The Changing Psychology of Today's LTCi Sale

Why they still won't buy

18 Years Ago

Average Client – 60 years old and older
Often retired
Married

Reason Bought - Protect Assets
Not Burden Kids
Nursing Home/primary concern

18 Years Ago

- Very little discussion of any type of care beyond Nursing Home or Home Health
- Attorneys and Accountants were less aware and less supportive.
- Less media attention focused on Long-Term Care.
- Fewer sales support materials available

What's Different Today?

Average Client - 45 Years old and older
Still working
Married

Reason Bought - Protect Assets
Not Burden Kids
Independent Care Choice
Offered at work

What's Different?

- Assisted Living is usually the first thing they want to discuss to make sure it is covered.
- Many of my clients come as referrals from an Attorney or Accountant
- Lots of media attention to the topic
- Many materials available for sales support.
- Questioned on company quality and rate increases.

Policies 18 years ago

Typical Plan

Daily Benefit:	$40-$100
Waiting Period:	0,20,100
Maximum Benefit:	$50,000-$100,000
Home Health Care:	50%, 75%
Inflation coverage:	None or 5% compound

Policies Today- more choices…

Daily Benefit –

- Range of $50 -$500 a day
- Daily vs. Weekly vs. Monthly Benefits

  Waiting Periods
- 0,20,30,40,50,60,90,100,120,180,365,
- Definition of Days

  1.Calendar Days: 1 day =7

  2. Service Days

  3. Zero days for Home Health Care

– and more choices.......

Maximum Benefits

- Multipliers
- Multiple pools
- Unlimited

1 year	365 days
2 years	730 days
3 years	1095 days
4 years	1460 days
5 years	1825 days
6 years	2190 days
10 years	3650 days

– And Even More Choices……..

- Restoration of Benefits
- Survivorship Benefit
- Shared Care Benefit
- Extra Cash
- International Coverage
- Accelerated Payment Options
  - Single-Pay
  - 10-Pay
  - Pay to age 65
  - Pay more now and less after age 65

Objections to buying 18 years ago

- It won’t happen to me. My family dies young.
- Medicare will pay
- My kids/spouse will provide care
- I can give all my assets away and receive the same care.
- I can pay for my own care
- Premium is too high.
- Policy too confusing.

The Point Is…

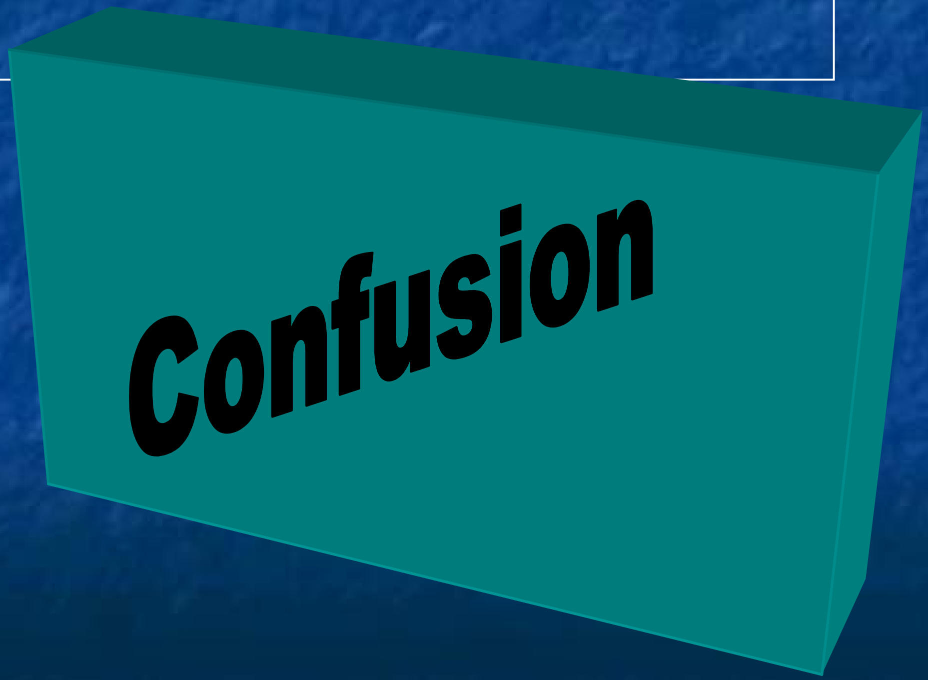
- With all our modern technology, glossy sales materials, and media attention…. today we are still fighting the **<u>same old objections</u>**.

- They believe the risk that they will need this type of care is small.
- Cost of the coverage is too high.
- **Confusion** regarding what to buy and feeling that the policies are <u>too complex</u>.

As they say, the more things change, the more they stay the same.

So, what are we doing wrong?

Ideas of
ways to break through the confusion roadblock to more sales.



Idea #1

Brief, basic financial statement

- Because it will help you to know the amount of assets they have, and how liquid they are.
- Because it will help you uncover any assets they own that someone else my be depending on for their living.
- Because if they tell you later that they are not going to buy because they can self-insure, you can ask if they have informed their heirs which assets they should use first.

Financial questionnaire

Liquid Asset	Value
Social Security Income	
IRA Disbursements	
Pension or Other Income	
Annuities	
Mutual Funds or other Securities	
Certificates of Deposit	
Cash	

Financial questionnaire

Less liquid assets	Value
Value of your Home	
Vacation Home	
Real Estate	
Farm Real Estate	
Business	
Life Insurance cash value	
IRA etc, still in accumulation	

Idea #2

- When you are ready to explain how LTC insurance works, are you educating them or **obviously** selling to them.

Essential Terminology

Chronically ill individual – is unable to perform, without substantial assistance from another individual, at least two Activities of Daily Living (ADL's) for a period of at least 90 days due to loss of functional capacity; or requires substantial supervision to protect such individual from threats to health and safety due to a severe Cognitive Impairment. You must have been certified as a Chronically ill individual in the last 12 months in order to collect benefits from a Qualified Long Term Care policy

Activities of Daily Living – (ADL's) are the activities we take for granted when caring for ourselves throughout each day. They include: Bathing, Dressing, Eating, Toileting, Transferring, and Continence. Whether or not you need assistance in order to perform necessary ADL's is the basis of most claims, unless you suffer from a cognitive impairment.

Cognitive Impairment – is the deterioration or loss of your intellectual capacity which requires substantial supervision by another person to protect yourself or others. It is measured by clinical evidence and standardized tests which measure your impairment in short or long term memory, orientation as to people, places or time; and deductive or abstract reasoning.

Building a LTCi policy is like working with building blocks

You have to lay the foundation first

Elements of a Good Long-Term Care Policy

3 Basic Decisions

1. **Daily Benefit** – This is the amount of money available to you to pay your daily charges for long- term care. You are totally in charge of how much you buy. In other words, how thoroughly you protect yourself from the high cost of long- term care is entirely up to you. Other points to consider:
   - Benefits paid as a **reimbursement** – under this format, you will re "reimbursed" for the actual expense you incurred, assuming you purchased enough benefit to pay the entire expense. If you purchased more benefit than the expense incurred, you **do not** receive the excess.
   - Benefits paid on an **indemnity** basis – under this format, you receive the benefit amount you purchased on days you receive care, regardless of the actual expense incurred. If you purchased more benefit than the expense incurred, you **do** receive the excess. (This excess could be used for prescriptions, Depends, or even meals for the spouse.)
2. **Benefit Period** – This is the length of time you **could collect** benefits. It Does not refer to the length of time the policy has been in effect. Benefit Periods are typically 1,2,3,4,5,6,8 years, and Lifetime. (Sometimes called Unlimited.) If you buy a benefit period other than Lifetime, then you should questions whether that policy provides for "**Restoration of Benefits**" or not. Simply put, if you have a period of care and then recover enough to be "care free," are benefits restored to the pre-claim level after some period of time or not? (Care free means "recovered")
3. **Elimination Period** – This is like your health insurance deductible, but here we measure it in time, not dollars. In other words, **how many days are you willing and able to pay for your own care** before the policy begins to pay benefits? Logically, longer elimination periods lower the premium. But before you buy, consider what that length of time is likely to cost by the time you utilize the policy and the **probable liquidity** or your assets at that time. 0,20,30,50,60, 90, and 100 days are all common elimination periods. Most policies today only require you to meet the elimination period one time, others can require multiple elimination periods be met. Also, be sure you understand over how long a period of time you can accumulate these days, if they have to be consecutive, and if both facility care and home and community-based care count.

Important Optional Coverages

Home and Community-based Care – This coverage, if included, pays for your care in settings other than a long-term care facility. Care could be provided in your own home, an Adult Day Care setting, Hospice, or a Continuing Care Retirement Community, or Board and Care Home. It includes care by licensed professionals, such as nurses, physical therapists, occupational therapists, respiratory or speech therapists. But it can also include unskilled care such a homemaker and chore services. A few companies are beginning to cover care by family and friends, but usually this type of care must be someone who lives somewhere else, not in your home with you.

Many of us want to be cared for at home if we need care. Just be aware that home care can cost as much as, if not more than, care in a facility. So choose your benefit amount accordingly.

Inflation Protection – This is possibly the most important feature added to your policy. If a Cost of Living Adjustment Rider is issued with your policy, the maximum daily benefit increases each year; usually by 5%. Most companies give you the choice of Simple or Compound growth. Over time, the Compound growth *significantly* outperforms Simple (or equal) increases. Some companies still offer Future Purchase Options as a way of providing inflation protection, but this is not a very popular choice because exercising these options in the future increases your premiums and, as we all know, we aren't looking for increasing costs as we get older.

Shortened Pay Options – Some companies allow you to pay a higher premium and have a guaranteed paid-up policy after 10 years of payments, or payments to age 65. This is more attractive to younger purchasers or people who may have set aside a nest egg just in case they need care. Also, some business owners like this option as tax incentives can be involved. Once the policy is paid-up the possibility of a rate increase is eliminated.

Commonly Included Benefits

Waiver of Premium – After a claim starts, and the waiting period has expired, the insurance company "waives' your future premium payments; usually for as long as the claim continues. If you are comparing policies yourself, without the help of an expert, be sure to find out whether the company starts counting the waiting period with "care" or with "benefits." Some companies only waive the premium for facility claims, others will apply this waiting period to facility claims but not home and community-based care claims.

Bed Reservation Benefit – This benefit pays the facility to "hold" your bed while you are away. Some policies only pay if your absence is because of a hospitalization while other companies pay this benefit for **any** absence, limited to a certain number of days each calendar year. Typically 30 or 60 days.

Respite Care Benefit – is short term care provided to relieve the primary informal (unpaid) caregiver in a home-health care situation. It could provide a substitute caregiver or it could pay for a short stay in a facility. 14 or 21 days per calendar year is common.

Informal Caregiver Training – If included, this benefit usually pays as much as 5 times the maximum daily benefit to train an informal (unpaid) caregiver on how to provide the care you need.

Equipment Benefit – If included, this benefit usually pays up to an amount equal to 50 times the maximum daily benefit to purchase or rent equipment that assists the insured in living in their home or other residential housing by relieving his need for direct physical assistance.

LTCI Expenses compounded at 6%

$100/Day	$179	$321	$429	$574
$110/Day	$197	$353	$472	$632
$120/Day	$215	$385	$515	$689
$130/Day	$233	$417	$558	$747
$150/Day	$269	$481	$644	$862
$170/Day	$407	$545	$730	$976
$200/Day	$358	$641	$858	$1,149

LTCI DAILY BENEFIT COMPOUNDED AT 5%

	10 Years	20 Years	25 Years	30 Years
$ 90/Day	$146	$238	$304	$388
$100/Day	$162	$265	$338	$432
$110/Day	$179	$291	$372	$475
$120/Day	$195	$318	$406	$518
$130/Day	$211	$344	$440	$561
$150/Day	$244	$397	$507	$648
$170/Day	$276	$451	$575	$734
$200/Day	$325	$530	$677	$864

[1] 6% increase in cost of care from 2004-2005, Genworth Financial 2005 Cost of Care Survey

Hold Harmless Document

I met with you this afternoon, at the request of your attorney, Mr. Peterson, to discuss the issues surrounding long term care. We have discussed the likelihood of you needing care, the current expense involved in different levels of care and the different care settings, the likely effect of inflation on those expenses, the possible ways to pay for this care including Medicare and Medicaid, and we have explored how long term care insurance works and looked at suitable policies from at least two quality carriers.

After exploring all these options, you have informed me that you will not be purchasing a long term care insurance policy at this time.

I feel I have done my best to make you aware of the possible financial risks and risks to the quality of life of your loved ones this unfunded future liability could present. I acknowledge that is it your right to make this decision, but ask you to please place your signature below. That way, if you do have a long term care event in the future that impacts your estate and family wellbeing negatively, I and Mr. Peterson will be held harmless for the decision **<u>you</u>** have made today.