LTCI Round Table

Tiffany Albert
LifeSecure Insurance Company

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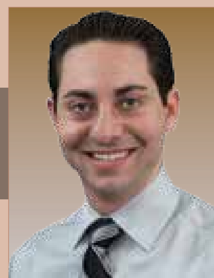

Marc Glickman
LifeCare Assurance Company

Q ***What specific challenges do you see to influencing brokers successful with other product lines to commit to having the LTCI discussion with their clients, and how can the industry address them?***

Tiffany Albert: Historically, long term care insurance (LTCI) has had a reputation for being a complex and complicated product. As such, brokers who have truly embraced LTCI have established a unique expertise and often choose to sell it exclusively. Similarly, brokers with other lines of business tend to shy away from selling LTCI. More recently, brokers have developed a renewed interest in strengthening their voluntary offerings as a result of the Affordable Care Act (ACA) and are looking to boost their earnings by offering other products. This presents a great opportunity to learn more about LTCI and its benefits.

In selling LTCI, as with any insurance product sales, it is important that brokers invest time in understanding their clients' needs. LTCI is not a one-size-fits-all type of product. Each plan is custom designed for the client, so having a good line of sight into his financial goals and how much coverage he is seeking is imperative.

LifeSecure remains focused on creating competitively-priced, straightforward product designs. This helps the client to make a buying decision more efficiently and enables the agent to close the sale more quickly. LifeSecure also simplifies the selling process by maintaining the fastest underwriting turnaround time in the industry and by offering an electronic application process.

As carriers, we must continue to offer unique and innovative solutions that help more agents do business in LTCI. We must also ensure we're providing agents with a strong educational background on LTCI to make it easier for them to sell the product and protect their clients. Our industry as a whole will benefit from having more LTCI experts.

Barry Fisher: Day-to-day compliance burdens, along with the Affordable Care Act (ACA), have, in my opinion, reduced much of the agents' excess bandwidth to take on new products of any kind. So unless their clients ask for LTCI, it is overlooked. A broker needs to make a commitment of time and effort to successfully take on a new product line such as long term care insurance. It requires new knowledge, CE, and now they also need to understand life insurance and annuities. Brokerage general agents (BGAs) can help agents bridge this gap, but the challenge is there. I also believe that the ACA has sucked discretionary premiums out of everyone's pocketbook, making it harder to find the money to pay for new insurance. The combination of these

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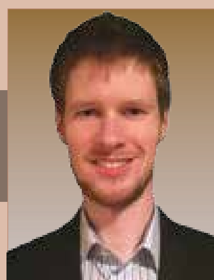
How Can The Industry Engage More Agents And Their Clients In The Long Term Care Risk Discussion?

Angie Hughes
Producer's XL



Alex Ritter
Art Jetter & Company

factors creates a tough environment for long term care sales.

Marc Glickman: Addressing the following two challenges will allow brokers to more easily commit to the LTCI market:

The first challenge is to simplify the LTCI discussion. By focusing at a high level on the benefits of the coverage, brokers unfamiliar with the LTCI space can more easily educate their clients. Based on each client's profile, brokers can be prepared to determine which clients are the best leads for different LTCI coverages. For example, although the hybrid life/LTCI market is often suggested as a substitute for standalone LTCI, the two products are clearly geared toward different clientele. Greatly simplified, hybrid products fit those who are already in need of life insurance or annuities but are willing to substitute those benefits for an LTCI benefit should the need arise. On the other hand, stand-alone LTCI is geared toward healthy individuals with assets to protect against a catastrophic event should they outlive their life expectancies. With this mindset, stand-alone coverage that offers comprehensive benefits such as lifetime benefits, 10-pay and single pay are designed to meet the need.

The second challenge is new business price stability. LTCI new business pricing has increased to a point where it is extremely unlikely that future increases will be necessary. In addition, with virtually every major carrier having needed to perform substantial rate increases due to the under-pricing of legacy business, it is important to recognize that even with those increases, premiums for the legacy business are still lower than the current new business premiums.

The legacy business under-pricing was primarily caused by lower lapse and interest rates than originally anticipated. Conversely, current products use lapse and interest rates that are so low it is difficult to develop scenarios in which they will be insufficient on a forward-going basis.

Angie Hughes: What I find in my distribution to be the biggest challenge facing most brokers today in having discussions around LTCI is just that they are successful in other product lines, but with LTCI being a resistant topic for both broker and consumer, why bother. It is, by far, easier to wait for the consumer to ask about LTCI and then give them some quotes than it is to really work up the conversation and present the need for LTCI and what it does for the family once they are in a crisis. With LTCI, you have to be very patient and comfortable with the word "no." You will be told no far more often than yes, but if we don't at least give consumers a chance to say no, are we really doing our job? How the industry can help is a double-edged sword. We ask for easier products, fewer moving parts, and then we don't really like them. We also want rate stability, but what is that anymore? We are living in a challenging time with LTCI sales, and if our hearts believe that this type of insurance can really help families, then we must continue to bring up the topic, have the tough conversations, and just educate families on what really happens when they need help and who actually pays for the care.

Alex Ritter: Consumers have grown increasingly aware of the need for long term care planning. Clients want to have the long term care planning discussion. They will have it with someone. If their broker isn't talking about it, someone else will.

We need to understand that new business pricing problems are behind us. Older generation policies were subjected to rate increases, and some carriers left the market. However, the carriers selling LTCI today found accurate pricing, solid underwriting and policy design solutions.

Q What factors should agents consider regarding a decision to address the long term care risk in planning discussions with clients?

Fisher: New product choices mean that consumers have the opportunity to do a lifetime of long term care planning. Agents need to be fluent in general long term care matters, but I don't think they need to be experts. They should be able to rely on their BGA for detailed support. Sometimes the discussion with the prospect will be about life insurance with coverage for chronic illness as a "bonus" benefit. Other times traditional long term care insurance or linked products where the life insurance is actually the incidental benefit will take center stage. Therefore the broker will need to hone his fact-finding skills so he knows what his client's needs and focus of attention are.

Glickman: The planning discussion should be designed to understand whether the projected retirement income can support the catastrophic costs associated with long term care, together with the ongoing retirement needs of the healthy spouse. While the answer could be care provided by the spouse or the children, the emotional and physical impact on healthy family members providing that informal long term care needs to be properly understood by the client. If the answer is to use retirement income funding, it needs to be understood how much of those funds can pay for care, what types of services can be afforded, and whether adequate funds will remain for the primary retirement needs. Generally, the availability of LTCI provides significant quality of care improvements with funding for better services/facilities and the ability to remain at home longer.

Hughes: I believe that everyone should hear about LTCI, but not everyone needs to buy it. Probably the first question in deciding on whether or not to continue the discussion is, "Are you healthy enough?" Why go down the painful task of taking an application just to have your client declined due to health reasons? This is where your field marketing office can assist greatly. All carriers have knock-out questions and medications. I would say the next factor would be finances: "Can you afford it?" Now that is the million-dollar question, and you will see great debate around this. At what point should someone rely on aid or self-insure? Again, this goes back to my adage, everyone should hear about it but not everyone will buy. Is something better than nothing? My opinion is yes!

Ritter: With the increased emphasis placed on underwriting, prequalifying a client's health is crucial. To help brokers maximize placement, we have a brilliant chief underwriter on staff who can help select the right carrier and help place cases. Good field underwriting ensures that the broker's time is well spent and prevents unwanted surprises for both broker and client.

Understanding client finances, including the ability to pay ongoing premiums, the ability or desire to self-insure, and the amount of assets the client wishes to protect is essential. Understanding the client's employment and income tax situation can help the advisor direct the most tax-savvy payment method.

Every client has a unique set of circumstances, wants and needs. When brokers have done proper fact finding, we can help them find these value propositions, which close sales.

Albert: As with any product, it starts with knowing your client—not only understanding his financial goals, but also considering things such as age, health and family history. LTCI means different things to different people. Understanding a client's perspective can help agents present LTCI as a meaningful, easy-to-understand product that is a critical piece of the financial planning puzzle. An agent can also help create a benefit plan that matches a client's personal needs and budget. Even younger clients are showing a greater level of interest in LTCI as they consider different ways to protect their health and financial futures. LTCI doesn't have to be an "all or nothing" decision. Remember, when a life-changing event happens, having some coverage is better than having none at all.

Q What product solutions are helping or could help reduce consumer reluctance to use insurance to address the long term care risk?

Glickman: Life or annuity products with LTCI riders may be helpful in providing a vehicle for self-funding lower cost but higher frequency long term care events. Stand-alone LTCI provides catastrophic coverage, or lower cost solutions for only the long term care expenses.

There are several tax-advantaged ways that stand-alone LTCI can be leveraged:

1) 1035 Exchanges to Stand-alone LTCI: The IRS allows clients to convert deferred tax gains from an existing life or annuity contract into an LTCI plan on a tax-free basis. Despite pre-tax dollars being used for this purpose, LTCI benefits are received tax free and the client may never have to pay taxes on those capital gains. This tax advantage has been available since 2010, yet has not been utilized much since then.

2) Reverse Combo: Stand-alone products have often offered return of premium nonforfeiture options. When term life insurance is added to this product as an additional rider, the cash flows are similar to the life hybrid products, but with more LTCI coverage and, often, higher death benefits for similar or lower premiums.

This is due to the inherent inefficiencies caused by the MEC contract rules and tax corridors rules, which are not applicable to the reverse combo.

3) Step-rated COLA: There are standalone LTCI product designs emerging in which premiums can be made much more affordable in early years, only increasing in future years at a slow but affordable level, while the inflation protection continues to increase at a compounded rate.

Hughes: Hybrids and linked benefits seem to lessen the tension when it comes to addressing long term care. I still believe that if you want to solve the long term care risk, then LTCI is the right solution. However, consumers like the "But what if I never wake up and don't need long term care?" This answers that problem, but rarely have I found that a life without a long term care rider product is less expensive than a comprehensive LTCI solution. I still like to bring up hybrid and linked solutions, as the consumer is more relaxed about talking about death than he is about what happens before we die. We might get sick and need some help—then what?

Ritter: Enabled by state long term care partnerships, matching benefit periods to assets brings about affordable premiums. Short term care plans can get the ball rolling with lower cost and simpler underwriting. Hybrid LTCI linked with life or annuities offers liquidity in return for the consumer self-insuring a portion of the risk. Buying LTCI at work offers convenience and potential tax advantages.

Albert: When LifeSecure entered the market, our goal was to create innovative product solutions that were easy to sell and easy to understand. Having just a few decision points for consumers, competitive pricing and simple features, such as our Benefit Bank and simplified issue multi-life product, have made it easier to introduce the idea of LTCI. Again, carriers must continue to look at forward-thinking, modern approaches to long term care solutions to better meet our customers' needs.

Aside from products, cultivating a better understanding of LTCI is vital. Groups such as Life Happens are doing a great job at helping consumers understand what's at stake in long term care situations and how LTCI can help. Carriers and brokers must continue to be advocates for our industry and accelerate efforts year-round to help raise awareness of the risks associated with long term care and the importance of this necessary protection.

Fisher: With the addition of more hybrid and linked planning solutions to traditional choices, suitability becomes a key element in deciding which program is best for the client. "Cost-effectiveness" between various products can be opaque, so clarity for agents and consumers hasn't necessarily gotten any easier. Ultimately, having more choices is better. Agents should avoid the "panacea trap," where they believe one solution fits all. Differentiating clients by their life stage is a good general rule of thumb, and listening to what they're interested in will be the key to success.

Q Partnering with an LTCI specialist is often proposed as a solution for advisors successful with other lines. What suggestions and/or experience can you share about finding and forming a productive relationship with an LTCI specialist?

Hughes: If I could figure this out, life would be grand! This is easier said than done. The advisors who are successful in other lines really don't want to bother with a product that they perceive as complicated, expensive and often possibly a point of contention when it comes to the relationship they have with their clients. I can't say as I blame them, but I do think this is something that can prove to be quite successful if the pairing of professionals works out. I do believe the key to success here is expectations. You have to set the right expectations between both advisors. The expectation that not every case is going to be smooth and the expectation that I'm not going to give you my "A" list of clients right off the bat.

Ritter: A large number of brokers with whom we work sell LTCI. However, some brokers tell us they are so heavily focused on their own specialty that they would rather partner with an LTCI specialist. We have been successful in matching up brokers and LTCI specialists. We find that when a broker refers a client to the specialist, the closing rate is very high.

It is essential that the specialist confirm through word and deed that the client belongs to the broker.

It is not uncommon for a broker to write a substantial life or annuity case based on needs uncovered by an LTCI specialist.

Albert: It is important to work with a licensed and LTCI-certified specialist who understands the industry and the comprehensive array of products currently offered. The specialist should also have relationships with at least a few different carriers so the client has options when it comes to underwriting guidelines and product choice.

In short, anyone exploring a partnership should do his due diligence. If you're looking for a subject matter expert (SME), make sure that he really is a LTCI SME. It's also important to research the carriers you're writing with, the type of policies they sell, and to ensure that they work with similar integrity and principles that you bring to your clients.

Fisher: While I've always thought that this sort of relationship is a good thing, most brokers I know don't want any agent to "get their nose under the client's tent," so to speak. Also, at this point, I think the day of the LTCI specialist is coming to an end and I'm not sure how many of those who continue in this area are up to speed on the hybrid and linked choices that are out there today. If agents and advisors really want to do the right thing, I believe they should do it themselves or have someone in their office who specializes in long term care planning.

Glickman: The most successful specialists are expert in understanding needs and solutions, and describing them in a simplified and intuitive way to advisors. LinkedIn discussion groups have become a good resource for finding these specialists and vetting them based on their responses. The remaining challenge is splitting commissions in an equitable way, commensurate with the value that the specialists are providing.

Q ***What can LTCI specialists do to influence their peers in other lines to address and provide solutions for the long term care risks their clients face?***

Ritter: The LTCI specialist must impress upon his peers the importance of incorporating long term care planning into their practices. The problem of long term care funding in America is not going away.

LTCI offers excellent compensation. Since lapse rates are extremely low, renewals can provide consistent revenue for years to come.

Selling LTCI is the right thing to do. A long care event can have a profoundly negative effect on family finances, quality of life and the disposition of wealth. Financial professionals have a *duty* to discuss long term care planning with their clients, and they must do their best to ensure that the risk is transferred. [AR]

Albert: It's as easy as opening the lines of communication, whether the goal is forming a partnership or simply promoting LTCI. In order to bring the best solutions forward, brokers need to commit to being collaborative and reaching across the lines of business. Speaking as someone who has held leadership positions in agent trade associations, I know they can also help by raising the profile of LTCI in our trade groups. Considering the growing need for LTCI, which is not going away, we all need to be industry advocates. Starting the conversation and putting the demand for care, caregiver shortages, long term care risks and statistics in relatable terms will make it more tangible for others and raise awareness of the important solutions carriers and agents are offering.

LTCI is a much needed product for many Americans, as we are now living longer than any other generation. If you are not offering this to your clients, then someone else may be. [TA]

Fisher: If a long term care insurance specialist really wants to work with other agents, I think they need to prove that they understand **all** long term care planning options: traditional, hybrid, linked and annuities. They also need to be very careful not to go beyond the "mandate" that's been given to them by the referring broker. [BJF]

Glickman: Specialists need to make more of an effort to market their services through speaking and networking opportunities with non-LTCI agents. Education about topics that overlap, such as the benefits and limitations of living benefits, is in great demand and will immediately add value for non-LTCI agents. Also, identifying other sales opportunities such as penetration of the executive carve-out benefit market will help expand the need for specialists' services. [MG]

Hughes: You really do have to set yourself up as "the resource" when it comes to your peers. They need to see that you eat, sleep and breathe LTCI and keep your finger on the pulse of the industry. LTCI is ever-changing these days, so it is important as an LTCI specialist to be just that—a specialist. Some call it a niche market, but I see it as a specialized field that requires time and energy to stay attuned to what's happening and how the solutions to the long term care risk can be solved in many different ways. I have found that speaking at local organization meetings with absolutely no intent to sell is a great way to set yourself apart. Be active in your town's local insurance chapters. Get yourself speaking gigs. Everyone wants to hear about LTCI without being sold. [AH]

Tiffany Albert *is president and CEO of LifeSecure Insurance Company, Brighton, MI. LifeSecure is dedicated to its mission of delivering an exceptional insurance experience. The company offers long term care and other supplemental health insurance products. LifeSecure is licensed in 46 states and the District of Columbia.*

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Marc Glickman*, FSA, MAAA, LTCP, is vice president of investments and business development at LifeCare Assurance Company. LifeCare has been an industry-leading administrator and reinsurer of innovative LTCI solutions since being founded in 1988. LifeCare's mission is to provide high-quality, consumer-oriented, and financially sound LTCI products, sold through business partnerships and delivered with superior customer service.*

Glickman has 10 years of experience as an actuary, including six years at LifeCare. His responsibilities span multiple areas, from growing LifeCare's financial partnerships to reviewing

product experience and pricing. Prior to joining LifeCare, Glickman worked as a compensation consultant and pension actuary assisting Fortune 500 companies with their benefit programs. He has a BA in economics from Yale University and is also a speaker at national meetings on topics in insurance company investments and LTCI.

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Angie Hughes*, LTCP, CSA, began her insurance career with Columbia Insurance Group in 1993. In 1999, she joined Producer's XL and found her passion for long term care insurance, which continues to grow as the markets expand.*

Hughes is a certified train-the-trainer and has taught the LTCP designation course for numerous financial advisors. She has also taught the LTC partnership program courses, certified hundreds of advisors on the partnership program, and continues to instruct across the country for recertification.

By sitting on advisory committees for various long term care insurers, she helps with product development and new business development. She is frequently asked to speak before local NAIFA and SFSP chapters. Affinity markets is another area in which Hughes is astute. She has worked with nationally recognized associations in developing marketing strategies to drive LTCI sales to members, as well as increasing membership.

Hughes spends most of her time working with advisors on developing marketing strategies for adding LTCI into their practice and developing solutions for their clients.

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Ritter earned his bachelor's degree from Baylor University, graduating summa cum laude. He is a member of the ILTCI organizing committee and a co-chair of the marketing track.

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