

**News****Desjardins introduces hybrid product**

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**LTC Advance is the first product in Canada to combine the benefits of traditional LTC coverage with life insurance**

By Megan Harman | Mid-October 2013

**A new product that com-** bines life insurance and long-term care (LTC) insurance has been launched by Lévis, Que.-based **Desjardins Financial Security Life Assurance Co.** The new product is called LTC Advance.

Some industry-watchers say this innovation could make LTC coverage more accessible to the average client. But others argue that this new product may not meet clients' needs, as its level of coverage falls considerably short when compared with traditional LTC insurance.

LTC Advance is an option available on Desjardins' T100 universal life insurance policies. This option allows clients to receive a monthly advance of 1% of their life insurance benefit - up to \$2,500 a month, tax-free and interest-free - if they require LTC.

"It's life insurance up to age 65 and, at age 65, the product switches," says Nathalie Tremblay, health products manager, individual insurance, with Desjardins. "If the person needs care on a daily basis, we will pay 1% of the insurance as an advance."

Other life insurance products feature options that allow policyholders to access their benefits as a lump-sum advance in situations in which they're diagnosed with a critical illness. But this is the first product in Canada to combine LTC coverage with life insurance. LTC Advance, Tremblay says, was designed in response to the aging population and Canadians' growing concerns about the steep cost of the health care that they may face as they age.

**living longer**

"We're living longer than ever," she adds. "People are looking for solutions to longevity."

It's promising to see a new product addressing this important risk, says Marg Manias, insurance manager and living benefits specialist with **Investors Group Inc.** in Halifax: "It says to me that insurance companies are really recognizing the road ahead, in terms of an aging population and the products that are going to be needed."

Manias is particularly encouraged that LTC Advance will make LTC coverage more affordable for clients. Traditional LTC insurance policies can be expensive and premiums can increase over time, which is part of the reason that LTC sales have been low compared with other insurance products.

Premiums on a life insurance policy with LTC Advance will be, on average, 15% higher than a regular life insurance policy. Premiums are guaranteed to remain level to age 100.

"LTC policies and significant life policies are purchased by people who have the wherewithal to spend the money. And, that's not the majority of Canadians," Manias says. "For people who cannot afford their own stand-alone long-term care policy and a life insurance policy, this is ideal."

Clients will also have an easier time qualifying for LTC Advance, as compared with pure LTC insurance, because the new hybrid product is underwritten in the same way as life insurance. As a result, clients won't be subjected to the rigorous cognitive tests that typically are conducted as part of the LTC insurance underwriting process.

"It's easier for the advisor," Tremblay says. "And for the client, it's less stressful."

LTC Advance policyholders are eligible, like traditional LTC clients, to receive benefits if they become unable to care for themselves because of a chronic illness, disability, cognitive impairment or other age-related conditions preventing them from managing a number of the basic activities. Benefits can begin after a three-month waiting period.

### ***preserve independence***

LTC Advance policyholders who require ongoing care can receive an advance totalling 100% of their life insurance benefit over 100 months. These benefits reduce the amount that will be paid out upon the client's death. However, the beneficiaries are guaranteed at least 25% of the initial insurance amount, even if the full amount has been paid out in LTC benefits.

"The [client] leaves probably a smaller inheritance," Tremblay says, "but will have money to preserve their independence."

The new product is not necessarily meant to be an alternative to pure LTC insurance, Tremblay says. Rather, it suits the needs of a client who, first and foremost, needs life insurance but also is worried about the possibility of outliving his or her money.

If a client is concerned primarily about the possibility of needing care in retirement, Tremblay says, traditional LTC coverage would be more appropriate because it provides higher monthly LTC benefits relative to the cost of premiums.

The maximum monthly benefit of \$2,500 available under LTC Advance wouldn't cover the full cost of care for many clients, which can run as high as \$11,000 a month, says Mark Halpern, certified financial planner and president of illnessPROTECTION.com Inc. in Markham, Ont. Pure LTC insurance can be a better option for some clients, he says, as it provides coverage of up to \$8,000 a month.

Halpern also cautions that LTC Advance is not ideal for clients who need life insurance primarily for estate planning purposes: "If somebody bought the insurance because they wanted to have money left over for estate taxes or inheritances or charity, and now all of a sudden they get sick, the insurance that they bought for a purpose no longer figures into their purpose."

Nonetheless, he says, the new product will be suitable for some clients, and is likely to put LTC coverage on the radar of many financial advisors: "If the only thing it's doing is getting advisors to talk about living benefits with clients, then it's a grand slam."IE

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