Long Term Care University

Long Term Care University – Question of the Month

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Q: Many of the long term care insurance policies I am researching require me to make permanent choices about the policy benefits. Are there any types of policies that allow me to change my policy benefits in the future?

The Problem – Inflexible Policies

Most long term care insurance policies require you to make permanent decisions about the benefits of your policy upon purchasing the policy. This presents a host of problems, including:

1. insufficient coverage for the future if you chose coverage that is too modest
2. unmanageable premiums today if you choose higher coverage than you can afford
3. inability to change policy benefits and features if your health deteriorates

The Solution – Flexible Policies

Some long term care insurance policies allow you to make changes to your policy **after** the policy has been purchased. This can be a tremendous benefit if you are interested in obtaining a policy today, but are working within a budget.

Some insurance companies offer flexible policies that allow you to increase your coverage **without additional underwriting**. Imagine you purchase your policy when you are 55 years old and are in perfect health. After 10 years, you are now 65 years old, are interested in increasing your coverage, but now you suffer from a number of health conditions. A flexible policy would allow you to increase your benefit without any medical underwriting whatsoever. Despite the deterioration in your health the insurance company is legally obligated to increase your coverage upon your request.

Pay close attention to what conditions are associated with your flexibility options. Some insurance companies will allow you to exercise changes throughout the life of the policy. Others will discontinue your ability to make changes if your decline the option to change two times in a row.

Some insurance companies allow you to enhance you coverage as follows:

1. increase your daily benefit based on inflation
2. increase your benefit period
3. decrease your elimination period

Pay close attention to how the insurance company prices their flexible policy. Ideally, you should **only pay for the additional benefits you add to the policy**, while the premium for the initial coverage purchased at the inception of the policy remains unchanged. In the example above, you are able to save money during the first 10 years of the policy and are then able to enhance your coverage at a more affordable price than most long term care insurance polices would offer.

Action Step – Do Your Research

Before purchasing a policy, be sure to research the features of your policy. Understanding if your policy is a flexible or inflexible policy before you purchase it can avoid unnecessary aggravation and financial hardship in the future.

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