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**Harmony Wealth  
Strategies**

BUILDING AND SAFEGUARDING  
YOUR FINANCIAL WORLD

# Comparing Long-Term Care Insurance Policies





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Because long-term care insurance (LTCI) is a relatively new product, policies are not standardized. This can make it especially difficult to compare policies when you're shopping for this type of insurance. However, comparing LTCI policies is a lot easier when you know what to look for and follow a few simple guidelines.

## Compare insurance companies

One of your first steps should be to compare and evaluate insurance companies. But since there are many companies that sell LTCI, how do you narrow the field down to a few good ones? You can start by talking to friends, family members, or anyone else you know who's bought LTCI. How satisfied have these people been with their companies' handling of claims and overall customer service? To learn more about company reputations, check out consumer websites and publications. You can also contact your state's insurance department for information about different companies, such as customer complaints lodged within the last year.

In addition, there are private firms that make a business of rating insurance companies, usually on a letter-grade scale. Some of the well-known rating service firms are A. M. Best, Moody's, The Street.com (formerly Weiss), Fitch, and Standard & Poor's. You can contact one of these firms directly, though their ratings may be available at your local public library. The ratings are typically based on a company's financial strength and other factors. Financial strength is particularly important because it tells you whether a company is likely to meet its future claims payments and other obligations.

## Compare policy ins and outs

As mentioned, there is no standard LTCI policy or contract--specific benefits and features often vary widely from one policy to another. That's why detailed policy comparisons are more important with LTCI than with any other type of insurance. Once you've narrowed your list of insurance companies down to a few (e.g., three or four), ask each company for some sample policies to review. Each sample should include an Outline of Coverage section at the beginning of the policy. This section briefly summarizes the policy's benefits and highlights the major features. After you read this section, read through the entire policy to make sure you understand all of the provisions. Here are some key items to look for:

- **Waiting period:** This is the period of time that must pass before the insurance company will begin to pay benefits. It can be anywhere from 0 to 365 days. You'll be asked to select a waiting period--the shorter the period, the more the policy will cost.
- **Duration of benefits (known as the benefit period):** You'll also be asked to select a benefit period (e.g., two years or a lifetime)--the longer the period, the more costly the policy. Watch out for caps placed on the total lifetime benefits you can receive if the policy lets you carry over unused daily benefits beyond the scheduled benefit period.



- **Nursing home and home health-care daily benefit:** This is the amount of coverage you select as your daily benefit limit (e.g., \$50, \$200).
- **Cost-of-living rider:** This feature provides protection against loss of purchasing power due to inflation. It increases your coverage every year to keep pace with inflation (either based on the Consumer Price Index or at a fixed percentage rate).
- **Range of care:** A policy may provide coverage for different levels of care, such as skilled, intermediate, and/or custodial. A good policy should cover all levels of care.
- **Pre-existing conditions:** A waiting period (e.g., six months) may be imposed before you can receive coverage for any pre-existing conditions you might have.
- **Other exclusions:** Some policies may not cover certain medical conditions (e.g., Alzheimer's or Parkinson's disease). Others may specify that you have to be in certain types of facilities.
- **Premium increases:** Some policies may have a level premium for the period that the policy is in effect. In other cases, the premium may increase during the policy period.
- **Waiver of premium:** Most policies waive your premium after you've received benefits for a certain number of days, but sometimes only if you're receiving care in certain types of facilities.
- **Guaranteed renewability:** Most policies give you the option to renew the policy and maintain your coverage, despite any changes in your health.
- **Grace period:** Most policies give you a grace period if you're late with a premium payment (usually 30 days). This means that the policy will remain in effect during that period.
- **Restoration of benefits:** This is a feature that restores your benefits if you recover from your condition and do not require care for a consecutive period (e.g., 180 or 365 days).
- **Return of premium:** You may be entitled to a return of premiums paid (or a nonforfeiture of benefits or a continuation of benefits for a limited period of time) if you cancel your policy after paying premiums for a number of years.
- **Prior hospitalization:** Some policies require a hospital stay before you can qualify for benefits under the policy. This requirement is less common than it used to be, and you should probably avoid policies that include this provision.

How do the policies you're considering stack up against each other? Which benefits and features mean the most to you? How much can you customize each policy to your needs? These are very important questions. Knowing how to evaluate LTCI coverage in light of your own needs is the key to comparing and weeding out policies. Your final list of policies should include only ones that can offer exactly what you're looking for.

## Compare premiums

Because LTCI policies vary so much, simple premium comparisons usually don't provide useful results. You run the risk of comparing premiums for policies that don't provide comparable coverage. For example, suppose you're comparing two LTCI policies with different premiums. If the more expensive policy has a larger daily benefit and longer benefit period, it may be difficult to tell which policy is the better buy. Variations in the length of the elimination period and other features may further muddy the waters. The point is that you want a policy that gives you the best total value, and the premium is only one part of the equation.

Still, the premium is important because you don't want to pay more for coverage than you have to. And you want to be sure you can afford the premiums as time goes on. Once you know your coverage needs and find a few policies that offer a good fit, you should then compare premiums. The price of an LTCI policy typically depends on the specifics of the coverage, your age at the time you buy the policy (most companies won't sell you a policy if you're under 40 or over 84), your medical history, the cost of long-term care where you live, and other factors. Note that premiums may vary widely between companies, even for policies that provide comparable coverage. The more similar the policies you're comparing, the more the premium will tell you about a policy's true value.

## Consider getting help

Because LTCI is complicated, comparing and evaluating policies is no easy task. You can do it alone if you choose, but you're probably better off getting professional help. A qualified insurance professional, or financial professional can assist you with this entire process. To find the right person to help you, seek word-of-mouth references and be very selective.

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