Long-Term Care Insurance

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Helpful Telephone Numbers

Social Security Administration Toll-free Hot Line (questions about Medicare enrollment and eligibility and requests for the Medicare handbook)

1-800-772-1213

Texas Department of Health Medicaid Hot Line (questions about Medicaid coverage)

1-800-252-8263

Texas Department of Health (questions about health facility compliance and licensure)

1-800-228-1570

Texas Department on Aging Information and Referral Hot Line (statewide services for senior citizens and where to find your local Area Agency on Aging office)

1-800-252-9240

Texas Department of Human Services, Bureau of Long-Term Care (questions about home health and hospice care)

1-800-228-1570

Texas State Board of Medical Examiners (questions about licensing and certification of doctors and complaints about care provided in a doctor's office)

1-800-201-9353

Center for Medicare and Medicaid Services, Dallas (questions about Medicare coverage policies and procedures)

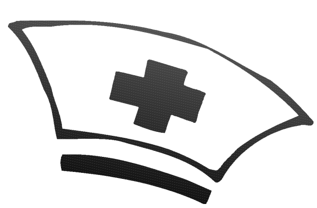
214-767-6401

Texas Medical Foundation Beneficiary Hot Line (questions or complaints about quality of care provided to Medicare beneficiaries or requests for beneficiary newsletters)

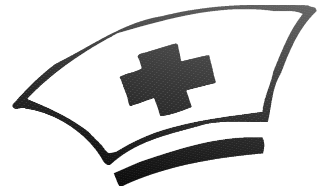
1-800-725-8315

TrailBlazer Health Enterprises (questions about Medicare Part A and Part B coverage or claims and requests for Medicare participating providers)

1-800-442-2620



Long-Term Care Basics



"Long-term care" refers to the type of personal care services you may need if you become unable to care for yourself because of a loss of functional capacity or cognitive impairment.

Long-term care is different from traditional medical care. Traditional medical care treats physical problems directly in an attempt to permanently cure or control them. Long-term care services help a person maintain his or her ability to function, perform normal daily activities, or maintain a normal lifestyle. These services include personal assistance and skilled care that may be provided in your home, an adult day care center, a nursing home, or an assisted living facility.

Paying for Long-Term Care Services

The cost of a nursing home stay could range from $30,000 to more than $50,000 per year. Depending on the services needed and the costs in your area, average daily rates might range from $90 to more than $150 a day.

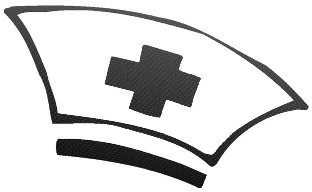
The cost of home care is harder to estimate because of the wide range of skilled and personal assistance services it includes. Skilled services such as nursing or physical therapy generally cost more than homemaker or personal care services. Even when skilled services are required, home care services are normally less expensive than services in a nursing facility.

Because available services and costs vary, you should call local nursing care facilities and home care service organizations in your area to learn the kinds of services they offer and their costs.

In Texas, most long-term care expenses are paid by Medicaid, a state and federal assistance program for eligible individuals with low incomes. The rest are paid out-of-pocket by individuals or through Medicare or long-term care insurance.

To receive Medicaid, you must meet state and federal guidelines for income and assets. Many people must pay for long-term care out of their own pockets until their assets shrink enough for them to become eligible for Medicaid. This is called "spending down" your assets. To learn more about Medicaid eligibility, call your local Area Agency on Aging or Texas Department of Human Services office. A list of helpful phone numbers is included on the inside front cover of this publication.

Medicare is a federal program that pays for health care for people over age 65 and for people under age 65 with disabilities. It covers the cost of some skilled care in approved nursing homes or in your home, but only in certain situations.



Should You Buy Long-Term Care Insurance?

Long-term care insurance can help protect your assets against the potentially catastrophic cost of extended long-term care. But long-term care insurance usually makes sense only if you have significant assets to protect other than your home, car, and a small amount of cash.

For many people, this type of coverage may be too expensive, or the benefits you can afford might be inadequate to pay the full cost of your care.

It's probably not a good idea to buy a long-term care policy if you have trouble stretching your income to pay for utilities, food, or medicine. If you do not have significant assets, you may have no choice but to spend down to qualify for Medicaid.

Only you, or you and a trusted financial advisor, can determine whether your personal assets, income, family situation, and personal risk factors justify the expense of long-term care insurance coverage.

Long-Term Care 'Risk Factors'

Your likelihood of needing long-term care might be affected by these factors:

Life expectancy: The longer you live, the more likely it is that you will need long-term care. Consider whether your family has a tendency for long life expectancy.

Gender: Women are at a much higher risk of needing long-term care because they have longer life expectancies and often outlive their husbands.

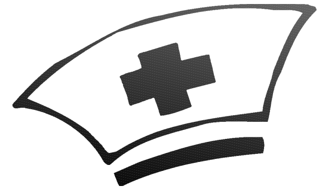
Your family situation: If you have a spouse or adult children, you may be more likely to receive informal care at home from family members. If family care is unavailable and you cannot care for yourself, a nursing home may be the only alternative.

Health factors: If chronic or debilitating health conditions run in your family, you could be at greater risk than another person of the same age and gender.

Types of Long-Term Care Policies

Long-term care insurance policies are not standardized. Companies sell policies with many combinations of benefits and coverages. Each policy is different. To buy effective and affordable long-term care coverage, you must decide what combination of benefits, services, and costs best fits your personal needs.

In Texas, the most common benefits in long-term care policies are nursing home and assisted living care, home health care, and adult day care. Care must be received in licensed nursing or assisted living facilities or through licensed home health or adult day care agencies.



There are several types of policies. You can buy an individual long-term care policy, a group policy sponsored by your employer, or a policy offered to members of associations or professional organizations. In some instances, you could be covered by an adult family member's group long-term care policy.

The overwhelming majority of long-term care policies sold in Texas are individual policies. Most of these are sold through insurance agents, but some companies also sell by direct mail or telephone. This publication primarily addresses individual policies.

Tax-Qualified Long-Term Care Policy

You may be able to deduct part of the premium for a tax-qualified long-term care insurance policy from your taxes as a medical expense. Benefits paid out by a qualified long-term care policy will generally not be taxable as income.

All policies sold on or after January 1, 1997, must be identified as either tax-qualified or non tax-qualified. All policies sold before January 1, l997, are automatically "qualified."

To determine whether a policy you have is tax-qualified, look for a statement on your policy similar to this:

> "This policy is intended to be a qualified long-term care insurance contract as defined by the *Internal Revenue Code of 1986,* Section 7702B(b)."

You should consult with an attorney, accountant, or tax advisor regarding the tax implications of purchasing long-term care insurance.

To claim a tax deduction for long-term care premium payments, your out-of-pocket medical expenses, including the long-term care premiums, must be more than 7.5 percent of your adjusted gross income. The maximum amount of long-term care premium you can deduct depends on your age at the end of each tax year, as shown below.

Limits on Long-Term Care Premium Deduction
2006 maximum (maximum deductible amounts change annually)

AGE LIMIT ON DEDUCTION	DEDUCTIBLE AMOUNT
40 years old or less	$280
41 to 50 years old	$530
51 to 60 years old	$1,060
61 to 70 years old	$2,830
71 years old or more	$3,530

A tax-qualified policy sold on or after January 1, 1997, must must pay long-term care benefits if one of the following conditions is met:

- You are unable because of a loss of functional capacity to perform at least two of six Activities of Daily Living (ADLs) without substantial help from another person for at least 90 days. ADLs are bathing, dressing, toileting, transferring, eating, and continence.
- You need substantial supervision to protect your health and safety, and that of others, because you have a severe cognitive (mental) impairment.

Long-term care services must be provided through a "plan of care" prescribed by a licensed health care practitioner.

Policies sold before January 1, 1997, are automatically tax-qualified and are not affected by the above requirements.

Non Tax-Qualified Long-Term Care Policies

Non tax-qualified plans bought on or after January 1, 1997, are not tax deductible. Benefits paid to you under a non tax-qualified long-term care plan may be considered taxable income. Buying a non tax-qualified plan could increase your tax liability and reduce the value of the benefits. Before buying a long-term care policy, you should consult with a tax advisor regarding these provisions.

The minimum "benefit eligibility" requirements for non-tax qualified plans are the inability to perform two of six ADLs or cognitive impairment. However, some plans may offer benefit eligibility requirements that are more favorable. For example, a policy might require only an inability to perform one of six ADLs to qualify for benefits. When you buy a policy, consider which factors may best suit your future needs.

Covered Long-Term Care Services

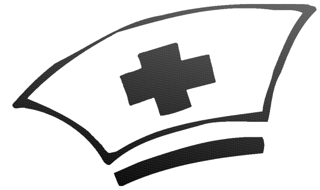
It is important to know how services are covered under your long-term care policy. The type of facility and the care you receive determine whether your insurance company will pay for your care.

Long-term care policies may pay for several types of care in licensed facilities or through licensed agencies. Many policies cover skilled nursing care and personal assistance care in your home. Many also pay for daytime care in adult day care facilities. Some policies also offer other types of coverage, such as hospice care and respite care.

Check any policy you are considering to make sure it offers the benefits you think you might need. Following is a list of services a long-term care policy might cover:

Nursing home services: Care in a licensed nursing facility.

Assisted living services: Care in a licensed assisted living facility.



Home health care services: Skilled care or personal assistance in your home. Home health care services must be provided by a licensed home health agency. Covered services may include part-time skilled nursing care, physical therapy, and assistance with activities of daily living.

Adult day care services: Care in licensed adult day care facilities. These programs provide daytime care to individuals who do not need to live in a nursing home. Typical benefits include nursing or therapeutic care, social and educational activities, or personal supervision because of cognitive impairment, such as Alzheimer's or a similar disease. Daily benefit amounts for home health care and adult day care are usually lower than for nursing home care. However, total benefits for home health care and adult day care must each be at least one half of the total nursing home benefit for a year. For example, you might buy a policy with a daily nursing home benefit of $100, or $36,500 for a year (365 days) of nursing home care. The home health care benefit might be only $40 per day and the adult day care benefit only $25 per day, but the total benefit available under the policy for each of these two types of care must be at least half of the one-year nursing total, or $18,250. That would be about 456 days of home health care and 730 days of adult day care.

Other services: A policy may include other benefits or offer them as options. These could include:

- respite care (care provided so that family members who are normally caregivers can have time off)
- recovery period benefits (care after a stay in a hospital)
- home assistance services (help with chores like cleaning and shopping)
- training for family members.

Benefit Eligibility Triggers

Your policy must provide coverage for long-term care services listed in the policy if you are unable to perform the specified number of ADLs or if you require supervision and services due to cognitive impairment.

Activities of daily living (ADLs) are activities considered essential to a normal lifestyle—bathing, continence, dressing, eating, toileting, and transferring (moving around).

Cognitive impairment is a loss in your intellectual capacity that requires you to have substantial supervision to maintain the safety of yourself and others. The loss can be due to Alzheimer's disease, senility, an accident, or other causes. A doctor or other health practitioner licensed to make such a diagnosis in Texas must certify your cognitive impairment.

Services Not Covered in Long-Term Care Policies

Texas law allows long-term care insurance policies to exclude coverage for some conditions, either completely or for a limited period of time.

Pre-existing conditions: A pre-existing condition is an illness or disability for which you received medical advice or treatment during the six months before you apply for long-term care coverage. A long-term care policy can delay coverage of a pre-existing condition for up to six months after the policy's effective date. Some policies, however, exclude them for less than six months. For example, if you took prescription medicine or were treated by your doctor for arthritis during the six months before you bought your policy, the insurance company could refuse to pay benefits during the first six months you have the policy if you need long-term care due to arthritis. After the first six months, the company would have to cover such care.

Note *If you replace your long-term care policy with a new one that has similar benefits, the new long-term care policy must give you credit for the time you served during the pre-existing conditions waiting period of the old policy.*

Mental and nervous disorders: A long-term care policy can exclude coverage of some mental and nervous disorders, but the policy must cover Alzheimer's disease and other age-related disorders. (However, a person already suffering from Alzheimer's probably will not qualify for a long-term care policy under a company's underwriting guidelines.) A long-term care policy also must cover all serious mental illnesses and brain diseases that are biologically based, such as schizophrenia or major depressive disorders. The diagnosis must be made by an appropriately licensed medical practitioner.

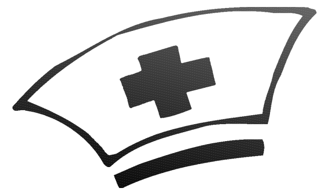
Care by family members: Most policies will not pay members of your family to take care of you. Some policies, however, will pay to train family members to be care providers.

Standard Policy Exclusions

Texas long-term care policies may exclude coverage for conditions resulting from

- alcoholism and drug addiction
- illness caused by an act of war, whether declared or undeclared
- care already paid for by Medicare or by any government program, except Medicaid
- attempted suicide or intentionally self-inflicted injuries
- service in the armed forces
- aviation activities, if you are not a fare-paying passenger
- participation in a riot, felony, or insurrection.

Purchasing a Long-Term Care Plan That Fits Your Needs and Budget



There are many variables you should consider before buying a long-term care policy. Your policy should meet your possible future needs, but still fit your budget. Your choices about basic benefit features, the level of benefits, and the elimination period, as well as your health at the time of application, will affect your premium. The following lists typical benefit ranges for nursing home coverage:

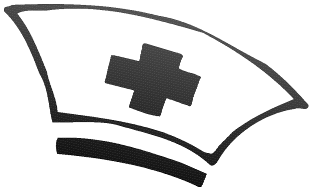
- A daily benefit may range from $50 to $250 per day. Average costs for a day of nursing home care may range from $90 to $150, depending on where you live, the level of services you need, and other factors.
- An elimination period (the waiting period before benefits begin) usually ranges from zero to 100 days. The most common options available are for benefits to start at zero, 20, 30, 60, 90, or 100 days after you enter a nursing home or begin to receive other covered services. For example, a policy with a 30-day elimination period will begin paying benefits on the 31st day. You can lower your premium by choosing a longer elimination period. However, keep in mind that you'll have to pay all your expenses out of pocket for a longer period of time before the policy will pay.

  Some policies have only one elimination period, while others require an elimination period for each new "period of care." Be sure to check how the elimination period works before buying a policy.
- A benefit period (payment period) may range from not less than one year to a lifetime. The most common benefit payment periods are one, two, three, or five years, or for your lifetime. Again, the premiums for longer benefit periods are higher. Some companies provide a maximum benefit as a total dollar amount rather than a benefit period. If you bought a lifetime benefit of $50,000, for example, the policy would pay the actual charge for each day of care until the maximum benefit has been paid. If the current charge is $90 per day, the benefit would last for 555 days, or for just more than a year and a half.

Types of Daily Benefit Payments

Generally, policies pay benefits in one of two ways, either on an "expense incurred" basis or an "indemnity" basis.

An **expense incurred policy** pays the charges when you receive eligible services. For example: Assume you have a policy with a daily benefit of $70, and the nursing home charges only $65 per day. An expense incurred policy will pay only $65 per day since the actual charge is less than the $70 daily benefit.



An **indemnity policy** pays a set daily benefit without regard to cost of the services you receive. For example: If your policy is an indemnity policy with a $70 daily benefit and the nursing home charges only $65 per day, it will still pay $70 per day.

For either policy, benefits will be paid to you, or you may "assign" your benefits to be paid directly to the nursing home or other provider providing the service.

Check Prices and Costs

It's important to know how much nursing facilities in your area charge before you select a benefit amount. You should contact several local nursing facilities, home health care agencies, and adult day care facilities to determine the current price range for daily care. Keep in mind, however, that the cost of care will likely be higher by the time you need it.

Types of Policies Companies May Offer

Companies selling long-term care policies must offer a policy that provides payment of benefits based on your inability to perform two ADLs and cognitive impairment. Separately, companies may offer a policy based on your inability to perform two ADLs, three ADLs, or cognitive impairment.

Unless the coverage is offered through a group employer plan, a company cannot offer you a policy with benefits based on three ADLs unless it also offers coverage with benefits based on only two ADLs and cognitive impairment. You must either reject the two ADL and cognitive impairment policy in writing or acknowledge in writing that it was offered.

Companies must provide a description of the premiums and benefits payable for two ADLs, three ADLs, and cognitive impairment in their long-term care marketing materials and applications, and in the policies themselves.

Benefit Options Companies Must Offer

All policies must offer certain optional features for an additional premium.

Inflation Protection

It may be many years before you actually need long-term care services. During that period, costs for long-term care may increase significantly. If you buy a benefit that would pay average daily long-term care costs today, it may cover only a portion of the daily long-term care costs 10 or 20 years in the future. Protection against inflation may be an important addition to your policy. The amount of additional cost for inflation protection mostly depends on how old you are when you buy the policy. The younger you are, the more important inflation protection may be.

Texas law requires companies to offer inflation protection. If you decide not to buy it, you must reject the offer in writing. The offer of inflation protection must include a graphic comparison of benefits on a policy with and without inflation protection over a 20-year period.

Inflation protection must be offered in at least one of the following three ways:

1 Benefits automatically increase by at least 5 percent each year, compounded annually. For example: A $70 daily benefit that increases by a "simple" 5 percent a year will provide $140 a day in 20 years, but will provide $186 a day when compounded annually.

2 Your original benefit amount increases by at least 5 percent compounded each year on the policy's renewal date. If you don't want the increase, you must reject it in writing within 30 days after the policy renewal date.

3 The policy can cover a specified percentage of actual or reasonable charges for as long as you own it, with no maximum daily limit or policy limit.

Nonforfeiture Benefits

Companies must offer you a guarantee that you will receive some of the benefits you paid for even if you later cancel or lose coverage. This guarantee is called "nonforfeiture benefits." In most cases, the longer you pay premiums on the policy, the larger the nonforfeiture benefit.

For example, if you paid premiums on a long-term care policy with a nonforfeiture benefit for 10 years, and then cancelled it, you will get the same daily benefit amount if you need long-term care services in the future, but the reduced policy maximum will be the greater of the total of all premiums paid or 30 times the daily nursing home benefit amount at the time the policy lapsed.

A nonforfeiture benefit can add significantly to a policy's premium, depending on factors such as your age at the time of purchase, the type of benefit offered, and whether the policy provides for inflation protection.

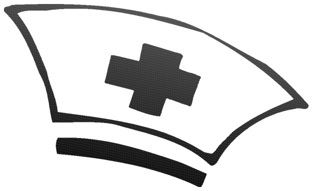
Methods vary for determining the type and amount of nonforfeiture benefits you receive. Each method has a different cost.

If you decide not to buy a nonforfeiture benefit, you must reject the offer in writing.

If you don't buy a nonforfeiture benefit, the company must explain its "contingent lapse benefit." The company must also offer a contingent lapse benefit each time it raises your premium substantially. A contingent lapse benefit allows you to choose a reduced benefit amount so that your premiums will not increase or convert your policy to a paid-up status. The paid-up status will be the greater of either the total sum of all premium paid for your policy or 30 times the daily nursing home benefit amount at the time your policy lapsed.

Other Optional Benefits
(some companies may charge an additional premium)

Waiver of premium: Many policies include a waiver of premium provision. This provision allows you to stop paying premiums once you are in a nursing home and the insurance company has started to pay benefits.



Some companies waive the premium as soon as they make the first benefit payment. Others wait 60 to 90 days. This provision may not apply if you are receiving benefits under certain provisions of your policy (for instance, if you are receiving home health care or adult day care).

Refund of premium benefits: Under this option, some or all of the premiums, minus any claims paid under the policy, will be refunded to you if you cancel the policy. The refund will be made to your beneficiary if you die. Usually, you must have paid premiums for a certain number of years before this benefit becomes effective.

Restoration of benefits: Some policies offer to restore benefits to the original maximum amounts after a period of long-term care if you are treatment-free for a certain period of time, often 180 days. For example, assume your policy has a maximum benefit of three years and you have used only one year. Under a restoration of benefits provision, if you do not need long-term care services for six months, your total benefit is automatically restored to the original three years.

Bed reservation benefit: If you are hospitalized during a nursing home confinement that is covered by your policy, some policies will pay to reserve your bed in the nursing home for a specified number of days or until you return.

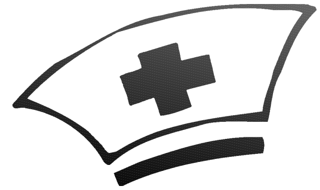
Alternative Long-Term Care Coverages

If you have life insurance, you may be able to fund long-term care expenses through an accelerated death benefit, a viatical settlement, or a life settlement.

An accelerated death benefit is a payment of all or part of a life insurance policy's death benefit before you die. If your life insurance policy contains this type of benefit, you can receive an early benefit payment based on your need for long-term care services, with the same benefit eligibility requirements as a long-term care policy. It can also be paid for a specified disease (a disease or condition likely to cause permanent disability or premature death, such as AIDS or a malignant tumor) or terminal illness (life expectancy of two years or less). The accelerated death benefit can be part of the life insurance policy or attached as a rider.

An accelerated death benefit may be either tax-qualified or non tax-qualified. To be tax-qualified, benefits must be paid for a terminal illness when your life expectancy is two years or less or for a "qualified long-term care illness."

If you have a catastrophic or life-threatening illness, you can sell your policy for a cash payment that is a percentage of the policy's death benefit. The buyer becomes the policy owner, pays the premiums and collects the policy's benefit upon your death. This is called a viatical settlement. A viatical settlement may be either tax-qualified or non tax-qualified.



A viatical settlement is tax-qualified if your life expectancy is two years or less or you use the proceeds to pay for expenses incurred for a "qualified long-term care illness." In both cases, the viatical settlement company and broker must be registered in Texas.

You may be able to sell your life insurance policy even if you do not have a catastrophic or life-threatening illness. This is called a life settlement.

You can get a list of registered viatical or life settlement companies and brokers by calling the Texas Department of Insurance (TDI) ***Consumer Help Line*** or by visiting the TDI website

1-800-252-3439
463-6515 in Austin
www.tdi.state.tx.us

Qualifying for Coverage

Companies selling long-term care insurance "underwrite" their coverage. That means they look at your current health status and health history and will issue a policy only if you meet their established guidelines.

Some companies ask only a few questions about your health. Others may ask for more details, examine your current medical records, ask for a health statement from your doctor, or require you to take a physical exam.

Answer all health questions as truthfully and thoroughly as possible. If a company later learns you did not fully disclose your health status on the application, it could refuse to pay your claim or cancel your policy.

Long-Term Care Rates

Insurance companies determine long-term care premiums based on several factors. Some of these include:

Age: The younger you are, the lower your premium will be.

Your health: Your health at the time the policy is issued will affect your premium. Your premium will be higher if you have health problems.

Elimination period: Premiums are less if you increase the elimination period. The longer you can pay your expenses before benefits begin, the lower your premium.

Benefit amount and duration: A policy paying $50 a day for three years will cost less than one paying $100 a day for five years.

Other factors: Long-term care costs may vary greatly from one area to another. Where you live will affect the cost of your coverage. Optional benefits you decide to add to your policy also will increase your premium costs.

Premium increases: Premiums on most long-term care policies will increase. Insurance companies can raise the premiums on policies that do not have fixed rates, but only if they increase the premiums on all policies in your "rate class." Individuals cannot be singled out for a rate increase, regardless of the number or amount of claims they have made or any change in their health. Your rate class may be based on your age, where you live, and your health status at the time you purchased your long-term care policy. Once your rate class is established, deteriorating health may not change your class or affect your individual premium. Your company must give you at least 45 days notice of any upcoming premium increase.

Potential rate increase disclosure: An agent or company that offers you a long-term care policy must show you a 10-year premium history from Texas and any other state for the policy being offered. If the policy is new or has not been sold for that long, the agent or company must show you a history of a similar policy issued by the company. The illustration must include the amount or percent of each rate increase in the disclosure form. When you make an application for a long-term care policy, you must sign an acknowledgement that you were provided with the potential rate increase disclosure information.

Can My Company Cancel or Non-Renew My Policy?

Long-term care policies are "guaranteed renewable" or "noncancellable."

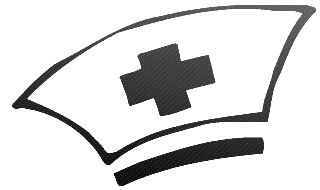
> **Guaranteed renewable** means that the company must renew your policy each year unless you deliberately lied about your health status in your application, failed to pay your premiums, or exhausted your benefits. Companies cannot make any other changes in your policy unless you request them. The company can, however, raise premium rates on guaranteed renewable policies. You have the right to cancel your policy at any time by providing notice to the insurance company. The company must return any unearned premium to you.
>
> **Noncancellable** means the company must renew your policy each year or until your benefits have been exhausted. Companies cannot make any other changes in your policy or raise your premium. You have the right to cancel your policy at any time by providing notice to the insurance company. The company must return any unearned premium to you.

After a policy has been in force for two years, a company cannot cancel it or refuse to pay claims because of misstatements in the application. The company can cancel or deny claims, however, if you made misstatements in the application that were fraudulent.

Can I Lose My Policy if I Am Mentally or Physically Unable to Pay My Premiums?

There are protections to keep you from losing your policy if you did not pay your premiums because you were incapacitated due to Alzheimer's disease or other causes.

The insurance company is required to ask you at the time of purchase to designate another person who also will receive notice that your long-term care policy is



about to lapse (be canceled) because you have not paid the premium. This is called third-party notification. The other person can be a relative, friend, or a professional, such as your lawyer or accountant. Although the company is required to ask, you do not have to designate anyone to receive this notice. An insurance company may not cancel a policy for nonpayment of premium unless the premium has gone unpaid for at least 65 days past the due date. The company must wait at least 30 days after the due date before notifying you and any person you designated that the policy will be canceled for nonpayment of premium. Once the company has mailed the notice, it must allow five days for you to receive it. From that date, the company must give you 30 days to pay the premium.

You may want to consider paying your long-term care policy premiums by automatic bank draft. However, when you have your account drafted for your premiums, you must notify the insurance company and the bank in writing to stop the withdrawals when you no longer want the policy or you want to change the method of payment.

Note *When purchasing a policy, be sure to ask if the policy has a Waiver of Premium provision and how the provision works with automatic withdrawals. These provisions allow premium payments to stop while you are receiving certain benefits under the policy.*

If your policy is canceled for nonpayment of premiums, the insurer must reinstate it upon receiving proof within five months of the cancellation date that you failed to pay premiums because of mental or physical impairment. The company must also pay any claims for eligible services. You will have to pay back premium to the date the policy lapsed.

Comparing and Analyzing Policies

Before you buy a long-term care policy, ask your agent:

- What types of care are covered and in what setting?
- What are the benefit eligibility requirements?
- How much is the daily benefit amount for each type of benefit. How long will it be paid?
- How long is the elimination period?
- Does the policy have a pre-existing condition waiting period? If so, how long is it?
- What inflation protection is offered?
- Is the policy tax qualified?
- Can I upgrade this policy by purchasing more benefits? (Most companies will require you to submit a new medical questionnaire.)

Potential rate increase disclosure: An agent or company is required to give you a potential rate increase disclosure form when offering a long-term care policy. This form provides information on the company's rating practices for Texas and any other state. Use this form to help you compare rate increases.

Outline of coverage: An agent or company is required to give you an outline of coverage when offering a long-term care policy. This outline is a short description of all the policy's features, benefits, limitations, and exclusions. The company must also include this description in its marketing materials and applications for these types of policies. Use the outline of coverage to help you compare policies.

Benefit levels: Companies must offer policies with benefits payable for your inability to perform two ADLs or cognitive impairment only, and may offer a separate policy with benefits payable for the inability to perform two ADLs, three ADLs, or cognitive impairment. Balance the difference in cost for these policies against the greater difficulty in reaching the trigger for the benefits to be payable.

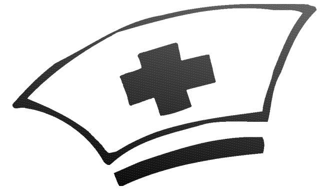
Free look: Insurance companies must give you at least 30 days to look over your long-term care policy after you receive it. This is called a "free look" period. Be sure your policy reflects what you think you purchased. If you decide to return the policy within the 30 days, you will get a full refund of any premium paid. It's a good idea to use certified mail so you will have proof you returned the policy. Be sure to keep a copy of everything you return.

Replacing a Policy

If you are thinking about replacing a long-term care policy, you should consider several things. First, determine how your current policy differs from the new one. Your current policy might contain benefit limitations that are no longer allowed. It also might not contain benefits that must be offered in new policies. Older policies could include the following limitations:

- requiring a hospital stay before nursing home benefits are available (hospitalization prior to nursing home confinement does not occur in many cases)
- no home health care or adult day care benefits or only minimal coverage
- no inflation protection or other benefit increases
- no protection against cancellation due to a loss of mental or physical capacity
- no nonforfeiture benefits
- benefit amounts that are too low to cover today's long-term care expenses.

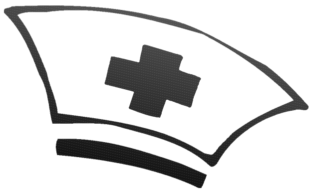
You should compare all the benefits of your policy to any new policy you are considering. Remember, however, that a new policy with better benefits may cost significantly more than your current policy. Also, if you bought your current policy before January 1,1997, it has tax-qualified features. A new policy may not be tax-qualified.



Note *Before you replace your current long-term care policy, be sure you consider all the factors carefully. Consult with a personal or professional financial advisor. If you replace your current policy, the new company must give you credit for any probationary periods (including waiting periods for coverage of pre-existing health conditions) you have already served under the current policy. Don't cancel the current policy until after the new one is issued, or you could be left without coverage.*

Shopping Tips

- If your income and assets qualify you for Medicaid, you do not need long-term care insurance.
- You may want to check on long-term care coverage through your employer's group insurance plan before you retire.
- The older you are when you buy a long-term care policy, the higher your premium will be. Buying a policy long before you expect to need benefits may save you money over time.
- Talk to several agents and companies. Compare policies. Policies differ as to coverage and cost. Companies differ as to service.
- Make sure that an agent or company is licensed in Texas. You can learn the license status of companies and other information by calling TDI's Consumer Help Line or viewing company profiles on TDI's wesbite. Company profiles show the company's history, complaint record, and financial rating.
- Take your time. Do not be pressured into buying a policy. Ethical agents will not pressure you into buying a policy before you are sure of what you want.
- Never buy a policy or sign something you do not understand.
- Answer all questions truthfully. An insurer can deny a claim or cancel a policy if an answer is incomplete or inaccurate.
- When buying by mail, see if the company has a local agent or a toll-free number you can call with questions.
- Never pay cash. Pay by check or money order and insist that the agent give you a receipt. Make checks payable to the insurance company, not to the agent.
- If there is no discount for paying for longer periods, it may be to your advantage to pay by the quarter or by automatic bank draft.
- Don't buy multiple policies. It is not necessary to purchase several policies to get enough coverage. One good policy is enough.
- If you decide to change long-term care policies, make sure you have received and carefully reviewed the new policy before you cancel the current policy.
- Check the benefits and list of exclusions before you buy a policy.



Financial Considerations

To help you decide if a long-term care policy is right for you, consider the following questions about your personal financial situation. You may want to seek help from a trusted personal or professional financial advisor.

Your Assets

- What are my assets (not including my home, my car, and $2,000 cash)?
- How will my assets change over the next 10 to 20 years? Do I expect them to stay about the same, increase, or decrease?

Note *If you are buying a policy to protect your assets, consider carefully whether you have enough assets to justify a long-term care policy, or whether you should consider other options for financing your long-term care.*

Your Income

- What is my current annual income?
- Do I expect my income to change over the next 10 to 20 years?
- Will I change from regular employment to a fixed or retirement income during that period? How will my ability to pay premiums or expenses be affected?

Policy Costs

- How much is the premium for the policy I'm considering?
- Can the company raise the rates for this policy?

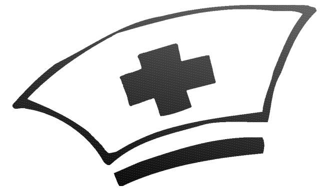
Note *If the rates can be increased, look at the potential rate increase disclosure to determine how many rate increases the company has made on this policy, when the last increase occurred, how much it was, and the total amount of all increases for the policy since it has been offered.*

- Will I be able to afford this policy if premiums increase significantly?
- Can I afford to pay long-term care expenses during the elimination period for this policy?
- Will I pay premiums from my income, savings, or investments? Will my family pay premiums?

General Questions

- Are my assets and income large enough that I need to protect them with a long-term care insurance policy?
- Are there other alternatives, such as care from family members, available to me?
- Will my need for long-term care insurance increase or decrease over the next 10 to 20 years with estimated changes in my assets and income?
- Will I be able to pay for charges in excess of daily benefit amounts and other expenses that could be associated with an extended stay in a long-term care facility?

For More Information



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