



The Employer Marketplace and *Long Term Care Insurance*

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Is Multi-Life LTCL For You?

- If you can answer yes to the following questions, Multi-Life LTCL is for you.
 - ✓ Have you sold insurance products in the small business market?
 - ✓ Do you have existing small business clients that do not offer long term care to their employees?
 - ✓ Are your clients looking for tax advantages and new fringe benefit opportunities for themselves or employees?



Multi-Life LTCL: A Market Access Opportunity

- Leverage the tax advantages
- Take advantage of growing awareness of LTC in an under penetrated market
- Provide alternative solutions to traditional executive benefit plans
- Expand your business market sales opportunities



LTCI Advantages For Small Business

- Tax advantages of LTCI*
 - Tax deductible employer contributions
 - Non Taxable economic benefit to employee
 - Policyholder benefits non taxable
- Flexibility to determine eligible class
- Voluntary option
 - Fully voluntary plan available at little or no cost to employer

*Assumes tax qualified LTCI. Employers and policyholders should consult their benefits attorney



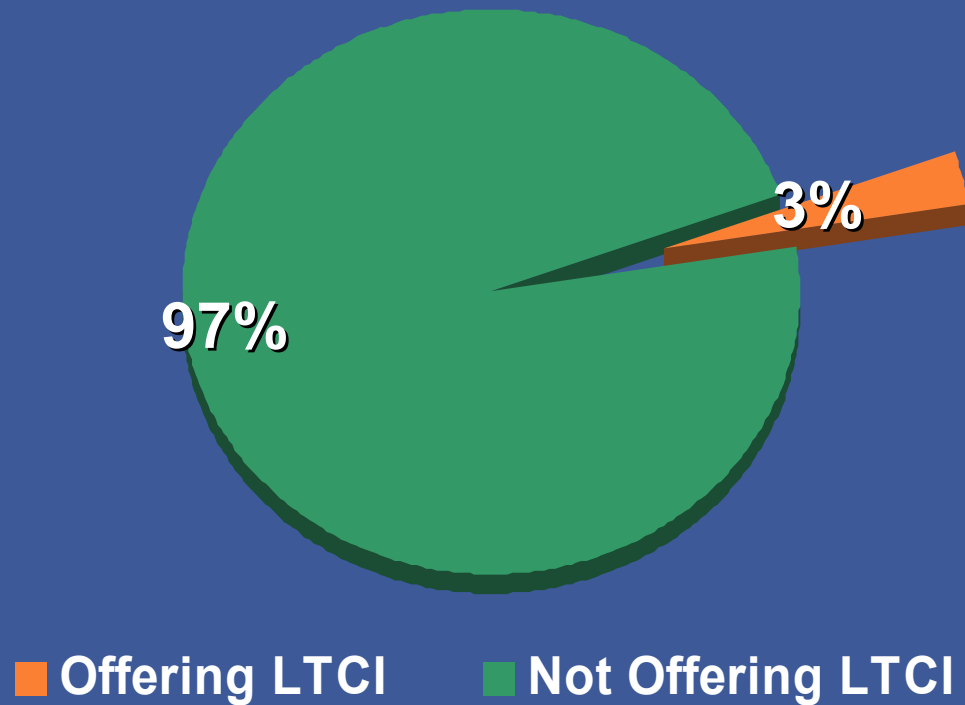
Market Conditions

- Employers are looking for ways to attract and retain key employees. LTCI can be a no cost option to employer.
- Awareness and interest in LTC is high, due to Media Attention, Federal LTC program, baby boomers seeing their parents need help, facing their own futures.
- The market is relatively untapped. Small businesses are a significant market, but only 3% of companies with under 100 employees currently offer LTC.



Few Small Businesses Offer LTCI

Companies (<100 employees)
with LTC Offerings





Why Should An Employer Offer LTCL?

- Up to \$29 billion is the amount of money businesses lose annually because of workers' caregiving responsibilities¹
- 30% of employees with a parent age 65 or older have missed work as a result of caregiving responsibilities²
- 31% of those giving care quit working as the result of their caregiving responsibilities³
- 67% need to make adjustments to their work schedules as the result of their caregiving responsibilities⁴

¹ National Caregiving Alliance before the U.S. Senate Finance Committee, 3-27-01.

² Kaiser Commission on Medicaid and the Uninsured: Kaiser National Survey on Healthcare and Other Eldercare Issues, 2000.

^{3, 4} American Council of Life Insurers, 2000.

Target Market

Types and Characteristics of Businesses to Target



Employer Profile

- Industry Type and size
- Demographic Make-up
 - Age (average age over age 40)
 - Salary (average Salary over \$40,000)
 - Benefit Participation
 - 401(K)
 - Medical flexible spending
 - Supplemental life
- Employer commitment
- Communication vehicles
- Administrative consideration



Industry Types

- Favorable:
 - Physicians
 - Higher Education
 - Law Firms, Accounting, Engineering
- Challenging:
 - Retail
 - Hospitals
 - Manufacturing



Types of Employer Commitment

- Motivated to attract and retain key employees and are willing to pay to do so
- **or**
- Will enthusiastically endorse offering a purely voluntary plan
- **or**
- Willing to offer access to coverage if it requires little to no responsibility or effort

Generic Multi-Life Plan Design



Multi-Life LTCl

- LTC Insurance solution for the small business market:
- Based on current chassis individual product
 - Allows customization of individual product in a group setting
 - Simplified underwriting
 - Simplified enrollment
- Includes marketing support for the sales process
 - Announcement
 - Education and motivation
 - Enrollment



MGSI Modified Guaranteed Standard Issue/ Simplified Issue

- Most simplified application and process
- Five knockout questions; No further underwriting
- Ability to buy-up without additional underwriting if within maximum limit
- No preferred or substandard rates (just one rate class) but all other discounts applicable
- Limited plan options
- Best for employer pay all cases



Plan Design

- Employer Requirements
- Eligible Employee requirements
- Participation
- Enrollment Period
- Underwriting
- Plan Options
- Buy-up provisions
- Ratings and Discounts
- Spouses/other family members
- Billing
- Portability
- New Hire – Future Enrollments



Don't forget others that may qualify for the discount but not the underwriting

- Applies to extended family, part-time and age 65 and over employees
- Simplified (Modified) application with full underwriting
- All rate classes and discounts are available
- All benefit options are available including lifetime
- Ideal for programs with continued enrollment and uncertainty of meeting minimum participation requirements

Implementation

Marketing and Timelines



Pre Enrollment Communication Strategies

- **EDUCATE, EDUCATE, EDUCATE**
 - Employer Announcement Letters
 - E-mail Messages
 - Payroll Stuffers
 - Posters, Tent Cards
- Allow Several Weeks
 - Based on Group Size 2 - 9 weeks

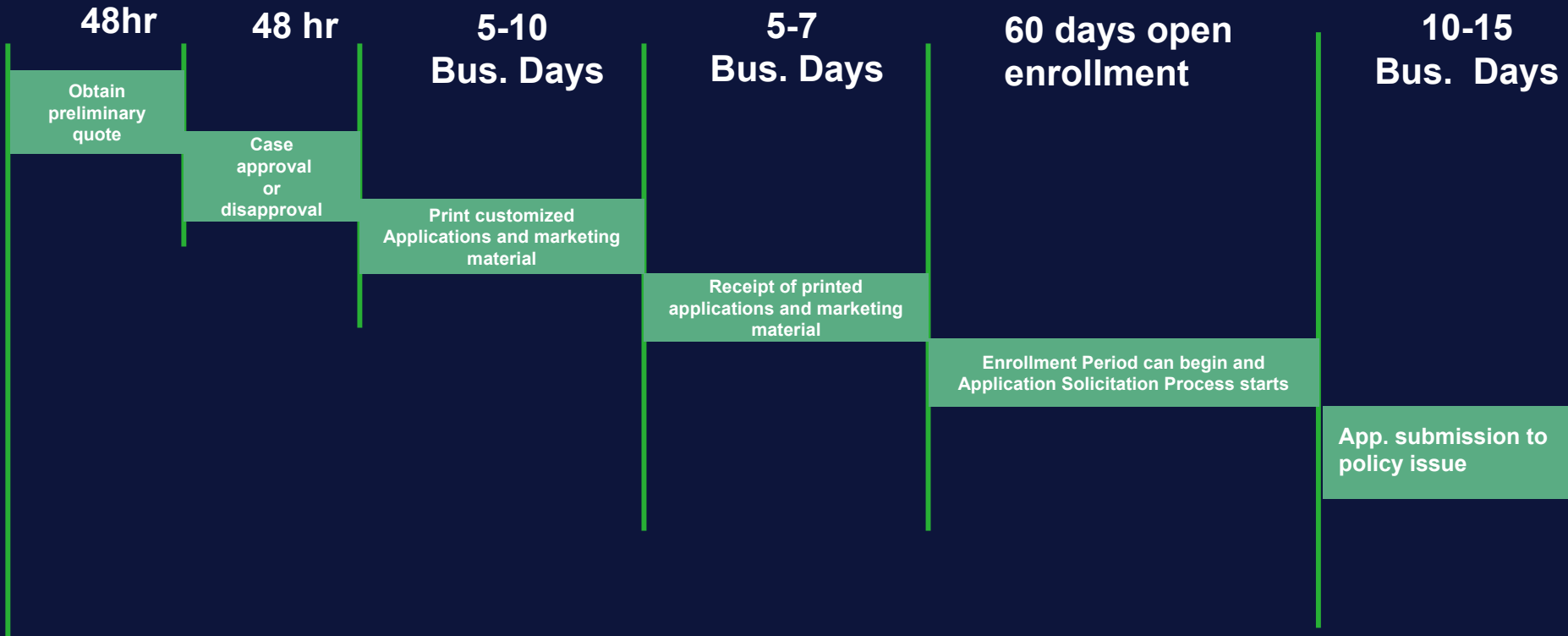


Employee Meetings

- Utilize Company Representative for Introduction
- PowerPoint or Video
 - Define LTC
 - Develop Need, Cost, Access to Benefits
 - Cost of Waiting
- Eligibility, Enrollment Process
- Q & A
- One on One Meetings

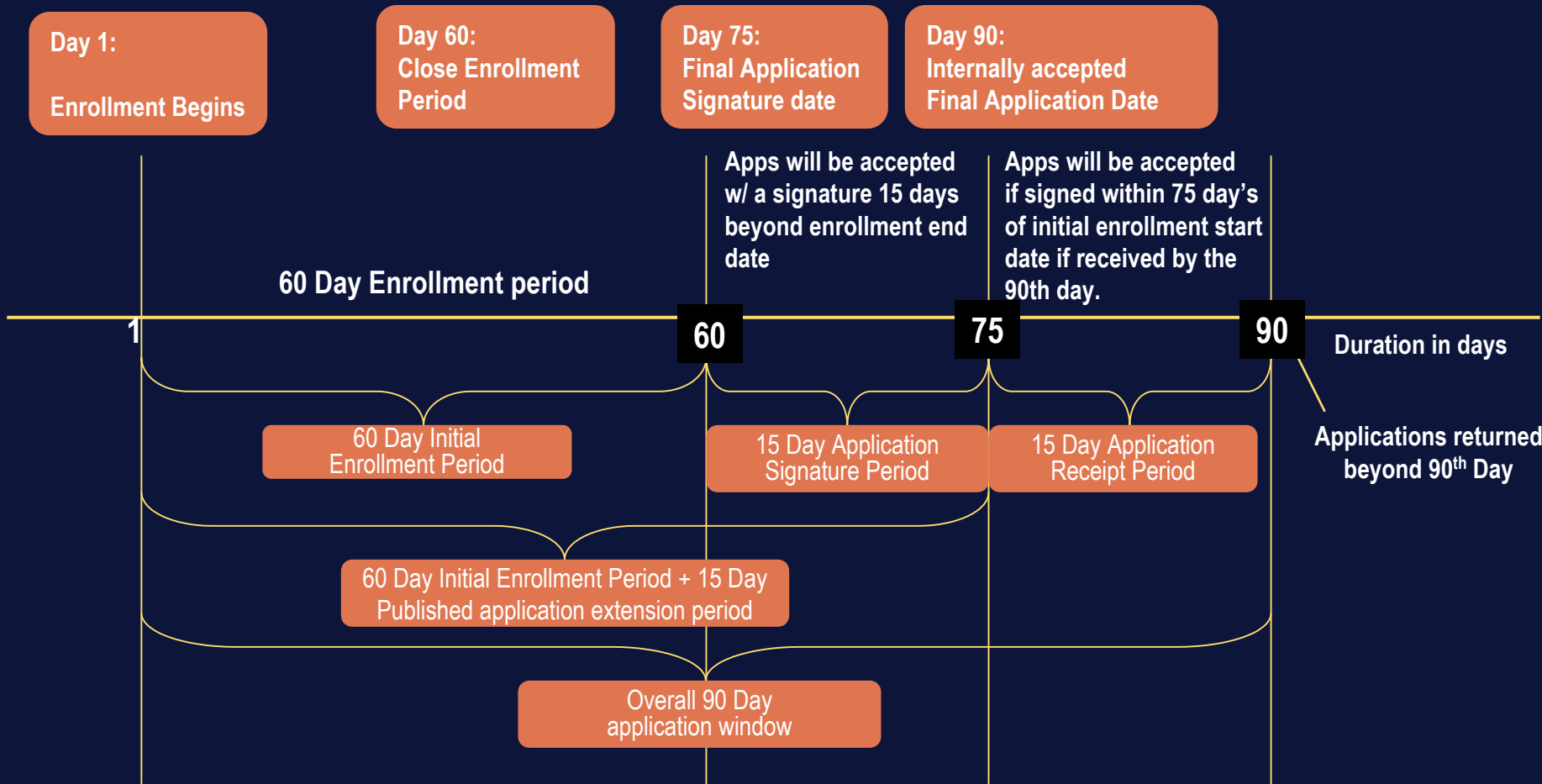


Pre-Sales Process Timeline



Model Assumptions: Producer obtains Employer signoff within 24hrs of Case Approval

Enrollment Timeline



LTC Taxation

**Health Insurance Portability and
Accountability Act of 1996**



The tax information provided is based on our understanding of the federal tax laws in effect as of March, 2005. Such laws are subject to legislative change and judicial and administrative interpretation. Anyone considering the application of this information to his/her own fact situation should consult his/her own legal or tax advisor. We are not authorized to practice law or to provide legal, accounting or tax advice.

LTC - Federal Income Tax Benefits



- Significant Tax benefits exist for “C” Corporations and “S” Corporations.
- Potentially larger LTC premium deductions available for business owners than for non-business owners.
- Favorable deduction rules for the “*self-employed.*”
- “*Self-employed*” includes:
 - Sole Proprietor
 - Partner in Partnership (Including FLP and LLC)
 - S Corporation Shareholder owning 2% or more of corporation



Who can deduct premium?

- Business Pays Premiums
 - If C Corp, Business can deduct premium paid for employees, spouse and dependents
 - If S Corp, Business can deduct premium paid for employees, spouse and dependents
 - Self-Employed and more than 2% S corp. shareholder employees are subject to “self-employed rules”
- Individual Pays Premiums
 - Must itemize
 - Medical expenses deductible only to extent exceed 7 ½% AGI
 - Eligible premium only deductible



2005 Eligible Premium Amounts

- These amounts are used (in slightly different ways) both for Individuals who are Self Employed, and those who are not. Examples follow.

Age	Amount
40 or Younger	\$270
41 to 50	\$510
51 to 60	\$1020
61 to 70	\$2,720
71 or older	\$3,400



LTC - Federal Income Tax Benefits Individuals

- ✓ A portion of the Premiums paid for LTC policies may be deductible.
 - Premiums may qualify as **Medical Expenses** for itemizing Medical Deductions.
 - In order to itemize Medical Expenses, your total medical expenses must exceed 7.5% of your Adjusted Gross Income.
 - Age based limits on the deductible portion of the premium apply.

- ✓ LTC benefits are, generally, not included in your Taxable Income.



Example One – C Corp

Ann, age 55, is the President and sole shareholder of XYZ, Inc., a C Corporation. The Corporation pays the premium for Ann's LTCL policy. The premium is \$1,500. The eligible premium is \$1,020.

- The Corporation deducts \$1,500
- The \$1,500 is not included in Ann's gross income



Example Two – S Corp

- Same facts in Example One except XYZ is an S Corporation.
 - The Corporation deducts \$1,500
 - Ann includes \$1,500 in gross income and claims a self-employed health insurance premium deduction of \$1,020



Example Three - Partnership

*Ann is a partner in ABC Partnership.
ABC adopts an accident and health plan under
which it will pay the premiums for Ann's LTCL policy.*

- Partnership deducts \$1,500 if considered a guaranteed payment
- Ann includes \$1,500 in gross income and deducts \$1,020 as self-employed health insurance deduction



Example Four – Sole Proprietor

Ann is now a sole proprietor and her husband, also 55, is an employee. The premiums on each policy are \$1,500.

1. Plan covers Ann and her husband, but as Ann's spouse.
2. Deduction: \$2,040 ($\$1,020 \times 2$) on the couple's tax return as self-employed health insurance premium.
3. Plan covers husband, as an employee, and Ann as his spouse.
4. Deduction: \$3,000 business deduction fully excluded from each spouse's gross income.
5. Ann's husband must be a bona fide employee.
6. Won't work in an S Corporation if employee is married to a More than 2% Shareholder Employee.



Possible ERISA Considerations

- Employee Retirement Income Security Act (“ERISA”) was established by Federal government in 1974
- Sets minimum standards for most voluntarily established pension and health plans in private industry to provide protection for individuals in these plans
 - Requires plans to provide participants with plan information
 - Provides fiduciary responsibilities for those who manage and control plan assets
 - Requires plans to establish a grievance and appeals process for participants to get benefits from their plans
 - Gives participants the right to sue for benefits and breaches of fiduciary duty*

*Department of Labor. ERISA, November 2002.



ERISA (Cont.)

- Employer and their advisors determine if the program they make available to their employees is to be considered an ERISA or non-ERISA plan.
- If employer involvement is more than making the program available to its employees, the arrangement may be subject to ERISA. For example if:
 - The employer contributes to the cost or endorses the program; or
 - Employer involvement extends beyond merely remitting employee premiums.

Note: ERISA reporting is not required for plans with 100 or less participants



Your opportunity!

- Relatively untapped market
- Time/Demographics are right
- Leverage – more opportunities, less prospecting effort per applicant
- Employer commitment gives you warm leads
Much easier than cold calling – and crucial in these days of do not call lists!
- More control over your schedule – potentially more appointments during regular work hours
- Establish or solidify employer relationships for possible other product sales