The Certification for Long-Term Care

CLTC DIGEST

ltc-cltc.com

Paying for Long Term Care: Seeking Solutions for Increasing Need

Certification for Long-Term Care

cltc™

CertitrekTM

JANUARY – MARCH 2019

INSIDER'S NOTE

Xxxx

Kind Regards,

Amber Pate, CLTC
Executive Director

Amber Pate

Certification for Long-Term Care

cltc™ Certitrek™

Certification for Long-Term Care, LLC.

EXECUTIVE DIRECTOR
AMBER PATE, CLTC®

DIRECTOR OF SALES
AUDREY SUNNER, CLTC®

MEMBER SERVICES ADMINISTRATOR
CYNTHIA VEREEN, CLTC®

DIRECTOR OF TRAINING & DEVELOPMENT
BILL COMFORT, CLTC®

CONTACT CLTC
877.771.2582
info@ltc-cltc.com
1005 Slater Road, Suite 101
Durham, NC 27703

ADVERTISING
Interested in advertising in the CLTC Digest?

Contact: info@ltc-cltc.com

TABLE OF CONTENTS

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 info@ltc-cltc.com!

While CLTC strives to make sure all information printed in the CLTC Digest is as accurate as possible, we do not make claims, promises, or guarantees about the accuracy, completeness, or adequacy of the contents. All articles printed in the CLTC Digest are the opinion of the individual writer.

HAVE YOU PULLED DOWN YOUR OXYGEN MASK?

By Susan W. Aumiller, CLTC®

Recently I was sitting next to my husband on a flight to Nevada to attend a conference. I had buckled my seat belt and was casually listening to the flight attendants delivering their message on airline safety procedures. When I heard them say that I should put on my oxygen mask first, before helping the person next to me (my husband), I held my husband's hand tightly. Nearly one year ago both my husband and my son were diagnosed with FSH Muscular Dystrophy. Our lives haven't been the same since then.

FascioScapuloHumeral Muscular Dystrophy (FSHD) is a neuromuscular disease and is the most prevalent of the nine primary types of muscular dystrophy. It is a genetic disorder. As the name implies, muscle loss often begins in the face, back and upper arms and is thought to affect close to 1 million people worldwide. Currently there is no treatment or cure for this muscle wasting disease.

Last August 2017, our 36-year-old son Bill was diagnosed with FSHD. Its progressive muscle withering and weakness can lead to significant disability. There is no treatment or cure—not even for the constant pain. I sobbed for months with unexpected breakdowns that came out of nowhere. Bill is a vibrant, 14,000-foot mountain climbing, backcountry skiing, outdoor adventurer who lives in Colorado with his wife Jamie, our 2-year old granddaughter Lucy and 5-month old Avery. I was heartbroken that FSHD might take away the activities he loved so much, and that some day he might not be able to care for his family the way he wanted to.

Six weeks after Bill was diagnosed with FSHD, my husband, Bob, was also diagnosed with the condition. His test showed dystrophy (scar tissue) in every muscle of his body from his face down to his ankles and feet and everywhere in between. We had never even heard of FSHD, and now it cast a deep shadow over our family.

Looking back, I am so grateful that Bob and I had put on our oxygen masks and purchased long-term care (LTC) insurance five years ago at ages 58 and 56. As a long-term care specialist, I was insistent because my grandmother lived to age 104 and my father, at age 92, could very well live longer. Longevity runs deep in our family.

> **I wanted to have a plan in place that would clearly define the type of care we preferred and a funding plan to pay for it. We didn't want our kids to face unanswered questions like who and how they would take care of mom and dad.**

I never expected that my husband might need help from our LTC insurance policy before me. As his muscular disability progresses, I will not be able to lift or transfer him without hurting myself—let alone help him with the simplest tasks such as bathing and dressing. This scenario, which typically plays out daily for older individuals, is now very present and real for us today.

We've all heard about the five stages of grief by Elisabeth Kübler-Ross: denial, anger, bargaining, depression and acceptance. I have read that there are now two additional stages—shock and testing. Kübler-Ross defines shock as "initial paralysis at hearing the bad news" and testing as "seeking realistic solutions." I am glad she added these two stages because if she hadn't, I would have.

When we face a health crisis in our families, we need to put into play realistic solutions not only for our loved one(s) who face a disabling condition, but also for ourselves. After Bob was diagnosed, I insisted on moving out of our home of 30-plus years and into a condo. I wanted to get that done while he could still help me with packing, lifting, and moving. He now has everything he needs on one floor and there is less upkeep for us to manage. When the time comes that Bob needs additional help, I am so relieved to know that we have a long-term care policy to cover the cost.

Our son Bill is a Certified Financial Planner. His plan was to purchase LTC for himself and Jamie when they turned 40. After the initial shock of his diagnosis, Bill called me to ask if there was any possible way for him to purchase that policy now. When I told him "no", that he no longer qualified, he was devastated. If he needed long-term care down the road, they would have to pay for it out-of-pocket. That was disheartening both personally and professionally as Bill feels strongly about recommending LTC insurance to his clients.

What made sense was to purchase a long-term care insurance policy for Jamie. Bill knows that there is a chance he won't be able to help her as they age together. If Jamie needs care, a LTC policy would help pay for a home care provider to help with the heavy lifting. It would also pay for home modifications if they were needed. Looking into the distant future, the policy would pay for all levels of care, not just home care; assisted living, day care, and nursing home care.

Buying a long-term care policy is like putting your oxygen mask on first—you're better able to take care of others when you take care of yourself first. As women, this is particularly hard to do because we want to take care of the world. As for men, they typically don't think they will need help. Taking our own advice never comes easy—it's always easier to give it.

But we can't ignore or escape life's unexpected turns or the natural processes of aging—it happens whether we're ready or not. My advice is to pull down your oxygen mask first. Create a plan for the time when you or your loved one may need help with day-to-day activities. Knowing you can pull out that policy and hire someone to handle the heavy lifting without imposing or disrupting the lives of your spouse, family and friends will give you peace of mind. There is dignity as well, to have the ability to continue to live where you desire, with long-term care decisions made and costs covered

As financial advisors who specialize in Long-Term Care planning and insurance solutions, it is our job to provide the ultimate service to our clients—having the conversation about long-term care. Loosen up on age brackets. If our son had purchased LTCi for his family at age 35, he'd be in a much better position. Bring it up with all of your clients. For the younger ones they'll be familiar with it by the time they are ready to make a purchase.

SUSAN W. AUMILLER
CLTC® | Centric Financial Group

Susan is committed to educating clients on the relevance of planning for long term care and addressing the magnitude of its impact on individuals, families, finances, and caregivers. To learn more, contact Susan at 614-738-4297 or susan.aumiller@centricfinancialgroup.com.

CSA
Society of Certified Senior Advisors®

The baby boomers demand more from the professionals they hire. Trustworthiness and integrity are critical to earning the business of this generation.

Give seniors confidence in your credibility and your commitment to ethical standards by earning the Certified Senior Advisor (CSA)® certification.

ANSI ACCREDITED #1204 ISO/IEC 17024 Personnel Certification

Learn more at www.csa.us

NCCA

PAYING FOR LONG-TERM CARE:

Seeking Solutions for Increasing Need

By Cindy Eisenhower, CLTC

What is the state of the long-term care planning industry? Is it in decline, waiting for the government to step in with a Medicare-level program, or is it poised to seize the greatest opportunity in the history of insurance?

> As many baby boomers enter their golden years, they face one the largest financial risks of their generation. The potential expenditures associated with long-term care could financially bankrupt a major segment of middle- to upper-class Americans and potentially their family members.

Private long-term care (LTC) insurance is an important product to alleviate the financial pressure of long-term care, but despite the significant financial risk and the potentially catastrophic outcomes, only a small percentage of the costs of long-term care are currently being funded by private LTC insurance, while at the same time, long-term care expenditures continue to grow.

In the 1970s, long-term care costs were less than $20 billion, but they were growing rapidly, to more than $30 billion by the 1980s. By the 1990s they had grown exponentially to $80 billion. Today, long-term care expenses exceed $225 billion.

Unfortunately, part of the reason that LTC insurance has not been embraced is that past policies created problems, as all of them were sold as guaranteed renewable contracts, which meant the insurance companies could cancel them only for nonpayment of premiums. Premiums were designed to be level for all policyholders, which became a challenge for insurance companies for myriad reasons.

They've experienced higher than anticipated claims, lapse assumptions were incorrect, interest rates remained lower than anticipated for a prolonged period, and mortality has decreased. This led to rate increases to offset these mistakes and policies to compensate. In the early years, actuaries had no data to go on and they simply did the best they could, but unfortunately because of these mistakes or errors, people have a sour taste for traditional LTC insurance.

But look at the numbers. If all the policy holders currently owning LTC insurance used 100% of their services, those policies would pay out roughly $800 billion. Considering current expenditures are $225 billion, that represents a significant amount of financing for those people who do have policies.

Claims payments are also growing rapidly, with just under $100 billion already paid out with claims and roughly $9 billion in new claim reserves being established. In 2014, more than 200,000 people were receiving benefits, and the average value of claim reserves being established is about $119,000. This is more than enough to cover the roughly two years of care that most people are expected to need after age 65 1/2.

Private insurance financing did grow from 3% in 1991 to 12% in 2011. Market penetration has remained relatively flat since about 2006. What has changed is the type of policies that have been purchased. Of the 7.2 million policies purchased between 1992 and 2014, about 70% are individual and 30% are group policies.

There has been a slump in traditional LTC insurance sales, but growth in hybrid policies. These policies combine long-term care benefits with either life insurance or an annuity which will pay out if long-term care is needed, but if it's not needed there's a death benefit or an annuity payout available. This appeals to people because the premiums cannot change, and they feel like they will always get something whether they use it or not. This addresses the biggest obstacle in long term care planning—denial.

The good news is that the standalone traditional LTC insurance product designs have largely stabilized over the past five years. LTC insurance continues to be sold on an individual and a group basis but primarily the growth is through the employer marketplace.

WHO BUYS LONG-TERM CARE INSURANCE?

What were the characteristics of the buyers in 1990 versus 2015? Well, the average age of the buyer in 1990 was 68 years old and today the average buyer is 59 years old. It's always been married couples—68% were married in 1990 and 70% in 2015.

Median income has changed as the buyer's income in 1990 was $27,000 a year and today it's $87,500. Assets have also increased dramatically, and the percentage of people college educated that purchased the insurance has also dramatically changed from 33% to 71%, as have the number of people that are employed, which reflects the group marketplace.

LTC insurance is being sold to more affluent people with college educations that are younger, married and working—rising from 33% in 1990 to 69% today. That's today's demographic buyer.

FEWER LTC INSURANCE PROVIDERS, HYBRID PRODUCTS, AND RISING PREMIUMS

The demographics of those who purchase LTC also reflect the hybrid products being sold today that are more expensive. At the turn of the century, there were 125 insurers selling traditional LTC insurance.

Today, there are only a dozen or so. Much of this has to do with expectations and just some assumptions that were way off, leaving about a dozen strong companies selling LTC insurance.

Here are the reasons the rest stopped selling LTC insurance:

Reason for Leaving LTC Insurance Market	% of Companies
Had problems with capital requirements.	23%
Product performance.	19%
No interest in the product by new senior management.	12%
New evaluation or assessment of the risks involved.	12%
Couldn't get reinsurance or partner with whom to share the risk.	8%
A lack of confidence in their ability to manage risk.	4%
Had concerns about abilities to get rating increases approved.	4%
Distribution issues.	4%

Source: Who Buys LTC Insurance? LifePlans, 2015-2016

By almost all measures, LTC insurance has underperformed, but no one disputes the need for a product as a hedge against the financial risks associated with the care that will be needed by so many older adults.

LTC INSURANCE CLAIMS

Looking at the claims data from 1970s to 1996, one billion dollars was paid out, while from 1996 to 2012 it was one billion per year. In 2013, there was 7.5 billion paid out and in 2014 that increased to 8.7 billion. In 2015 that rose to 9.3 billion and in 2016 one billion dollars is being paid out every six weeks.

WHAT SHOULD CONSUMERS DO?

Should consumers save for their long-term care expenditures or transfer the risk through insurance?

There should be no need to ask this question; it always makes more sense to insure a risk like this than it does to try to save for it. The amount of money needed to cover long-term care is just too great for most people. An insurance solution reduces a person's monthly out-of-pocket long-term care expenses that could be as much as $3,300 a month for home care and $4,800 a month for assisted living care.

The current national health care system simply can't sustain itself when one looks at the percentages of people that spend down their own assets and end up on Medicaid. The difference between those with LTC insurance and those who spend down their assets to qualify for Medicaid is dramatic—50% more people end up on Medicaid:

2010: Individuals Who Need ltc	
Without LTC insurance	29% spend down to qualify for Medicaid
With LTC insurance	13.5% spend down to qualify for Medicaid

Source: Who Buys LTC Insurance? LifePlans, 2015-2016

American taxpayers simply cannot continue to pay for this problem as a national burden. Medicaid remains the largest payer of long-term care services—$79 billion or 33% of the total costs in 2014. Long-term care insurance covered 3% of the total costs for long-term care.

LOOKING AHEAD: SEEKING SOLUTIONS TO THE LACK OF SUSTAINABILITY

Following are some of the major steps being discussed and recommended by insurance companies, legislators, regulators, and others to address the fact that the costs of long-term care insurance within our current national health care system is not sustainable:

- Scale down traditional LTC insurance and design it for what people need .
- Provide back-end coverage in LTC insurance policies.
- Create catastrophic long-term care solutions with large front-end deductibles.
- Create hybrid policies: life insurance policies that accelerate the death benefit for long-term care.
- Create annuities with long-term care accelerated benefits.
- Add long-term care riders to life insurance policies.
- Create long-term care insurance policies that provide public coverage.
- Treat LTC Insurance premiums as income tax deductions, like 401k contributions are treated.
- Add long-term care benefits to Medicare Supplement policies.
- Establish Health Spending Accounts (HSAs) with unlimited funding to pay for long-term care expenses.

The Community Living Assistance Services and Supports (CLASS) Act was the portion of the Affordable Care Act that was designed to address the issue of funding long-term care expenses, but it failed (CLASS was repealed January 1, 2013) because it is not feasible to federally fund the problem. Therefore, many states are exploring their own options. Minnesota, Washington, and South Carolina are all looking at solutions, as well as many private associations. But to date, no one has come up with a definitive solution.

PARTNERSHIP PROGRAMS

The consensus is that the best solution is a public-private collaborative effort to address the long-term care expense issue. There is near-unanimous agreement that private LTC insurance alone won't work; but regulatory changes and a public-private solution is really the only answer. The expansion and support of the partnership programs between the state Medicaid and the private long-term care industry have started on this path, but more must be done.

This approach enables LTC insurance policy holders to access Medicaid benefits without spending down when their benefits are exhausted. One problem is that many Americans don't know anything about this. All the states are partnership states except for five that have not yet made changes to their Medicaid systems to adopt the partnership. The rest have, and the reason they have is because of the billions of dollars in savings having these policies in place saves their Medicaid resources.

Because of partnership policies in the four original states starting in 1993, California, New York, Connecticut, and Indiana have saved billions of dollars. For example, in California between 1993 and 2015, there were 129,000 policies in force. The number of people that have exhausted their benefits was 6,726 and only 101 accessed Medicaid. $95 million dollars has been saved because the rest never accessed Medicaid.

This is just one example that the partnership brings extreme value and does alleviate the issue of long-term care in relation to Medicaid expenses. Of the policyholders that go on claim, only about 10% percent exhaust their insurance benefits, as evidenced in the quarterly reports produced by the four original partnership states and by the claims experience reports produced by two of the largest insurers, Genworth and John Hancock.

California understands the value of the partnership and is currently implementing four new versions that will be partnership compliant. Currently a legislative task force in California is working with the carriers to make these changes to enhance the policy choices in that state.

Legislators and LTC insurance carriers understand the need to continue to be flexible with the solutions, because the problem is not getting any smaller—the problem is getting bigger—and solutions are essential.

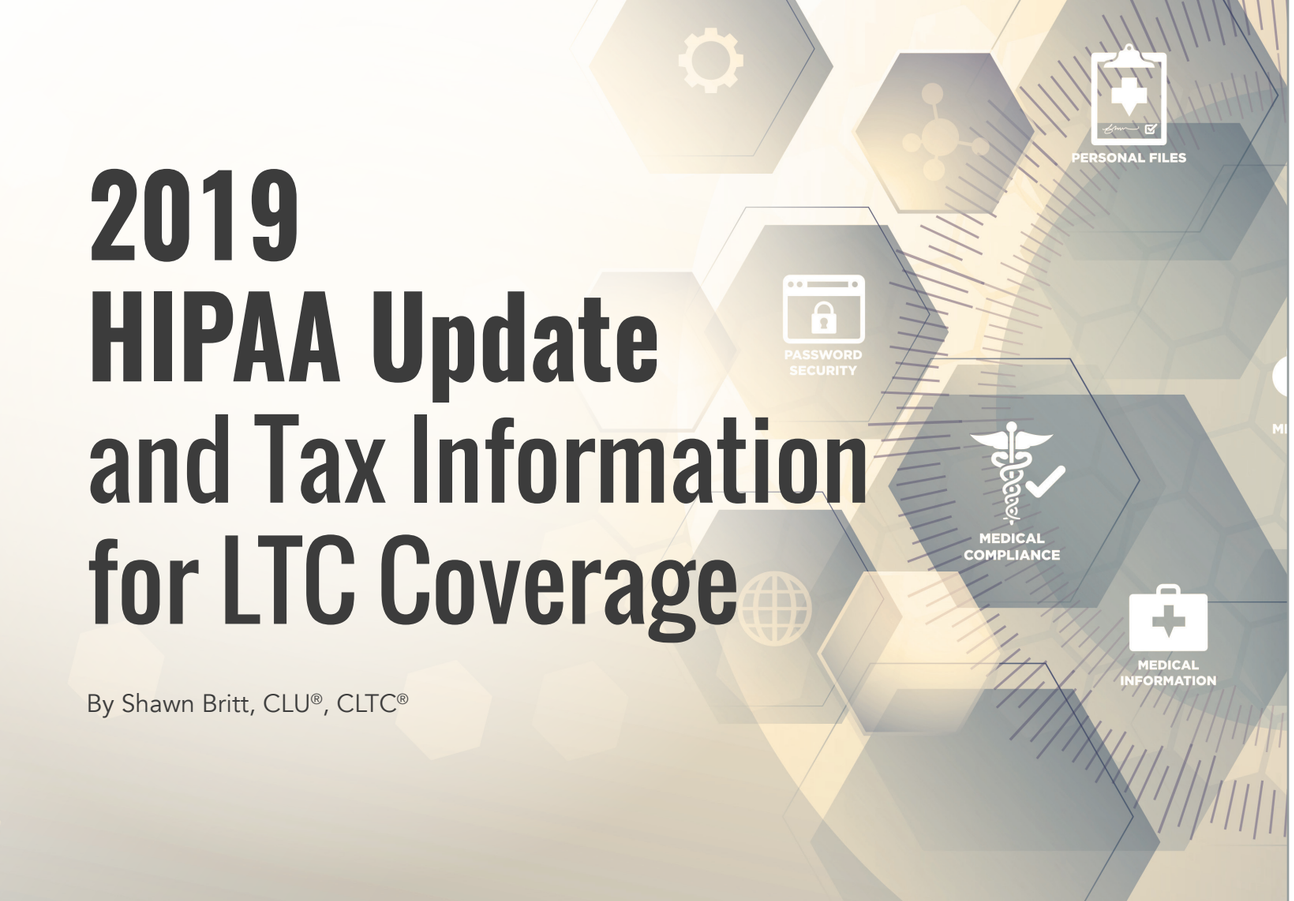
Products like Genworth Element or Transamerica's Trans Secure are examples of new versions of LTC insurance that are carved out for the middle market buyer. These new products target the consumer's premium at $100 a month—a cost that is palatable for most consumers.

While the LTC insurance industry continues to fight the issues of its history, Americans are living longer and will continue to need insurance solutions.

CINDY EISENHOWER
Long-Term Care Consultant

Cindy Eisenhower is a long-term care sales professional with over twenty years of LTC insurance experience. Her combined experience in training and sales has allowed her to be seen as a leading authority in the long-term care industry.

2019 HIPAA Update and Tax Information for LTC Coverage



By Shawn Britt, CLU®, CLTC®

Good News for Indemnity LTC

The HIPAA per diem for 2019 will be $370 per day ($11,100 per 30-day month). This is good news for indemnity based LTC coverage. News of the increase was included with the November 2018 IRS release of Rev. Proc. 2018-57, which reported various tax numbers that would apply for the year 2019. The increase to $370 per day is consistent with historical HIPAA per diem rate increases, thus the use of benefits from indemnity LTC coverage will continue to enjoy the same flexibility and choice that has always existed.

Why the Concern?

The importance of this continued consistency is that the HIPAA per diem rate is applied to calculate the tax-free benefit amount that can be received from traditional long-term care (LTC) policies, linked benefit LTC policies, LTC riders on life insurance and annuities, as well as chronic illness riders.

This year's concern was due to the passing of the Tax Cuts and Jobs Act (TCJA), which brought a change to how fixed dollar amounts, such as the HIPAA per diem, could be indexed for inflation. While TCJA brought tax relief to many, there were some formula changes that could have created potential tax consequences—believed by many to be unintended—to indemnity LTC benefits.

Undue panic spread, leaving some advisors wondering if indemnity policies would be able to maintain their previous advantages of choice and flexibility should the HIPAA per diem be significantly lowered based on the new C-CPI formula (often referred to as "chained CPI" or "chained inflation") introduced by TCJA.

Fortunately, regulations also allowed for the Treasury Secretary, in consultation with the Secretary of Health and Human Services, to adjust the rate if deemed appropriate.

With the release of the 2019 HIPAA per diem rates being in line with past increases, concerns that indemnity policies could be restricted from paying previously available benefits or potentially cause unexpected taxation of benefits due to the TCJA have not come to pass.

Indemnity benefits remain the same flexible benefits that advisors have been accustomed to presenting clients; and cash indemnity benefits will continue to offer that extra level of choice and flexibility that clients may find of value.

The chart below illustrates the history of the HIPAA per diem rates since established in 1997:

Historical HIPAA Per Diem Rates

1997	$175	2009	$280
1998	$180	2010	$290
1999	$190	2011	$300
2000*	$190	2012	$310
2001	$200	2013	$320
2002	$210	2014	$330
2003	$220	2015*	$330
2004	$230	2016	$340
2005	$240	2017	$360
2006	$250	2018*	$360
2007	$260	2019	$370
2008	$270		

* Years with no increase in the HIPAA per diem.

How are Tax-Free LTC Benefits Calculated?

The calculation that allows for LTC benefits to be received tax free, cumulative of all policies being paid for the benefit of the insured, regardless of who owns the policies is either:

- The greater of the HIPAA per diem in the year of claim, **or**
- Actual qualifying LTC expenses incurred.

To clarify further, any amount received that exceeds the HIPAA per diem but does not exceed actual qualifying expenses, will also be tax free.[1] There is no need to submit receipts with the tax return—but it would be wise to store copies of LTC expense receipts with the copy of the tax return.[1]

How does HIPAA Affect Indemnity Benefits?

Indemnity LTC benefits allow for the full available monthly benefit percentage (or daily amount) to be paid without regard to actual expenses. The following may vary based on contract and policy provisions of the issuing insurance company

- Generally, companies offering chronic illness riders (and some companies offering LTC Riders) will cap the monthly benefit at the HIPAA per diem amount in the year of claim.
- In order to provide owners of larger policies more access to their LTC benefits to help provide for the cost of care in higher priced communities,[2] some companies place the LTC benefit cap at up to two times the HIPAA per diem rate[3] or may pay the maximum available LTC benefit with no HIPAA limits.
    - Even when the insurance company is willing to pay a LTC benefit amount exceeding the HIPAA per diem, the tax formula established by the IRS still applies when collecting LTC benefits.

How Does HIPAA Affect Reimbursement Plans?

HIPAA is generally not an issue when only one reimbursement policy is owned due to the fact that reimbursement policies only pay benefits that qualify under the contract, up to the issued benefit amount. There are no leftover benefits.

However, the HIPAA formula may need to be considered on a reimbursement policy when and individual owns more than one policy and:

- One or more of the policies are indemnity
- The reimbursement policies being collected from do not coordinate LTC benefits.

Tax Deductibility of LTC Premium on Various LTC Coverage

Questions often arise as to the federal tax deductibility of the cost of LTC riders and linked benefit LTC policies. 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. And while legislation has been passed to provide guidance, there are still a few questions left unanswered.

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 monthly 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
- Many 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 such policies should consult their tax advisor for guidance before taking such a deduction.

Linked Benefit Policies

Some advisors believe linked benefit policies are somehow categorized purely as long-term care policies. 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 chassis. Thus, life insurance rules will still apply (or annuity rules when placed on an annuity). Life insurance premiums are not deductible, so even if one feels a deduction is appropriate, the deduction would only apply to the LTC rider costs.

Tax Deductibility Potential	
LTC Stand-Alone Policy (Individually owned.)	**YES.** Within IRS limits*
LTC Stand-Alone Policy (Paid by a business or corporation.)	**YES.** Rules and the amount vary per type of business and certain circumstances*
Linked Benefit LTC Policy	**YES.** Only when the policy complies with certain standards pertaining to how LTC charges are paid. Check with insurance company. **NO.** When cost for the LTC rider and Extension of Benefits Rider are taken from cash value deductions.
LTC Rider on Life Insurance	**NO.** When the cost of the rider 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

Summary

Even when a charge for LTC premium can be listed as an IRC §213 tax deduction, it will be difficult for most people to meet the required floor to realize the deduction. Medical expenses generally must be high in a year when income is low for the deduction to actually take effect.

One should consider a LTC product solution that meets the care needs they envision, not because there might be a tax deduction.

1 A tax professional should be consulted to help determine which of the insured's expenditures would be considered a qualifying long-term care expense for purposes of the IRS formula for tax-free benefits.

2 Insurance companies providing long-term care benefits do not guarantee the benefit paid will cover all the LTC expenses incurred by the insured.

3 Insurance companies offering "up to double of HIPAA" generally will pay the lesser of: the monthly available LTC benefit elected, or, two times the HIPAA per diem times 30 (or days in the month)

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.

Federal income tax laws are complex and subject to change. The information in this memorandum is based on current interpretations of the law and is not guaranteed. Neither Nationwide, nor its employees, its agents, brokers or registered representatives gives legal or tax advice. This material is not a recommendation to buy, sell, hold or roll over any asset, adopt an investment strategy, retain a specific investment manager or use a particular account type. It does not take into account the specific investment objectives, tax and financial condition or particular needs of any specific person. Investors should work with their financial professional to discuss their specific situation. Nationwide, the Nationwide N and Eagle and Nationwide is on your side are service marks of Nationwide Mutual Insurance Company. © 2019 Nationwide

Imagine the Possibilities

19th Annual ILTCI Conference
March 24-27, 2019
Sheraton Grand - Chicago, IL

CLTC Master Class Join us for this course March 23-24 before the conference starts for only $195!

Attend 48+ sessions with an excellent mix of content and exceptionally qualified speakers from around the industry. We offer a special producer rate of $195 as well.

Meet thought leaders that specialize in providing products and services to a growing industry.

Network with our 900+ attendees and 60+ exhibitors and sponsors.

ILTCI **For information on pricing, sessions, hotel, and more visit iltciconf.org**

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.

Disclosure: The author helps financial professionals and consumers connect with insurance specialists.

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,
>
> As an independent financial advisor and RIA, I help my clients develop a holistic financial plan. My primary expertise is managing investments, but clients frequently ask about insurance planning too. How can a busy professional, who is not regularly immersed in insurance, help clients navigate the myriad of possible solutions?
>
> *Advising in Arizona*

Dear Advising,

My grandmother used to say a Yiddish expression that translated to "nobody can have it all." We need balance in both our lives and businesses regardless of our ambitions. Time is our most valuable asset, so is it worth your time to be an expert in several lines of insurance? Learning the tradeoffs between insurance solutions, pricing, products, underwriting, funding strategies, tax implications, and policy language can be very time consuming. Luckily, you do not need to be an insurance expert to help get your clients expert advice.

In my current role as Chief Sales Officer, I have the pleasure of collaborating with many of the finest professionals in the industry. I recent spoke to a CFP named Jane who built her practice by managing the financial affairs of many successful female entrepreneurs. Her clients are generally between the ages of 40 and 65 with insurance needs for themselves and their businesses.

Although Jane is a licensed life and health insurance agent, she chooses to partner with insurance specialists who provide her with ideas to protect her client's income and assets. Her value

proposition is a high level of client service, but she has little time to analyze insurance products and solutions. By tapping into her network of trusted insurance experts, she can timely deliver solutions to meet her client's needs and answer questions as they arise. She saves time and finds herself more productive than ever before.

Partnering with a specialist or doing "joint work" as it is sometimes called, is not limited to financial planners. Agents working in life insurance, LTCi, health, annuities, disability, and P&C are all frequently in need of an expert resource for other insurance lines, which is why joint work has been utilized by career agencies for generations. Under this model, partnering with a specialist often becomes an apprenticeship. It also provides a unique perspective to be sitting on the client's side of the table while observing an expert at work.

Traditionally, the limitation of joint work is finding a trusted relationship in the local community with someone who has the right expertise. The biggest fears of the referring agent are that the specialist will somehow embarrass them or steal the client. Like any new relationship, trust is built over time.

The right relationship should be **mutually beneficial and symbiotic** with the referring agent bringing the relationship to the table and opening the conversation, and the specialist providing expertise to develop a solution that meets the client's needs and wants.

Technology and modern marketing are a gamechanger when it comes to the joint work model. Specialists can now easily obtain licenses in multiple states and be available for online consultations with screen sharing and web cams. The specialist can help the client complete an underwriting questionnaire remotely without having the advisor learn sensitive information about their client's health, and applications can be submitted electronically through most carriers' websites.

Finding a specialist is easier than ever before. Specialists can gain exposure by marketing on the web and by sharing their client stories. Social media can build a warm relationship without the professionals having to ever meet in person. Modern marketing can be the foundation for a long-term profitable partnership.

INSIDE THE NUMBERS

I informally surveyed both Brokerage General Agencies (BGAs) and LTCi specialists to answer the following question: Are two professional minds better than one? The BGAs self-reported their LTCi success rates:

- As few as 5% of unique client quotes run for generalist agents or advisors are converted into submitted applications. BGAs that also provide some point-of-sale support might see their success rates double.
- On average, about 60% of LTCi cases submitted by generalist agents are issued. Brokers who submit infrequent cases tend to have less success in underwriting and placing coverage.

LTCi specialists, who spend the majority of their time offering LTCi solutions, self-reported strikingly different results:

- 25% to 50% of quoted prospects go on to submit an application. Success rates varied by the source of the prospect and the skill of the specialist.
- About 80% of submitted business becomes issued. Specialists are more skilled at field underwriting and identifying the best fitting product.

The data indicates that specialist agents can be at least 5 times more effective at getting clients coverage than generalist agents.

TABLE 1: Working with a Specialist Comparison

	Quotes Converted to Applications	Quotes that Become Issued Policies
Generalist Agent or Advisor	5 out of 100	3 out of 100
Specialist Agent	25 out of 100	20 out of 100
Specialist Effectiveness	5 times more	Almost 7 times more

THE BOTTOM LINE

Specialization seems to be the natural evolution for many industries that have increased in complexity. Take the medical field as an example. One hundred years ago there were primary physicians who handled most family medical issues in their offices or by making house calls. Now, you visit a doctor who is a general practitioner who gives you medical advice on a regular basis. If the doctor diagnoses a need for further evaluation, you may be referred to a specialist. As the medical field has evolved, the natural outcome is medical professionals have become increasingly specialized.

Insurance solutions are also very personal and customizable plans. The shared economy of insurance specialists can be a win-win for all involved:

- Consumers get much needed insurance protection and two financial professionals' minds.
- Generalists save time, energy, and the trust of their clients.
- Specialists develop a consistent source of prospects.
- BGAs dedicate more time to cases that are likely to close.
- Insurance carriers save money with fewer not-in-good-order applications and fewer declines.

So, the next time you are exploring a new insurance strategy or line of business, consider instead saying, "let me refer you to my specialist."

MARC GLICKMAN
FSA, CLTC®

Marc 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.

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.

SUBSCRIBE TO CLTC DIGEST!

CLTC Digest is a quarterly publication offering industry insights, expert perspectives and news to professionals in the long-term care insurance niche.

To continue receiving *CLTC Digest*, start your subscription at:

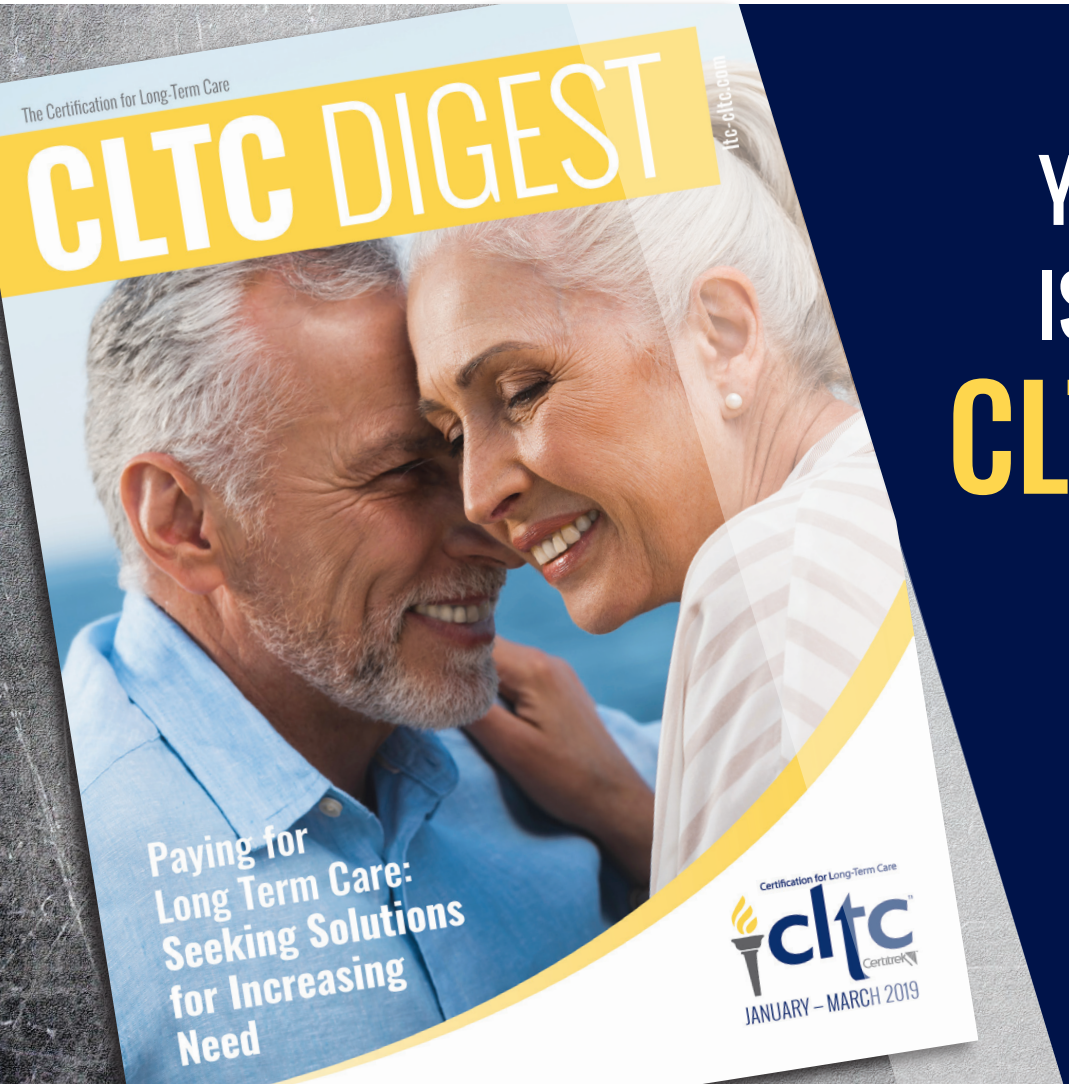
ltc-cltc.com/Digest

Only $49.95 per year!

(4 issues)

Certification for Long-Term Care
cltc
Certitrek
1005 Slater Road
Suite 101
Durham, NC 27703

Presorted Standard
U.S. Postage
PAID
Raleigh, NC
Permit No. 673



YOUR LATEST ISSUE OF THE CLTC DIGEST IS HERE!

Delve into the specifics of long-term care planning and discover the most important trends and unique perspectives of this ever-changing field.