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Comparing Long-Term Care Insurance Policies

Because long-term care insurance (LTCI) is a relatively new product, policies are not standardized, therefore difficult to know which is best for your situation. It can be 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.

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

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beginning of the policy. This section briefly summarizes the policy's benefits and highlights the major features.

Some of the key items to look for are waiting periods, this is a 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. The duration of benefits, also known as the benefit period, you will be asked to select a time period. 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 benefits are important as well, this is the amount of coverage you select as your daily benefit limit (e.g., \$50, \$200). The cost-of-living rider is a feature that provides protection against loss of purchasing power due to inflation. It increases your coverage every year to based on Consumer price index or a fixed percentage to keep pace with inflation.

Range of care is important to consider when 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.

Some other exclusions to keep in mind are that some policies may not cover certain medical conditions such as Alzheimer's or Parkinson's disease and they may also specify you have to be in certain types of facilities. Guaranteed renewability gives you the option to renew the policy and maintain your coverage, despite any changes in your health. Most policies give you a grace period if you are late with a premium payment and the policy will remain before you pay the premium.

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

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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, 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.

Plan Well – doing research is an important part of finding the right plan that fits your goals.

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