

Key Issues/Questions	Traditional Long-Term Care Insurance	Single Premium Annuity with Living Benefit	Life Insurance with Living Benefit
Is the owner eligible for a federal (and state) tax deduction when the insurance premium is paid?	Yes, if the contract meets the HIPAA definition of a Qualified LTC. If so, the owner is eligible for an individual federal tax deduction and also eligible for a deduction in some states. The owner may deduct the lesser of the actual premium or an age-based specific amount as mandated by the IRS. The IRS mandated amount increases annually.	No.	No.
Is there any state or federal income tax payable by the owner when benefits are received?	Reimbursement Contracts: If the contract is a Qualified LTC (as defined by HIPAA), any reimbursed amount for defined benefits are income tax free. Indemnity Contracts: No taxation unless payments exceed the IRS maximum per diem daily rate (\$300 per day in 2016). This amount is adjusted annually.	Proceeds received from a non-qualified annuity are “interest first, principal last.” So, any interest will be subject to ordinary income tax.	Benefits are considered a lien against the life insurance contract. Thus, they are not subject to federal, nor state, income tax. Any remaining death benefit paid to the beneficiary will not be subject to any federal income tax, with minor exceptions (Note: see disclaimer, below.)
If the insured receives a Living Benefit or LTC benefit, must the premium continue to be paid? (Waiver of Premium)	No. Generally, when the LTC insurance commences benefit payments, the premiums are waived until the individual recovers or benefits are exhausted. Rules and waiting periods vary by carrier. This normally a Policy Provision, thus, built in to the contract.	N/A	Yes. However, should the contract include the Waiver of Premium Rider and the insured meets the definition of “total disability,” the premium (or mortality cost) is waived. This rider generally terminates at age 65, unless already qualified for Waiver of Premium.
Once the claim triggers are met, can the Living Benefit or LTC benefit be used in any facility, location, or home? Are there restrictions on how the benefit can be used?	If written as a Reimbursement Contract, it will only pay (reimburse) certain expenses as defined in the contract. Generally this means charges associated with care at a Skilled Nursing Facility, Assisted Living Facility, or care in a private residence. If written as an Indemnity Contract (or Rider), use of the paid benefit will normally be more liberal. Benefits are only payable after the elimination period is met.	Once approved, there are no limitations on how or where the benefits can be used.	Once approved, there are no limitations on how or where the benefits can be used.
Can the premium be increased by the insurance company?	Premiums may be increased by the company if filed and approved by the state. Premiums cannot be increased based on an individual’s age or health status. An approved premium increase is only for a contract classification (a “book of business”) for that state.	N/A	As long as premiums are paid, and sufficient to keep the life insurance contract in-force, the Living Benefit provision will be available.
Can the Living Benefit or LTC benefit be used to compensate a family member for the care they provide at a private residence?	Generally, no. Some contracts allow this to be added as a rider.	Once approved, there are no limitations on how or where the benefits can be used.	Once approved, there are no limitations on how or where the benefits can be used.
What is the payable if the insured dies?	When the insured dies, no death benefit or residual value is generally available. Some companies offer a return of premium option at an additional cost. This feature provides a death benefit to be paid to the beneficiary, equal to the cumulative premiums, less the benefits that have been received, if any. In some policies, only a proportion—such as 90% of excess premiums—would be returned. In some policies, death must occur before a certain age, such as 65 or 70. Also, there may be a minimum number of premiums to be paid before the return of premium feature is payable.	Any remaining annuity value is payable to the beneficiary.	When a Living Benefit is paid, it is considered a “lien” against the life insurance contract. The death benefit is reduced by LB proceeds that are paid. The remaining death benefit is payable to the beneficiary when the insured dies.
Can the Living Benefit or LTC benefit be used outside of the U.S.?	Generally, no. The benefit must be used in the coverage territory as defined in the contract—usually the U.S. and its territories. Some carriers have liberalization rules in this area.	Once approved, there are no limitations on how or where the benefits can be used.	Once approved, there are no limitations on how or where the benefits can be used.
What (if any) is the Waiting Period (Elimination Period) before benefits are paid or payable?	A waiting period is elected at time of application. They generally range from a 14-day wait to 180 days. When the insured meets the claims trigger, benefits are then payable after the waiting or elimination period.	Generally, waiting periods do apply before benefits are payable. They may be as short as 90 days, or as long as 365 days. Waiting periods vary greatly by carriers that provide this benefit.	Generally, waiting periods do apply before benefits are payable. Typically, they do not exceed 90 days. Once the insured meets the published waiting period and the claims trigger, and files for the benefit, the benefit is eligible for payment as per the contract terms.
Are there any administration fees, additional costs, interest, or contract charges to file a claim?	No.	Surrender charges usually apply in the early years of an annuity contract. The first seven to ten years is common. Should the contract contain a “Waiver of Surrender Charge” provision (or Rider)—such as a Nursing Home Waiver or a Terminal Illness Waiver—and the insured meets the claims trigger, then no Surrender Charges apply at any time. No other cost normally applies to file a claim.	Yes. A \$75 to \$150 Living Benefit administrative fee is common. This amount will be added to the lien. Additionally, there will be interest charged against the LB amount received. The interest rate can fluctuate (usually quarterly or annually), but will not exceed a contract-stated amount.
How is this contract underwritten? Is there an age limitation for a new application?	An application is submitted and full medical underwriting (u/w) will be conducted. An attending physician’s statement (APS) will be obtained from most, or all, of the applicant’s medical providers. Rarely to LTC carriers require an insurance medical exam to be conducted. The normal time frame before an u/w determination is made will generally be four to six weeks. The maximum age for consideration is generally age 79. The maximum age for consideration varies by carrier.	N/A	An application is submitted and full medical underwriting (u/w) will be conducted. Depending on the age of the applicant and the amount of death benefit, a full medical exam may be required. An attending physician statement (APS) will normally be obtained from most, or all, of the applicant’s medical providers. The normal time frame before an u/w determination is made will generally be four to six weeks. The maximum age for consideration may be as high as age 95. The maximum age varies by carrier.

Disclaimer: This chart and its comparisons are general statements only. Additionally, this chart is not intended to provide legal or tax advice. Language and benefits found in the life insurance contracts or annuity contracts that provide the Living Benefit provision (or Rider) vary greatly. Consult the specific insurance contract for exact wording. Always consult with a qualified attorney or accountant for information or advice regarding those topics. (Revision 10/12/16)

Note: Even if the Life contract is “rated” due to medical issues, hobbies, or vocation, the LB provision may still be available. This varies by carrier.