



Helping You Grow Your Business

Benefits of combining Life insurance with Living benefits

Financial flexibility to fit your clients' needs

A Life insurance policy provides clients with confidence knowing their **WHY** will be taken care of in the event of death, but are they protected if they were to fall ill? Americans are living longer which means there is a good chance of needing some type of care within their lifetime. The addition of a Long term Care (LTC) or Chronic illness rider (CIR) provides an extra layer of protection in case clients need to gain access to their benefits early due to an untimely illness. This combination policy reduces the "use it or lose it" fears of a standalone LTC policy by giving flexibility to access benefits now for unexpected expenses. In the event they do not need care, it provides a Death Benefit protection all in one cost-efficient policy. Here are some differences between the two.

Long Term Care (LTC) Rider (IRC 7702(b))

A qualified long-term care rider is a living benefit on a life insurance policy that lets you access the policy's death benefit to pay for long-term care expenses.

- Clients to consider for this rider are those who still have a primary need for life insurance, yet also wants to have access to their death benefit if LTC benefits are needed.
- To exercise the benefits a medical professional will need to certify that the policyholder is unable to perform at least 2 of the 6 activities of daily living or that they need substantial supervision due to a cognitive impairment.
- With a true LTC rider the claim can be temporary or permanent.
- Policies are fully underwritten for both Life and LTC rider. Typically to qualify clients must be Table D or better with no condition that may have a high risk for future health deterioration.
- **Indemnity vs. Reimbursement**- Keep in mind that LTC coverage is meant to cover long-term care expenses, but policies vary in how they address this.
 - Some policies offer a **reimbursement benefit model**, which pays only for the qualified long-term care costs you incur, up to a monthly maximum you choose.
 - Other policies use an **indemnity benefit model**, where you receive a set amount each month regardless of, your actual care costs, this payment is often based on maximums regulated by the government.

Chronic Illness Rider (IRC 101(g))

A chronic illness rider is another form of a living benefit available on life insurance which also lets you access the death benefit early, typically as a lump sum. This is not a LTC rider.

- Clients to consider for this rider are those who need Life Insurance but also have not done any other long-term care planning or may have some issues with getting underwritten for a true LTC rider.
- To exercise the benefits a medical professional will need to certify that the policyholder is unable to perform at least 2 of the 6 activities of daily living or that they need substantial supervision due to a cognitive impairment.
- With this type of rider most plans require the claim to be permanent.
- There are several variations of this rider available throughout the industry to meet your client's specific needs. Some Carriers offer a limited version available within the policy at no additional cost or underwriting review. Others offer a more extended version which does cost additional premium and is fully underwritten. Typically to qualify clients must be Table D or better with no condition that may have a high risk for future health deterioration.

Contact your **IU Sales Team** for additional information.



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