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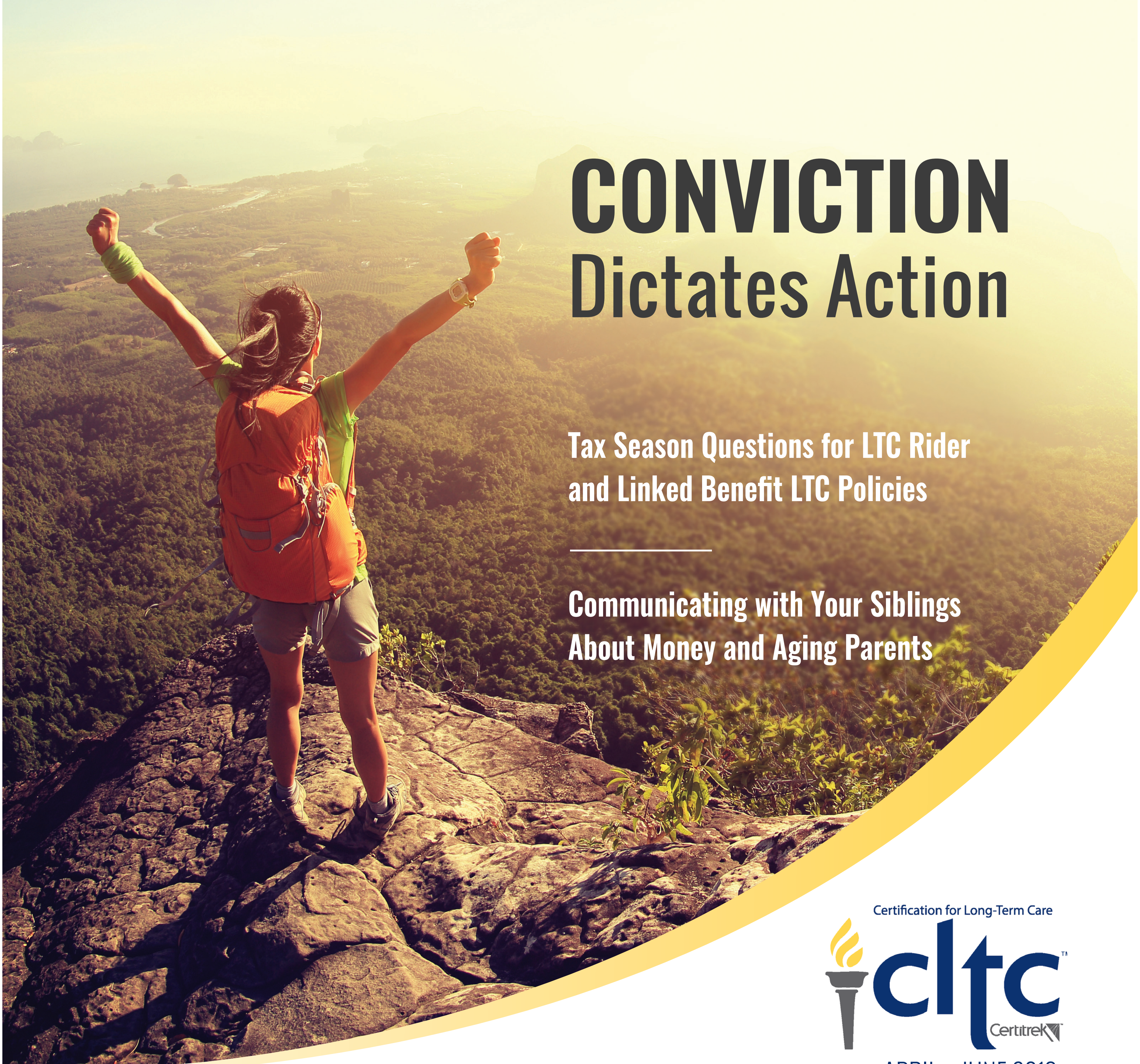

CONVICTION Dictates Action

Tax Season Questions for LTC Rider and Linked Benefit LTC Policies

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Communicating with Your Siblings About Money and Aging Parents

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APRIL – JUNE 2018

A NOTE FROM THE PRESIDENT

In March we had the opportunity to meet many of you at the ILTCI Conference in Las Vegas. It was a terrific event, with over 1,000 attendees, several learning tracks, a lively exhibit hall, and interesting, thought-provoking keynote sessions. CLTC had it's largest Masterclass of the year so far, with almost 50 students.

With everything going on, by far the biggest take-away from the conference for me was the attendees' shared commitment toward serving and protecting their clients. **The work you do makes a difference in people's lives, and we are very pleased to have the opportunity to help you do it.**

Some highlights in this issue:

- Shawn Britt, CLU, CLTC® appears again, this time to discuss the tax deductibility potential for LTC rider and linked benefit LTC policies. "One should choose a LTC insurance solution that meets their financial strategy and the care needs they envision, not based on the potential for tax deduction. In addition, care should be taken to read instructions carefully when tax forms arrive and/or consult a tax professional." (p. 2)

- Stephanie Stearns, FLMI, CLTC cites Stephen Hawking's drive toward leading a purposeful life; doctor and author Atul Gwande's search for understanding in order to deliver value, meaning and purpose to patients; and tools CLTC offers as elements enabling professionals to "provide solutions that clients need for better physical, emotional and financial well being—at their time of greatest need." (p. 5)

- Sandra McClanahan, CFP®, CRPC, MBA, RICP and CLTC provides five tips to help make sure siblings have civil conversations while discussing their parents' financial situation. (p. 10)

- Marc Glickman, FSA, CLTC one of our newest graduates, explores how to best handle questions arising from a rate increase notification, providing valuable historical context and illustrating three alternatives. (p. 13)

Thank you authors and readers for all you are doing to protect your clients, their income, and their assets.

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Tax Season Questions for LTC Rider and Linked Benefit LTC Policies

By Shawn Britt, CLU®, CLTC®

As tax season approaches every year, one of the questions most often asked is whether the cost of a long-term care (LTC) rider on life insurance is tax deductible. Much of the confusion centers around the fact that stand-alone (traditional) LTC policies enjoy a level of tax deductibility under IRC §213 as a medical expense. Legislation has been passed providing guidance for most instances, but there are still a few questions left unanswered.

There are also questions regarding IRS form 1099-R that is sent annually to policy owners of LTC riders and linked benefit LTC policies, as well as IRS Forms 1099-LTC and 8853.

LTC RIDERS ON LIFE INSURANCE

As of January 1, 2010, the Pension Protection Act 2006 has declared that an IRC §213 tax deduction for medical expenses is not allowed for the cost of a LTC rider if the charge for the LTC rider is deducted from the cash value of the life insurance policy. Since most life insurance policies take LTC Rider charges as a deduction from cash value, taxpayers owning these types of policies will generally not be eligible for an IRC §213 tax deduction.

This type of policy design exists on most:

- LTC Riders on life insurance
- LTC Riders on annuities
- Linked Benefit LTC policies

WHOLE LIFE POLICIES WITH LTC RIDERS — ARE THE RULES DIFFERENT?

While not specifically stated in the Pension Protection Act 2006 as allowable, many whole life companies take the position that the cost of the LTC rider is eligible for an IRC §213 tax deduction once the floor of an individual's AGI is met.[1] The reasoning behind this assumption lies in the fact that LTC rider charges on whole life policies are taken before premium dollars are placed in the cash value account. The tax code is unclear regarding this position; thus, owners of such policies should consult their tax advisor for guidance before taking such a deduction.

Life insurance premiums are clearly not deductible, so even if one decides to take a deduction, the deduction should only be for LTC rider costs.

LINKED BENEFIT POLICIES

Some advisors are under the assumption that linked benefit policies are somehow categorized purely as a LTC product. While these type policies are intended to be for LTC protection - not for typical life insurance protection—the policy is still placed on a life insurance or annuity chassis. Thus, life insurance rules will still apply (or annuity rules when placed on an annuity). The chart below is a general summary of the potential to deduct LTC premiums.

in Box 7, indicating there is no need to report these amounts on the tax return. Box 8 shows the same amount as Box 1. This represents the amount that the cost basis on the policy was reduced by, based on the LTC rider charges. While the IRS does not consider these charges taxable, they are considered a return of premium and reduce cost basis in the policy.

Keep in mind it is possible to receive more than one 1099-R on the same policy if a distribution (such as a withdrawal exceeding the cost basis) is taken that is unrelated to a LTC rider charge or premium. In this case, the distribution code in Box 7 would not be "W" and the policy owner could have taxable income. These 1099-R documents should be carefully reviewed, and a tax advisor should be consulted as some of these documents may require the policy owner to report a taxable amount to the IRS.

TAX DEDUCTIBILITY POTENTIAL

LTC Stand-Alone Policy *Individually-Owned*	**YES**, within IRS limits.*
LTC Stand-Alone Policy *Paid By Business or Corp.*	**YES**, rules and amounts vary per type of business and certain circumstances*
LTC Rider on Life Insurance	**NO**, when the cost of the rider is paid is paid from cash value deductions (most policies)**
LTC Rider on Annuities	**NO**
Chronic Illness Rider on Life Insurance	**NO**

* Please consult your tax professional for more information.
** The tax code is unclear regarding LTC riders placed on whole life insurance.

EXPLANATION OF THE 1099-R AND 1099-LTC AND IRS FORM 8853

Understanding the 1099-R
The Pension Protection Act, signed into law in 2006, brought other changes as well. Starting January 1, 2010, anyone owning a life insurance policy with a LTC rider must receive a 1099-R form reporting the portion of the total premium that represents the charges or premium for the LTC rider on the policy, even though the charges or premiums are not taxable.

Box 1 shows the amount of LTC rider charges or premiums. Box 2 is where the taxable amount is placed, *but will be blank because the LTC rider charges are not taxable*. This is reflected by the distribution code of "W"

Understanding the 1099-LTC
A 1099-LTC reports the actual LTC benefit amount received by a policy owner for the insured's LTC claim for the given tax year—whether the benefits were paid by per diem or reimbursement. While long-term care benefits are generally paid on a tax-free basis, there are limitations on the maximum amount of tax free benefits an insured can qualify for. The amount of LTC benefits that may be received tax free for a given insured in the aggregate is the greater of the per diem rate established by HIPAA for the given year of claim, or actual LTC costs incurred.

Additional rules apply when there are multiple policies on the same insured with more than one owner involved. If multiple policies are owned on a single insured, the insured receives first access to any tax-free amounts (assuming they own one of the policies).

For the remaining policy owners, any remaining tax-free amounts or taxes due will then be divided pro-rata between other policies owned on the insured. The client should consult their tax advisor for guidance on reporting these amounts on their tax return.

IRS Form 8853—Tax Reporting of LTC Benefits
While LTC benefits are tax free within IRS guidelines, the benefits must still be reported on the policy owner's tax return in the year received on IRS Form 8853. Section C of this form is used for reporting. This is the same form and section that is used to report Chronic Illness Rider benefits, so care should be taken to place benefits amounts on the correct line. Nationwide pays benefits "per diem", so the policy owner will want to follow the instructions for reporting per diem benefits paid by LTC benefits from life Insurance.

Also, if more than one policy is owned on the insured by different policy owners, care must be taken to report properly as all policy owners must report using the same method. The client should consult their tax advisor for guidance on reporting these amounts on their tax return, particularly in the case of multiple policy owners.

IN SUMMARY

One should choose a LTC insurance solution that meets their financial strategy and the care needs they envision, not based on the potential for a tax deduction. In addition, care should be taken to read instructions carefully when tax forms arrive and/or consult a tax professional.

[1] For tax years 2017 and 2018, the floor that must be met out of pocket will be 7 ½%. As of 2019, the floor will return to 10%.

SHAWN BRITT
CLU®, CLTC®

Shawn is Director of LTC Initiatives for Advanced Consulting Group at Nationwide FInancial. She has been engaged in the life insurance and LTC industry for over 20 years. Shawn has been a major influence in promoting the need for long-term care and development of Nationwide's LTC product solutions.

CONVICTION DICTATES ACTION

By Stephanie L. Sterns, FLMI®, CLTC®

The tenacity and sense of purpose that drove Stephen Hawking, iconic theoretical physicist and cosmologist whose recent passing of at age 76[1], got me thinking about the work we do in long-term care planning. What fuels our conviction? What sustains us through change and challenge?

Despite being given roughly two years to live after his diagnosis with amyotrophic lateral sclerosis (ALS) at age twenty-one, Hawking survived for decades - possibly longer than any other patient with the disease in medical history. The Guardian reported Hawking's struggle to stay motivated to finish his Ph.D. after his diagnosis:

> "However difficult life may seem, there is always something you can do, and succeed at. It matters that you don't just give up."
>
> —Stephen Hawking[2]

Not just at the end of life or in the face of debility but all along the way, Hawking made choices to lead a purposeful life. The choices we make in our lives evolve with our beliefs and change as a result of aging. Having options from which to choose that will add to the richness of life is where we in financial services and insurance planning can connect deeply and influence how clients experience aging for the better.

In his 2014 book, *Being Mortal: Medicine and What Matters in the End*, doctor and bestselling writer, Atul Gawande writes:

> "Whenever serious sickness or injury strikes and your body or mind breaks down, the vital questions are the same: What is your understanding of the situation and its potential outcomes? What are your fears and what are your hopes? What are the tradeoffs you are willing to make and not willing to make? And what is the course of action that best serves this understanding?"[3]

A practicing surgeon, Gawande learned through a very personal journey that to understand 'what matters when' and the specific reasons his patients wished to be alive, made it possible to deliver extended and end-of-life care in a manner that brings value, meaning and purpose to its recipients. Addressing the challenges inherent with frailty and bodily decline including access to quality care will require transforming medical protocols, public policy and mindsets across all fields that touch long-term care.

In *Being Mortal*, a few strongly-convicted and courageous individuals proved that custodial care, even in a skilled nursing facility, could be given with more freedom, happiness and social fulfillment for residents. Using various approaches these innovators helped people in a state of dependence "sustain the value of existence."

> *As people become aware of the finitude in life they do not ask for much. They ask only to be permitted, insofar as possible, to keep shaping the story of their life in the world-to make choices and sustain connections to others according to their own priorities. In modern society we have come to assume that debility and dependence rule out such autonomy.*[4]

How does this relate to the work of the most successful financial advisors and long-term care planners? When asked what fuels their conviction most refer to their role in enabling client well-being throughout their life.

For example:

> ***"It is just doing the right thing for the client and putting them in a better position than they were…if I believe their financial and emotional well-being is going to be impacted because they don't have specific protection, then I am going to spend the time to help that client understand how they are going to solve the problem and highly recommend they act. It's knowing the job was done right. It's not work, it's a passion."***
>
> —Northwestern Mutual Advisors[5]

Conviction is what ultimately results in clients acting on advisor recommendations but a lot happens along the way to establish trust in that relationship. What is unique about advisors who never seem to give up on LTC planning no matter how difficult it seems? The first, and perhaps simplest—at least on the surface—is that extended care is truly integrated into the normal, day-to-day planning process. Second, there are no assumptions made that the client "wouldn't want" or "couldn't afford" a plan for LTC.

This means always asking the "what if" questions ("What would happen to your plan if…?") and doing the follow-up work to show the impact to the retirement plan, for example, with and without an extended care need. And, finally spending the time it takes to help the client address, "how are you going to solve that problem?"

The CLTC process is a planning approach with 'what matters when' to the client at its core. Highly successful advisors have always gained their confidence and competence with extended care planning through the CLTC resources and tools. Specifically, CLTC graduates understand how to discuss the concepts necessary to facilitate planning and the questions for those who are not yet ready to discuss the subject but who need to do so. CLTC instructor and advisor, Nancy Dykeman developed a factfinder to discover the client's opinions about his/her own care. Answers to these and many other key questions can be shared with a spouse or partner, adult children, friends and family members:[6]

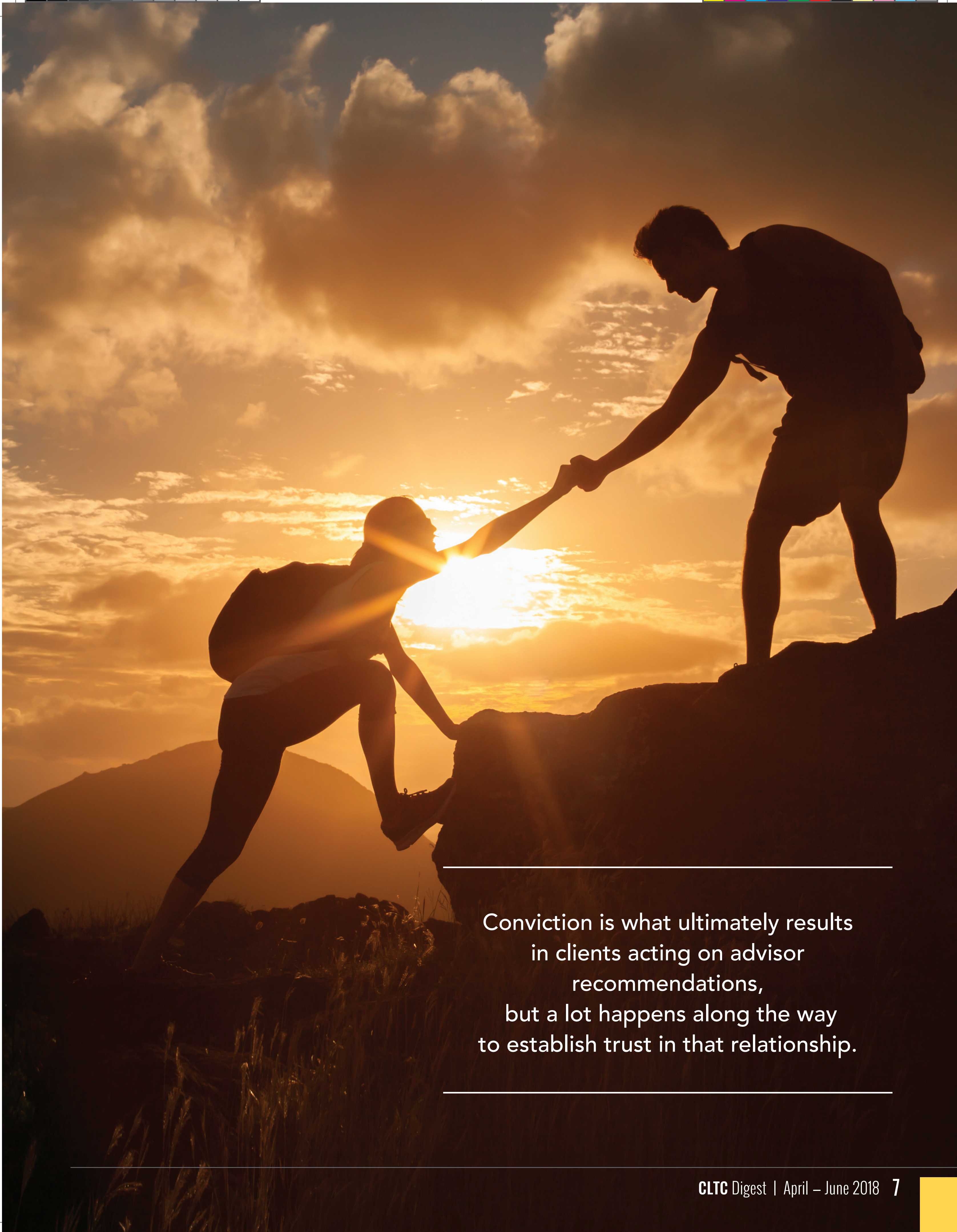
- I realize that I may need care from my loved ones at some point in my life?
- What impact do I believe my loved ones will experience should they provide my care at home?
- If accident or illness happens to me in the next year, who of my loved ones will be able to care for me?
- What does it mean for that caregiver?

The Advisor's Guide to Long-Term Care Conversations and Solutions: How to Talk to Clients About Extended Care, Create Meaningful Care Plans, and Increase Your Profitability is a comprehensive eBook available to CLTC graduates.[7] A client-friendly version, *The Beginner's Guide to Long-Term Care Planning: Keep Your Family's Finances Standing Strong* was created to help clients consider who is most important and should be protected in the future. The email introduction to the book poses the question directly:

> ***"If you become unable to take care of yourself, what if you had the right long-term care plan in place so that you could receive the care you need, in the place you want to receive it, while ensuring that your loved ones' financial and personal wellbeing are protected?"***

These tools and others available to graduates on the CLTC website were created to help advisors engage clients in a consultative process by explaining how having a long-term care plan is the best way to make sure you have the care you may need without jeopardizing your family's personal and financial security.

None of Gawande's family, friends and patients in *Being Mortal* had planned for or discussed long-term care prior



Conviction is what ultimately results in clients acting on advisor recommendations, but a lot happens along the way to establish trust in that relationship.

to facing the loss of their functional abilities. We know this is the norm. Yet, the case is made that end of life is eased greatly by the level of autonomy given to the aged and terminally ill to decide what is a good life and what matters to them as an individual. The greatest gift is the ability to be able to define your own story and life in the world.

Like Stephen Hawking's advice to persist no matter how hard it gets, Gawande's challenge is for us all to "commit ourselves to creating better options and making choices with the goal of a purposeful life in mind."

The same week I read tributes to the persistence demonstrated by Stephen Hawking following his diagnosis, legislation in the state of Washington to establish the first payroll tax where the proceeds go to long-term care was defeated.

As reported in *The New York Times*, unanswered questions including how caregivers would become qualified and eligible to collect benefits for providing home care; and because the effort would affect so many people, "it was not going to happen very quickly."

According to Doug Shadel, AARP's state director in Washington whose organization led the effort against the bill, "We're inventing a new social system to fix a social problem."[8] Part of the problem is that we can't fathom the challenges, which include paying for care, until we ourselves or through clients and loved ones are directly affected. Perspective is power.

Gawade also calls for a new social system—one that requires his profession to make quality of life the desired goal for patients and families.

> *"We've been wrong about what our job is in medicine. We think our job is to ensure health and survival. But really it is larger than that. It is to enable well-being. And well-being is about the reasons one wishes to be alive."*[9]

We know insurers are delivering meaningful long-term care benefits ($9.2 billion in claims in 2017) to support those receiving care and their caregivers - often elderly spouses or adult children.[10] The CLTC organization is a one-of-a-kind resource to advisors and a true advocate for the clients they serve. Building the "know-how" and staying current enables us to provide solutions that clients need for better physical, emotional and financial well-being—at their time of greatest need.

STEPHANIE L. STERNS
FLMI, CLTC®
CLTC® Board of Advisors

For half of her 20-year corporate tenure, Stephanie focused exclusively on promoting the value of LTC planning in providing for a lifetime of financial security for families. She has been Certified in Long-Term Care (CLTC) since 2005 and has served as a close partner and advocate for the mission of the organization ever since that time.

SOURCES

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Communicating with Your Siblings About **Money and Aging Parents**

By Sandra L. McClanahan, CFP®, CRPC, MBA, RICP, CLTC®

Many adult children are called upon to help their aging parents as life changes set in, yet only 65 percent of siblings report talking about money with one another, according to research by Ameriprise Financial. While only 15 percent of siblings have conflicts over money, when siblings do spar over finances, it's usually about their parents' situation. Financial conversations between siblings become inevitable, as brothers and sisters manage their parents' money matters, including estate planning, healthcare, retirement income and wills.

In the event that you have shared responsibilities with your siblings down the road, it's important to make sure your family is on the same page. Here are five tips to help you and your siblings have civil conversations about money-related family matters.

1 Set aside your differences.

When your parents need help, don't waste your time re-hashing old family feuds. Keep yourself in check if you are tempted to fall into old patterns of behavior that may alienate grown-up siblings. You may not be able to control how your siblings behave, but you can control your own actions.

2 Determine key priorities.

You'll accomplish more—and potentially spar less—when everyone is committed to common goals. Assess what financial matters you and your siblings will need to manage together. If your parents' safety is a primary concern, find agreement about the support and services they need to remain safely in the family home. If it's time for your parents to move to an assisted living facility, put your energy into seeking a solution.

3 Schedule time to talk.

Schedule regular check-ins with your siblings to discuss pressing topics related to your parents' care, including how finances are being managed. Frequent conversations can help diminish anxiety and improve collaboration. Ongoing dialogue will help prevent misunderstandings from blowing up into full-fledged battles and help keep your parents' best interest top-of-mind.

4 Divide and conquer.

It's important to set responsibilities, with the understanding that each sibling may be able to contribute different amounts of time, money and expertise. Be forthright about what you can reasonably handle and open to taking on more tasks if you have the capacity. Keep in mind that responsibilities may shift over time, as circumstances change for you and your siblings.

5 Be open to advice.

Bringing outside sources into your inner circle can help provide unbiased guidance as you enter this new phase of life. Your parents' tax preparer, financial planner and other trusted advisors could provide an important bridge to understanding their current financial situation. Once you're ready to plan the next steps for your family, consider working with a single financial advisor. This approach allows the advisor to help you create a comprehensive plan that addresses everyone's needs and concerns.

> In the event that you have **shared responsibilities** with your siblings down the road, it's important to make sure your family is on the same page.

Money conversations can be emotional and hard to initiate, but keep in mind that there are benefits to having open communication. Families who are willing to tackle money-related topics are often more confident about their ability to handle financial challenges and work toward their goals.

SANDRA L. MCCLANAHAN
CFP®, CRPC, MBA, RICP, CLTC®

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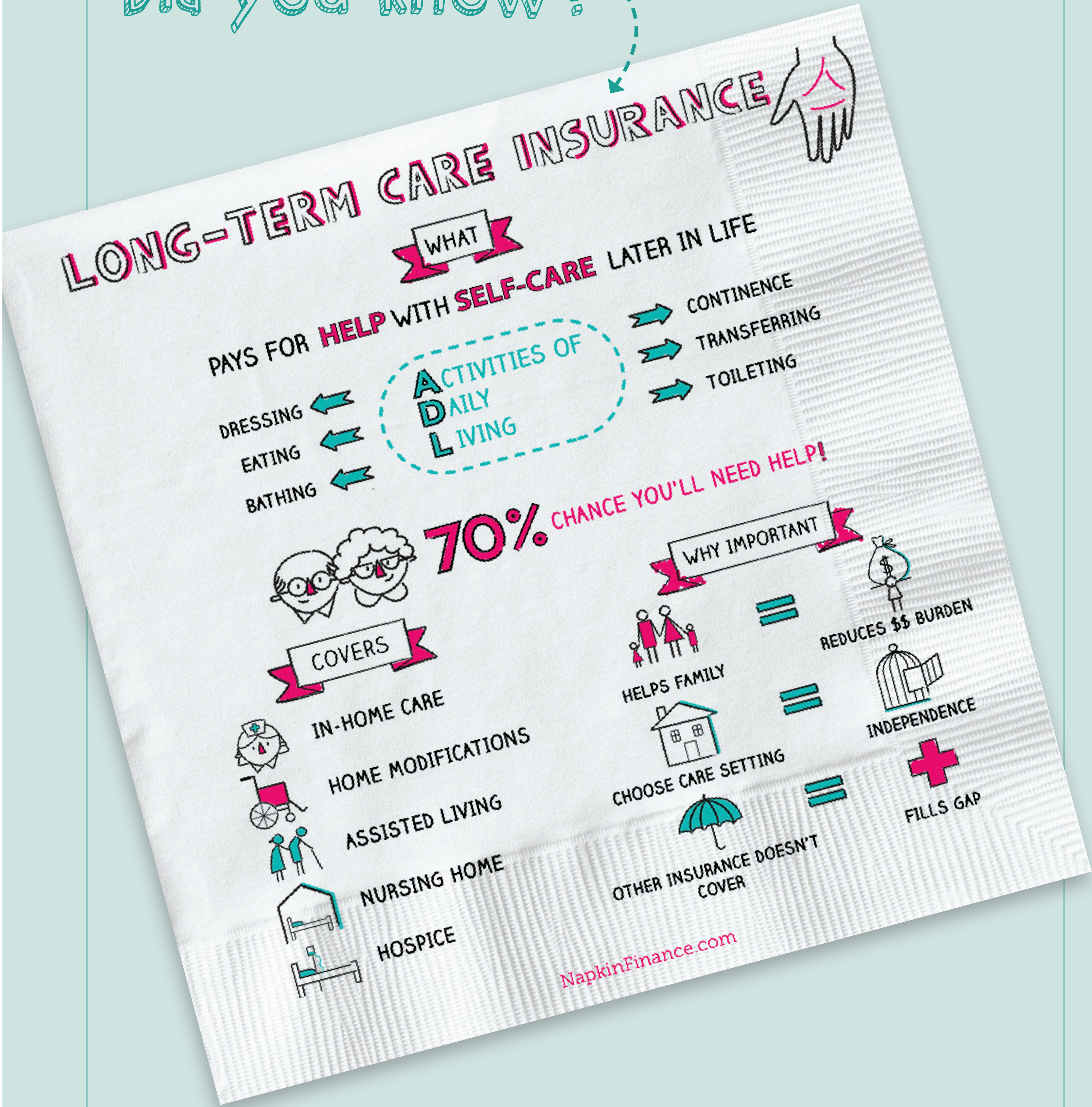
The Family Wealth Checkup study was created by Ameriprise Financial, Inc. and conducted online by Artemis Strategy Group November 23–December 15, 2016, among 2,700 U.S. adults between the ages of 25-70 with at least $25,000 in investable assets.

Did you know?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ASK THE ACTUARY

By Marc Glickman, FSA, CLTC®

Every situation is unique, so always have your client consult their long term care, legal, or tax advisor. The views discussed in this article are opinions of the author, and not National Guardian Life (NGL), LifeCare Assurance, or CLTC.

Dear Actuary,

My most important client just received a long-term care insurance rate increase. What should he do with his existing policy and should I consider a new carrier for his LTCi coverage?

Fearful in Florida

Dear Fearful,

First of all, let me empathize with your client. Nobody wants to receive a rate increase letter. Now that you have the details in front of you, you have a chance to be a hero for your client. The best solution is probably to doing nothing more than reinforce the value of the original plan.

Most LTCi rate increases were a result of the original coverage being underpriced. It is likely that more claims will be paid out than originally anticipated. It turns out few people lapsed their policies each year and more people will eventually claim benefits. At the same time, the insurance carrier investment portfolios are earning much less than originally expected because of today's low interest rates. This means that the carrier needs to request extra premiums to fund the extra cost of future claims. Analogously, it is even more difficult to self-insure an extended care event as an alternative to dealing with the rate increase when low risk investments are earning low rates of return.

One positive of the current lapse and interest rate expectations is that new products being sold today are much more likely to be price stable. A recent Society of Actuaries study[1] estimates that even under adverse circumstances, today's products have less than a 10% chance of needing a future rate increase. So, despite higher prices, new LTCi products still provide significant protection against a catastrophic long term care need and with more price stability. Traditional LTCi remains the least expensive way to fund an LTCi plan.

Most LTCi rate increases were a result of the original coverage being underpriced.

Carriers that are filing for rate increases on their legacy products are trying to improve the adequacy of premiums to be more in line with today's new products. However, the price after the rate increase is usually still lower than today's price for the same benefits! This is despite the fact that the lower original prices have been paid for many years. This demonstrates that the insured has typically received an extremely good value on their existing coverage as long as the increased premum is at a level they can still afford to pay.

INSIDE THE NUMBERS

This leads us to method of analyzing the value of your client's original plan by using new product pricing. It is very likely that the reasons for the client's original purpose for LTCi protection are even more relevant today now that they are older. We are going to use the price of today's new policies to assess whether the client is best served maintaining their current plan. This will at the same time highlight the value of the original plan even after considering rate increases.

Let's go through the analysis with a sample client that purchased LTCi 10 years ago when she was 55 years old. Let's assume she paid a premium of $2,000. Now at age 65, she has paid $20,000 into the plan. The client received a 50% rate increase bringing her annual premium up to $3,000. She is planning for her long term care needs in another 20 years at age 85.

Run two new quotes from a current LTCi carrier's product. Both quotes should match the original benefits. If you are recommending a client reduce benefits, you can also compare new quotes at that reduced benefit level. Run the first quote using the client's original issue age and the second quote using the client's current age. You will use the first quote as the hypothetical cost of a plan reflecting current actuarial assumptions. You will use the second quote to represent the replacement cost of a plan should the client have any thoughts of forgoing their current coverage.

LTCi premiums are around 2.5 times more expensive for the same benefits compared to plans sold 10 years ago.[2] The increase will be less noticeable for males compared to females because of the industry shift to gender specific rates. Yet, the average LTCi premium purchased today of about $2,500 is almost the same average price as 10 years ago after adjusting for inflation.[3] The reason for this seeming anomaly is that lower benefit periods and/or lower inflation rates are purchased on plans today.

Lifetime benefits and 5% compound inflation used to be the most commonly purchased plan. 3 or 5 year benefit periods and 3% compound inflation are more commonly purchased today. Reducing benefits instead of paying a rate increase results in the client having benefit structures that are more in line with today's policies.

One positive of the current lapse and interest rate expectations is that new products being sold today are **much more likely to be price stable.**

The cost for our sample client's coverage today at her original age and rate class would be closer to $5,000 today instead of the $2,000 she originally paid. At this point, it should be clear that the $3,000 it will cost her to continue her current plan is still a great value compared to the $5,000 that she would spend buying a new policy today with the same benefits.

Use the first quote you ran to evaluate your client's actual situation. Each situation will be unique based on gender, product, state, and carrier.

Now let's assess the client's current alternatives.

SCENARIO **A:**
Client decides to lapse her current coverage.

The $20,000 already paid into the plan is a sunk cost. She is likely to be eligible to receive a very limited

It turns out few people lapse their policies each year and more people will eventually claim benefits. At the same time, the insurance carrier investment portfolios are earning much less than originally expected because of today's low interest rates. This means that the carrier needs to request extra premiums to fund the extra cost of future claims.

benefit (contingent non-forfeiture) should she lapse the policy.

If a new policy is 2.5 times more expensive at the client's original age, it will almost certainly be even more expensive now that the client is 10 years older. If the client originally purchased 5% compound inflation protection, also keep in mind that she has already accrued significantly higher benefits during the first 10 years of owning the policy. Also, it is possible that the client may no longer qualify at the same preferred health class or may not qualify at all because of a change in health during the 10 year period.

You might think it makes sense to replace her coverage with another type of plan like a combo policy that combines a life or annuity product with an LTC rider. This might be attractive if the client's needs or preferences have changed. However, it will be very difficult to replace the value paid into the original policy, especially considering that the life or annuity plan is typically much more expensive than the traditional LTCi plan for the same level of LTCi protection.

SCENARIO **B:**
Client decides to keep her current coverage:.

She has another estimated $60,000 ($3,000 x 20) remaining to fund the plan assuming no additional future rate increases. The value of the existing coverage will continue to increase as she pays premiums, even if she prepares for the possibility of needing to fund an additional future rate increase.

SCENARIO **C:**
Client decides to reduce policy benefits.

Most LTCi rate increases, provide for a "landing spot" approach that allows the policyholder to reduce benefits while keeping the premium close to the original level. This way, the client may be able to both lock in the value already paid, still retain significant benefits, and keep the premiums at an affordable level.

Out of the three scenarios, real world data suggests that most clients keep their current coverage. Individual situations differ based primarily on the magnitude of the rate increase(s). This author estimates that roughly 70% of people pay the full increased premium, 25% reduced their benefits, and only 5% lapse their policies.[4] After paying the rate increase, those policyholders tend to be even less likely to lapse their policies in the future. This indicates that most clients are making rational decisions and most LTC advisors are giving solid advice.

The main ongoing question is will there be additional rate increases. There is now significant rate increase data to assess this risk. The California Department of Insurance[5] publishes data for rate increases across all states. The majority of rate increases have occurred on policies issued prior to the adoption of rate stability regulations in the early to mid 2000's. In the California report, you can review both the rate increase amount approved, and also the amount that was originally requested by the company. It is more likely that another rate increase will be requested if the full amount of the original filing was not granted. Be aware that this is not an exact science because company experience continues to develop and actuaries can refine pricing assumptions and models.

LTCi premiums are around 2.5 times **more expensive for the same benefits** compared to plans sold 10 years ago.[2] The increase will be less noticeable for males compared to females because of the industry shift to gender specific rates.

Some advisors also question the viability of the existing carriers. However, there is a robust regulatory framework that reviews every carrier's ability to pay claims and takes action accordingly.

IN CONCLUSION

Insurance by its nature will always have those that are fortunate enough to receive little or no benefits, while others will receive large amounts of benefits due to the misfortune of requiring care. Yet, this is the primary reason for buying LTCi coverage. The insurance funds help ease the financial and emotional burden that comes with a need for extended care.

Those that have received rate increases, and have not yet received benefits should not feel as if their money went to waste. Just like term life, health, auto, or homeowners, the insurance provides peace of mind.

They are still better off being healthy and not having a need for long term care. In fact, these policyholders had great foresight to lock in the once-in-a-lifetime value offered by low premiums and the wide availability of richer benefits.

You see this phenomenon clearly when someone who purchased 10-pay receives a rate increase on their last remaining premiums. Their phone call to the advisor is usually one of gratitude.

It is hard to take the emotion out of receiving an unanticipated rate increase. Luckily, they have their trusted advisor to count on to help them keep their best options on the table. Usually, this is the plan they already have in place. Taking that initial phone call from the client may make you feel like the goat, prove instead in their eyes to be the G.O.A.T. (Greatest of All Time). You will be surprised how addressing their fears the right way will open many doors to getting clients coverage in the future.

MARC GLICKMAN
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Mark is Chief Sales Officer with LifeCare Assurance. His mission is to revitalize the LTCI industry, so consumers have more choices for long term care planning. Marc is responsible for distribution of the National Guardian Life (NGL) EssentialLTC program. He has a decade of experience as an LTCI actuary.

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Do you have any LTCI questions for the actuary?
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SOURCES

1 www.soa.org/Files/Sections/ltc-pricing-project.pdf
2 Based on Broker World Survey data
3 Based on LIMRA Survey data
4 Based on major carriers that have reported these statistics in public statements
5 **For inactive companies:**
www.insurance.ca.gov/01-consumers/105-type/95-guides/05-health/01-ltc/rate-history-inactive.cfm

For actively writing carriers:
www.insurance.ca.gov/01-consumers/105-type/95-guides/05-health/01-ltc/rate-history-active.cfm

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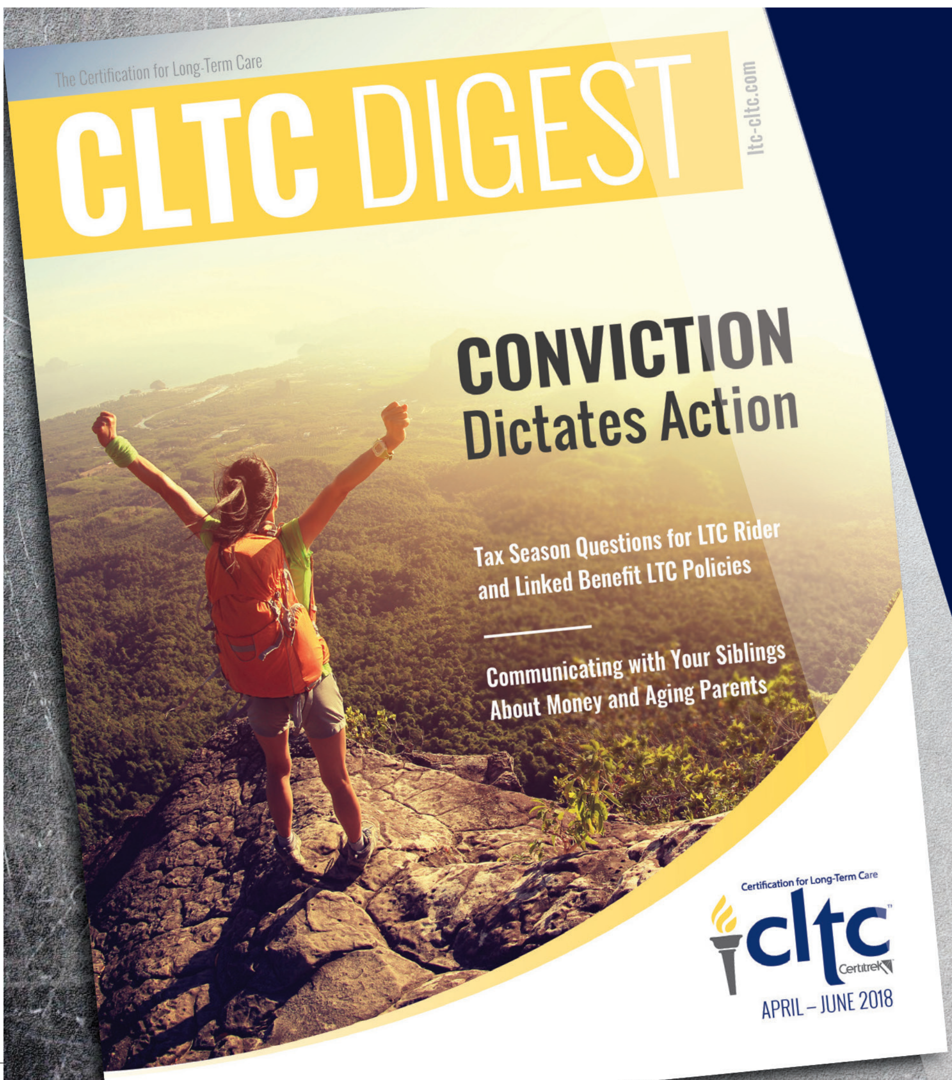

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