

Long-Term Care Insurance

Long-term care insurance is an excellent choice for people who want to protect their financial health and quality of life in the event of a loss of independence.

Long-term care coverage is a relatively new phenomenon on the insurance market. Given the needs of an aging population, this product will certainly continue to evolve. A number of insurance companies will soon start offering their own version of this type of coverage. It is therefore important to be aware of the main features of long-term care insurance to be better able to compare the various products.

What you need to know about long-term care insurance:

- What it is
- How it is sold
- Coverage
- Other advantages
- Eligibility for benefits
- Definition of "loss of independence," restrictions and exclusions
- Premium refunds
- Premiums
- Additional benefits

What is it?

Long-term care insurance covers expenses incurred by a loss of independence or a physical or mental disability that prevents someone from taking care of him/herself. The care may be provided at home or in a specialized care centre.

How is long-term care insurance sold?

There are three types of extended care coverage available on the market today:

- Some types of coverage provide a **full or partial reimbursement of expenses** incurred for home care or care received in a residential or long-term care centre.
- Other types **pay a fixed daily benefit** determined when the contract is taken out. **Services must be provided** in a long-term care centre or at home by a health care professional.
- The last type pays an **annuity that does not depend on the services received** nor on expenses incurred, meaning that you can choose to use your benefit as you see fit.

Generally speaking, long-term care insurance coverage is sold on a standalone basis, meaning that it cannot be combined with life or critical illness insurance.

If you would like additional information about critical illness insurance coverage, visit our [I'm Shopping for a Product](#) section.

Coverage

Age

- The entry age for the **basic coverage** varies from company to company.
- The entry age for certain types of **additional benefits** may be more restricted than that for basic coverage.
- When the policy is established, double-check to see how the insurer determines the age of the insured. Insurers use one of two methods: Age can be based on the insured's age at the **last birthday**, or the insured's age at the **nearest birthday**.

Coverage limits

Minimum and maximum coverage amounts vary from product to product and from company to company. **Before taking out a policy** that will provide a reimbursement, an annuity or a pension, **find out about the cost of home care** or care provided at a long-term care centre, so that you can **determine the amount of insurance coverage** you require.

Think about asking these questions:

- What is the **maximum** amount paid **per type of care** and **per period** (day, week, month, or lifetime)?
- Do **amounts differ depending on where care is received?** For example, \$100 per day for home care and \$250 per day for care in a long-term care centre.
- Are there **benefit limits**, for example a maximum number of payments or a lifetime maximum?
- What types of **care are covered? Who can provide** care? Must the care be provided by a professional?
- Are benefits **integrated with government benefits?**
- Are benefits paid if care is received from a family member or close friend?
- Are **supporting documents** required?
- Can you **use the money as you see fit?**

Are you entitled to receive **lump-sum benefit payments** for one-time expenses, for example, the purchase of a walker or wheelchair?

Duration and types of coverage

To pick the right option, take the time to ask:

- Is the coverage amount fixed? If it is not fixed, does it decrease over time or does it enjoy a cost-of-living increase?
- Is the coverage amount the same for all types of care or services received?
- At what **age does the coverage end?** Coverage can last for two years, five years, ten years or lifetime. It can also depend on the benefit maximum, meaning that coverage will end when the amount in the contract has been paid out in full.
- If you choose a fixed-duration policy, can it be **renewed?** If so, under what conditions? Will you have to provide **evidence of good health?**

Cost-of-living increases

- Can you **increase your coverage** to cover **inflation**? Depending on your budget, this option could be a way to maximize your protection.
- Do you have a choice between **fixed amounts** or a **percentage** of the insurance amount when establishing the policy?
- Are there **specific periods** or an **age limit** for increasing coverage? If you are in a **period of dependence**, can you make use of such an option? If you do not request an increase during a given period, can you still exercise this right during the following period?
- Do you have to provide **proof of good health**? If so, is this proof required for each successive insurance period?
- How is the **premium calculated** for new increases? In periods of dependence, is this premium waived?
- **How often** can insurance be increased? Every year? Every two years? Every three years? Is there a **limit to the percentage increase allowed** or to **the amount** of the benefit?

Other advantages

Some policies include additional services, which are generally free. Some examples include:

- **Third Party Notification**, a service by which the insurer informs a person named by you if your premiums have fallen overdue, due to a cognitive impairment.
- You may have access to **support services** or an **assistance program** that provides advice and assistance from experts in various fields.

Eligibility for benefits

- **What criteria must be met to be eligible for benefits?** Generally, these criteria pertain to a physical or mental disability that prevents the person from taking care of him/herself. It could mean, for example, that the insured is no longer able to carry out a certain number of Activities of Daily Living, or that s/he has a cognitive disorder such as Alzheimer's disease or senile dementia, and that s/he requires continual supervision to ensure his/her health and security.
- **When do benefits start?** Benefits generally start after a **waiting or elimination period**. Some insurers give you the choice of 30, 90, or 180 days. Others have a set period, such as 90 days. Something else to check: does "days" mean **calendar days**, **days of care received** or some other measure? This distinction is important, as benefits may only start several months after the event. Does a new waiting period apply for each period of care or dependence?
- Are there **certain conditions to be met?** Examples include: being **hospitalized** for a certain period of time, submitting a medical **evaluation**, an evaluation of the ability to carry out the activities described in the contract, an evaluation of cognitive problems, etc.
- If you move **outside of the country**, will you still be covered?

Definition of "loss of independence," restrictions and exclusions

Definition of "loss of independence"

To determine whether or not a person is independent, most insurers look at the following six Activities of Daily Living (ADLs):

- Bathing
- Dressing
- Eating
- Toileting
- Continence
- Transferring (getting into or out of bed, sitting down or getting up from a chair – including a wheelchair)

This list may vary, and so it is important to carefully read the activities listed in the contract. You should also check the definitions of “**loss of independence**” and/or “**state of dependence**” for each of these activities. This is important, because it is on this basis that the insurer will determine whether you are eligible to receive benefits. You should also check the tests required to determine eligibility in the event of mental deterioration.

- For the insured to be eligible for benefits, some insurers require that s/he no longer be able to perform **two of the five or six** ADLs listed, whereas others require **three**. The higher the number, the more difficult it is to become eligible, which influences the cost of premiums.
- You should also check to see whether you need “**concrete**” **help**, that is, whether another person is **absolutely required to help** carry out the activity, or whether a person **ready to act** in case of need would meet the requirements.
- **Cognitive deficiency and altered mental function:** long-term care policies generally offer this type of coverage.

It's good to know that the definitions of these illnesses and disabilities are based on standards of medical practice. This means that when a physician practising in Canada diagnoses one of the illnesses covered, the insured is generally deemed eligible for benefits.

Restrictions and exclusions

However, certain **restrictions and exclusions** apply. These vary depending on the insurer, the illness and the circumstances. Find out what is not covered by the policy. Some examples include:

- Benefits are not payable for care received outside of Canada or the US.
- Some illnesses may not be eligible depending on the circumstances under which they appeared, for example, dementia due to alcoholism.
- Pre-existing illnesses may be excluded.

Other exclusions systematically apply to most contracts on the market. For example:

- Illnesses or injuries caused by an act of war.
- Attempted suicide or intentional self-inflicted injuries.

Premium refunds

When the insured person dies, some insurance companies automatically refund the premiums if no benefits have been paid. Others offer more generous refund plans. Because of this, it is important to ask:

- Does the refund include interest calculated at a pre-determined rate?
- Is the refund subject to a maximum?

- Must the policy have been in force for a minimum number of years to be eligible for a refund?

On payment of a premium supplement, some insurers offer this option **even if benefits have been paid**. Find out how the premium refund is determined.

Premiums

It is important to determine the following premium characteristics:

- Premiums are **payable** until what **age**? Can you **limit the premium payment period** to a given age or for a fixed number of years?
- Are they **fixed** or will they vary after a set period?
- Are they **guaranteed** until the end of the payment period or, if applicable, for each of the predetermined periods?
- Are **premium reductions** for couples available? If so, under what conditions? Do both policies have to be taken out at the same time? Does the reduction apply to each of the premiums? Is it permanent? Does it apply to future insurance increases (cost-of-living increases)?

Waiver of premiums

- During a period of dependence while you are receiving long-term care **benefits**, will you have to keep **paying premiums**, or will a **waiver of premiums** apply?
- Does the premium waiver clause apply to **home care** or if the care is provided by a **family member** or **friend**?
- When does the premium waiver **start**? When does it **end**?
- Is this protection **included** in the contract or is it optional?

Paid-up insurance

If you had to **stop paying premiums** after several years, would you be able to **maintain your policy** and be entitled to benefits? If so, under what conditions? What coverage would be offered? Could you re-establish your coverage as it was before it was paid up? If this is a possibility, would you have to provide proof of good health?

Payment terms

Insurers offer various premium payment methods:

- Can premiums be paid monthly, every three months, twice a year, or yearly? It's important to compare premiums with the same payment frequency, since a given policy may be more competitive than another at one payment frequency but not another.
- Can premiums be paid by pre-authorized bank withdrawals, by credit card, by cheque, etc.?

How to compare premiums?

Premiums vary from one product to another and from one insurer to another according to the terms mentioned above, the gender of the insured, the insured's state of health, smoking status, occupational hazards, etc. The total premium also generally includes fixed fees to cover administrative costs.

This all makes it fairly complicated to consistently compare premiums from one insurer to the next. This is why it's so important to seek out **sound advice** to make sure that the product you want to buy meets your needs *and* your budget.

Optional benefits

Insurance companies may offer many different types of **optional benefits** that can be purchased in addition to long-term care insurance. For more information about these types of coverage, visit out [What to Look for in Additional Benefits](#) section.

Other sections of the Insurance Shopping Guide

- What to look for in [Term Life Insurance](#)?
- What to look for in [Universal Life Insurance](#)?
- What to look for in [Critical Illness Insurance](#)?
- What to look for in [Optional Benefits](#) offered with these types of insurance?
- How to prepare for a [meeting with a representative](#)?