Guide to

LTC and Chronic Illness Riders

Long Term Care (LTC) Riders and Chronic Illness Riders are two important and popular riders that can help protect your clients while they are still living. Below is a brief description of some of the differences between these riders – use this information to help design a policy that will best meet your clients' needs.

Rule of Thumb

Long Term Care Riders pay all chronic illness claims, but Chronic Illness Riders do not pay all long term care claims

The differences between LTC Riders and Chronic Illness Riders

LTC RIDERS

- Sections 7702B and 101g
- May be marketed as Long Term Care
- Pays permanent and temporary claims
- State-specific LTC CE may be required
- Reimbursement and indemnity models available
- Additional upfront charge for the rider
- Underwriting based on morbidity

CHRONIC ILLNESS RIDERS

- Section 101g only
- May NOT be marketed as Long Term Care
- Most only pay on permanent claims, while others pay permanent and temporary claims
- State-specific LTC CE not required
- Indemnity models only
- Three different charge structures: upfront, discount method, lien method
- Underwriting based on morbidity (upfront charge only)

Why consider using one over the other?

LTC RIDERS

- Greater benefit pool desired
- Guaranteed ability to use for temporary needs
- Potentially less stringent underwriting for the rider for clients who can't qualify for stand-alone LTC insurance
- Includes additional consumer protections – unintentional lapse protections, policy reinstatement provisions, and extension of benefits

CHRONIC ILLNESS RIDERS

- An option to consider if cost is an issue
- An option for clients not concerned with needing coverage for temporary claims
- An alternative option for clients who can't qualify for LTC insurance or LTC rider

Definitions

- **Reimbursement:** Actual costs of qualifying LTC services are reimbursed, even if greater than HIPAA per diem limits, up to carrier-stipulated maximums
- **Indemnity:** Full benefit can be paid regardless of what the actual LTC expenses are, up to the lesser of HIPAA per diem limits or carrier-stipulated maximums; excess benefits paid above actual LTC expenses can be used for other purposes
- **Upfront charge:** Rider charge added to premiums; benefit pool and monthly benefits are determined upfront and are specified at policy issue
- **Discount method:** Benefit pool and benefit amount cannot be determined until time of claim; actuarial "discounts" occur at time of claim (based on age, gender, rating, formulas, etc.) with remaining death benefit forfeited
- **Lien method:** Final death benefit can't be determined until death occurs; interest charged on acceleration backed by lien on the remaining death benefit