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Hybrid LTC plans cited among 2011 benefit trends

By Editorial Staff

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Nothing in life is guaranteed, but working Americans increasingly are in search of flexible income-protection products that will offset market volatility.

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The message comes courtesy of [Mark Konen](#), president of Lincoln Insurance and Retirement Solutions, who believes voluntary plans will continue to gain importance as more employers search for cost-effective benefit solutions.

He recently outlined several trends to be on the lookout for in 2011, namely so-called hybrid or combination long-term care (LTC) insurance products.

Other trends that were noted include a continued focus on term life products, guarantees in products offerings such as universal and variable universal life, as well as flexible-income options involving both variable and fixed annuities, and an end to estate tax repeal riders.

One reason traditional LTC sales keep declining is the assets used to fund premiums are lost in the event that the insurance is never needed.

That's not the case for a hybrid plan with an LTC rider, which enables policyholders to reallocate cash reserves to upgrade coverage, leverage death benefits when the product is combined with life insurance

and access cash.

Konen explains that, in essence, a portion of cash reserves can be reallocated to a single-premium purchase of a hybrid policy that links [the benefits of universal life insurance](#) or an annuity with an LTC rider.

Hybrids also help ease concerns about financial risks associated with longevity and potential LTC costs as policyholders approach retirement. He expects more of these products in response to the 2006 Pension Protection Act's favorable tax treatment of hybrid/combination annuity/LTC products.

Another regulatory issue to consider is the Community Living Assistance Services and Supports (CLASS) Act, with paltry benefits in the face of rising costs are expected to solidify the case for alternative LTC planning and funding options.

"If the CLASS Act increases awareness of the realities of long-term care costs and the need to plan for those costs, then the future should continue to be bright for hybrid LTC products," opines Mike Hamilton, assistant vice president of life product management at Lincoln Financial Group.

He says the minimum daily benefit of \$50 under [the CLASS Act](#), which could rise to \$75, would cover only a portion of LTC costs, which 2010 industry research suggests could average \$200 per day at a nursing home and \$20 per hour for at-home care.

While traditional LTC sales have long lagged behind many other benefit plans sold on a voluntary basis, there seems to be tremendous room for growth, according to a bullish forecast by [Jesse Slome](#), executive director of the American Association for Long-Term Care Insurance.

He recently noted that the 8 million Americans with some form of private LTC insurance has the potential to reach 15 million to 20 million when factoring in individual, group, life insurance and annuity products.

"Long-term care is in the early stages still," according to Slome, who predicts that in 20 years, the product will become part of the cultural landscape much like 401(k) plans.

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