

Selling LTCI Today

By Connie Golleher

Your first step is to gain a thorough understanding of the product and the trends that will shape it.

In these recessionary times, it is becoming increasingly difficult to sell long-term-care insurance (LTCI), even though the need for it has never been greater. Despite the obstacles, many producers who have a thorough knowledge of the product are selling it—and selling lots of it.

The first step to sales success is to enhance your knowledge of the product and understand how coverage has changed over the past 30 years. LTCI was introduced in the late 1970s. However, it wasn't until the early 1980s that it started to catch on, and by the early 1990s, consumers had started to ask questions about it if they needed it. LTCI was “the” insurance to buy.

In the 1970s, LTCI was primarily nursing-home coverage, with only a handful of insurance companies offering it. The options of assisted living, adult day care and home-health care didn't catch on until the late 1980s. Insurance companies then began to realize that with medical advances and drugs, people were—living longer and were in need of care options. Assisted-living communities began to emerge and became so popular that the facilities could not keep up with demand. Eventually facility growth caught

up with demand, as did the types of services available.

Approximately 70 percent of people over age 65 in this country will require some form of LTC. Though many believe Medicare will pay for the majority of their LTC services, it does not; in fact, it will only pay for short-term medical care after a hospitalization.

What to consider before selling LTCI

There are many aspects to consider when you are assessing your prospect's need for LTCI: What is her risk exposure? Will she have sufficient income during retirement to cover the cost of the insurance?

You should then ask her these three key questions: How much, how soon and for how long? The LTCI marketplace has come a long way in the last 30 years, and in advising a prospect interested in purchasing a policy, you will discuss not only items that are specific to the product and product choices, but also the prospect's overall financial planning for retirement.

As the advisor, you will need to determine if your prospect will be able to maintain her premium payments when she retires and you need to trust the insurance company



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you choose. Its experience, strength and stability will make a difference in whether the coverage will be there for your client.

Trends to watch out for

To provide the best choices for your clients, you also need to know the trends that will shape LTCI, going forward. These include:

- *Product choices will be simplified.* There are currently too many moving parts and clients become confused easily.
- *Compound inflation riders will become prohibitively more expensive,* which will push clients to make other choices such as simple inflation or no inflation. But inflation protection is very important, especially when the

prospect is purchasing the product at a young age. Without any protection, the monthly benefit will not keep pace with the rising cost of care, and the client will need to make up the difference out of her own pocket.

- *Lifetime benefits will become prohibitively more expensive.* Prospects will need to consider their family history as they look at benefit periods. Is there a history of Alzheimer's or

dementia in their family? With the average stay in a nursing-home facility being three to five years, an Alzheimer's patient stay can be as long as 10 or more years. In this case, a longer benefit period should be considered.

- *Your prospect's choices are comprehensive, moderate or basic.* Structuring the policy to meet the prospect's needs will become more about securing coverage in one of the above three

categories. Your prospect should consider not purchasing coverage only when she has substantial retirement savings, and a portion of her LTC expenses can be shared. LTCI coverage is not cheap. For example, the cost of staying in an average nursing-home facility is now \$90,000 per year in the Washington, D.C., area and \$113,150 in the Boston area.