

CASE STUDY

The value of return of premium

There are a variety of features to consider when selecting a long-term care (LTC) plan. Many asset-based LTC products offer a range of return of premium (ROP) benefits: from 100 percent ROP with a vesting schedule to no ROP at all in exchange for increasing the available LTC benefit pool.

It's important to understand how an LTC policy's ROP benefit is structured so you can help a client weigh the value of a fully guaranteed ROP benefit versus a larger LTC benefit.

Policies that offer a fully guaranteed ROP benefit,¹ such as SecureCare Universal Life, can provide:

Liquidity

Clients retain the full value of their asset in their portfolio, whether in an individual or business purchase

Flexibility

Clients have an exit strategy should their needs change in the future due to challenging economic situations

Transferability

Clients aren't locked into one product – if another option that better suits their needs becomes available, they can roll over the full value of their original asset to the new solution

Confidence

Clients gain the confidence to plan for LTC today, without the buyer's remorse that can come with solutions that decrease in "walk away value" after purchase

For some consumers, a maximized LTC benefit may be the top priority. But for others, especially during times of financial uncertainty, a fully guaranteed ROP benefit may offer the peace of mind they need to get LTC protection today.

1. Upon surrender, the policy owner will receive the surrender value proceeds. The surrender value proceeds may not equal the sum of premiums paid. Surrenders are subject to a return of premium vesting schedule. Policies that are fully vested are eligible for a full return of all premiums paid.

SecureCare's ROP vesting schedule

Single-pay or 5-pay		7-pay		10-pay		15-pay	
Year 1	80%	Years 1-3	80%	Years 1-6	80%	Years 1-11	80%
Year 2	84%	Year 4	84%	Year 7	84%	Year 12	84%
Year 3	88%	Year 5	88%	Year 8	88%	Year 13	88%
Year 4	92%	Year 6	92%	Year 9	92%	Year 14	92%
Year 5	96%	Year 7	96%	Year 10	96%	Year 15	96%
Year 6+	100%	Year 8+	100%	Year 11+	100%	Year 16+	100%

Full ROP vs. max LTC

When you're helping a client find the best LTC policy for their needs, the total LTC benefit is a critical deciding factor, but it shouldn't be the only one.

It's important to help clients understand the trade-off being made when a contract offers maximum LTC but no guaranteed ROP. Typically, these plans offer a surrender value based on the policy's underlying cash value growth. Even after a significant length of time, this cash value may not grow to equal the original premium amount.

In the following scenarios, each contract has a 6-year benefit period and optional long-term care inflation protection at 3 percent compound interest. The policies are both 10-pays with an annual premium of \$10,000.

Male age 55, couples discount

	Sample maximum LTC benefit contract	SecureCare contract with full ROP
Total premium paid	\$100,000	\$100,000
Year 1: monthly LTC benefit	\$4,344	\$4,211
Year 1: surrender value	\$5,862	\$8,000
Year 11: monthly LTC benefit	\$5,838	\$5,660
Year 11: surrender value	\$52,470	\$100,000
Year 20: monthly LTC benefit	\$7,617	\$7,385
Year 20: surrender value	\$66,996	\$100,000

Female age 55, couples discount

	Sample maximum LTC benefit contract	SecureCare contract with full ROP
Total premium paid	\$100,000	\$100,000
Year 1: monthly LTC benefit	\$3,831	\$3,653
Year 1: surrender value	\$4,680	\$8,000
Year 11: monthly LTC benefit	\$5,148	\$4,909
Year 11: surrender value	\$42,457	\$100,000
Year 20: monthly LTC benefit	\$6,717	\$6,405
Year 20: surrender value	\$55,116	\$100,000

These are hypothetical examples for illustrative purposes only.

Male age 60, couples discount

	Sample maximum LTC benefit contract	SecureCare contract with full ROP
Total premium paid	\$100,000	\$100,000
Year 1: monthly LTC benefit	\$3,900	\$3,896
Year 1: surrender value	\$6,188	\$8,000
Year 11: monthly LTC benefit	\$5,242	\$5,236
Year 11: surrender value	\$54,210	\$100,000
Year 20: monthly LTC benefit	\$6,839	\$6,832
Year 20: surrender value	\$67,528	\$100,000

Female age 60, couples discount

	Sample maximum LTC benefit contract	SecureCare contract with full ROP
Total premium paid	\$100,000	\$100,000
Year 1: monthly LTC benefit	\$3,287	\$3,254
Year 1: surrender value	\$4,732	\$8,000
Year 11: monthly LTC benefit	\$4,417	\$4,373
Year 11: surrender value	\$42,244	\$100,000
Year 20: monthly LTC benefit	\$5,763	\$5,705
Year 20: surrender value	\$53,803	\$100,000

These are hypothetical examples for illustrative purposes only.

In these scenarios, compare the monthly LTC benefit of a SecureCare contract with a sample contract that offers a maximized LTC benefit but no ROP. Is the higher LTC benefit worth sacrificing the flexibility and confidence that a full ROP benefit can provide?

Every client's answer will be different, but it's essential to help them understand the trade-off being made. Ultimately, a policy with guaranteed ROP may offer the peace of mind and guaranteed protection consumers need to plan for LTC today, instead of delaying until tomorrow.



Contact us today

to put the value of ROP to work for your clients:

1-888-900-1962 (Independent distribution)

1-877-696-6654 (Securian Financial and broker-dealer)

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

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

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

The optional Long-Term Care Inflation Protection Agreement is available with 3% simple interest, 3% compound interest, 5% simple interest or 5% compound interest.

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.

SecureCare may not be available in all states. Product features, including limitations and exclusions, may vary by 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 these agreements may be taxable.

The death proceeds will be reduced by a long-term care or terminal illness benefit payment under this policy. Clients should 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.

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F87549-166 Rev 1-2021 DOFU 1-2021
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