

Understanding how long-term care benefits are paid

One of the most important things to understand about a long-term care (LTC) insurance policy is how it will pay benefits if you initiate a claim.

There are two types of benefit payment methods: reimbursement and cash indemnity. Each payment method can have a profound impact on you, your loved ones and your care.¹

- 1. Reimbursement policies** reimburse you, dollar for dollar, for actual expenses incurred. You must first pay for your care expenses out-of-pocket, and then submit receipts to the insurance carrier for reimbursement. Only expenses covered by the contract will be reimbursed.
- 2. Cash indemnity policies** automatically send you a monthly cash benefit – regardless of your actual expenses. And you can use your benefit however you want: pay a family member for help, modify your home to make it easier to navigate or even save your benefit to use down the road.

Benefit payout comparison

	Reimbursement	Cash indemnity
Eligibility requirements	You are certified as chronically ill by a licensed health care professional, have a plan of care and satisfied your policy's elimination period. Chronically ill means you are unable to perform, without substantial help from another person, at least two activities of daily living (transferring, bathing, getting dressed, eating, continence and toileting) or you require substantial supervision due to severe cognitive impairment.	
Monthly LTC benefit	Limited to actual expenses incurred that are covered by the policy, not to exceed the monthly maximum	Up to 100% of the monthly maximum is paid as a cash benefit ²
Monthly bills and receipts	Required	Not required
Informal care	Limited or none	Yes
Restrictions on use of benefits	Yes, only qualified care expenses as defined in the contract are reimbursed	None

1. If owner/insured are different, benefits will be paid to the owner upon the insured being certified as a chronically ill individual.
 2. Benefits may be taxable under certain circumstances. Please consult your tax advisor.

Cash indemnity vs. reimbursement

Let's look at two hypothetical scenarios to illustrate how each benefit payment method could work if you needed care. Let's say you purchase a policy at age 60 with a:

- \$5,000 monthly maximum benefit
- 6-year benefit period
- 5% compound interest inflation benefit

Then at age 80, you need care and initiate a claim.

Scenario 1: Transitioning from informal care to assisted living

This scenario reveals the power of cash indemnity benefits when care starts in the home with an informal caregiver (spouse, child, etc.) – and transitions to an assisted living facility as the condition progresses over six years.

Notice how the cash indemnity policy would allow you to receive your full monthly benefit as soon as you went on claim, even if you were receiving informal care at home that didn't result in any out-of-pocket expenses.

	Sample reimbursement contract	Sample cash indemnity contract
Day 1 long-term care total	\$408,115	\$408,115
Day 1 monthly max	\$5,000	\$5,000
Age 80 long-term care total	\$1,082,850	\$1,082,850
Age 80 monthly max	\$13,266	\$13,266
Ages 80-81 informal care • projected cost: \$0⁴		
Covered	No ⁵	Yes
Total benefits paid	\$0	\$326,356
Ages 82-83 home health care • projected cost (for 20 hrs/week): \$119,121⁴		
Covered	Yes	Yes
Total benefits paid	\$119,121	\$359,807
Ages 84-85 assisted living • projected cost: \$223,511⁴		
Covered	Yes	Yes
Total benefits paid	\$223,511	\$396,687
Total benefits paid for all types of care	\$342,632	\$1,082,850

This is a hypothetical example for illustrative purposes only. Your experience may be different depending on your specific situation. You should ask your financial professional to run a personalized illustration for you.



Costs of care

(2022 national medians)³

\$27.94 per hour

Home health aide

\$51,161 per year

Assisted living facility

\$740,218 more
benefits paid
over 6 years with
cash indemnity vs.
reimbursement

3. Calculate the cost of long-term care. LTCnews.com. 2022. <https://www.ltcnews.com/resources/states/>.

4. Projected costs calculated using 2022 national medians of costs of home health care: years 2044 and 2045; assisted living: years 2046 and 2047. <https://www.ltcnews.com/resources/states/>.

5. Some reimbursement plans offer limited coverage for informal care.

Scenario 2: Transitioning from assisted living to a nursing home

This scenario shows a more advanced case – going directly into an assisted living facility, followed by skilled nursing care over six years.

Again, notice how the cash indemnity policy would allow you to access more of your benefits earlier than the reimbursement policy because the cash indemnity policy is not limited to actual expenses incurred.

	Sample reimbursement contract	Sample cash indemnity contract
Day 1 long-term care total	\$408,115	\$408,115
Day 1 monthly max	\$5,000	\$5,000
Age 80 long-term care total	\$1,082,850	\$1,082,850
Age 80 monthly max	\$13,266	\$13,266
Ages 80-81 assisted living • projected cost: \$196,746⁷		
Covered	Yes	Yes
Total benefits paid	\$196,746	\$326,356
Ages 82-83 nursing home – semi-private room • projected cost: \$390,119⁷		
Covered	Yes	Yes
Total benefits paid	\$359,807	\$359,807
Ages 84-85 nursing home – private room • projected cost: \$467,393⁷		
Covered	Yes	Yes
Total benefits paid	\$396,687	\$396,687
Total benefits paid for all types of care	\$953,240	\$1,082,850

This is a hypothetical example for illustrative purposes only. Your experience may be different depending on your specific situation. You should ask your financial professional to run a personalized illustration for you.



Costs of care

(2022 annual national medians)⁶

\$51,161

Assisted living facility

\$95,177

Nursing home, semi-private room

\$106,985

Nursing home, private room

\$129,610 more benefits paid over 6 years with cash indemnity vs. reimbursement

Why choose cash indemnity?

Unlike reimbursement policies, cash indemnity contracts don't restrict how your benefit can be used – there's no need to submit receipts to the insurance company or wait for an expense to be approved. Once you go on claim, your benefit is yours to spend or save however you want. Plus, the cash indemnity model doesn't limit your monthly maximum benefit to actual expenses incurred, which means you can fully leverage your policy and not leave any benefit unused.

Experience the power of cash indemnity benefits with SecureCare Universal Life insurance. Contact me today!

6. Calculate the cost of long-term care. LTCnews.com. 2022. <https://www.ltcnews.com/resources/states/>.

7. Projected costs calculated using national medians for costs of care: assisted living – years 2042 and 2043; nursing home (semi-private) – years 2044 and 2045; nursing home (private) – years 2046 and 2047. <https://www.ltcnews.com/resources/states/>.

This is a life insurance benefit that also gives you the option to accelerate some or all of death benefit.

Insurance policy guarantees are subject to the financial strength and claims-paying ability of the issuing insurance company.

Please keep in mind that the primary reason to purchase a life insurance product is the death benefit.

Additional agreements may be available. Agreements may be subject to additional costs and restrictions. Agreements may not be available in all states or may exist under a different name in various states and may not be available in combination with other agreements.

Life insurance products contain fees, such as mortality and expense charges, and may contain restrictions, such as surrender periods.

The purpose of this material is the solicitation of insurance. A financial professional may contact you. This information is meant to help you understand the SecureCare UL policy, not as a means to compare with other products. The amount of benefits provided will depend upon the benefits selected and the charges will vary as such. The following provisions may not apply or may vary depending on the state in which you live at time of policy issue. Please refer to your state's Outline of Coverage for the exact language in your state.

SecureCare Universal Life Insurance includes the Acceleration for Long-Term Care Agreement. The Acceleration for Long-Term Care Agreement and Extension of Long-Term Care Benefits Agreement are tax qualified long-term care agreements that cover care such as nursing care, home and community-based care, and informal care as defined in these agreements. These agreements provide for the payment of a monthly benefit for qualified long-term care services. These agreements are intended to provide federally tax qualified long-term care insurance benefits under Section 7702B of the Internal Revenue Code, as amended. However, due to uncertainty in the tax law, benefits paid under this agreement may be taxable. The optional Long-Term Care Inflation Protection Agreement is available with 3% simple interest, 3% compound interest, 5% simple interest or 5% compound interest.

The death proceeds will be reduced by a long-term care or terminal illness benefit payment. Please consult a tax advisor regarding long-term care benefit payments, terminal illness benefit payments, or when taking a loan or withdrawal from a life insurance contract.

EXCLUSIONS AND LIMITATIONS

You are not eligible to receive benefits if the Insured's long-term care service needs are the result of any illness, treatment, or a medical condition arising out of any of the following:

- (1) war or any act of war, whether declared or undeclared; or
- (2) active service in the armed forces or units auxiliary thereto; or
- (3) participation in a felony, riot, or insurrection; or
- (4) any attempt at suicide, or intentionally self-inflicted injury, while sane or insane.

In addition, you are not eligible to receive benefits if the Insured's long-term care services are required for, or as a direct consequence of, the Insured's alcoholism or drug addiction.

PRE-EXISTING CONDITION LIMITATIONS

Pre-existing condition limitations refer to any condition or disease for which the Insured received medical advice or treatment within six months preceding the effective date of this agreement for that same condition or disease. After six months from the effective date of this agreement, all pre-existing conditions disclosed on the application will be covered regardless of the date the loss or confinement begins. There does not need to be a specific diagnosis for the condition or disease for it to be considered a pre-existing condition.

We will not pay benefits for a pre-existing condition or disease that is not disclosed in the application for a period of six months from the effective date of this agreement. A pre-existing condition during the first six months that this agreement is In Force will not be counted toward the satisfaction of the Long-Term Care Elimination Period. SecureCare UL may not be available in all states. Product features, including limitations and exclusions, may vary by state. For costs and further details of coverage, including the terms and conditions under which the policy may be continued in force, contact your agent/representative.

This is a life insurance benefit that also gives you the option to accelerate some or all of the death benefit in the event that you meet the criteria for a qualifying event described in the policy. This policy or certificate does not provide long-term care insurance subject to California long-term care insurance law. This policy or certificate is not a California Partnership for Long-Term Care program policy. This policy or certificate is not a Medicare supplement (policy or certificate).

These are general marketing materials and, accordingly, should not be viewed as a recommendation that any particular product or feature is appropriate or suitable for any particular individual. These materials are based on hypothetical scenarios and are not designed for any particular individual or group of individuals (for example, any demographic group by age or occupation). It should not be considered investment advice, nor does it constitute a recommendation that anyone engage in (or refrain from) a particular course of action. If you are looking for investment advice or recommendations, you should contact your financial professional.

INSURANCE PRODUCTS ARE ISSUED BY MINNESOTA LIFE INSURANCE COMPANY

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POLICY FORM NUMBERS

17-20103.04; Acceleration for Long-Term Care Agreement
17-20111.04; Extension of Long-Term Care Benefits Agreement
17-20112.04; Long-Term Care Inflation Protection Agreement
17-20113.04.

Not a deposit – Not FDIC/NCUA insured – Not insured by any federal government agency – Not guaranteed by any bank or credit union – May go down in value



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