

Understanding Long-Term Care Riders on Life & Annuity Products

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Framing the Conversation – Why It Matters Now

- Growing need for long-term care (LTC) planning
- Increasing consumer reliance on private solutions
- Potential Medicaid savings when more consumers plan ahead
- Meeting LTC needs with innovative, accessible product designs

The Basics – Combination Products

Products that have LTC benefits as part of a:

- Life insurance policy
 - Whole Life
 - Universal Life
 - Variable Universal Life
 - Term Life
- Annuity
 - Fixed
 - Indexed

The Basics – What is a True LTC Combination Product?

- Must comply with NAIC LTC Insurance Model Regulation (#640) and Model Act (#641), including definitions, benefit triggers, disclosure requirements, and policyholder rights.
- Must meet IRS §7702B standards to qualify for favorable tax treatment.
- Can be marketed and advertised as covering long-term care.

Types of LTC Combination Products

LTC Acceleration Rider

- Allows insured to access part of life insurance death benefit to pay for qualified LTC expenses. Reduces death benefit and/or cash value dollar-for-dollar
- Key Considerations:
 - Simple structure,
 - Lower cost
 - LTC use directly reduces death benefit for beneficiaries.

Types of LTC Combination Products

LTC Acceleration + Extension of Benefits Rider

- Provides benefits beyond the acceleration of the death benefit, typically creating a separate pool of LTC benefits.
- Key Considerations:
 - Higher premium cost
 - More LTC protection

Types of LTC Combination Products

Annuity with LTC Rider

- Enhances withdrawals from fixed or indexed annuity when LTC criteria met (e.g., doubles/triples monthly income for set period).
- Key Considerations:
 - Leverages retirement asset for care needs.
 - LTC benefit limited by account value.

Addressing Transparency & Consumer Understanding

Policy Summary at Delivery

- Must explain how the LTC benefits interact with life/annuity components, including benefit amounts, duration, exclusions, inflation options, effects on other policy rights, costs, and current/projected LTC benefits.

Addressing Transparency & Consumer Understanding

Monthly Reporting During LTC Benefit Payment

- If LTC benefits are paid via death benefit acceleration, must provide monthly report showing:
 - benefits paid,
 - costs or changes,
 - changes to policy values, and
 - remaining LTC benefits.

Market Overview

- Market Share by Number of Policies:
 - Indexed Universal Life products represent the largest share of policies sold, followed by Term Life, Whole Life, Variable Universal Life, and Fixed Indexed Universal Life.
- Market Share by Total Premium:
 - Indexed Universal Life generates the largest share of total premium, with Fixed IUL, Whole Life, and Variable Universal Life contributing mid-range amounts, and Term Life representing the smallest share.

Market Overview

- Recurring premium products make up the overwhelming majority of the market, with single premium products representing only a small share.
- Among policies with LTC benefits, acceleration riders make up the largest share, with extension of benefits riders representing a smaller portion.