

What to Look for in a Long-Term Care Insurance Policy

Once you've decided long-term care insurance is the right option for you, the next step is to evaluate the following: *the agent, the insurance company* and the features and options of *the policy*.

In the 2001 IPS Segmentation Survey conducted by Northwestern's Marketing Department, buyers were asked to identify the top reasons they purchased a long-term care insurance policy from a particular company.

The Agent

Buyers cited that the agent's recommendation was the number one reason for purchasing from a particular company. Working with a competent and trustworthy agent is essential to establishing a long-term relationship. Consider the following when selecting a quality agent:

- Every long-term care insurance decision should be based on your overall financial plan. Has the agent conducted a thorough analysis to determine the need for long-term care insurance?
- Has the agent earned any of the financial services industry designations, which demonstrate the highest commitment to professional development (e.g. CFP – Certified Financial Planner, CLU - Chartered Life Underwriter, or ChFC – Chartered Financial Consultant)?

The Company

The company's reputation and financial ratings were the next most important consideration for buyers. The following questions are helpful when working with a company:

- Does the company offer a participating contract? Such contracts may provide dividends if the company's actual experience proves to be more favorable than pricing expectations.
- Is the company's sales force recognized as service orientated and maintains a strong presence locally and nationally?

Additionally, be sure to check the company's financial strength, or ability to meet its obligations to policyholders. The role of assigning financial strength ratings falls primarily to four major, independent third party ratings services:

- A.M. Best Company
- Standard & Poor's[®]
- Fitch
- Moody's Investors Service.

Printed materials that explain these ratings may be available directly from the company offering the long-term care insurance coverage.

The Policy

Today's long-term care policies offer a variety of attractive options with many standard features. However, the true test of policyowner value goes well beyond the actual policy. When choosing a long-term care policy, you'll want to determine the following:

- Does the policy cover costs of receiving various level of care for chronic conditions either in your home, in the community, in an alternate living facility* (e.g. Alzheimer facility) or in a nursing home?
- How much does the policy pay for different levels of care?
- What protection does the policy offer against the effects of inflation?
- Does the policy have a pre-existing conditions clause that could limit policy benefits?
- Is the policy tax-qualified under the Health Insurance Portability and Accountability Act?
- Does the company have a history of offering upgrades and enhancements to existing policyowners when a new policy is introduced?
- Is it a participating policy?

Conclusion

The purchase of long-term care insurance is a personal and important decision. Evaluating your financial situation, with the assistance of a trusted, knowledgeable agent, a solid carrier and your family will enable you determine which coverage is most appropriate.

Taking this action will enable you to make a good, informed decision in choosing long-term insurance coverage that best meets your long-term care needs while providing a sense of financial security.

* Also known as residential care facilities (California only) or assisted living facilities.