

Hybrid LTC Insurance Gains Traction Among The Affluent

By Gary Borowiec and Erik Reynolds

AS THE POPULATION AGES, MANY individuals are in situations where friends and family members require health care services for an extended period—90 days or longer. The cost of care in these long-term care situations can be very high, often exceeding \$90,000 annually.

Among affluent clients, there is a tendency to self-insure this risk because of a reluctance to buy coverage you may never need. However, there is growing interest among affluent individuals in LTC insurance policies that allow them to shift the risk of an LTC event, leverage their premium dollars for greater benefits and have dedicated funds ready in case a chronic health problem arises.

Many financial products can help pay for a long-term care event: stand-alone policies, group plans available through work, LTC riders on life insurance policies and even annuity-based products. Despite being available for many years, hybrid LTC products have recently emerged as one of these options.

Hybrid LTC insurance products are enhanced versions of traditional, stand-alone LTC insurance policies that combine the benefits of LTC coverage with the protection of life insurance.

A typical hybrid LTC policy uses a single premium to fund the insurance, although multiyear payment options

are available with annual payments over three to 10 years. Funds for the premium often come from repositioning an asset with little to no growth, such as a savings account or certificate of deposit, as an emergency fund. If LTC is needed, the policy leverages these assets into LTC benefits that may be as much as four to six times the amount of the initial deposit. If benefits are not exhausted by LTC needs during the life of the insured, the policy provides an

the possibility of an LTC situation also guarantee that the policyholder or his or her heirs will benefit from purchasing the hybrid policy.

In addition, hybrid LTC policies can include a return of premium rider, which allows the policyholder to surrender the policy at any time and recover their initial premium. Policies may also provide services to help the family of the insured find the best health care.

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income-tax-free death benefit to heirs.

Advisors and clients like hybrid policies because premium rates and benefits are effectively guaranteed. In general, once the premium has been paid, there is no risk of a future rate increase and the policy remains an asset on a balance sheet. The certainty of death and

ues to rise, more insurance carriers are entering the market to provide additional options for consumers. Growth in the popularity of hybrid LTC insurance among the affluent is expected to continue in the coming years as it rapidly develops a reputation as a smarter way to self-insure.

GARY BOROWIEC is a principal of Atlas Advisory Group, an M Financial member firm in Cranford, N.J.

ERIK REYNOLDS is a manager in M Financial's corporate benefits division in Portland, Ore.
