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The Positive Impact of AI on the LTCi Industry

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JULY – SEPTEMBER 2018

A NOTE FROM THE PRESIDENT

In our cover story, Tom Riekse, Jr. comments on four ways that artificial intelligence (AI) may dramatically impact the long-term care insurance industry. With Moore's Law, Big Data, and more companies than ever focusing on converting data to information to wisdom, huge developments are coming our way. These waves will continue to accelerate; the world will never again change as slowly as it is changing right now. Buckle up!

Some other highlights in this issue:

- Shawn Britt, CLU, CLTC®, explores what can go wrong when LTC planning does not adequately factor in all the things that may result from divorce, second marriages and policy ownership. There are three case studies and a great list of potential pitfalls for advisors to avoid.
- Angela Ribuffo, CFP®, RICP®,ChFC®, CLTC®, points out that women are more likely to end up as caregivers than men, that those caregivers make great financial sacrifices to do so, and calls on everyone to mentor and support women entering the field of extended care planning.
- Marc Glickman, FSA, CLTC®, provides valuable insights on how to navigate your client through the wide range of products now available. He reminds us that "it is better to be vaguely right than precisely wrong."

Thanks to all of our contributing authors and to you readers for all you do to protect your clients, their income, and their assets. Please also enjoy CLTC's monthly webinar and newsletter.

David Schmidt
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The Positive Impact of AI on the LTCi Industry

By Tom Riekse, Jr., ChFC®, CEBS

When most people think of artificial intelligence (AI), they first think of some of the great science fiction movies and television shows that depict smart computers, robots and networks. From HAL9000 in the movie 2001, A Space Odyssey, up to the current day tv show Westworld. Most of these stories depict the scary unknown of AI and how it could threaten humanity.

Our daily reality, however, is that AI has already impacted our daily lives in amazing ways that we now take for granted. For example, Google Search is a form of artificial intelligence when you are looking for something. Netflix uses AI to make recommendations to you. Devices such as Amazon Alexa, Google Assistant and Apple Siri use AI to respond to voice commands and learn over time what the best answers are.

> While it is true that some jobs will be negatively impacted by AI, it is more realistic that the AI revolution will **help** people who are involved in long-term care planning, insurance and caregiving.

If you participate in this market, you will want to know the potential impact to your business even if you aren't a technology expert. When we talk about the impact of AI, we are looking at things such as the development of better algorithms and the rise of "machine learning" and "deep learning". Here's a brief description of each:

Algorithm. An algorithm is simply a sequence of programmed instructions (or rules) that tells a computer what to do. As discussed earlier, one of the well-known algorithms is that used for doing an online search. Type "LTC Insurance" into the Google search bar and an algorithm will determine which results are displayed. The better this algorithm is designed, the more accurate and helpful the information will be for the person performing the search.

Machine Learning. Machine learning helps make predictions based on data and learned experience. The computer models will look for patterns in data that can lead to more accurate results of questions that are being asked.

Deep Learning. Deep learning is a step beyond simply follow an algorithm. In the case of deep learning, the computer will play out different scenarios to come up with potentially new ways of doing things. It's used in things like speech recognition, face recognition, and other pattern recognition systems. This process allows computers to win at almost any game with defined rules.

According to Accenture Strategy's *Reworking the Revolution* report, if businesses invest in AI and human-machine collaboration at the same rate as top-performing companies, they could boost revenues by upwards of 38 percent. They could also raise employment levels by 10 percent by 2022.

> Business leaders must immediately prepare their workforces for an entirely new world where **human ingenuity meets intelligent technology to unlock new forms of growth.**

Based on that background, here are four ways that artificial intelligence could dramatically impact the long-term care insurance industry:

1 PROSPECTING AND FINDING NEW CLIENTS

The internet and AI will dramatically change the way LTC Insurance advisors prospect for new clients. No longer do salespeople simply have to rely on referrals or cold calling to find new prospects for LTC insurance. With AI, if you know the characteristics of long-term care buyers then the technology can be used to find potential buyers in any dataset with similar patterns.

As an example, if we knew that the average LTC Insurance buyer purchased a plan four years after hiring professional long-term care for a parent, you would want to make sure that the adult children of people currently receiving care were included in a target list of prospects. Other known profiles of buyers such as education attainment and address can hint who might be good prospects.

Where you find these prospects has expanded far beyond direct mail pieces. Online platforms such as Facebook, Google, Twitter and LinkedIn allow for targeting of consumers and businesses that may be interested in LTC Insurance. These platforms allow anyone to set up advertising and targeting accounts within budget.

The flipside is: AI will also allow consumers to have easier access to information, giving them more control over how (and with whom) they do business.

Consumers will do very specific searches online, such as: "When is the best time to buy long-term care insurance?" LTC advisors can use this to their advantage with a strong online presence, demonstrating robust LTC expertise via custom websites, published articles, blogs, and social media accounts. Online search algorithms tend to identify the organizations with the greatest web presence first.

2 LONGEVITY, COST OF CARE AND INSURABILITY

Once someone has made the decision to plan for care, they'll need to have a way to project when they need care, how much it will cost, and if LTC Insurance is even an option. Artificial Intelligence can play an important role in helping these different areas.

First, let us look at how to project how long someone will live and how much care they will need. Currently, the tools most people use are one-size-fits-all. Look at the life expectancy for the U.S. population at certain ages, figure the overall odds of needing LTC, and look at the average length of stay. This can provide a very rough estimate of when care will begin and how long it will last.

One example of a company utilizing AI to provide more personalized answers to these difficult questions is Genevity, a startup that includes data scientists with experience in genetics.

Genevity's HALO (Health Analysis and Longevity Optimizer), asks a series of questions to prospective clients, including lifestyle and family health information. With the responses, HALO calculates how long someone will live and require care. The AI in this case, HALO, compares a client's answers with a dataset of a large portion of the U.S. population.

The same type of AI tools can be used to do better field underwriting. Property and casualty insurers are well ahead of LTC carriers in this regard. P & C companies use a variety of data points in determining who is a good risk—from credit scores to buying and traveling habits. It is why you can go online and get instant rate quotes on car or home insurance. This technology will eventually trickle down to life and LTC carriers, resulting in much faster underwriting.

Finally, AI will be used to more accurately predict the cost of future long-term care. Models will be created that take into account the current cost of care while also better predicting the impact of economic factors (i.e. economic trends, real estate costs, changes in the labor force, etc.) on future costs of care. Combining these models with personalized choices—such as staying at home versus living in senior housing—will create better cost-of-care projections than currently available.

3 USING AI TO MAKE RECOMMENDATIONS ON LTC INSURANCE SOLUTIONS

If artificial intelligence can help make better predictions on the cost of care, length of care and insurability, the next natural step is to use AI to make plan recommendations.

Yes, this is the part of the story where AI threatens human jobs such as designing LTC plans! The gut reaction of many is to declare that computers can never replace humans for this type of work. "Replace" might be too strong of a word. Instead, AI should complement the work LTC planning specialists do and help people make better decisions.

How would an AI assistant for plan design work? Some examples already exist. One company, Jellyvision, created software that helps employees make better-informed decisions as to the type of health insurance from which they could best benefit. During the open enrollment process, a virtual assistant named Alex asks the employee a series of questions. The answers are used to make a recommendation on a health insurance plan.

Another example of a virtual helper is a "chatbot"—having an online discussion with a virtual (i.e. non-human) helper. Progressive Insurance offers online chats and instant quotes featuring their famous media icon, Flo. The same type of technology options can be used to help consumers buy LTC Insurance. An online tool could pose a series of questions to make a product recommendation, such as: interest in reimbursement versus cash indemnity; the need for premium guarantees; premium tolerance; etc.

4 POLICYHOLDER CLAIM MANAGEMENT

How will AI impact policyholders? Insurance carriers are interested in reducing claim costs by encouraging healthy habits of existing policyholders. Some carriers are already introducing wellness initiatives to their policyholders, tracking lifestyle feedback from their customers that includes activity levels and weight management.

A new startup called Well.Said, Inc. (www.wellsaid.ai) is looking to go further. They want to use the technology used in devices like Amazon Alexa to create a "skill" to allow seniors to spend more time at home and avoid going to a nursing home. A "skill" is a program that is added to the Alexa voice recognition application. The skill Well.Said has created is called Better Every Day. It helps seniors complete everyday tasks, like remembering to take medication; encouraging stretching and exercise; and helping stay connected with loved ones.

With the Better Every Day program, an adult child who may not be living with the senior parent will get updates on how the day went. The AI can recognize patterns in behavior that may indicate trouble ahead.

This technology is very win-win. It will help the senior stay in their home while keeping the caregiver apprised of what is going on. The insurance carrier may be able to delay a future claim. With billions of potential future LTC claims, look for AI to make a noticable impact.

These are just some of the ways that artificial intelligence technology will impact LTC Insurance. If it helps people plan for care, it is great news. This is an exciting time to be part of the LTC industry and to help people plan for the future.

TOM RIEKSE, JR.
ChFC®, CEBS

As the Managing Director of LTCI Partners, Tom leads one of the largest national insurance distributors focused exclusively on long-term care planning.

Tom has been working in the long term care insurance industry since 1991. He is a graduate of Hope College and has an MBA from The University of Illinois at Chicago.

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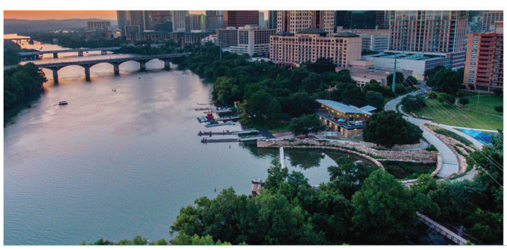

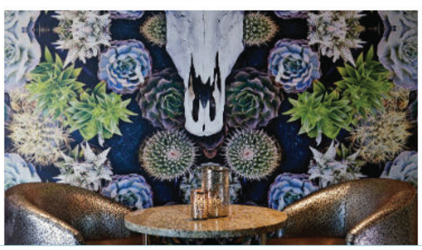

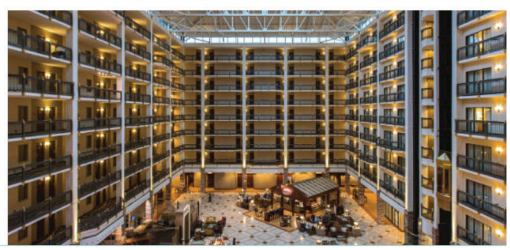

LTC Planning in Divorce, Multiple Marriages, and Cohabitation

By Shawn Britt, CLU®, CLTC®

Long-term care (LTC) planning is important for any person or couple—and each situation has unique considerations when planning for the best possible outcome; but even more so when you consider:

- Divorce
- Second or multiple marriages
- Co-habitation
- Seniors re-marrying

DIVORCE: AN INCREASING SENIOR CHALLENGE

When couples divorce, LTC is often not part of the mediation. But divorce rates are shifting.

Recent studies show the divorce rate for younger couples has decreased, **but the divorce rate among people age 50 and older has doubled since the 1990's[1].**

Why? Life spans continue to increase, with potential to enjoy more years of healthy and active life than generations past—as much as 30 years or more[1]. One or both spouses long unhappy in the marriage may decide to move on to a better situation.

But with aging comes potential LTC needs, thus LTC discussions should be considered during the divorce negotiations. For example, staying in your home for care may be more expensive or not possible when there is no spouse to provide help with meals, laundry, housekeeping, help with medications, home maintenance, and other tasks. However, divorce can also be followed by remarriage, and a new spouse may come with a change in family dynamic that may require far more refined LTC planning and help from legal counsel.

The following case studies demonstrate what can go wrong when LTC planning is not thought through with divorce and remarriage.

CASE STUDY 1:
BETTY AND THE CASE OF THE DESPERATE DAUGHTER

Betty was a widow with a teenage daughter named Tiffany when she married David. They were married for 20 years and had no children together. During that time, David purchased them each a life insurance policy with a LTC rider, and wanted to own both policies since he was paying for them.

David had been married and divorced once before, so when David and Betty divorced, he was familiar with the drill. David wanted to keep ownership of both life insurance policies since he purchased them with assets he brought into the marriage. When disclosing assets to her attorney, Betty didn't think to mention the LTC benefits attached to the policy on her life.

Years after the divorce, Betty needed LTC services. She contacted her ex-husband about the policy, and the claim was filed and quickly approved. However, much to Betty and Tiffany's shock, the LTC benefits were being paid to David who was keeping the money instead of sending the funds to Betty to pay for her care.

Tiffany, who had Power of Attorney for Betty, asked the insurance company why her mother was not getting her LTC benefits. *How could this happen?*

Tiffany was told that the LTC rider benefits on this policy were owner-driven, meaning contractually they are paid to the policy owner, not the insured. Betty didn't own the policy. Unfortunately, there was nothing the insurance company could do. David was not obligated in any way to give the money to Betty to pay for her care.

Where did Betty miss the mark?

1. Betty failed to inform her attorney of the LTC rider on the life insurance policy written on her.
2. The attorney didn't ask Betty if the policy had any living benefits (i.e. LTC riders). With additional knowledge of policy benefits, her attorney could have tried negotiating into the divorce settlement that David must pay Betty the LTC benefits from the policy should they be needed.

CASE STUDY 2:
THE CONNIVING KIDS

John and Eleanor were each other's second spouses. Each had grown children from their first marriages. While they shared expenses, Eleanor was clearly the more affluent and contributed much more financially. Eleanor assumed John would need care first and would count on her to take care of him, so she agreed to pay for linked benefit LTC policies on both herself and John. When their advisor filled out the applications, he listed Eleanor as owner of her policy and John as owner of his.

Years later, John was diagnosed with cognitive impairment. Eleanor called the insurance company to file the claim; but because John owned his policy, Eleanor could not file the claim unless John had granted her Power of Attorney. Unfortunately, John had granted this power only to his two children.

John's children refused to file the LTC claim. They feared that if Eleanor died, there would not be enough money to pay for their Dad's care since most of Eleanor's estate was being left to her own children. They wanted to save the policy to use in the event Eleanor passed away first and was no longer around to pay for John's care. As far as John's kids were concerned, Eleanor was his wife and was responsible for John and the expense of his care. They insisted their Dad's policy was intended to protect them, not Eleanor.

What planning mistakes were made?

1. Eleanor's financial advisor just assumed each person should own their own policy. Being that Eleanor was paying for both policies, the advisor should have asked what her intentions were regarding control of the policy benefits.

2. It would most likely have been better to have Eleanor own both policies so she would have control of John's claim.
    a. Eleanor could appoint John as contingent owner of his linked benefit policy in case she pre-deceased John.

CASE STUDY 3:
THE HAPPY HIPPIES

Tom and Teri met in college during the end of the "hippie era", moved in together and never married. After nearly 40 years they were still happily wearing tie dyed t-shirts on weekends and working to save the environment in their spare time.

They never had children, so they saw the value in having LTC coverage. Financially they were well off and able to purchase for each of them a single premium linked benefit LTC policy with a 6-year benefit period and substantial monthly LTC benefits.

In their golden years, Teri was the first to need LTC services. Tom attempted to file a claim for Teri, but she had never given Tom financial or healthcare Powers of Attorney, or signed HIPAA release forms giving Teri's medical team permission to discuss her health condition with Tom. Strangely, they saw the value in having a financial advisor, but viewed attorneys as "bad energy", so they had never taken care of legal matters such as wills, HIPAA releases and other legal matters.

Now that Teri is cognitively impaired, she can no longer appoint the necessary Powers of Attorney. Legally, Teri's doctors can't discuss her condition with Tom. Lacking the proper documents, Tom cannot file a claim for Teri. Eventually, Tom was able to get appointed as Teri's guardian, but it was with much time and expense that wouldn't have been necessary if better planning had taken place.

What went wrong?

1. Without a marriage, certain rights to receive information and make decisions for an incapacitated partner don't exist.
2. They should have had HIPAA release forms, living wills, and limited Powers of Attorney in place at the very least, which would have allowed Tom to file the claim for Teri and manage her care.

SENIORS RE-MARRYING

When seniors meet and marry in the twilight of their lives, they typically have adult children, but these children will not become a "blended family". In fact, they may live in different parts of the country and may never really get to know each other. Sometimes these children are suspcious of the new spouse.

- Did she marry Dad for financial support?
- Are her kids after Dad's money too?
- Is he expecting Mom to be a 'nurse and a purse'?

In other words, the kids may see potential for their parent to be taken advantage of and/or their own inheritance jeopardized. Long-term care can throw a wrench into what may already be a melodrama ready to happen. Discussions before the marriage should include:

- The financial contributions each will be responsible for
- Help from attorneys to secure intended inheritance to adult children
- Frank discussions on how LTC concerns would be handled

Having these discussions and planning before the marriage can go a long way to help smooth the bumps these marriages may encounter from their adult children.

CHOOSING A BENEFIT PAYMENT MODEL THAT FITS THE SITUATION

When doing LTC planning with clients, the LTC benefit payment mode is an important consideration. Some divorces of long term marriages may include an obligation to help with a portion of medical or LTC expenses of an ex-spouse. Individuals in second marriages may have to deal with their spouse's children from a former marriage when health or LTC issues arise. Thus, choosing the benefit model that meets your client's specific situation should be part of the planning.

Reimbursement Plans. Bills and receipts are submitted each month and only LTC expenses that qualify under the contract will be reimbursed (up to the policy's monthly benefit amount). Companies may allow direct reimbursement to the service provider, but the service provider will have to be willing to do 3rd party billing. It could be potentially unpleasant to coordinate monthly paperwork with an ex-spouse to get benefits under a divorce settlement or post-nuptial agreement. However, this benefit model could be a good solution if spendthrift concerns exist with the spouse receiving the policy in a divorce settlement.

Cash Indemnity Plans. Require no monthly paperwork to get LTC benefits. The insurance company will pay the full available LTC benefit amount without placing any restrictions on how LTC benefits can be used. If a client wants to limit contact with an ex-spouse or a spouse's children from a first marriage, this benefit model can help cut down on the amount of interaction required between the parties. Cash indemnity benefits also provide a known benefit amount that may make supplemental financial obligations of an ex-spouse easier to define.

6 PITFALLS FOR ADVISORS TO AVOID

1. Advisors should not assume the couple will honor "until death do we part". While an advisor may not want to bring up the possibility of divorce, if it is in the back of his mind, he can at least try to avoid downsides of ownership based on the couple's unique situation.

2. Policy ownership is tricky. While some policies pay the insured, many policies—*especially policies tied to life insurance and annuities*—pay LTC benefits to the owner; thus, be sure to plan knowing to whom the LTC benefits will be paid. No one can predict if the marriage will last, and even if it does, there can be unexpected consequences if the spouses do not have powers of attorney for each other.

   Whether the policies are owned by the individual insureds or both policies are owned by one spouse, the intended outcome for the policies can backfire if additional thought is not considered with contingent ownership declared, powers of attorney in place and pre-nuptial or post-nuptial agreements in place. Each couple's unique situation should be considered to help dictate a path of least resistance.

3. When couples are not in a legal union, the advisor should suggest they get legal counsel to get all paperwork in order, so that the rights of each party are maintained as close as possible to the rights given automatically to married couples if that is the desire of the couple.

4. If an advisor is consulted by clients during a divorce to help gather information on life insurance policies, annuities and other assets they own, the advisor should remember to include information on LTC riders attached to life insurance policies or annuities—as these riders can change how the policies may need to be negotiated in the divorce settlement, or may require arrangements in the divorce agreement to allow for distribution of LTC benefits to the insured.

5. Consider the benefit payment mode when planning. Cash Indemnity benefits provide a known benefit for planning purposes, and can help limit contact between people who do not want to deal with one another. Reimbursement plans may be harder to work with when supplemental medical support may need to be paid, and may require more unwanted contact between divorced spouses or family members that do not get along. However, they may be useful in spendthrift situations.

6. LTC planning should be a top priority when seniors are entering a new marriage. Financial expectations for each party should be clarified and LTC coverage purchased if applicable. The use of pre-nuptial agreements should also be considered so that the couple and the adult children from both sides clearly understand the financial arrangements the new couple has agreed to, and help secure those plans from potential interference.

SUMMARY

It's impossible to predict what our client's future may hold, but LTC planning that is well thought out can help avoid potential challenges that may come in the future.

[1] Market Watch; "This is Why Boomers are Divorcing at a Stunning Rate", March 10, 2018

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THE GENDER GAP AND ITS EFFECT ON LTC PLANNING

By Angela Ribuffo, RICP®, CFP®, ChFC®, CDFA®, CLTC®

Earlier this year I had the privilege of sitting down and talking with the CLTC Executive Director Amber Pate to discuss women advisors in this industry and my view of the needs within the long-term care risk management space. This got me thinking.

We all know the importance of having an extended care or long-term care plan. How many times have we engaged with clients or prospective clients to discuss their plan should they come to need assistance due to loss of cognitive skills or the inability to perform the normal activities of daily living? What we may hear them say is that they do not need long-term care insurance as they will take care of each other or they will self-insure. However, we know, as long-term care professionals, that this is never a successful plan!

> Women will most likely need a long-term care plan more than our male partners.

In an AARP study[1], it is stated that women have some significant challenges that will affect their ability to live independently and with dignity. Women have a longer life expectancy and therefore could have the propensity for debilitating health problems. Women typically earn less than their male counterparts, and so may not have the income needed to properly care for themselves, to pay for long-term care services or to self-insure.

Women also tend to be the primary caregiver for their families when there is an unexpected illness. This additional responsibility strains on many levels. Income and job security are affected and sometimes are put at risk. Women are statistically more likely to care for their spouses and, at their death, be left to care for themselves potentially with fewer assets. Here are some startling statistics from the Women's Institute for a Secure Retirement that bring home some sobering information:

- 60 percent of caregivers are women.
- On average, women caregivers lose $324,044 in wages, social security, and retirement plans over a lifetime.
- Women caregivers are two times more likely than non-caregivers to end up in poverty.[2]

These statistics are haunting.

So why do I tell you this? It's because there is another discussion that must be had. Namely, it's not enough to know and understand the long-term care equation. How do we get women to move to action?

First, let's talk about how women want to buy, especially when it comes to insurance and financial services.

Women today represent 50 percent of the world's population and influence 80 percent of the buying decisions according to Marleen Verhaag of SAP. In a 2013 study by the Insured Retirement Institute, it is reported that women want to buy from other women.

What most agree on is this: women want to buy from those whom they trust and that will spend the time necessary for them to understand what they need—and why—and how to fill that need.

Women are a great fit here, and I think we can agree that women advisors have a natural talent for relationship building. Not to say that men don't, but we do have a different way of going about our business.

So if we agree that women will need to have a long-term care plan and if we also agree that we need to reach more women and make sure they understand its importance, then we need to address the next challenge—we don't have enough women in our industry to make the needed impact!

We have not changed the percentage of women in our insurance and financial services professions for decades. There is much talk about the gender gap in the insurance and financial services world that needs to be closed. In my opinion, I say it's more than just attracting women to our profession. We must also retain the ones that enter.

I haven't found any statistics on the percentage of women advisors that come into our profession and leave, say in the first 1-2 years, but if the number of women in our profession is not growing, then I can surmise it's pretty high.

Women in Insurance and Financial Services' (WIFS) mission statement is "WIFS is an association of client-facing financial service professionals working together to attract, develop and advance women." However, we recognize and work to also retain women in our profession. We must stop the revolving door of women who enter our profession only to leave because they feel that they do not have the support necessary to be successful.

However, it takes a "village." We must mentor them, support them, and supply the voice within our industry calling for a change in our current workplace culture. There are so many passionate women in the long-term care insurance space!

> Imagine what that would look like if we had even more women in our profession focusing on helping the woman consumer make educated and needed decisions regarding their extended care needs.

A "village" for long-term care would assist women entering the profession to understand why it is essential to be educated in this risk management area. Having experienced women CLTCs mentor and teach the young professionals how LTC insurance fits into a woman's financial plan is essential. In my personal experience, it took me many years to understand not only how important a long-term care plan was to a financial plan but, most importantly, how important attracting and retaining more women to the insurance and financial services profession was as well.

Whenever I am out speaking, I tell my audience that I always have an "ask" and I will do the same here.

My "ask" is that be you woman or man, commit to bringing more women into our profession. Support organizations that want to bring women into our profession and help retain them by engaging in mentoring and advocacy. And, finally, pledge to actively pursue women that need our assistance in understanding the intricacies of extended care planning.

[1] AARP Public Policy Institute April 2007
[2] http://www.wiserwomen.org

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Understanding that the single most powerful contributor to financial well-being is behavior, Angela works closely with her clients to develop personalized financial plans that reflect their values, address their priorities and support their goals. Each plan includes recommendations for specific financial products and services to support those goals. And through ongoing planning to address changes in one's financial and personal circumstances, Angela is ready to assist clients as they pursue their goals through a lifetime financial journey. agribuffo@firstcommand.com

ASK THE ACTUARY

By Marc Glickman, FSA, CLTC®

DO YOU HAVE ANY LTCI QUESTIONS FOR THE ACTUARY?
Please submit them to Marc at marc.glickman@lifecareassurance.com.

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,

Which is the best type of business line for long term care planning—health, life, or annuity-based LTCi? How can I compare different LTCi plans to determine which is right for my clients?

Overwhelmed in Oregon

Dear Overwhelmed,

Listening to insurance professionals quoted in the news might lead us to believe a civil war is being waged in the insurance industry. Entire business lines are portrayed as good or evil based on anecdotal evidence from policies sold decades ago. In reality, we are on the same side with the objective to protect our families and society from the devastating consequences of not planning for long term care. Touting one business line as always superior to another may leave you with egg on your face. Innovative product actuaries at insurance companies are frequently designing new LTCi solutions. Pricing, guarantees, and underwriting criteria can change. Each client has unique needs and preferences.

LTCi has traditionally been delivered in health insurance products as stand-alone LTCi. The challenges of stand-alone LTCi motivated regulators and companies to adopt a rate stability model in the early 2000's that now requires more conservative pricing and reserving.

At the same time, insurance companies seeking new markets offer LTCi or chronic illness benefits linked to life insurance benefits. Linked Benefit riders often provide LTCi protection as an acceleration or reduction of the life insurance death benefit. This allows companies to offer LTCi protection in a limited way, but provides the client flexibility on their life insurance plans.

Companies have added another dimension by providing an extension of LTCi coverage beyond the life insurance death benefit or annuity payout. The Pension Protection Act implemented in 2010 aided Extension LTCi products that commonly required single pay pre-funding. The cash value from existing life or annuity products could be exchanged tax-free for a policy with LTCi benefits—either stand-alone or Linked Benefit plans.

Stand-alone products can have life insurance features too. This is not a new concept, although it has been revived by the popularity of Linked Benefit plans. As an example, 30 years ago, our company designed a Health-based LTCi product for a major company with a guaranteed single premium, lifetime LTCi benefits, return of premium at death, built in inflation protection tied to the CPI, and a lifetime income annuity which start paying benefits at age 85! At that time, there was less demand for single premium products. Now guaranteed single premium is highly sought after. It is interesting how times change.

Product choice provides new tools for the LTCi expert, but each alternative has its own tradeoffs. It can be overwhelming to cover multiple business lines and products. Here are tips you can use as a step-by-step process to summarize the tradeoffs. Once you understanding the needs that are most important to your clients, you will be equipped to guide them on their LTCi journey.

INSIDE THE NUMBERS

01 CONNECT EMOTIONALLY WITH YOUR CLIENT WHEN IT MATTERS MOST

Never forget that insurance is about peace of mind. It is important to have the planning conversation at the right time. Engage not just with the client, but also the client's family and trusted advisors. Do not get lost in the numbers at the expense of the bigger picture. Sometimes perfection can be the enemy of good.

02 FUND THE LTCi PLAN WHEN IT MATTERS MOST

Proactive planning is critical to success. Just like saving for retirement, the best plans typically start while the client has many years to earn income and is still healthy enough to qualify for all of their LTCi options. Address cost early in the process to help reduce anxiety and ensure a result that meets the client's expectations. The top reason prospects do not choose LTCi is that they think it will be too expensive.

Use financial fact finding questions to build trust with the client. Let your prospective client know that you are determining the amount of funding that is most appropriate for their needs and desires. Make sure you are treating their money as if it were your own.

LTCi premiums are largely based on the amount of coverage purchased. The financial objective is to fund an LTCi plan using a much smaller percentage of income today, to protect a much larger amount of income that may be at risk in the event of an extended long term care need. This can be called "income-based" funding. You can use this approach with any client, regardless of wealth. Income-based LTCi plans often use funds from earned and/or retirement income sources to pay the insurance premium. Income-based funding will often line up with multi-pay or lifetime pay LTCi products.

You can similarly translate this to "asset-based" funding and asset protection. Asset-based LTCi plans use funding from client's existing assets to pay the insurance premium. Asset-based LTCi will often line up with single pay or limited pay products whether Linked Benefit or stand-alone. You might incorporate Linked Benefit or Return of Premiums if the client wishes to use an idle asset now, but replace it for beneficiaries later.

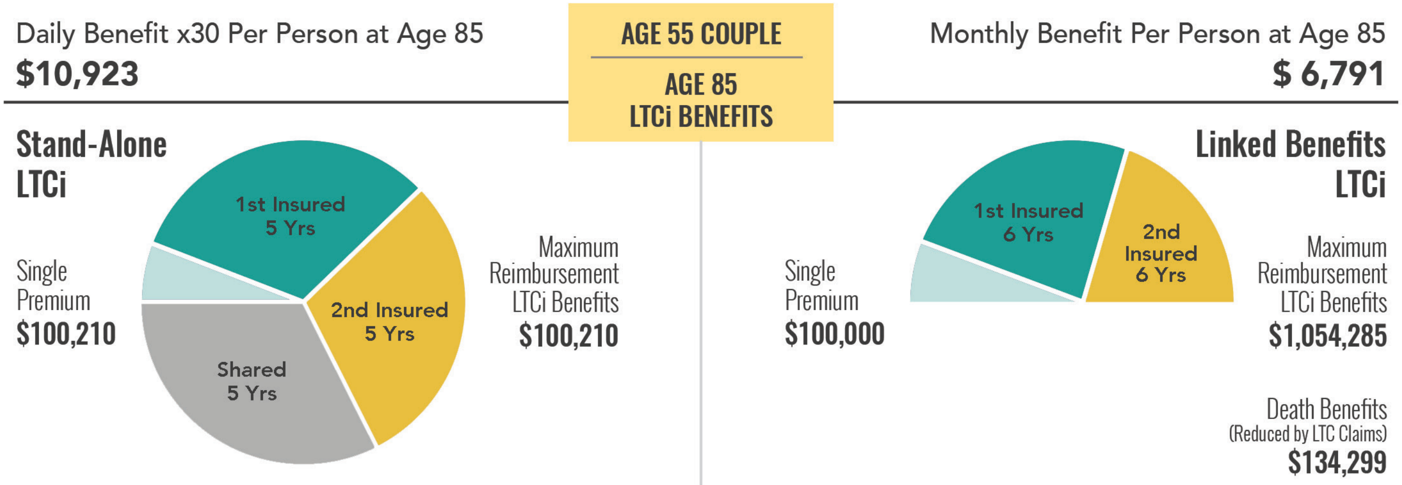
With either income-based or asset-based funding approaches, never assume that the income or assets are available for LTCi until you ask. This way your client doesn't double count funds dedicated to another purpose. The client might not wish to use an asset if it will be needed to generate retirement income.

03 DESIGN THE LTCi PLAN WHEN IT MATTERS MOST

Determine a realistic age when your client is most likely to need LTCi protection. A good rule of thumb is age 85, as this is the age at which the risk increases dramatically. By focusing on one target age, you can simplify the planning process and avoid decision paralysis. On the insurance illustration, this simplification makes decisions easier because you can focus on one row of benefits. You can also compare different products and benefit structures with the same planning target.

Most LTCi products have popular "sweet spots". The sweet spot is typically a selection of benefit period and inflation protection that is perceived as having the most value at the target age. The daily or monthly benefit at age of claim is the most valuable because those will

CHART 1: DASHBOARD COMPARISON OF LTCi PLANS



be the first dollars paid by the insurance plan when it matters most.

Here is where you can use the funding source that was determined previously to solve for the daily or monthly benefit that fits the budget at the desired product's sweet spot. This means that just using financial and health fact finders can provide you with most of the information needed to shop the market and fully customize plan design!

SUMMARY

Assess at the target claim age based on the pre-determined budget:

- What daily or monthly benefits are available?
- What is the total amount of protection available? Total protection is often paid as a pool of dollars even if stated as a benefit period.
- How much does the client pre-fund coverage either as an elimination period deductible or as a reduction to the death benefit?
- If multi-pay, how much in total premiums will be required?
- For Linked Benefits, how much is the total residual death benefit or annuity values?
- Are there any other features that are important to the client?

The example in Chart 1 is an asset-based plan for a sample client funding with a $100,000 cash asset. The left side compares the tradeoffs of a sample stand-alone LTCi plan to a sample Linked Benefits plan on the right side. You can use this dashboard presentation by plugging in the age 85 numbers from the sales illustration software of your preferred product and sweet spot. Income-based plans can be compared by simply summing the total projected premiums on the left side of the pie chart.

04 WHAT DOES CARE COST WHEN IT MATTERS MOST

The last step is to take the plan design and compare it to the cost of care at the target age at claim. Many LTCi professionals prefer using cost of care initially to determine the daily or monthly benefits. This makes a lot of sense for clients that desire full protection. However, for most people the plan will often be a shared cost between the client and the insurance company designed to cover as wide a range of possible outcomes and care settings.

Plans far into the future are estimates. As the old saying goes, "it is better to be vaguely right, than precisely wrong". The client doesn't want or need to picture exactly what care will look like. Circumstances change. People move. Inflation is not totally predictable. Different health conditions require different levels of care.

Using the cost of care with an inflation estimate is a good barometer of how well the budgeted plan might fit a future scenario. At this point the client may decide to increase the budget if there is a significant short-fall to the cost of care. This will be an easier conversation once the client has seen the LTCi value proposition in the dashboard.

IN CONCLUSION

For an individual client, LTC needs either will happen or they won't. We all hope it doesn't happen to us. However, purchasing LTCi provides the peace of mind that our families are protected. According to the Alzheimer's Assocation, there are currently 44 million unexpected, unpaid caregivers out there who find themselves doing what is necessary to care for their loved ones. Plans that combine LTCi and life insurance or annuity features have appeal for clients that do not believe LTCi will happen to them.

Don't be the insurance professional that only offers one particular type of solution. You are limiting your audience. Instead help your client decide which plan is the best fit for them.

According to the 2017 LIMRA survey, there were approximately 103,000 policies sold either stand-alone LTCi or with an LTCi extension rider to provides LTCi benefits beyond the client's death benefit. There were another 224,000 Life Insurance policies sold with LTCi or Chronic Illness riders limited to the client's death benefit. All of these products are providing some type of LTCi plan for the client, but the total amount of new LTCi risk transfer being offered today is still low, despite increasing LTC planning needs.

The good news is most prospects that needed a LTC plan last year can still create a plan this year. Equipped with all of these LTCi options, you can be the trusted expert to help get them there.

MARC GLICKMAN
FSA, CLTC®

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Marc has a Bachelor's of Arts degree in Economics from Yale University, is a Fellow of the Society of Actuaries (FSA), Member of the American Academy of Actuaries (MAAA), and has a Long Term Care Professional (LTCP) designation from America's Health Insurance Plans. He works with the Society of Actuaries Long Term Care Section Council and is a frequent speaker and author on LTCi topics.

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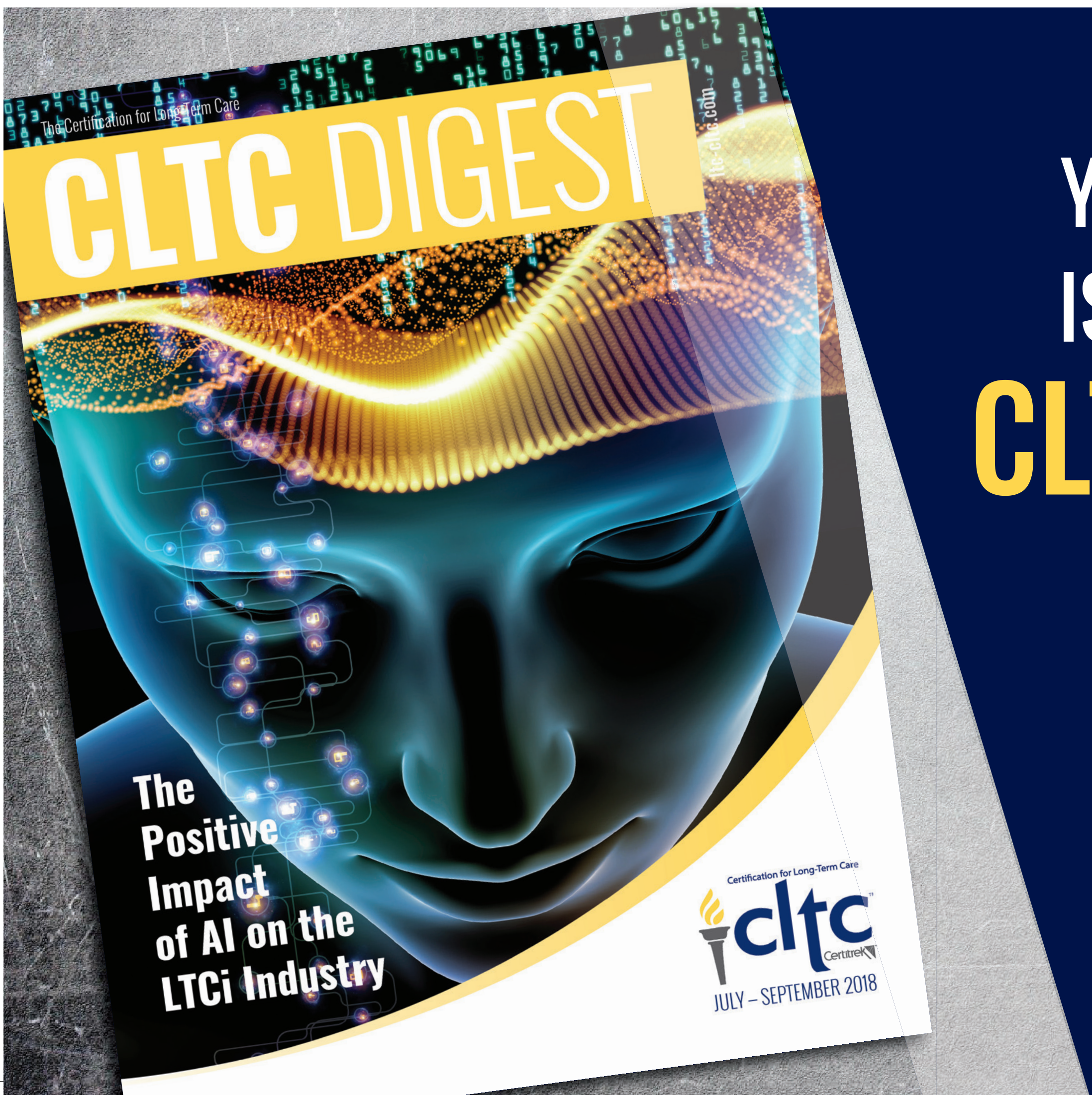

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