

## How to Buy Long Term Care Insurance

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### Who Should Read This

This special report is designed for anyone interested in learning how to save money on long term care insurance. I have included hints, tips and strategies that will help you find the right coverage for you. You'll learn the strategies you need to get the best policy at the best price.

There are a thousand guides to long term care insurance on the Internet. I've read many of them. Most are focused on the policy and explaining the features. All are either from insurance companies or agents, insurance regulators or web portholes advertising a directory of insurers. They are trying to sell you a policy. In this report I focus on how to buy the right coverage for you. How to find an agent. How to get proposals and compare what's being offered to you.

I come at this subject from a different perspective from most insurance people you'll run into. I don't sell insurance. I never accept fees or commissions from insurance agents of companies. I don't even let them buy me lunch. I have twenty-eight years of experience in all aspects of insurance. My whole career has been spent helping people find the right insurance. This guide will help you, too.

### What Is Long Term Care Insurance?

There's a real gap in the health insurance people buy – long term illness care. Most health insurance policies include very limited coverage for nursing home care, assisted living, rehabilitation centers, and home care. Medicare's coverage is even worse and Medicaid is for the poor. How are middle income Americans supposed to pay for long term care? Look at your savings accounts and retirement funds. That's how most of us will fund extended care without insurance.

Long Term Care Insurance is usually defined as a special health insurance policy designed to provide at least twelve consecutive months of coverage for health services received in a place other than an acute care unit of a hospital or similar facility. The services are given to patients who suffer from chronic physical or cognitive impairment.

The policy pays for necessary expenses incurred in nursing, assisted living and retirement homes, community settings such as adult day care centers, care received in the insured's own residence, and in hospices. Benefits are available for services by skilled, intermediate, and custodial caregivers.

## Do You Need LTC Insurance?

Almost half of us will end up needing some form of long term care before we die. Perhaps we'll need home care after a traumatic accident. Perhaps an illness will require that we spend time in a rehabilitation center. Maybe a disease will cause deterioration to a point where our families can no longer care for us and a nursing home will be necessary.

--Health insurance policies offer limited coverage – perhaps 100 days of coverage a year.

--Medicare offers coverage only for a skilled nursing facility and only for a limited length of time. It doesn't pay for custodial care, only skilled nursing care.

--Medicaid only pays for those with low incomes and few assets.

The decision to buy long term care insurance should be a part of an overall plan of savings, retirement planning, estate planning, and healthcare planning. Seek out a financial advisor who can help with the estate planning and tax issues presented by growing older.

The question to ask is, how would I pay for a stay in a nursing home for nine months? What if it lasts for two or three years? The average cost of a nursing home bed is well over \$150 a day according to the AARP. The average cost in Connecticut is \$256. In Maine it's \$186. Texas is \$115 and California is \$166.

Where would you get the \$40,000 for a 9 month stay come from? How about the \$108,000 for two years? Savings is an option, as is a reverse-mortgage on your home. For many, the best choice is long term care insurance.

Many Americans are buying LTC insurance for their elderly parents. The idea is that it's the kids' inheritance that is being protected. Therefore, it's in the kids' best interest to buy the coverage.

## Policy Considerations & Features to Review

Here are some of the issues and terms you should be familiar with.

Activities of Daily Living – Most insurance policies respond to issues that require assistance with the activities of daily living (ADLs). These include dressing, bathing, transferring, toileting, eating, and continence.

Benefit Amount – The amount paid by the policy for long term care. Usually, the benefit amount is expressed in an amount per day or month. This is the most you will receive in that period of time.

Elimination Period – Think of the elimination period as a deductible. It is the number of days of care that you receive and must pay for out of your own pocket before the insurance company begins to pay.

Benefit Period - How long your benefits will last. Usually, the benefit period is stated in terms of a maximum number of days or years, or for home health care, a maximum number of visits.

Pre-Existing Conditions - A health problem you may have or already have had when you apply for a policy. A condition for which medical advice or treatment was sought by you or recommended to you by a physician 6 months prior to the effective date of your coverage. In most states, a policy may not exclude coverage for a loss or confinement that is the result of a pre-existing condition unless the loss or confinement begins within 6 months following the effective date of your coverage.

Home Health Care - Services received in your home that may include skilled nursing care, speech, respiratory, physical or occupational therapy, or home health aide services. Assistance with personal hygiene, dressing or feeding may also be included.

Adult Day Care - Provides supervision for insureds, usually in a group setting, during the day when family members are not at home. Adult day care programs are run by many nursing homes and social service agencies.

Assisted Living Facilities - Provide ongoing care and related services to support those needs resulting from a person's inability to perform activities of daily living.

Respite Care - Includes services that can give family members a rest or vacation from their caregiving responsibilities. It can be provided in a variety of settings including an individual's home or a nursing home.

Hospice Care - A program of care and treatment either in a hospice care facility or in the home for persons who are terminally ill and have a life expectancy of six months or less.

Underwriting - Individual long-term care insurance is medically underwritten. This means you'll have to answer questions about your health and health history. The insurance company will use this information to decide if you qualify for their program. Depending on your situation, the insurance company may offer the coverage at a higher rate, called a rated policy. The insurance company can refuse your application for a policy if you do not meet its guidelines.

Insurers take a hard look at cognitive impairments and physical infirmities that restrict mobility and the ability to perform normal daily activities.

Most insurers cut off new applicants at age 84.

Guaranteed Renewable - Once you are issued a policy, the policy is renewable as long as premiums continue to be paid. Coverage ends if you don't pay the premium.

Inflation Protection - The time between when you buy long term care insurance and the time you file a claim may be many years. Inflation protection gives you the option to increase the amount of coverage without proving insurability (no health questions).

30-Day Free Look – Many states require that you have a period of time to review the policy from the time you pay for the coverage. Check with your insurance agent or state insurance department to learn your local laws.

Potential Income Tax Benefits – There are deductions available for premiums on qualified long term care insurance policies. Federal tax deductions require that the taxpayer itemize his income tax return. Your tax advisor can help with this process. Most states also offer deductions for those who buy qualified long term care insurance policies.

Shared Benefits Rider – Available with some insurance policies. Allows you to use your spouse's or partner's benefits when yours are exhausted. If one of you dies, the surviving partner's benefits will increase by the deceased partner's remaining benefit dollars.

Return of Premium Benefit – Available in some policies. Premiums are returned at death. Some insurers reduce the payment by the amount of benefits used.

Bed Reservation Benefit - Coverage offered by some LTC policies that pays for reserving your bed in a care facility should you need to be hospitalized during a covered stay.

Spousal Discount – A premium discount if both spouses have LTC insurance.

Third-Party Notification -A policy feature of some insurance companies that allows the insured to designate someone to be notified should your policy be about to lapse due to non-payment of premium - a relative, friend, or professional such as a lawyer or accountant, for example.

Waiver of Premium - A policy provision that relieves you from having to pay premiums while receiving benefits.

## **Premiums**

Premiums are lower for those who apply for coverage when they are younger. In most cases the policy premium cannot be increased because you have submitted claims. The insurance company, however, can increase their overall premiums in most states.

Basic premiums for a 65 year old range from \$900 to \$1,300 a year for \$100 a day of coverage. At age 75 the premiums jump to \$1,500 to \$3,900. Your premium will depend on the policy, your health, and the state you live in.

Talk with your insurance agent about the insurance company's premium record. Have they increased their rates dramatically for existing policy holders? Get the information in writing. Some states require such information as part of the overall policy disclosures.

The key is to shop for the best coverage, agent, and price. See our comparison shopper's sheet for help.

## **What's the Best Strategy for Buying LTC Insurance**

Call any insurance agent and they will be glad to sell you a long term care insurance policy. Go to the Internet and you can find hundreds of agents and insurers who would be very glad to sell you a policy. Is it the right policy for you? Are they the right agent?

### How much coverage do you need?

Don't call an agent yet. Do some homework first. Review the nursing homes in your area. Call a few. Find out what their daily rates are. Ask what their experience is with private long term care insurance. Get feedback from the nursing homes on their thoughts on the policies and insurers they have dealt with.

### What Elimination Period Should You Consider?

The elimination period is similar to a deductible. It's the time you must be in need of care before the insurance policy starts to pay. What's your financial situation? Do you have reserves available to pay for the first 3 months of care? Six months? One year? Will your health insurance pay the first 90 days of care?

The longer the elimination period, the lower the premium. You will consider longer and shorter waiting periods. However, I want you to have a general idea in mind before you talk to an agent.

### What Benefit Period Is Right For You?

The benefit period is the length of time the policy will pay. The longer the coverage period, the higher the premium. Different insurance companies offer different periods – 1 year, 2, 3, 5, 8, 10 and lifetime are the usual choices.

The longer the coverage, the more time you (and your family) have to plan your estate and prepare for what happens after your insurance is exhausted. Five years of coverage is a good middle ground for most people. Again, you need to see what your agents offer. Also talk with your financial advisor about your specific situation.

### Be A Smart Insurance Buyer

Buying insurance requires taking time to understand what you need and what your policy will cover. Follow the advice I received from an early mentor in my carrier: "The most important part of the insurance transaction is the relationship between the insurance agent and the insurance buyer."

Do you feel comfortable with the information and advice you're given? Is your business appreciated? Do you feel that you will be well-served when there's a problem? Follow your gut. If you don't have a good relationship with your insurer or agent, the results will be less than acceptable for you.

Your relationship with your agent is similar to that of your accountant and your lawyer. You must have faith that the agent has your best interests in mind. You must be confident that your agent is taking a pro-active approach to your account. If you feel uncomfortable with your relationship, consider carefully if he or she is the best agent for you.

### How To Pick The Right Agent

Start the process by talking with several different insurance agents. Let them come to you with information and advice on what coverage and insurers are best for you. Be up-front. Tell them you are talking with several agents. Tell them that you're not ready to get quotes yet. From the interviews, pick two who you feel meet your needs.

### Use Competition In An Intelligent Way

One agent quoting your coverage with three insurers is not competition. Competition puts an agent and insurer in jeopardy of losing your business if he doesn't do the best job for you. It is only natural that an agent will work harder when there is the threat of losing you as a client.

Some agents will tell you that all insurers provide the same quotes so you should only use one agent. That's not competition.

Agents will tell you that quotes don't matter without medical underwriting. Insurers will offer the coverage and premium based upon your health situation. While both statements are true you still want to see their proposals.

Once you have proposals, you can decide if you want to pursue a particular proposal with an agent or not. Having two applications in underwriting is not a problem in most states. Make it clear that you want to be sure of getting the best insurance deal for your situation.

### How To Compare Policies?

At the end of this report is a form I developed to compare long term care insurance policies. It is more comprehensive than any other comparison I've seen. It gives you a complete picture of the policies offered. Fill in one column for each policy you are looking at. Some people use separate sheets for each option of benefit period and coverage amount. Just because a specific insurer has a good rate at a 3 month elimination period does not mean their 6 month rate is as competitive. Get the whole picture.

### Are You Comfortable Paying The Premiums Each Year?

Hopefully, you won't ever need this insurance. You have to figure you're going to pay the premium for many years. Is the premium affordable? Remember, premiums can increase. Add 20% to the quoted premium. Is that number still affordable?

### Is It A Strong Insurance Company?

This isn't a quantitative decision. You may not need this insurance policy for 10 years. When you need the policy you will need the insurer to still be around. Nobody can predict the future. You can, however, look at the present and the past. There are two organizations I rely on to help me measure the financial strength of my insurance companies – AM Best ([www.ambest.com](http://www.ambest.com)) and Weiss Ratings ([www.weissratings.com](http://www.weissratings.com)). Other rating companies include Moody's and Standard & Poor's

Best is a well known and well respected organization. However, I'm not thrilled with the fact that the vast majority of insurance companies they rate are given ratings of A- or better. Frankly, you have to be in really tough shape to get a Best rating of less than a B.

Weiss has a much tougher standard. You have to be exceptional to earn an A with Weiss. Right now only 20 insurance companies have a Weiss Rating of A or better.

Best Ratings are free once you register on their website. Weiss Ratings cost about \$15 for each insurer. To me, it's well worth the cost. Remember, you want to be sure your insurance company will be around in ten or twenty years when you need the policy.

#### What Does Your Insurance Department Have to Say?

Below is a listing of the insurance regulators for each state. Visit the site for your state. Look up long term care insurance. Read the material your state regulator has made available. You'll learn what coverage is required by your laws. Most states have developed buyer's guides based on the insurance situation locally. You'll find great information is available.

You'll also find information on complaints lodged by consumers. Review the list. It may be found under the heading of "Health Insurance."

Compare this information with the information you found in talking with your local nursing homes. Call the insurance department in your state – the phone number is on the website. Remember that your insurance department is a consumer protection organization. They are in business to be sure that insurance companies follow the rules. Use the information the regulators have.

Make sure the insurance company you are considering is approved to do business in your state. Also, make sure your agent is licensed to sell in your state. The insurance department will not be able to recommend a particular insurer or agent. They may be able to tell you what insurers and insurance agents have problems on their record.

## Long Term Care Comparison Shopping Chart

Feature	Company A	Company B	Company C	Company D
Insurance Co. Name				
Agent Name				
Agent Licensed In Your State?				
Does The Agent Sell Other Lines Of Insurance?				
Agents Experience Selling LTC?				
Agent's Time In Insurance Business?				
Insurance Company Best Rating				
Insurance Company Weiss Rating				
Daily Benefit				
Benefit Period				
Elimination Period				
Assisted Living Benefit?				
Home Care Benefit?				
Hospice Care Benefit?				
Survivorship Benefit				
Inflation Protection				
Current Annual Premium				
Has the Ins. Co. increased rates on existing policies?				
Qualify For State Tax Credit?				
Qualify For Federal Tax Credit?				
Shared Care Rider				
Joint Policy				
Return of Premium				
Waiver Of Premium				

## State Insurance Web Sites

Alaska	<a href="http://www.dced.state.ak.us/insurance">www.dced.state.ak.us/insurance</a>
Arizona	<a href="http://www.id.state.az.us">www.id.state.az.us</a>
Arkansas	<a href="http://www.state.ar.us/insurance">www.state.ar.us/insurance</a>
California	<a href="http://www.insurance.ca.gov/docs/index.html">www.insurance.ca.gov/docs/index.html</a>
Colorado	<a href="http://www.dora.state.co.us/insurance">www.dora.state.co.us/insurance</a>
Connecticut	<a href="http://www.state.ct.us/cid">www.state.ct.us/cid</a>
Delaware	<a href="http://www.state.de.us/inscom">www.state.de.us/inscom</a>
District of Columbia	<a href="http://disr.washingtondc.gov/disr/site/default.asp">http://disr.washingtondc.gov/disr/site/default.asp</a>
Florida	<a href="http://www.fldfs.com">www.fldfs.com</a>
Georgia	<a href="http://www.gainsurance.org">www.gainsurance.org</a>
Hawaii	<a href="http://www.state.hi.us/dcca/ins">www.state.hi.us/dcca/ins</a>
Idaho	<a href="http://www.doi.state.id.us">www.doi.state.id.us</a>
Illinois	<a href="http://www.ins.state.il.us">www.ins.state.il.us</a>
Indiana	<a href="http://www.ai.org/idoi/index.html">www.ai.org/idoi/index.html</a>
Iowa	<a href="http://www.iid.state.ia.us">www.iid.state.ia.us</a>
Kansas	<a href="http://www.ksinsurance.org">www.ksinsurance.org</a>
Kentucky	<a href="http://www.ksinsurance.org/">http://www.ksinsurance.org/</a>
Hawaii	<a href="http://www.state.hi.us/dcca/ins">www.state.hi.us/dcca/ins</a>
Louisiana	<a href="http://www.lidi.la.gov">www.lidi.la.gov</a>
Maine	<a href="http://www.maineinsurancereg.org">www.maineinsurancereg.org</a>
Maryland	<a href="http://www.mdinsurance.state.md.us">www.mdinsurance.state.md.us</a>
Massachusetts	<a href="http://www.state.ma.us/doi">www.state.ma.us/doi</a>
Michigan	<a href="http://www.michigan.gov/ofis">www.michigan.gov/ofis</a>
Minnesota	<a href="http://www.commerce.state.mn.us">www.commerce.state.mn.us</a>
Mississippi	<a href="http://www.doi.state.ms.us">www.doi.state.ms.us</a>
Missouri	<a href="http://www.insurance.state.mo.us">www.insurance.state.mo.us</a>
Montana	<a href="http://www.sao.state.mt.us">www.sao.state.mt.us</a>
Nebraska	<a href="http://www.nol.org/home/NDOI/">www.nol.org/home/NDOI/</a>
Nevada	<a href="http://doi.state.nv.us/">http://doi.state.nv.us/</a>
New Hampshire	<a href="http://www.nh.gov/insurance">www.nh.gov/insurance</a>
New Jersey	<a href="http://www.state.nj.us/dobi/index.html">www.state.nj.us/dobi/index.html</a>
New Mexico	<a href="http://www.nmprc.state.nm.us/insurance/inshm.htm">www.nmprc.state.nm.us/insurance/inshm.htm</a>
New York	<a href="http://www.ins.state.ny.us">www.ins.state.ny.us</a>
North Carolina	<a href="http://www.ncdoi.com">www.ncdoi.com</a>
North Dakota	<a href="http://www.state.nd.us/ndins">www.state.nd.us/ndins</a>
Ohio	<a href="http://www.ohioinsurance.gov">www.ohioinsurance.gov</a>
Oklahoma	<a href="http://www.oid.state.ok.us">www.oid.state.ok.us</a>
Oregon	<a href="http://www.cbs.state.or.us/external/ins/index.html">www.cbs.state.or.us/external/ins/index.html</a>
Pennsylvania	<a href="http://www.ins.state.pa.us/ins/site/default.asp">www.ins.state.pa.us/ins/site/default.asp</a>
Rhode Island	<a href="http://www.dbr.state.ri.us/">www.dbr.state.ri.us/</a>
South Carolina	<a href="http://www.doi.state.sc.us">www.doi.state.sc.us</a>
South Dakota	<a href="http://www.state.sd.us/drr/reg/insurance">www.state.sd.us/drr/reg/insurance</a>
Tennessee	<a href="http://www.state.tn.us/commerce/insurance/index.html">www.state.tn.us/commerce/insurance/index.html</a>
Texas	<a href="http://www.tdi.state.tx.us">www.tdi.state.tx.us</a>
Utah	<a href="http://www.insurance.utah.gov">www.insurance.utah.gov</a>
Vermont	<a href="http://www.bishca.state.vt.us">www.bishca.state.vt.us</a>
Virginia	<a href="http://www.state.va.us/scc/division/boi/index.htm">www.state.va.us/scc/division/boi/index.htm</a>
Washington	<a href="http://www.insurance.wa.gov">www.insurance.wa.gov</a>

West Virginia	<a href="http://www.wvinsurance.gov">www.wvinsurance.gov</a>
Wisconsin	<a href="http://oci.wi.gov/oci_home.htm">http://oci.wi.gov/oci_home.htm</a>
Wyoming	<a href="http://insurance.state.wy.us/">http://insurance.state.wy.us/</a>

### Some Insurance Companies Selling Long Term Care Insurance

GE Financial	<a href="https://www.gefinancial.com/">https://www.gefinancial.com/</a>
Met Life	<a href="http://www.metlife.com">http://www.metlife.com</a>
John Hancock	<a href="http://www.johnhancock.com/">http://www.johnhancock.com/</a>
Unum	<a href="http://www.unum.com/">http://www.unum.com/</a>
Mass Mutual	<a href="http://www.massmutual.com">http://www.massmutual.com</a>
Mutual Of Omaha	<a href="http://www.mutualofomaha.com">http://www.mutualofomaha.com</a>
Allianz	<a href="http://www.allianzlife.com">http://www.allianzlife.com</a>
Physicians Mutual	<a href="http://www.physiciansmutual.com">http://www.physiciansmutual.com</a>
State Farm	<a href="http://www.statefarm.com">http://www.statefarm.com</a>
IDS / American Express	<a href="http://finance.americanexpress.com">http://finance.americanexpress.com</a>

## **About Scott Simmonds, CPCU, ARM, CMC**

Scott Simmonds started in the insurance business in 1979. He has provided insurance advice and counsel to hundreds of companies, large and small, throughout the U.S.

After graduating from Babson College, in Wellesley, Massachusetts, Simmonds entered the insurance business. In 1987 he received the Certified Insurance Counselor designation from the Society of CIC. In 1995, Simmonds completed his studies to qualify for the Chartered Property and Casualty Underwriter designation conferred by the American Institute for CPCU. He completed the requirements for the Insurance Institute of America's Associate in Risk Management designation in 2005.

Simmonds' insurance work has involved companies in a wide range of industries. He has handled insurance and risk management issues for public and private corporations, including many with international operations. His work includes nonprofits, banks, manufacturing organizations, hospitality companies, municipalities, and schools. He is licensed in property, casualty, life, and health insurance consulting.

Scott's writing and comments have appeared in the Wall Street Journal, Forbes, Portland Press Herald, The Boston Globe, Mainebiz, Fortune, Money, Inc. Magazine, the New York Times, Investors Business Daily, Kiplinger's, the Los Angeles Times, and countless trade publications.

The Institute of Management Consultants awarded Scott the Certified Management Consultant designation. CMC represents evidence of the highest international standards of consulting competence and adherence to the ethical canons of the profession.

Scott is a member of the Society for Advancement of Consulting, an organization accepting only the top 1% of consultants nationwide. He is the first insurance consultant granted membership in this prestigious organization. The society recognized his accomplishments in insurance by awarding "Board Approved" status. Scott was only the nineteenth consultant worldwide afforded this honor.

Simmonds lives in Saco, Maine, with his family. He enjoys canoeing, reading, hiking, and playing his Great-Grandfather's 100 year old violin. He is a past president of the trade association, Maine Association of Professional Consultants and of the Biddeford-Saco Rotary Club. He is also active in many trade associations and serves on the adjunct faculty at the York County Community College teaching small business management.

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