The Certification for Long-Term Care

CLTC DIGEST

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This is What Long-Term Care is About

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A Note From the General Manager

Greetings from CLTC!

We are very excited to introduce the first edition of the CLTC Digest, a quarterly publication offering industry insights, expert perspectives, and news to professionals in the long-term care insurance niche. We have worked hard on the first issue, and we hope you find the Digest a helpful and relevant resource. Many thanks to the CLTC graduates and industry professionals who contributed. If you would like to publish an article in a future issue, please contact us at marketing@ltc-cltc.com.

Along with the CLTC Digest, we also recently launched the new CLTC website and hope you've had a chance to check it out. In the coming year we look forward to adding new sections to the site, including a forum exclusively for our grads.

We value our graduates and want to offer the most up-to-date industry information and resources, as well as sales and marketing tips. We will be focusing on our graduates in 2017, with several new benefits and resources in the works. If you have any ideas for how we can better serve our CLTC graduates, please don't hesitate to reach out.

Here's to a successful 2017!

Amber Pate
CLTC General Manager

Certification for Long-Term Care, LLC.

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877.771.2582
info@ltc-cltc.com
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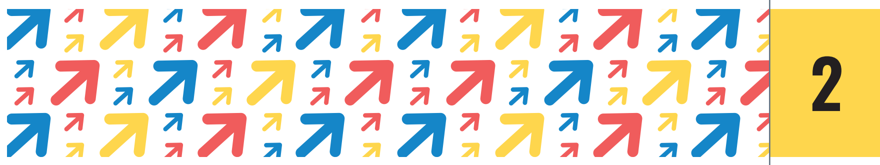

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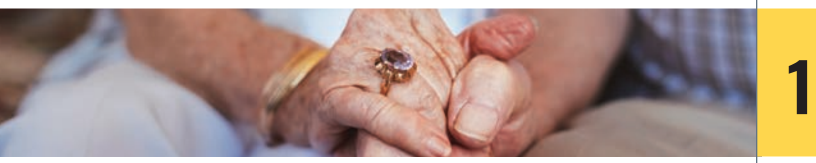

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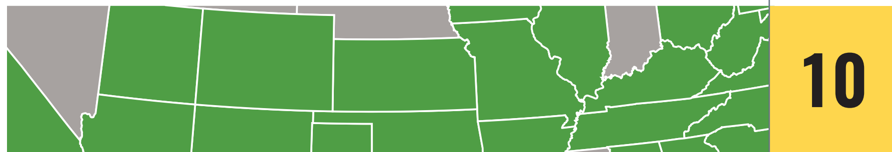

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Call for Submissions

Do you have something you'd like to share with our readers?
Submit your article of 1,000-2,000 words to marketing@ltc-cltc.com!

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The Ever-Increasing Tax Deductibility of LTC Insurance

Article by Tom Riekse, Jr. and Steve Cain, CLTC®

Does your client own LTC Insurance or is considering purchasing a plan? Then they need to know about the important tax advantages of long-term care insurance. A surprising number of policyholders have the ability to deduct premiums, and those insured also find that the amount of premium that can be deducted increases each year. A big reason is that more and more buyers of LTCI also own Health Savings Accounts and can pay premiums with pre-tax dollars.

It's important to understand that when we are talking about the tax-advantages, we are talking about "tax-qualified" LTC Insurance. Tax qualified LTC Insurance was codified by the IRS in 1996 as part of the original HIPAA legislation. Under section, 7702B, LTC plans that meet certain requirements are considered tax-qualified. Almost 100% of current standalone LTC Insurance sold are tax-qualified, and many riders on life insurance plans are tax-qualified as well.

Here are some of the good things that are possible with tax-qualified LTC Insurance:

1 Benefits are received tax-free. Actual LTC expenses reimbursed by a LTC Insurance plan are tax free to the policyholder with no daily limit. For those who own "cash" LTC plans, any additional non-medical benefit above $340 daily would be taxed like income. However, this $340 "per diem" limit also typically increases each year.

2 Employers can deduct premiums like health insurance. If a C-Corporation is buying coverage, they can deduct 100% of premiums paid. Self-employed, 2% owners of S-Corporations, and partners of partnerships can also deduct LTC premiums paid by their companies up to certain age based level (shown below). They can also deduct premiums for spouses as well.

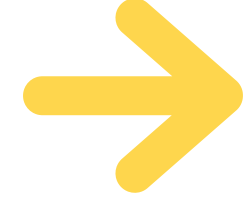
3 Individuals can only deduct premiums up to age based limits to the extent they exceed 10% of adjusted gross income as premiums are considered medical expenses.

4 People with Health Savings Accounts (HSA's) can pay premiums with funds from their account. Since LTC is not available as pre-tax cafeteria benefit, using HSA funds works great for voluntary employer offerings in which the insurer bills the employee directly and then the employee directs the HSA to pay the insurance company for premiums.

5 1035 Exchanges allows holders of life insurance and non-qualified annuities to exchange all or a portion of their contracts for LTC Insurance. For example, someone could use these rules to purchase a single premium life/LTC plan - which can result in tax-free benefits.

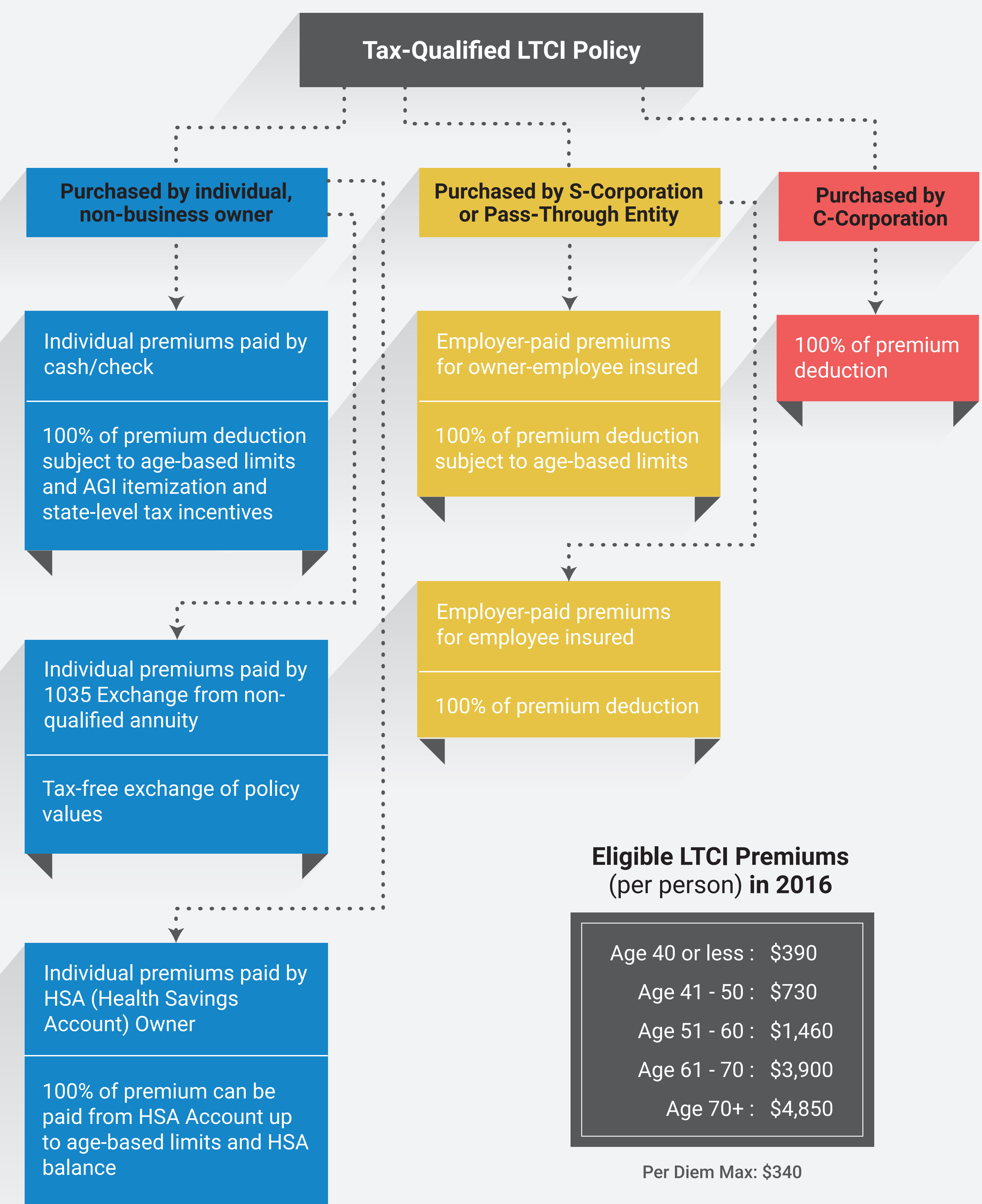
6 Certain states offer state tax incentives. As an example, New York offers a 20% credit for premiums paid during the taxable year for qualified LTC Insurance.

We've created a mind-map that allows an adivisor to quickly view the options available for individuals and compaines.



Tom Riekse, Jr. and Steve Cain, CLTC®, LTCI Partners, LLC
1.877.949.4582
steve.cain@ltcipartners.com

Tax Treatment of LTC Insurance 2016



Eligible LTCI Premiums (per person) **in 2016**

Age	Premium
Age 40 or less :	$390
Age 41 - 50 :	$730
Age 51 - 60 :	$1,460
Age 61 - 70 :	$3,900
Age 70+ :	$4,850

Per Diem Max: $340

WHY WON'T THE CARRIER ACCEPT MY CERTS?

True Stories of LTC Training Crack-Ups and How to Avoid Them

Article by Bill Wienhoff

In December of 2006 the NAIC updated the Long-Term Care Model Act, introducing a training template that has now been implemented by 42 states. At the state level many changes were made to the boilerplate, but the novel element of this requirement has been consistently used: producer compliance must be verified by the carrier, not the state department of insurance.

Nearly ten years later this paradigm shift continues to confound. ClearCert® was formed in 2007 through the support of leading LTCI carriers as an industry solution to a common problem, and we have been in the "eye of the storm" ever since.

Unfortunately, the carrier's role as compliance cop has been complicated by the other elements of what is arguably the most confusing training requirement the industry has ever seen. This has led to many instances of business returned to the producer by the home office due to training issues – something you definitely want to avoid.

PARTNERSHIP TRAINING

First, some background. In 2005 the Deficit Reduction Act became law, including a reference to mandatory training. Any state implementing LTC partnership – a unique set-up between the insurer and the state – would be required to ensure producers selling such policies "receive training and demonstrate evidence of the understanding of such policies." Of course, the best "evidence" for understanding anything is proof of completing formal training. The DRA made the state department of insurance responsible for verifying producer compliance to the state Medicaid authorities.

At the time, the NAIC LTC steering committee already planned to introduce mandatory training in an upcoming update to the Long-Term Care Insurance Model Act. After the DRA passed, references to partnership policies and Medicaid estate recovery were added to the draft. Initial, or "one time," training courses of eight hours and refresher, or "ongoing" training of at least four hours in length "within 24 months" were incorporated.

Then, since the training was product-specific, the line of compliance that stretched from the U.S. congress to the State Medicaid agency and through the state Department of Insurance was to end with the insurance carrier.

Today, 37 states have set up a DRA partnership; four states, California, Connecticut, Indiana and New York, already had "original" partnership programs dating back to the early 90's; a few of the remaining states are still working on implementing partnership; and the rest either have never started or have discontinued efforts toward a partnership program. (Source: AALTCI)

But 42 states have implemented mandatory LTC training based on the 2006 Model Act, which is five more than 37, which includes Delaware, which does not have a training requirement based on the 2006 Model Act (although one has been drafted). This leaves six states with a partnership training requirement – but no partnership program. Training on partnership rules and Medicaid issues is still required in these states – and is essential so that producers completing training in those states can claim credit for that training in other states that do have partnership.

RECIPROCITY

Most states reciprocate with other states when it comes to licensing, considering non-residents to have met their resident state licensing requirements to also be in compliance with the non-resident state's requirements, particularly when it comes to training requirements. This prevents producers from having to meet CE requirements by taking courses in multiple states. Mandatory LTC training reciprocity works differently. ClearCert's carriers have studied this issue carefully and determined that a producer can receive credit for training

completed in another state, but not reciprocity for compliance status between states. In other words, Devin is in compliance with his resident state of New Jersey's mandatory LTC training requirement; but, he is not in compliance with his non-resident state of Massachusetts, which requires an additional two-hour course on MassHealth as part of both initial and refresher training. He receives reciprocity for the general 8 hour component of training, (ClearCert's carriers enforce such training in a total of seven states: GA, MA, MN, SD, WI and VT).

Another wrinkle, caused by staggered implementation by states, is reciprocity for courses taken in non-resident states to the resident state. For example, one of the more recent states to implement mandatory LTC training is Michigan (3/17/2016). The state recognized completions of initial training in other Model states to count toward its requirement, even if they were taken before the rule's effective date.

Of course, producers who represent in a single state aren't affected by the issue of reciprocity. But producers licensed in many states have their work cut out for them.

PARTNERSHIP-ONLY TRAINING

Of the 42 states that have implemented mandatory training since 2006, nine – GA, KS, KY, MO, NC, ND, NH, TX and VA – require training only for producers who sell partnership policies. However, if a standard LTC policy is submitted to a carrier that has a partnership policy approved in the state, the carrier will require training compliance – because it is assumed that the producer would mention the availability of partnership training as part of his or her fiduciary duty to the consumer, regardless of the type of policy that is ultimately sold.

REFRESHER TRAINING DEADLINES

Reciprocity is further complicated by the differences in refresher training deadlines. Our carriers require refresher training within 24 months of the last 4 or 8 hour course taken in 24 states; by the end of the license or CE compliance period that begins after the date the most recent 4 or 8 hour course was completed in 18; and by every June 30th of an even-numbered year in South Dakota (including a one-hour SD Medicaid course if either initial or refresher training was taken in another state).

To illustrate how this can quickly become confusing, let's turn to a couple of case studies. We'll assume that each of these case studies assume that the producer is duly licensed and appointed in each state in our examples. If that's not the case, this can cause other problems that we won't discuss in this article.

Marcus is an Iowa producer who completed an 8 hour course on 6/1/2014. His license expires on 12/31/2016. The state requires refresher training by the end of the next licensing period. Since Iowa's licensing period is three years, he will remain in compliance with the state's mandatory LTC training requirement until 12/31/2019.

Marcus is a non-resident producer in North Dakota, a state that requires refresher training within 24 months of the last 4 or 8 hour course. So, in North Dakota, his status will expire on 6/1/2016 – three-and-a-half years earlier than his Iowa status.

STATE-SPECIFIC MATERIAL

Sarah is a Montana resident who represents LTC in Wisconsin and South Dakota. She completed an 8 hour course in her resident state on 8/1/2015; a Wisconsin 2-hour course on 10/1/2015; and a South Dakota 2-hour course on 7/1/2016. What is the date she is certified to represent LTC in each of these states – and what is her refresher training deadline?

In her resident state of Montana, she was certified the date she completed the 8 hour course, 10/1/2015, and she must completed refresher training by 10/1/2017.

In Wisconsin, where her license expires on 12/31 of odd-numbered years, she was certified on 10/1/2015, the date she took the state-specific course, and must complete refresher training by 12/31/2017.

In South Dakota, she is not yet certified, because the state requires producers who have completed initial training to complete refresher training by the next 6/30 of an even-numbered year – even producers who completed 8 hour training within the preceding 24 months. So, her general (8 hour) status expired the day before she completed her SD Medicaid course.

Let's assume that Sarah completes a 4 hour Montana course on 10/1/2017. What does this do to her status?
In Montana she is now certified until 10/1/2019.

In South Dakota, she is now certified as of 10/1/2017, and must complete refresher training by 6/30/2020. (The SD-specific course she completed on 7/1/2016 counts as part of her refresher training).

In Wisconsin, her status will still expire on 12/31/2017, because she has not yet completed a one-hour Wisconsin-specific course that is required by non-resident producers completing 4-hour training in another state.

Note that in both Wisconsin and South Dakota (as in the other five states requiring state-specific training), the date the state-specific course was taken is the beginning of the certification period; but, the end of the certification period is always based on the date the last 4 or 8 hour course was taken.

RELOCATION

Jim is an Illinois resident who has relocated to Tennessee. He completed initial training in Illinois in 2008, and has kept up with refresher training in his resident state. He has represented LTC in Tennessee as a non-resident during this period.

On 6/1/2016 Jim relocated to Tennessee. He remains certified to sell LTC in Illinois; but what is his status in Tennessee?

Because relocation is not addressed within the language of any state regulation, ClearCert's member carriers have decided that the rule of the producer's resident state applies. Although Jim was previously certified to sell in Tennessee as a non-resident, now that he is a resident he must complete initial training in his new resident state before he can be certified to sell in the future.

AVOIDING COMMON PITFALLS

Of course, while licensing administrators need to have a solid understanding of the implications of each state's rules, as an individual producer you simply need to know the rules that apply to you. But there are still a few pitfalls you must watch out for in order to earn and maintain your compliance status.

Don't Look for Answers in the Wrong Place

Remember, the carrier - not the state department of insurance, your agency, or the training provider -is responsible for validating your compliance with mandatory LTC training. When you have a question about any element of your status, direct your question to the home office licensing staff. Some carriers publish rules, and of course our carriers rely on ClearCert to do so.

When you turn in business to the home office, it won't do you any good to cite how your training provider or contact at the state department of insurance views the rules.

Take Only Courses Accepted by Your Carrier

There are a lot of LTC courses offered by many training providers. It's a mistake to assume that just because a course is 8 or 4 hours in length that it will be recognized as a valid completion by the carrier. The time to check is before, not after, you pay for and take a course.

Remember, the carrier is on the hot seat. When you send in business with a certificate of completion in an attempt to prove compliance your carrier must be able to prove to the business state that the course is fully compliant.

What proof is required? The carrier must show that due diligence was exercised in examining the course content to ensure it fully addresses the 11 content areas promulgated by the 2006 Act and received the type of state approval.

This is necessary because only a handful of states review course content; the majority only check the total word count and that no sales or marketing material is included. Also, although several states maintain lists of courses approval for LTC training, most don't – and only the training provider receives proof of the type of approval a course is awarded.

Although a carrier could ask a training provider for copies of course material and approval documentation, over the last nine years many training firms – including AHIP, the #1 LTC training firm for several years – exited the business and destroyed their course documentation. Even if the firm is still operating, the carrier may have a very short window of time to produce proof concerning a course – as little as 48 hours.

For these reasons carriers will usually refuse a certificate from a course that has not already been fully documented by the carrier – or a carrier administrator, such as ClearCert, which has certified nearly 4,000 courses on behalf of our member carriers.

Don't Let Your Status Lapse

In addition to tracking your license status, it's essential that you keep track of your LTC compliance status in every licensed state that has mandatory training. Complete training no later than the date of earliest lapse, even if this means taking more training than is required by your other licensed states.

Bill Wienhoff, ClearCert®
513.717.4120
bill.wienhoff@clearcert.com

THE KEY TO MORE EFFECTIVE LONG-TERM CARE PLANNING?

Start with the **Why.**

Article by Susan Kobara

Simon Sinek is an author known for popularizing the concept of "Start with Why." (It's also the title of his first book.) This is a way of thinking and communicating that inspires people to take action, such as purchasing a product. Talking only about the how and the what of a product is a recipe for inaction, because without the why, there is no compelling reason to buy.

We can use this concept for long-term care planning. In a client meeting, you may talk about the what and the how of long-term care insurance (LTCI). Without understanding and communicating the why, however (i.e., Why should your client plan for this type of care?), everything else is irrelevant.

Maybe you've presented illustrations to clients and been baffled when they weren't eager to sign an application, but a policy's features and benefits alone are not enough to convince clients to buy when they are paralyzed by denial, or they believe that they shouldn't buy something they may never need. If clients don't understand the reasons to purchase, they will not buy a policy.

So Why Should Your Clients Have a Plan for Long-Term Care? ▶

We cannot plan just for retirement. We cannot plan just for death. We must plan for old age. If a client ends up needing extended care, the financial consequences to his or her family and retirement portfolio could be catastrophic. If no part of the retirement portfolio has been allocated to pay for health care costs, and if an illness lasts long enough, it will compromise the financial viability of a surviving spouse and the integrity of the client's entire financial and legacy plan.

You may already be discussing long-term care planning with your clients. You meet with them; you present illustrations; you talk. But in the words of one of my favorite philosophers:

> "The thing of it is,
> talking about something
> is not the thing.
> The *doing* is the thing."
> – Amy Poehler

How do we move the conversation to action? How do we not just talk about it but do it?

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Make It Part of the Plan

Allocating assets is something you do every day. You take an investment set aside for a specific purpose and move it into another investment set aside for the same purpose but with a potentially better outcome. Your long-term care discussions with your clients can use the same concept: Some of your clients have set aside liquid investments for an unexpected emergency, which is often done with potential health care issues and costs in mind. Why not take "emergency" money and move it into another asset with a potentially better outcome, such as asset-based long-term care? Or, why not use a small portion of assets or dividends to fund a long-term care plan?

Clients may think they have the ability to self-fund for this, but they often may lack liquidity. A long-term care plan helps avoid invading principal or liquidating assets at below market value.

What Are the Most Appropriate Solutions?

Solutions will vary depending on whether your clients are cash-flow strong or cash strong. Although this may seem like a simplistic division, it can serve as a guide to appropriate solutions.

Cash-flow-strong clients. These clients are pre-retirees (age 55 to 65) and younger professionals with high incomes. They may also include retirees who want to refocus required minimum distributions (RMDs) or who have more-than-adequate retirement income. These clients can comfortably pay $2,500 to $10,000 per year in long-term care premiums and should consider regular LTCI in addition to multi-pay linked-benefit policies.

For example, a 55-year-old husband and wife with strong incomes who wish to protect their wealth might consider options such as these:

- A traditional LTCI policy that has a $6,000 monthly benefit, a three-year benefit period with 3-percent compound inflation, and an annual premium of $5,000. At age 85, each spouse would have more than $500,000 available for care expenses that otherwise would have to come from assets or income.
- A coinsurance-type strategy with lower benefits, such as a $4,500 monthly benefit, a two-year benefit period with 3-percent compound inflation, and an annual premium of $3,000.

Several linked-benefit carriers (including Lincoln MoneyGuard and Pacific Life PremierCare) offer multiple-pay options that allow a client to fund a policy over the course of two to ten years. For example, a retired 65-year-old male with RMDs to be repurposed could purchase a Lincoln MoneyGuard multi-pay linked-benefit plan. Paying $15,000 per year for five years would give him a total long-term care pool at age 85 of $270,000, with a monthly benefit of $4,200.

Cash-strong clients. These are clients who have access to a large amount of cash to fund a linked-benefit or an asset-based long-term care plan. Sources of cash could include:

- CDs that are about to mature
- Money market funds
- Cash value in an existing life insurance policy that has outlived its usefulness
- Sale of a home or business
- An inheritance
- Bonus pay
- Qualified money (State Life offers Asset-Care II, which uses nonqualified annuities, and Asset-Care III, which uses IRA monies; annual distributions from these annuities fund a 20-pay whole life policy with long-term care benefits.)

As an example, a 60-year-old married woman could reposition $100,000 from a maturing CD into a Pacific Life PremierCare policy. At age 85, her benefit pool would have grown to $715,000, providing a $9,400 monthly benefit to last six years.

And Back to the Why ▶

Most policies include a care coordinator who provides concierge service by developing a plan of care, helping to hire the right people as caregivers, assessing the home for safety, and recommending facilities. The carrier sends checks every month to pay the cost of that care. In 2014 alone, insurance carriers paid $7.85 billion in claims.

Clients tend to focus on the premiums rather than the benefits of owning a policy. You can help clients understand the leverage, tax advantages, instant liquidity, and professional care coordination that insurance affords them. You can also remind them that at the time of claim, a long-term care policy becomes priceless.

Susan Kobara, CLTC®, Commonwealth Financial Network®
800.521.0080 | x9737
skobara@commonwealth.com

LTC Insurance Rate Stability Regulation

Article by Scott Olson

Rate increases. Rate Increases. Rate Increases.

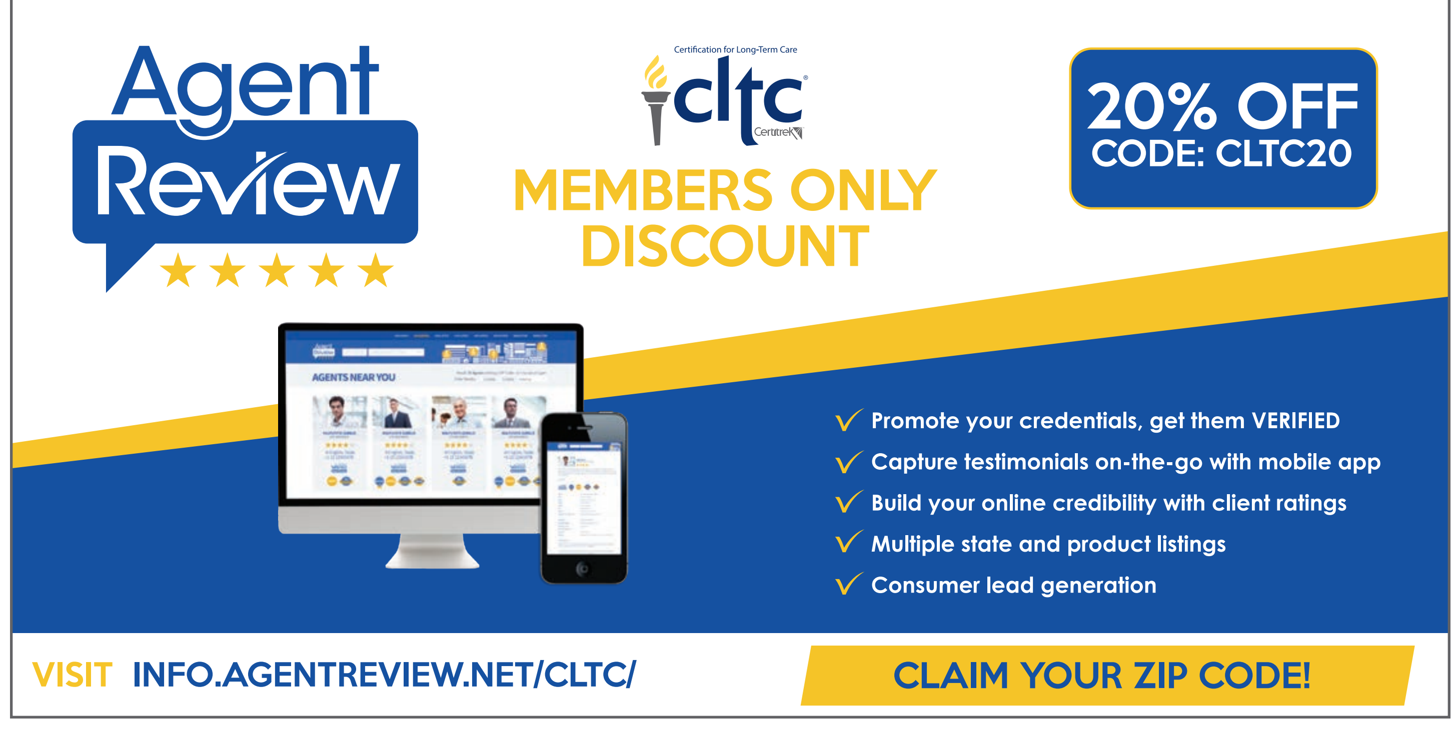
That is pretty much all we read about in the news whenever the topic is long-term care (LTC) insurance.

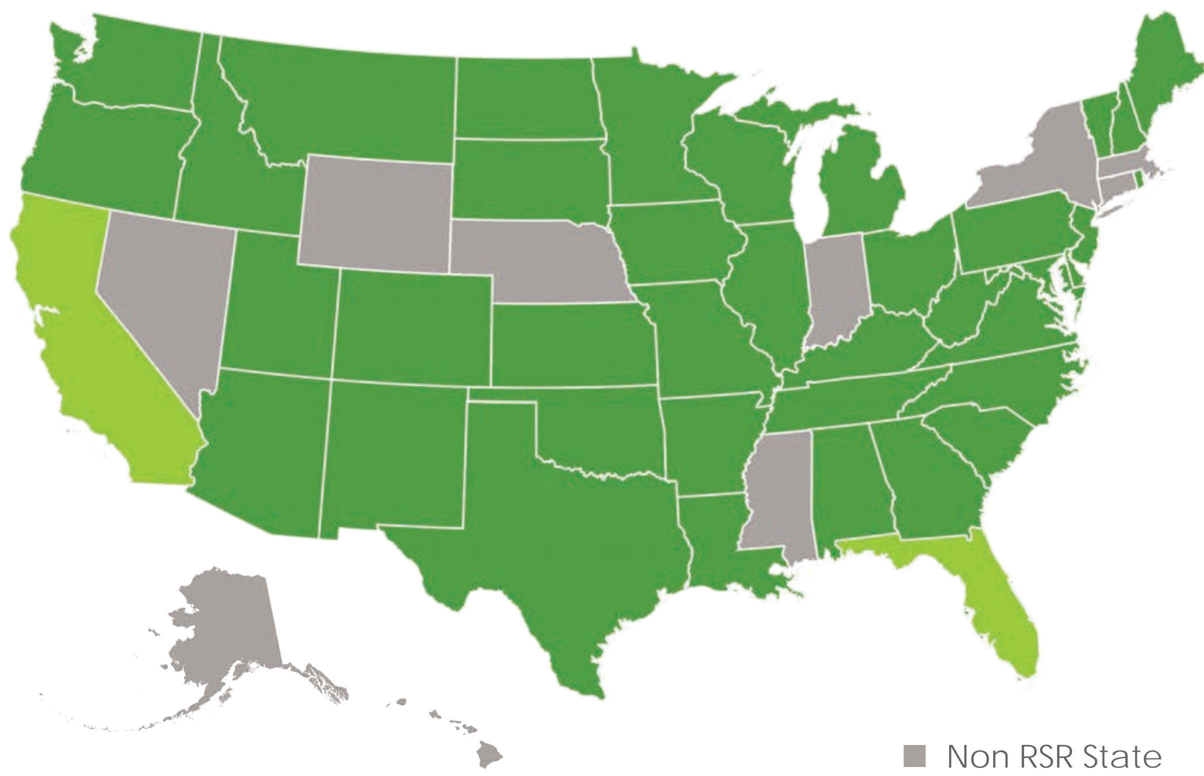
Recently a colleague of mine asked why "traditional" LTC insurance sales have decreased so much in the past few years. He was concerned that today's policies are priced too high for new applicants and that they just do not want to spend that much money for insurance they hope to never need.
Based upon my experience with thousands of consumers over the past few years, my reply to him was this:

> "When shown a proper policy design, most consumers think the premiums are affordable and a good value. Their main concern is NOT that LTC insurance is unaffordable. Their main concern is that a policy they buy today will become unaffordable."

Fortunately, there is good news: Rate Stability Regulation. To help prevent LTC insurance premium increases, 41 states have enacted strict regulations on how LTC insurance policies must be priced. Preliminary evidence shows these regulations are working very well in most states.

There are 16 insurance companies that have issued over 83% of the LTC insurance policies that are in-force today. The summaries below discuss the rate increase data of those 16 companies comparing their rate increase histories on policies issued before and after the Rate Stability Regulation took effect in two of the first states to adopt it.





CALIFORNIA

California was the 5th state to adopt the Rate Stability Regulation. California's Rate Stability Regulation took effect July 1st, 2002. Every LTC insurance policy purchased in California after July 1st, 2002 is protected by the Rate Stability Regulation. (Important: Those who participate in the CalPERS LTC insurance program or the Federal LTC Insurance Program (FLTCIP) are NOT protected by this regulation.)

Of the 16 largest issuers of LTC insurance policies, only 4 of them have had any rate increases on any of the policies they sold in California since July 1st, 2002. In other words, 12 of the biggest-selling LTC insurance companies have not had any rate increases on any of the policies they sold in California since July 1st, 2002.

Looking at the nine companies that currently sell LTC insurance in California, seven of those nine companies have not had any rate increase on any of the policies they sold in California since July 1st, 2002.

Looking at all of the rate increases these 16 companies have had in California, 93.64% of the rate increases have been on policy forms sold before July 1st, 2002, which are not protected by the Rate Stability Regulation. Only 6.36% of the rate increases in California have been on policy forms sold after July 1st, 2002.

FLORIDA

Florida's track record with the Rate Stability Regulation is similar to California's. Florida's Rate Stability Regulation became effective January 13th, 2003.

Of the 16 largest issuers of LTC insurance policies, only five of them have had any rate increases on any of the policies they sold in Florida since January 13th, 2003. In other words, 11 of the biggest selling LTC insurance companies have not had any rate increases on any of the policies they sold in Florida since January 13th, 2003.

Looking at the 10 companies that currently sell LTC insurance in Florida, nine of those 10 companies have not had any rate increases on any of the policies they sold in Florida since January 13th, 2003.

Looking at all of the rate increases the 16 biggest companies have had in Florida, 93.51% of the rate increases have been on policy forms sold before January 13th, 2003, which are not protected by the Rate Stability Regulation. Only 6.49% of the rate increases in Florida have been on policy forms sold after January 13th, 2003.

California and Florida are not outliers. The Rate Stability Regulation has had similar positive effects in every other state that has enacted it. On average, 95% of the rate increases that have been approved in each state have been on policies issued BEFORE that state enacted the Rate Stability Regulation.

Q: WHEN AND WHY WAS THE RATE STABILITY REGULATION CREATED?

The National Association of Insurance Commissioners (NAIC) approved the model regulation for rate stability in December of 2000. Do you remember December of 2000? "Bush v. Gore". "Hanging chads". That was when this regulation was first approved by the NAIC.

Important: For each state, the Rate Stability Regulation only applies to policies purchased AFTER the state enacted the regulation. Although the NAIC approved the model regulation in December of 2000, by the end of 2004, only 23 states had enacted it. The effective date of the Rate Stability Regulation in each state is a watershed moment in that state. The effective date of the Rate Stability Regulation is the dividing line between the "old ways" and the "new ways". When discussing rate increases with your clients it is vitally important that you - and they - understand that older policies were issued under different rules that made rate increases easier.

The NAIC created the regulation because in 1999 and 2000 some of the smaller LTC insurance companies had requested exorbitant premium increases on their LTC insurance policyholders. One company requested, and was approved, a 200% premium increase.

Fortunately, the NAIC moved quickly and passed the Rate Stability Regulation.

Q: WHAT IS DIFFERENT ABOUT THE RATE STABILITY REGULATION THAT MAKES IT WORK?

To understand why the Rate Stability Regulation works, you must first understand why the old pricing methodology did NOT work.

Under the "old" pricing system, the insurer was required to price their policies strictly according to a projected amount of claims, with a fixed claims ratio. For every $3 of claims they projected to pay, they could charge $5 in premium, leaving $2 for administrative costs, distribution expenses, and profit.

At the time, the regulators felt that this was the best way to price LTC insurance. It was similar to the pricing models for other "health-based" insurance products. There were several flaws in this old pricing method:

1. If a rate increase was needed, there was nothing that prevented the insurer from pricing the same level of profit in the rate increase as they had priced into the initial pricing. This meant that a 50% rate increase could mean a 50% increase in profit. (Some agents have challenged me on this point. They have told me that the old rules required an insurance company must be losing money before they could request a rate increase. While a couple of states have tried to regulatorily limit rate increases to this standard, it is simply not the case when looking at pricing models.)

2. The insurers were NOT allowed to price in any margin for error. For every $3 in projected claims they could only charge $5 in premium. There was no cushion priced into the policy to try to avoid future rate increases. The regulators, at the time, thought this was a good idea because it made premiums lower.

3. The insurers did NOT have to certify the accuracy of their actuarial assumptions. If their assumptions were off they would just request a rate increase.

4. It was very easy to get a rate increase. Since premiums were tied directly to projected claims if claims projections increased then premiums could be increased.

5. There was no cap on the rate increase. Since premiums were tied directly to projected claims premiums could be raised as high as necessary.

THE RATE STABILITY REGULATION CORRECTED THESE PROBLEMS:

1. The profit incentive has been removed. Under the Rate Stability Regulation, insurers CANNOT price the same profit levels into the rate increase as they do on their initial pricing. The regulation requires that only 15% of the rate increase go towards administrative and overhead expenses with 85% of the rate increase going towards claims. Also, if an insurer requests a rate increase, the insurer must first DECREASE the profit levels in their initial pricing schedule. For example, if the insurer had initially priced for 55% of the premium to go towards administrative expenses, distribution costs, and profit, the insurer must reduce that to no more than 42% before determining the need for a rate increase. In my opinion, this is the single most important reason why the Rate Stability Regulation is working - it has removed the profit incentive!

2. The insurers are now REQUIRED to include a "cushion" or "margin for error" in the initial pricing. For example, whatever the company expects claims to be, they must

price for claims to be higher than this. This is specifically designed to prevent—as much as possible—the need for any future rate increases.

3. Because of the "margin for error" priced into the policy, the insurers are required to have a qualified actuary certify that no premium increases are anticipated over the life of the policy form. This doesn't mean that a rate increase is impossible, but it fits with the evidence from the results I described earlier for the states of California and Florida.

4. If a rate increase is requested and approved, the insurer has to have an "annual review" with the regulators, for at least three years, to make sure the rate increase was justified and that it was not too high. If the rate increase turns out to have been too much, the insurer has to amend the increase.

5. Lastly, the Rate Stability Regulation puts a cap on the amount of a rate increase. The insurer is not allowed to have a rate increase that would force policyholders to pay premiums that are higher than their current pricing levels for new applicants.

When clients consider the purchase of traditional LTC insurance today, it is fair to assure them that not only are the old pricing mistakes already corrected for in the new business premiums being quoted, but if they are in one of the 41 states that have passed LTC insurance Rate Stability Regulation they have much more regulatory protection from the type of rate increases we have seen in the past. Premiums are still not guaranteed, and while this must be clearly disclosed and understood by clients, looking forward traditional LTC insurance premiums should be significantly more rate stable.

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This is What Long-Term Care is About

Article by Kerry Peabody

As an LTC insurance professional, you spend a lot of time trying to explain to prospects why they need to plan for long-term care. I gave up on the numbers and stats a long time ago, so I don't bother regurgitating a bunch of statistics about how many people will need long-term care services, how much nursing homes cost, blah, blah, blah.

No. You already know this is real; you've seen it – perhaps in your own family, or at work, or in a friend's or clients' family. LTC happens, period. Instead of re-hashing the obvious nonsense, I prefer to try and convey to them what LTC means to them and their family.

My mom passed away two Septembers ago with advanced COPD. It was horrible. My step-father was her primary caregiver for the past couple of years, assisted sporadically by hospice volunteers. Yes, she had long-term care insurance, but against my numerous urgings, she long ago purchased a nursing home only policy. (This was before I got into the sales side of this business.) So, her policy was dirt cheap, but it wouldn't pay for home care.

I live about four hours away from my mother. Her health went from bad to really bad after a hospitalization about two years ago. The weekend after she came home from the hospital, I drove down to stay for a few nights. My first night there, my step-father asked if I could stay with her while he ran some errands. "Sure," I replied, "of course." About thirty seconds after his truck left the driveway, however, something truly terrifying occurred to me – my mother might have to use the bathroom. The thought of physically assisting my mother with her toileting had never really struck me until that moment. I've been involved in LTC insurance for 21 years, but it wasn't until right then that it finally became real for me.

Think about how you might feel as an adult child in that situation. Or worse yet, as the ailing parent? As uncomfortable as I was with the prospect, how do you suppose she felt about having her 50-year-old son take her to the toilet?

This is what long-term care is about.

Another story, also very close to home. Two sisters and a brother. Mom suffers a significant health event, and simply doesn't recover. One sister becomes the primary caregiver. The mother spends eleven months in a skilled rehab facility, then a year receiving 24/7 home care, then another three weeks in intensive care before passing away. Throughout all of this, there were frequent re-hospitalizations and three-times-per-week dialysis visits.

Fortunately, this lady had very good long-term care insurance which provided a significant amount of financial support – as much as $11,000 per month. However, even with the financial relief the insurance provided, the caregiver sister still found herself working non-stop to ensure her mom's needs were met. Anyone who's seen the long-term care system at work knows that patients desperately need an advocate. This sister worked endlessly to shepherd her mom through the system and manage her needs. Over time, the toll this took on the relationships between the kids was catastrophic. Now, nearly four years after their mother's passing, they're still working to rebuild family ties.

> "Anyone who's seen the long-term care system at work knows that patients need an **advocate**."

This is what long-term care is about.

Next, a friend who owns a non-medical home health care agency. Her elderly parents live in another state, roughly six hours away. Mom has had several falls, dad's health is failing, and neither of them should be driving, but they live in a very rural area, and having no car would, for them, mean utter and complete isolation. Despite her urgings, they don't want to sell their house and move here, where she could help to manage their care needs as they become more immediate. This is a woman who owns a home care agency, and yet, her parents feel they know better. As it is, about every three weeks, she's driving six hours each way to deal with a care crisis, because her parents aren't ready to give up their home or their history in order to make it easier for her to help them.

This is what long-term care is about.

Finally, a couple – clients of mine - both retired professionals. He's 78, she's 72. You will never find a couple that loves each other more than these two. He suffered a stroke several years ago. She's younger, and

"Planning for long-term care... is about **human dignity**."

they always knew that she would be his first line of support in the event his health changed. But, now that's not going to work - she has Alzheimer's. This isn't what was supposed to happen. They have very good long-term care insurance in place, so financially, they'll be fine. But more importantly, they've built a network of caring friends in their community who will be there to help when things go wrong. They aren't alone.

This is what long-term care is about.

Planning for long-term care isn't about nursing homes. It's not about schedules or feedings or bathing and dressing or toileting. Planning for long-term care is about people and families, and the impact that changing health has on them. It's about human dignity. It's about meeting the physical and emotional needs of loved ones without subjecting yourself to physical and emotional exhaustion. It's about living out your own life without becoming a burden – even if your loved ones believe with all their hearts that they want to carry that burden.

You can help your clients face the fact that LTC happens, and you can help them deal with the financial side of this, and that's immensely important. But more importantly, encourage them to talk to their loved ones, spouses, partners, kids, siblings and parents. Reinforce the relationships that will be there when they or their family members need help. Long-term care happens. When it does, your clients need to be ready – and you can help. Good luck!

Kerry Peabody, CLTC®, Clark Insurance
207.523.2253
kpeabody@clarkinsurance.com

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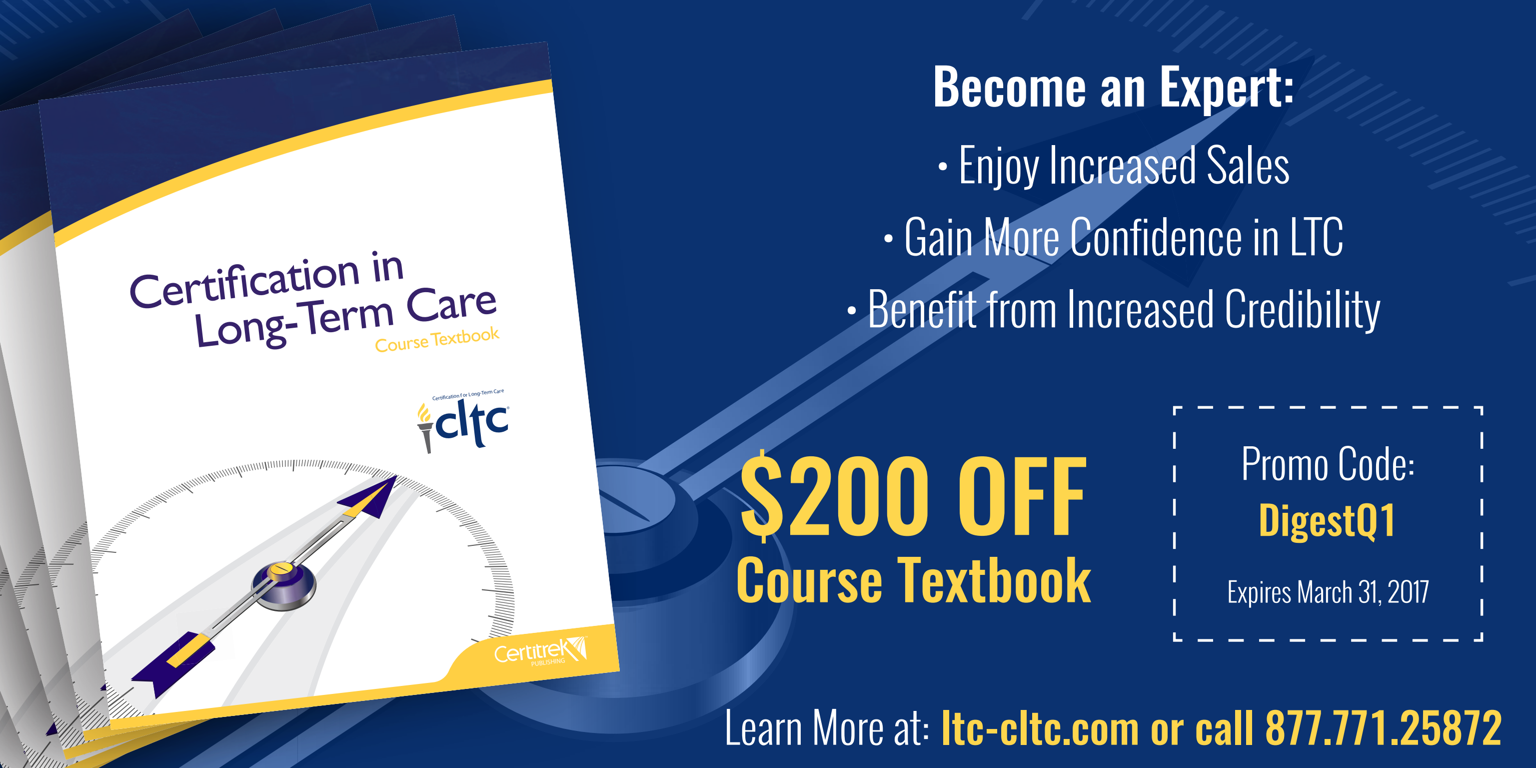

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