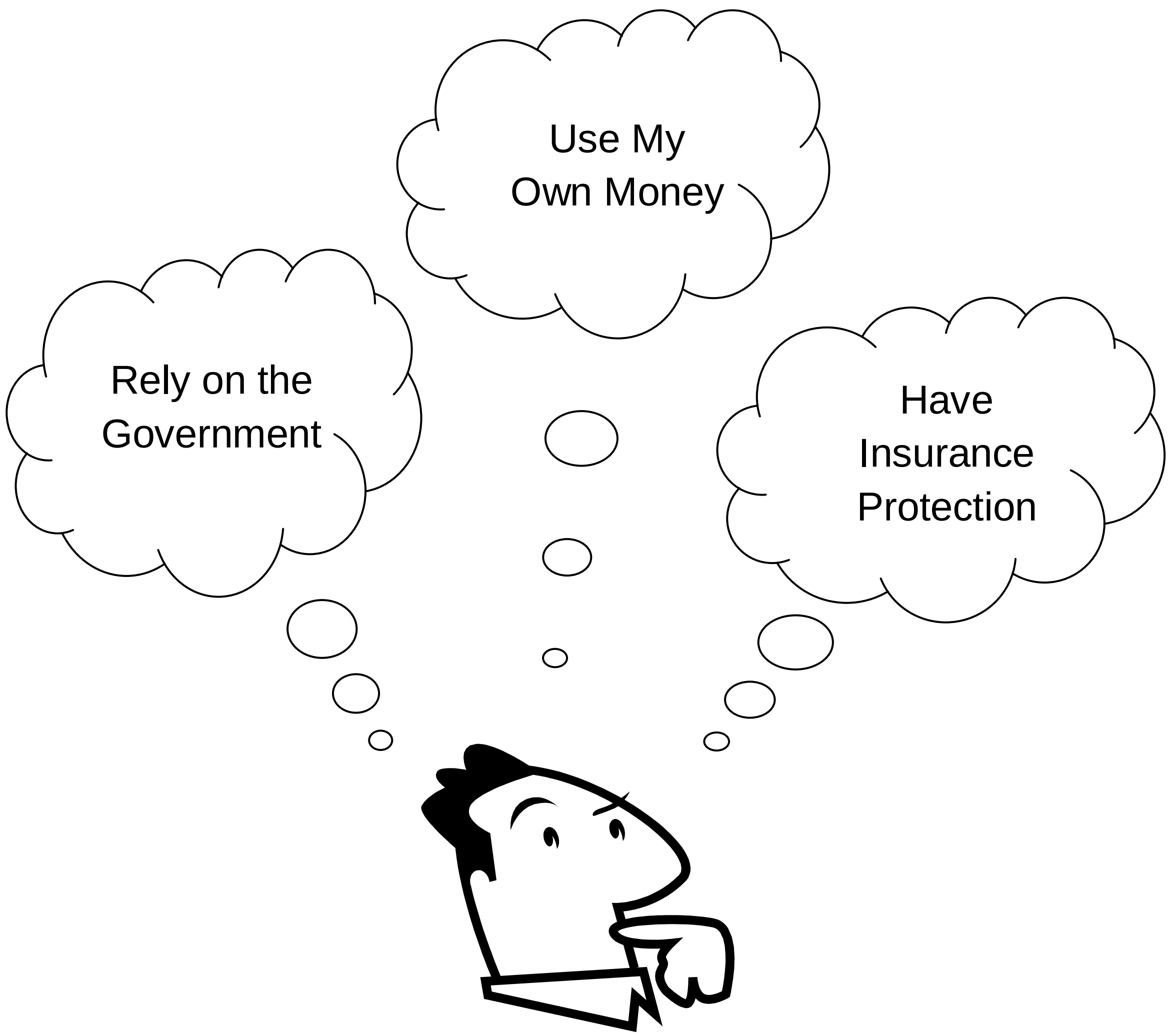
Health Insurance

Health insurance, including coverage under the Affordable Care Act, does not pay for ongoing home health care, assisted living or for care in a nursing home.

Disability Insurance

Disability insurance replaces a portion of income lost when unable to work due to sickness or injury. Neither short term nor long term disability insurance provides added benefits for long term care.

How Will You Pay?



Planning ahead has many advantages

Government Assistance

Medicare

The maximum amount of time Medicare will pay all or part of long term care expenses is 100 days.

Medicaid

Medicaid will only pay after recipients have “spent down” their assets to levels established by federal and state governments. Recipients of Title 19 may be restricted in terms of where their long term care can be provided.

Medicaid Qualification Limits (Medicaid Spend Down)

As of 2018 the community spouse can keep up to a maximum of $123,600 in countable assets (limits vary by state). Anything above the maximum amount must be “spent down” before the other spouse can qualify for Medicaid. For single people, maximum asset amounts are much lower.

Loopholes are Closing

In February 2006 the Deficit Reduction Act of 2005 was signed into law. This new legislation makes it much more difficult to give away assets to qualify for Medicaid.

Social Security / Medicare / Medicaid – Are they sustainable?

"We're at the beginning of the age wave, which will bring a tsunami of spending associated with the Medicare program," says David Walker, a former U.S. comptroller general. "It serves to reinforce the need to reform existing entitlement programs and restructure existing health care promises in order to make them affordable and sustainable." (USA Today, January 1, 2011)

Self-Insuring

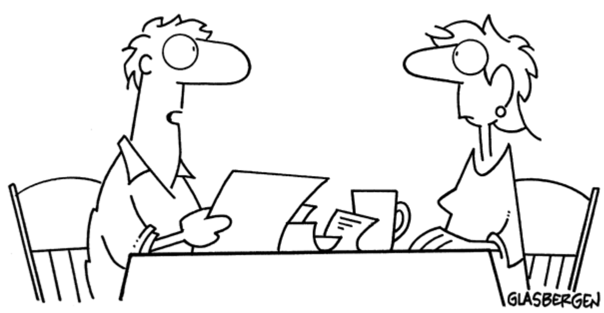
1. Self-insuring is a legitimate approach for some people.

2. For a couple age 65, we recommend a minimum net worth of $2 million in order to completely self-insure.

3. Self-insuring means you set money aside and don't spend it on anything other than long term care – married people must set money aside for each person.

4. Many of us will have long, active retirements and spend much of what we have saved on regular living expenses – we could then need long term care in the sunset of our lives and suffer financial difficulties.

5. Partial insuring is an effective strategy to consider.



"When we were younger we needed life insurance in case we died. Now we need long term care insurance in case we live."

What Does LTCi Pay For?

Here are some of the services that can be paid for by LTCi –

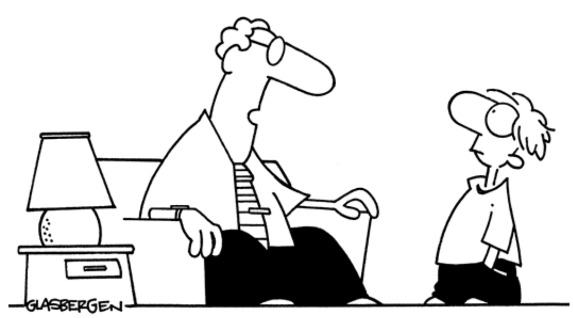
<u>Home Health Care</u>
Assistance with activities of daily living (see page 18), homemaker services (cleaning, vacuuming, laundering, food shopping, food preparation), supervision for cognitive impairment, help with managing and taking prescription medications, skilled nursing care

<u>Assisted Living</u>
Room and board, assistance with activities of daily living, supervision for cognitive impairment (if available), help with managing and taking prescription medications

<u>Nursing Home</u>
Room and board, assistance with activities of daily living, supervision for cognitive impairment, help with managing and taking prescription medications, skilled nursing care

<u>Other</u>
Adult day care, hospice care, respite care, caregiver training

Disclaimer - Each policy has its own unique features and policy language. All rights and obligations will be governed by the actual policy language.



"Your mom and I think you should go to medical school. That way, you'll be qualified to provide our long term care."

Is LTCi Right For You?

LTCi is not right for everyone. Employees need to consider if premiums are within budget for them over the long run. We use the following questions in the one-on-one consultation to facilitate a conversation about affordability:

- What is your age and occupation?
- What is your spouse's age and occupation?
- What is your current total income?
- What is your approximate net worth?
- Do you expect to receive an inheritance?
- What future expenses are you budgeting for?
- Are you contributing to your 401k/403b plan?

General Guidelines

Determining if LTCi is financially suitable takes into account many factors. Often it is not a black-and-white answer. We give employees generally accepted standards by which this decision should be made. Ultimately, it is up to each individual to decide if this coverage is right for them. Here are some criteria to consider when making this decision –

- Premiums should not be greater than 5% of total after-tax income.
- Premiums should not be more than 1% of net worth.
- Employees should be contributing enough to receive the full match in their 401k/403b before buying LTCi.

These guidelines are general in nature. Each situation is unique and must be judged individually.

Common Questions about LTCi

1. **Can the carrier raise my premium?**

   Premiums are not guaranteed to remain the same on traditional LTCi policies. However, carriers cannot raise just one person's premium. Increases must be done on a class basis for everyone in your state. Many carriers have raised rates on existing policyholders. In response, state insurance commissioners have notified carriers they will be less flexible with rate increases on new policies sold going forward. This is one reason why carriers charge more today than in the past. Higher starting prices should help improve rate stability. With hybrid products (LTCi + Life Insurance), premiums are guaranteed to never go up. The trade-off is that hybrid products are more expensive than traditional LTCi. For more information on hybrid products see pages 22-23.

2. **Could high inflation hurt my LTCi purchasing power?**

   We normally include 3% or 5% compound inflation with the policies we recommend. Some consumers feel there is a growing probability we could have inflation on long term care services much higher than this, which would seriously damage their LTCi purchasing power. These consumers are worried that they will pay premiums with dollars that have much more value today than dollars they receive in claims payments. This is a valid concern. Consumers who are worried about high inflation should adjust their investment portfolio to protect against rising costs. They may want to buy less insurance and take on more of the risk themselves.

3. **What if I do not use my policy benefits?**

   There is no cash value with individual LTCi. Some carriers offer a Return of Premium rider that gives back whatever premiums you paid in, less claims made. Hybrid products offer a potential death benefit (see pages 22-23).

Common Questions about LTCi (con't)

4. **What if the carrier has financial problems?**

   If the economy has another sharp downturn we believe a number of weaker carriers would have serious problems. Agents try to reassure consumers by telling them about the state guaranty funds. These are pools of money collected by states from carriers to pay the claims on policies from carriers that have financial problems. But there are limits to how much state guaranty funds will pay. In addition, if we have a severe financial slowdown the state guaranty funds may not have enough resources to cover a large number of carriers. For these reasons we strongly suggest consumers stay with the strongest insurance company possible. For more information on how to choose a carrier see pages 24-25.

5. **Will I have difficulties getting claims paid?**

   Employees frequently tell us stories about how they filed LTCi claims for parents. While some had frustrations with the process, the vast majority were satisfied. It has been our experience that larger, higher-rated companies do a better job with claims. Well-known carriers want to maintain a good reputation. As a policyholder you should make sure to have a Financial Power of Attorney who is capable of coordinating the communication between your doctor and the insurance company to resolve misunderstandings. Some carriers offer a 3rd party arbitration clause. Policyholders denied claims can have their case turned over to an independent arbitrator and the carrier is bound by the arbitrator's decision.

All financial products have risk, including LTCi. However trying to self-insure 100% for LTC also carries risk. No one can know with certainty how their investments will perform over a 30-year period. Likewise, no one can predict unexpected expenses that could affect their ability to pay all LTC costs. For these reasons many people decide to use a diversified approach. They self-insure half of the LTC risk and buy enough LTCi to cover the rest.

How Much Does LTCi Cost?

Premiums vary based on age, marital status, health and policy features selected. Below is a generic example of annual premiums using a middle health rating at the coverage level shown.

Home Care	$150 / day	Total Benefit	3 yrs = $164,250
Assisted Living	$150 / day	Elimination Period	90 days
Nursing Home	$150 / day	Inflation Protection	3% compound

Married (per person)	Age of Purchase	Single
$1230	40	$1760
$1330	45	$1900
$1460	50	$2090
$1640	55	$2330
$1900	60	$2710
$2440	65	$3480
$3570	70	$5100

A wide range of options are available. To receive specific pricing on a customized policy please schedule a phone consultation.

Disclosure

Premiums shown do not represent any one carrier and are as of Jan 2017.

Carriers can raise rates on existing policyholders.

Policies are subject to underwriting before being issued. Carriers have the right to decline coverage based on their underwriting criteria, which vary from company to company.

Each of the policies has their own unique features and policy language. All policies have Limitations and Exclusions.

An Overview Of The Underwriting Process

1. Complete an application – including health questions.

2. The carrier conducts a phone health interview or face-to-face assessment to clarify medical information provided and to test for cognitive impairment (based on age).

3. Carriers request medical records to review health history.

4. Typically no blood drawn or physical exam if you have had these done within the last 12-24 months. However, some carriers require all applicants to complete an in-home mini-physical (height, weight, blood pressure, pulse, urinalysis, draw blood).

5. Things like high blood pressure and high cholesterol are usually no problem if controlled with diet and medication.

6. Carriers sometimes have different underwriting criteria – we communicate with multiple carriers to place as many applicants as possible.

7. Do not do your own underwriting – many people who feel they will not get covered end up being approved.

8. Some people who have been denied other forms of insurance get accepted for LTCi.

9. If you have questions regarding underwriting, contact us and we will provide additional information.

The Biggest Risk Of Waiting – Becoming Uninsurable

Age	% of Applicants Declined *
18-45	1%
46	2%
47	3%
48	4%
49	5%
50	6%
51	7%
52	8%
53	9%
54	10%
55	12%
56	14%
57	16%
58	18%
59	20%
60	22%

Reasons for being declined include: Parkinson's, MS, Lou Gehrig's, diabetes with complications, height/weight ratios outside of carrier guidelines, accidents resulting in physical disability.

Will you be insurable next year?

* Statistics based on Legacy group experience and projections of current underwriting trends.

Why Working Age People Buy LTCi

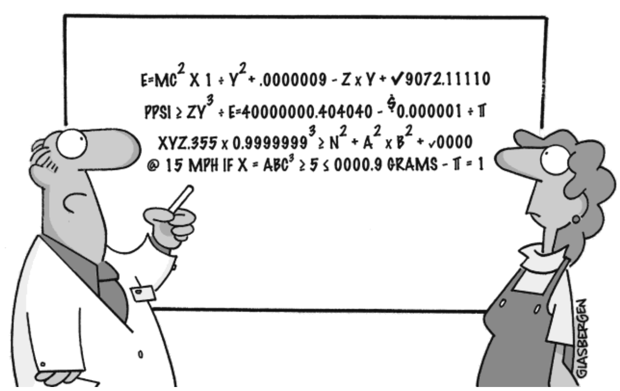
1. Their net worth is too high to qualify for government assistance – they do not want to have assets spent down and leave spouse in a bad financial situation.

2. They want to enjoy assets in retirement and not be forced to keep large amounts of money "tied up for life" just in case they need long term care.

3. They want to make sure they have the ability to pay for quality care so their kids will not have to worry as much.

4. Buying coverage earlier in life makes premiums more affordable in retirement.

5. They want to eliminate the risk of becoming uninsurable.



"I'm trying to determine the right age to buy LTCi."

What Are The Basics Of A LTCi Policy?

Daily Benefit Amount

Facility Care – The maximum dollar amount that a policy will reimburse each day for care received in a facility such as an assisted living facility, hospice facility or nursing home. (Options: $50 per day to $400 per day)

Home/Community Care – The maximum dollar amount that will be reimbursed each day for home and community based care; may be expressed as a percentage of the facility benefit amount. (Options: 50%, 75%, or 100%)

Inflation Protection Riders

Since LTCi is something you buy today but probably will not be using until the future, inflation protection riders help maintain the worth of your coverage over time. There are many options offered and it is important for applicants to understand the differences before buying.

Elimination Period

The number of days you will pay your long term care costs on your own, before your benefits begin. Benefits are payable only after you qualify and have received covered services for the number of days selected. (Options: 30, 60, 90, 180, or 365 days)

Total Benefit Amount

The amount of benefits that will be paid out over the life of the policy. For reimbursement contracts, this is calculated by multiplying the daily benefit amount times the benefit period selected. (Options: 2, 3, 4, 5, 6-year or unlimited duration)

Not all options are available with all policies or in all states.

Sample Configuration

Sample Configuration
$150 Daily Benefit; 3-Year Benefit Period; 3% Compound Inflation, 90 Day Elimination Period

Total Benefit Calculation
3 Years = 1095 Days; 1095 Days x $150 Daily Benefit = $164,250 Total Benefit in the first year

Example assumes purchase at age 55

Age	Daily Benefit	Total Benefit	Annual Premium
55	150	164,250	1,640
56	155	169,178	1,640
57	160	174,253	1,640
58	165	179,481	1,640
59	170	184,865	1,640
60	175	190,411	1,640
61	180	196,123	1,640
62	185	202,007	1,640
63	191	208,067	1,640
64	197	214,309	1,640
65	203	220,738	1,640
66	209	227,360	1,640
67	215	234,181	1,640
68	221	241,206	1,640
69	228	248,442	1,640
70	235	255,895	1,640
71	242	263,572	1,640
72	249	271,479	1,640
73	256	279,623	1,640
74	264	288,012	1,640
75	272	296,652	1,640
80	315	343,903	1,640
85	365	398,678	1,640
90	423	462,176	1,640
95	490	535,788	1,640

Note: This example does not represent actual pricing from any specific carrier.
Premiums may increase during the life of a policy.

When Are Benefits Paid?

The first way to qualify for benefits under an LTCi policy is if you are unable to perform, without substantial human assistance, two or more of the Activities of Daily Living (ADLs) for a period expected to last at least 90 days. Activities of Daily Living are defined as:

(1) Bathing: The ability to wash oneself by sponge bath, or in either a tub or shower; including the tasks of getting into or out of the tub or shower.

(2) Dressing: The ability to put on and take off all items of clothing and any braces, fasteners or artificial limbs.

(3) Toileting: The ability to get to and from the toilet, get on and off the toilet, and perform associated personal hygiene.

(4) Transferring: The ability to move into or out of a bed, chair, or wheelchair.

(5) Continence: The ability to maintain control of bowel and bladder function or, when unable to maintain control of bowel or bladder function, the ability to perform other personal hygiene (including caring for catheter or colostomy bag).

(6) Eating: The ability to feed oneself by getting food into the body from a receptacle (such as a plate, cup or table), or by a feeding tube, or intravenously.

The second way to qualify for long term care benefits is if you have a Severe Cognitive Impairment (for example, Alzheimer's disease or Senile Dementia).

Disclosure

These descriptions are intended to provide a general overview. All rights and obligations will be governed by the actual policy language, if and when issued.

Advanced

LTCi Concepts

Buying Insurance vs. Investing

On the next page we compare buying LTCi vs. investing the money for a married couple, both 55 years old. In the Total Insurance Benefit column we show their combined LTCi benefit growing with 3% inflation protection. In the right columns we show what the couple would have if they didn't purchase LTCi and instead invested the money, achieving a 5% or 10% return.

On average LTCi claims start at age 80. If this couple purchased LTCi at age 55 they would have $1,375,613 in total LTCi benefits by age 80. If they had not purchased LTCi and invested the money at a 5% after-tax return they would have $229,680.

Below are several points to consider when thinking about the question of buying LTCi vs. investing:

1. Most people that purchase LTCi still have significant stock market investments. They will have a large increase in net worth if markets deliver a high rate of return even though they dedicated some money to LTCi.

2. If stock markets underperform LTCi will provide a high ratio of benefits compared to investing.

3. With LTCi you don't have to set aside as much of your net worth to pay for possible long term care costs.

Is it better to invest or buy insurance? We don't think it is an either or question. There are many unpredictable variables: Will you need long term care? If yes, how long will you require care and what will the cost be? What will your investment returns be? Will the LTCi premium remain stable? We can only speculate about the answers to these questions.

For this reason many people buy enough insurance to shift half of their LTC risk and self-insure the rest. This diversified approach effectively addresses many different scenarios that may play out.

Buying vs. Investing (con't)

The left columns show a combined annual premium and growing LTCi benefit for a married couple (both age 55) for $150 per day, 3% compound inflation protection, and 6 year benefit period each. The right columns show investing the same amount as the premium at 5% and 10% rates of return.

Age	Annual Premium	Total Insurance Benefit	Annual Premium Invested	After-Tax Investment Return 5%	After-Tax Investment Return 10%
55	4,280	657,000	4,280	4,490	4,710
56	4,280	676,710	4,280	9,210	9,890
57	4,280	697,011	4,280	14,160	15,590
58	4,280	717,921	4,280	19,360	21,860
59	4,280	739,459	4,280	24,820	28,750
60	4,280	761,643	4,280	30,560	36,330
61	4,280	784,492	4,280	36,580	44,670
62	4,280	808,027	4,280	42,900	53,850
63	4,280	832,268	4,280	49,540	63,940
64	4,280	857,236	4,280	56,510	75,040
65	4,280	882,953	4,280	63,830	87,250
66	4,280	909,442	4,280	71,520	100,680
67	4,280	936,725	4,280	79,590	115,460
68	4,280	964,827	4,280	88,060	131,710
69	4,280	993,772	4,280	96,960	149,590
70	4,280	1,023,585	4,280	106,300	169,260
71	4,280	1,054,293	4,280	116,110	190,890
72	4,280	1,085,922	4,280	126,410	214,690
73	4,280	1,118,500	4,280	137,220	240,870
74	4,280	1,152,055	4,280	148,580	269,670
75	4,280	1,186,617	4,280	160,500	301,350
76	4,280	1,222,216	4,280	173,020	336,190
77	4,280	1,258,882	4,280	186,170	374,520
78	4,280	1,296,648	4,280	199,970	416,680
79	4,280	1,335,547	4,280	214,460	463,060
80	4,280	1,375,613	4,280	229,680	514,070
85	4,280	1,594,712	4,280	317,980	856,670
90	4,280	1,848,709	4,280	430,660	1,408,420
95	4,280	2,143,160	4,280	574,490	2,297,030

On average LTCi claims start at age 80.

Hybrid LTCi

Along with traditional LTCi we sell products that link LTCi to life insurance (referred to as hybrid policies). Below are the primary pros and cons of hybrid contracts:

Pros:

- If the policyholder doesn't need LTC their heirs receive a death benefit usually equal to what was paid in premiums
- Premiums are guaranteed not to increase
- 1035 exchange options are available
- Underwriting is sometimes easier

Cons:

- Hybrids cost 60%-80% more than traditional LTCi policies if LTCi benefits are equal (see page 23)
- Hybrids do not qualify for Partnership
- Hybrids do not qualify for certain tax deductions
- Hybrids from top carriers are expensive

"Hopefully you will pay your LTCi premiums
a long time and never receive benefits."

Hybrid vs. Traditional LTCi

Below we compare a hybrid product (LTCi + life insurance) to traditional LTCi (each with the same LTCi coverage) for a couple, both age 55. We did not include inflation protection because most hybrid policies are sold without it.

Hybrid LTCi/Life	Traditional LTCi
One Life/LTCi joint contract	Individual LTCi with shared benefits
LTCi benefit - $10,000/month each	LTCi benefit - $10,000/month each
Inflation protection - none	Inflation protection - none
Elimination period - 60 days	Elimination period - 60 days
LTCi benefit period - 4 years total	LTCi benefit period - 4 years total
Premium is guaranteed not to go up	No premium guarantee
$200K second-to-die death benefit less LTCi claims	No death benefit
Total annual premium = $7185	**Total annual premium = $3653**

We begin phone consultations by learning about your situation. Then we discuss details of traditional LTCi and hybrid options with a focus on how they would work for your specific circumstances. Here are the subjects we cover:

- Pricing
- Benefit levels
- Inflation protection
- Premium stability
- How death benefits work
- How waiver of premium works
- Tax deductibility
- 1035 exchange options
- Partnership
- Quality of carrier

Normally after a short review of these subjects it is clear which type of contract is the best match. Then we provide quotes, product brochures and specimen policies for your review.

Selecting an Insurance Company

When you buy LTCi you are making a commitment to an insurance company that you may need to depend on many years from now. For that reason we suggest you look for a conservative insurer with financial strength. Below are key questions consumers should ask before deciding on a carrier.

1. What is the carrier's Comdex rating (0-100)? The Comdex rating represents a cumulative score from A.M. Best, S&P, Moody's and Fitch. Look for a Comdex rating of 90+.

2. What are the company's statutory assets? This will tell you how large the company is. Bigger is better. Look for a carrier with a minimum of $100 billion in statutory assets.

3. What percentage of the carrier's overall business is LTCi? LTCi is a difficult product for insurers so most limit it to less than 5% of their overall business. But some carriers are aggressively pursuing market share and have over 30% of their business in LTCi. We believe this represents too much risk and could cause problems for the company.

4. Does the carrier offer the potential for dividend payments?

5. Is the insurance company a brand name carrier with a good reputation? Top insurers typically work with wealthy families' generation after generation. They make most of their profit from these clients on life insurance and investment products. Their desire to keep a positive public image motivates them to treat their clients fairly. In addition these companies have enough resources that they do not need to cut corners on service. It has been our experience that lesser known carriers who usually compete on price are sometimes not as committed to client satisfaction.

Comparing Insurance Companies

	Carrier 1	Carrier 2	Carrier 3	Carrier 4
Carrier Name				
Comdex Rating				
Statutory Assets				
What % of Business is LTCi?				
Potential for Dividends?				
Raised Rates on Existing Policies?				

Financial Planning

"We have carriers with high financial ratings and great service or carriers with lower premiums."

Potential Tax Advantages

There are many potential tax advantages for LTCi. We recommend you check with an accountant to learn what tax breaks may apply to your situation. Here are some general examples:

Does your state offer credits or deductions against state income taxes for LTCi premiums (status changes regularly)?

States with Tax Credits
CO, LA, ME, MD, MN, MS, MT, NM, NY, ND, OR, VA

States with Deductions
AL, AR, CA, DC, HI, ID, IN, IA, KY, ME, MO, MT, NE, NJ, OH, OK, VA, WV, WI

Do you or your spouse have a Health Savings Account (HSA)?
An HSA is set up in conjunction with a high-deductible health plan. LTCi premiums are an HSA-qualified expense. Here are the allowable per person deduction limits for 2018:

Age as of 12/31	Eligible LTCI Premium
Ages 41-50	$780
Ages 51-60	$1560
Ages 61-70	$4160
Ages 71+	$5200

Do you or your spouse have self-employed income?
If yes, you probably qualify for extra tax deductions.

1035 exchange
Do you have money in a non-qualified annuity or whole life insurance policy? In certain situations these dollars can be used to pay LTCi premiums pre-tax.

Disclosure
Information provided is not intended as tax or legal advice and may not be relied on for purposes of avoiding any tax penalties. We are not authorized to give tax or legal advice. Individuals are encouraged to seek advice from their own tax or legal counsel.

Inflation Protection

Along with carrier selection, inflation protection is one of the most important subjects LTCi applicants need to understand. But the insurance industry does not always provide adequate education on this issue. The first thing consumers need to know is the history of LTC inflation –

Nursing Home

Since 1990 the annual rate of inflation for nursing homes has run 4.7% (see below for year by year numbers per bls.gov).

Year	% Chg	Year	% Chg	Year	% Chg
1990	12.1%	2000	4.9%	2010	3.1%
1991	8.7%	2001	4.5%	2011	2.9%
1992	8.2%	2002	4.4%	2012	3.6%
1993	7.5%	2003	5.8%	2013	3.0%
1994	5.7%	2004	4.0%	2014	2.9%
1995	4.4%	2005	3.2%	2015	2.9%
1996	4.4%	2006	4.1%	2016	3.5%
1997	3.9%	2007	5.7%	2017	3.1%
1998	4.3%	2008	3.6%		
1999	4.6%	2009	3.8%		

Assisted Living

The five-year annual growth rate for this type of care is 2.8%[1].

Home Health Care

The five-year annual growth rate for this type of care is 2.6%[1].

[1] Compilation of Cost of Care Surveys conducted by the industry

Inflation Protection – 3% vs. 5%

Here is a summary of two common inflation protection options:

Automatic 5% Compound Inflation

This rider increases benefits 5% each year while premiums remain level (see next page – 'Daily Benefit with Auto 5%' column).

Automatic 3% Compound Inflation

This rider increases benefits 3% each year while premiums remain level (see next page – 'Daily Benefit with Auto 3%' column).

To make coverage look affordable carriers, brokers and agents often recommend Auto 3%. If everything else is equal, premiums for 3% inflation protection are about 50% less than for 5%. Unfortunately, consumers are rarely shown the difference in benefits between 5% and 3% over the long run. On the next page you see that after 30 years 5% produces almost double the purchasing power of 3% – a wider gap than many people expect.

Auto 3% is a valid option. You just need to make sure you are comfortable with the benefit growth over time.

"Stocks and bonds are down this year but your LTCi benefits are up 5% again."

Effect of Compounding

Example assumes purchase at age 55

Age	Daily Benefit with Auto 5%	Daily Benefit with Auto 3%
55	150	150
56	158	155
57	166	160
58	174	165
59	183	170
60	192	175
61	202	180
62	212	185
63	223	191
64	234	197
65	246	203
66	258	209
67	271	215
68	285	221
69	299	228
70	314	235
71	330	242
72	347	249
73	364	256
74	382	264
75	401	272
76	421	280
77	442	288
78	464	297
79	487	306
80	511	315
81	537	324
82	564	334
83	592	344
84	622	354
85	653	365
86	686	376
87	720	387
88	756	399
89	794	411
90	834	423
91	876	436
92	920	449
93	966	462
94	1,014	476
95	1,065	490

Not all options are available with all policies or in all states.

Inflation Protection – FPO Increases

Another common way carriers, brokers and agents try to make LTCi look less expensive is by selling an inflation rider called Step-Rated Option or Future Purchase Option (FPO).

With FPO, inflation protection is not built into the initial premium. Policyholders must “buy-up” additional benefits in the future to keep pace with inflation. Given that policyholders must buy these extra benefits at their attained age, FPO becomes significantly more expensive over time (see next page – ‘FPO Premium’ column). Unfortunately, these future premiums are typically not shown to consumers at the time of purchase.

Applicants need to understand how FPO premiums escalate and consider how they will pay these increasing costs when they are on a fixed income during retirement. They also need to remember that skipping FPO increases will likely result in a significant loss of purchasing power. In addition, working age people who buy FPO should know they do not qualify for Partnership programs. Furthermore, FPO buy-ups often stop being offered after age 84. That might not sound like a problem but many of us will live into our 90’s before we need LTC and purchasing power can erode quickly.

Conclusion

Agents sell many forms of inflation protection. Some of these alternatives are described as “making coverage more affordable” which is usually a euphemism for less coverage. While we support the concept of partial insuring we believe consumers need to be educated on the history of LTC inflation, drivers of future LTC inflation and how benefits/premiums work with the different options. Because no one inflation method is best for everyone we offer all options carriers make available. We will create custom spreadsheets and discuss these riders in detail with you.

Full Disclosure – FPO Increases

Example assumes purchase at age 55

Age	Benefit	Premium
55	150	845
56	150	845
57	150	845
58	174	990
59	174	990
60	174	990
61	202	1,180
62	202	1,180
63	202	1,180
64	234	1,440
65	234	1,440
66	234	1,440
67	271	1,815
68	271	1,815
69	271	1,815
70	314	2,360
71	314	2,360
72	314	2,360
73	364	3,185
74	364	3,185
75	364	3,185
76	421	4,300
77	421	4,300
78	421	4,300
79	487	5,805
80	487	5,805
81	487	5,805
82	564	7,840
83	564	7,840
84	564	7,840
85	653	10,580
86	653	10,580
87	653	10,580
88	756	14,285
89	756	14,285
90	756	14,285
91	876	19,300
92	876	19,300
93	876	19,300
94	1,014	26,060
95	1,014	26,060

Policy Configuration:

- $150 Daily Benefit
- 3-Year Benefit Period
- 90 Day Elimination

Note:
This example does not represent pricing from any specific carrier. Premiums may increase during the life of a policy.

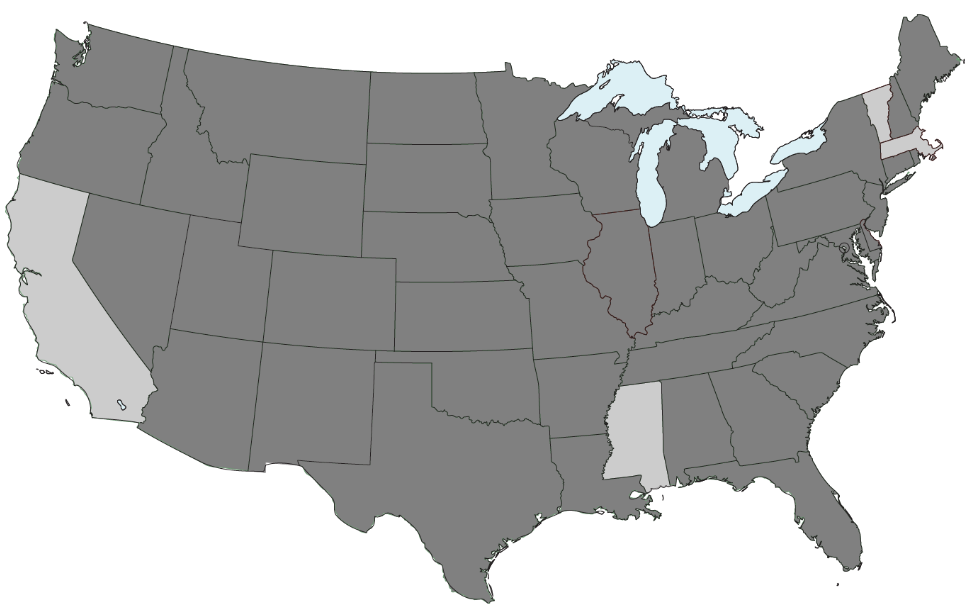
I have seen my personalized Future Purchase Option (FPO) premium increases through age 95 if I take each additional benefit offering.

Employee Signature_____________________ Date________

Partnership for LTCi

Many states have introduced a program called Partnership for Long Term Care Insurance. Partnership combines private insurance with extra government benefits. People with Partnership qualified LTCi policies can, after their insurance is exhausted, access Medicaid without spending down assets to the regular low limits. Partnership benefits are entirely government-funded and do not increase the cost of coverage.

Generally speaking, Partnership programs provide extra asset protection equal to the total amount of insurance benefits paid out. Claims paid by the Partnership policy are added to the normal Medicaid limit to determine that person's Medicaid eligibility once insurance benefits have been used up. Some states offer different levels of asset protection under their Partnership policies. Many states have agreed to Partnership reciprocity. This means if you buy in one reciprocity state but move to another, you will qualify for that state's Partnership program. States in dark gray participate in Partnership reciprocity.



Policy Riders

Policy riders are optional features that can be purchased for an additional cost. In general, we believe riders are high profit margin items for the carrier and, thus, low value for consumers.

Monthly vs. Daily Benefits (avg markup = 5%)

Monthly benefits give you more flexibility for services you may not receive every day. For example, if you need home health care three times per week, this feature allows the cost to be covered on a monthly rather than daily basis.

Shared Care (3-year avg markup = 20%)

This rider enables you to share benefits with your partner. Most often carriers combine two policies, giving you access to your partner's benefits if yours are used up. If one of you dies, the survivor's benefits will increase by the deceased partner's remaining benefit dollars. The extra price for combining two 3-year policies into one 6-year policy is about the same as buying two separate 5-year policies.

Waive Elimination Period for Home Care (avg markup = 12%)

Also called zero day elimination period for home care. If you receive home care or adult day care, the benefits will be paid without having to satisfy an elimination period.

Restoration of Benefits (avg markup = 5%)

If you make a claim and subsequently recover, the total benefit amount will be restored to the original amount, after adjusting for the effects of any inflation riders.

Note: Not all options are available with all policies or in all states.

Policy Riders (con't)

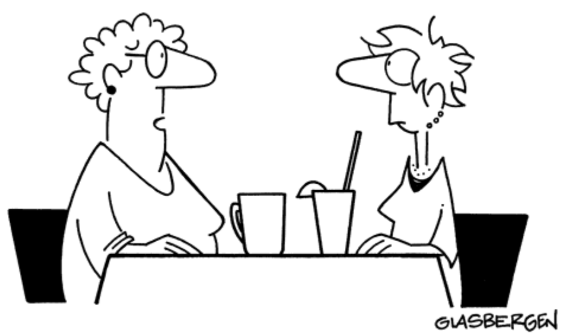
Nonforfeiture (avg markup = 15%)

If you cancel your policy after it has been in force at least three years, your coverage will continue. However, the new total benefit amount is limited to the greater of the total of all premiums paid, or 30 times the daily benefit amount (one times the monthly benefit amount) in effect at the time of cancellation.

Return of Premium (avg markup = 40%)

At the time of your death, your estate or your named beneficiary would receive a lump-sum payment totaling the sum of all premiums paid to date for your policy, less the amount of any claims paid. Some carriers offer a built-in return of premium if a policyholder passes away prior to age 65 or 67.

Note: Not all options are available with all policies or in all states.



"The new guy I'm dating might be a keeper.
He's rich, handsome and already
owns long term care insurance."

LTCi Statistics

1. 30-40% of those with coverage will make a claim. [1]

2. In a 2009 study of claims made by policyholders with unlimited coverage – 86% lasted 3 years or less; 96% lasted 5 years or less. [3]

3. The nation's 10 leading LTCi carriers paid nearly $7.5 billion in claims during 2014. [1]

4. 64% of all LTCi claims are made by women. [1]

5. 8% of LTCi claims begin before age 70; 24% between 70 and 80; and 68% after age 80. [1]

6. 8.1 million Americans now have LTCi. [2]

7. AARP reports that 55% of people recently surveyed thought Medicare paid for nursing home care – In reality, the most Medicare pays for any type of long term care is 100 days.

8. 94% of combination products are sold without inflation protection for long term care benefits. [2]

[1] American Association for LTCI, 2015-2016 Sourcebook

[2] American Association for LTCI, 2014 Sourcebook

[3] Society of Actuaries LTC Experience Subcommittee, June 2011

Policyholder Recommendations

1. If your mailing address changes make sure to notify the insurance company.

2. Mark your policy anniversary date on your calendar as a reminder to pay the premium. The carrier will notify you but it is good to have your own reminder.

3. Select a Financial Power of Attorney – preferably someone younger that would be suited to working with the insurance company to file a claim on your behalf.

4. Set up a third party notification contact with the carrier – someone who is notified if you do not pay your premium. This could be your Financial Power of Attorney.

5. Notify your accountant that you have LTCi so you can take advantage of all possible tax deductions.

6. Tell your Financial Power of Attorney that, when in doubt, they should file a claim.

7. Tell your Financial Power of Attorney to do the three things below if there are problems in the claims process:
   - Call the claims department and ask for a manager
   - Tell the manger you will file a complaint with the state insurance commissioner
   - Tell the manager you will hire an attorney that specializes in insurance claims

Phone Consultations

Legacy offers no obligation phone consultations where we proactively take consumers through important subjects relevant to their situation. We have a team of LTCi specialists who use a consultative approach without sales pressure. Topics covered:

1. Determine if LTCi is right for you
2. Review health/underwriting issues
3. Decide which product/carrier is best for you
4. Analyze different coverage levels
5. Learn about additional riders
6. Obtain specific pricing
7. Get an overview of the application process
8. Compare proposals made by other advisors
9. Discuss potential tax advantages
10. Review insurance options for your parents

We do these calls weekdays, weeknights or Saturday mornings by appointment. To schedule a phone consultation, contact Legacy at 800-230-3398, ext. 101 or via email at custsvc@4groupltci.com.

Other Resources

1. Legacy Services: Our website provides general information on LTCi, frequently asked questions, and much more – www.main.legacyltci.com

2. National Association of Insurance Commissioners: The mission of the NAIC is to assist state insurance regulators, individually and collectively, in serving the public interest – www.naic.org/index_ltc_section.htm

3. National Clearinghouse for Long Term Care Insurance: The US Department of Health and Human Services developed this website to provide information and resources to help families plan for long term care needs – www.longtermcare.gov

4. National Care Planning Council: The goal of the Council is to educate the public on the importance of planning for long term care – www.longtermcarelink.net

5. National Academy of Elder Law Attorneys: The NAELA helps families who are unable to obtain LTCi due to health issues plan for long term care needs – www.naela.org

6. Recommended Reading:

    The Conversation: Helping Someone You Love Plan for an Extended Care Event
    Author – Harley Gordon, 2016

    Protecting Your Family with Long-term Care Insurance
    Author – Phyllis Shelton, 2013

    Long-term Care: How to Plan & Pay for It
    Author – Joseph Matthews, 2012

Glossary of Terms

Activities of Daily Living (ADL's) – ADL's are activities that are a normal part of everyday life such as bathing, continence, dressing, eating, toileting, and transferring.

Adult Day Care – Care given in a nonresidential, community-based group program designed to meet the needs of functionally impaired adults. It is a structured, comprehensive program that provides a variety of health, social and related support services.

Alternative Plan of Care – This provision allows you to qualify for benefits not specifically listed in the policy upon the agreement of you, your physician, and the company.

Assisted Living Facility – A place certified/registered by the Dept. of Health and Family Services as an Assisted Living Facility. The facility must have five or more residents and provide care and services to assist with ADL's and cognitive impairment.

Benefit Triggers – A term used to describe when to pay benefits. One type of benefit trigger is an activity of daily living (ADL). Insurance companies may use different events or types of benefit triggers to determine when benefits will begin to be paid. The triggers are described in the eligibility criteria of the policy.

Care Coordination Services – A service in which a professional, typically a nurse or social worker, may arrange, monitor or coordinate long term care services.

Chronic Illness – An illness with one or more of the following characteristics: permanency, residual disability, requires rehab training, or a long period of supervision, observation, or care.

Glossary of Terms

Caregiver Training – Training provided in order to assist an informal and unpaid caregiver to care for you at home.

Chronically Ill – A term used in a tax-qualified LTCi contract to describe a person who needs long term care either because of an inability to do everyday activities of daily living without help or because of a severe cognitive impairment.

Cognitive Impairment – Deficiency in short or long-term memory, orientation as to person, place and time, deductive or abstract reasoning, or judgment as it relates to safety awareness.

Contingent Benefit Upon Lapse – Some states require carriers to offer this benefit if premiums increase to a certain amount (age-based table of increases). It enables policyholders to keep their policy without paying the higher premium.

Daily Benefit – The maximum amount the policy will pay for each day of care you receive, often limited to the amount charged for your care (referred to as reimbursement).

Elimination Period – Like a deductible; the length of time the individual must pay for covered services before the insurer begins to make payments. Also called a “waiting period.”

Guaranteed Renewable – When a policy cannot be cancelled by an insurance company and must be renewed when it expires unless benefits have been exhausted. The company cannot change the coverage or refuse to renew the coverage for other than nonpayment of premiums. In a guaranteed renewable policy, the insurance company may increase premiums, but only on an entire class of policies, not just on your policy.

Glossary of Terms

Exclusion – Any condition/expense that the policy will not cover.

Home Health Care – Care including skilled nursing services such as providing therapy treatments or administering medication; home health aide services such as checking temperature and blood pressure; personal care such as help with bathing, dressing, walking, exercise; and physical, occupational, respiratory, or speech therapy.

Hospice Care – A specially designed package of social and medical services that primarily provides pain relief, symptom management, and supportive services to terminally ill people and their families.

Inflation Protection – A policy option that provides for increases in benefit levels to help pay for expected increases in the costs of long term care services.

Instrumental Activities of Daily Living – Basic functional activities necessary for you to remain in your home, such as meal preparation, shopping, light housekeeping, laundry, telephoning, handling money, and paying bills.

Nursing home – A licensed facility that provides nursing care to those who are chronically ill or can't do one or more activities of daily living.

Paid-up Survivor – In the event of the death of your spouse, this feature waives the premiums for life if both you and your spouse had coverage for a specified time with the same company.

Glossary of Terms

Partnership Policy – A type of policy that allows you to protect (keep) some of your assets if you apply for Medicaid after using your policy's benefits. Not all states have these policies.

Respite Care – Benefits payable for personal care, supervision, or other services to relieve a family member or other primary caregiver from caregiving duties.

Return of Premium – A rider that provides that if you die after being insured for a specified period or if you have paid premiums for a specified period, the insurance company will return premiums paid minus any benefits paid.

Skilled Care – Daily nursing and rehab care that can be done only by, or under the supervision of, skilled medical personnel. This care usually is needed 24 hours a day, must be ordered by a physician, and must follow a plan of care.

Spend Down – A prerequisite that an individual use up most of his/her income and assets to meet Medicaid eligibility requirements.

Tax-Qualified LTCi Policy – A policy that conforms to certain standards in federal law and offers federal tax advantages.

Third Party Notification – A benefit that lets you name someone whom the carrier would notify if your coverage is about to end because the premium hasn't been paid. This can be a relative, friend, or professional such as a lawyer or accountant.

Waiver of Premium – Suspends premium payments while you are receiving benefits from the policy.

Phone Consultation Request Form

☐ Contact me to schedule a no obligation, phone consultation for long term care insurance.

(Please Print)

Name ________________________________

Email ________________________________

Phone ( ) ________________________________

We will send an email to schedule your appointment.

Please turn in this form to the presenter.
This form can also be faxed to 262-367-2215 or
emailed to custsvc@4groupltci.com.

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