



Consumer Alert from the NAIC: Understanding Long-Term Care Insurance

According to the Health Insurance Association of America, the average cost of a nursing home can reach \$50,000 a year nationwide — about \$4,200 a month. An extended stay can quickly eat up retirement income and a lifetime of savings. However, purchasing long-term care insurance can protect your investments and ensure you will be taken care of in the event you need extended care. Here are some tips from the National Association of Insurance Commissioners on purchasing long-term care insurance.

1. What is Long-Term Care Insurance?

Long-term care insurance is designed to cover a wide range of long-term care services. If you are unable to care for yourself because of a prolonged illness or disability, long-term care insurance may pay for the kind of services you need. Such services may include help with activities of daily living, home health care, respite care, adult day care, care in a nursing home or care in an assisted living facility.

2. Who Needs Long-Term Care Insurance?

Whether or not you should buy a long-term care insurance policy depends on your age, health status, overall retirement goals, income and assets. For instance, if your only source of income is a Social Security benefit or Supplemental Security Income (SSI), you probably shouldn't buy long-term care insurance.

On the other hand, if you have a large amount of assets but don't want to use them to pay for long-term care, you may want to buy a long-term care insurance policy. Many people buy a policy because they want to stay independent of government aid or the help of family. However, you should not buy a policy if you can't afford the premium or aren't sure you can pay the premium for the rest of your life.

3. How Do You Purchase Long-Term Care Insurance?

There are several avenues to pursue in the long-term care insurance market.

- **Individual policies** — Most long-term care insurance policies are sold to individuals by insurance agents. Individual policies can be very different from one company to the next. Each company may also offer policies with different combinations of benefits. Be sure to comparison shop among policies, companies and agents to get the coverage that best fits your needs.
- **Employee policies** — Your employer may offer a group long-term care insurance plan. The employer-group plan may be similar to what you

could buy in an individual policy. One advantage of an employer-group plan is you may not have to meet any medical requirements to get a policy.

- **Association policies** — Many associations let insurance companies and agents offer long-term care insurance to their members. These policies are like other types of long-term care insurance. Like employer-group policies, association policies usually give their members a choice of benefit options. Policies sold through associations usually let members keep their coverage after leaving the association. Be careful about joining an association just to buy insurance coverage. Review your rights if the policy is terminated or canceled.

4. Tax Advantages

Some federal income tax advantages are available to people who buy certain long-term care insurance policies. These policies are called tax-qualified long-term care insurance contracts, or simply qualified contracts.

Your state may have taken action to offer additional tax advantages. Check with your state insurance department or insurance agent for information about tax-qualified policies. Check with your tax advisor to find out if the tax advantages would be beneficial for you.

5. Get More Information

For more in-depth information, order a copy of the "Shopper's Guide to Long-Term Care Insurance" from the NAIC at www.naic.org/1pubcat/. If you believe you have been treated unfairly in shopping for long-term care insurance, please contact your state insurance department. You can link to your insurance department's Web site by visiting www.naic.org. Click on "State Insurance Regulators Web Sites," then click on your state.

The National Association of Insurance Commissioners is a voluntary organization of the chief insurance regulatory officials of the 50 states, the District of Columbia and four U.S. territories. The overriding objectives of state regulators are to protect consumers and help maintain the financial stability of the insurance industry. If you would like to be removed from the "Consumer Alert" media list, please contact Michele Compton at (816) 783-8003 or mcompton@naic.org.