

Magazine

LTCl: Making The Most Of A Great Opportunity

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If you're like most sales professionals I know, you're always on the lookout for the next great product – the one that will make a real difference to your clients and help you build your practice. I know from experience that long-term care insurance (LTCl) is that product and if you're not already selling it, you are missing an opportunity that's only going to get better.

Let's start with the definition. Long-term care is the kind of care you need when you are no longer able to manage common activities of daily living like dressing or eating. The need for long-term care can happen at any time during your life, due to an illness or accident, though it is most often associated with the effects of aging.

Establishing the need

Because we are living longer, it means that many Americans may require assistance due to a chronic medical condition at some point in their lives. The current cost of a nursing home averages \$75,000¹ annually and can be higher in some parts of the country. In addition, the costs for long-term care services are likely to be considerably higher in the next 20 to 30 years when demand is expected to reach record levels. Even for clients with considerable assets, the cost of a long-term care event will have a devastating effect on a retirement portfolio.

So who needs LTCl? No discussion of the product's potential would be complete without looking at the baby boomers. This group of 78 million has been a powerful influence on society since they came of age in the '60s and they're not done yet. Nearly 8,000 baby boomers turn 60 every day and most of them are looking ahead to retirement.² Unfortunately, many of them had the rug pulled out from under them during the recent financial crisis and so they're seeking ways they can protect what they have left of their 401(k) plans and other savings. LTCl may help remove one of the greatest financial risks that baby boomers will face in retirement.

Stepping up to multi-life LTCl

Now that we've established the need, let's explore the most effective way to distribute the product. Although you may have built your business with individual sales, selling multi-life long-term care insurance (to employers with fewer than 500 employees) can take it to the next level. There are over 5.9 million small- to mid-size employers in the U.S. that do not offer this important coverage.³ You can think of multi-life LTCl as one sale (the employer) that opens the door to many (eligible employees and their family members).

There is evidence that this market is underserved. A 2009 small employer survey conducted by John Hancock Life Insurance Company indicated that over half (57%) of

the companies not offering LTCI had never been approached by their benefits broker about offering the benefit. Employers are waiting to be educated!

It's easier to get started than you may think. To begin, you don't have to look any further than your current clients. You may already have a well-established relationship with a small business owner; well-compensated professions, like law firms or CPA practices are best because LTCI is commonly sold on a voluntary basis, with employees paying the premiums, so you should be targeting businesses with an average employee salary in excess of \$60,000. You should also ask about the average employee age, with the mid-40s or older being ideal.

Starting the conversation

Most employers are open to the idea of adding LTCI to their benefits portfolio as soon as they realize that the coverage can be as beneficial to their business goals as it is to their employees.

The first step is establishing the growing need for long-term care, along with the rising costs, and then pointing out that the lack of LTCI may represent a gap in their benefits package — neither health or disability insurance pays benefits for long-term care services. In fact, LTCI can be a low-cost way for employers to enhance their benefits packages and thereby attract and retain top talent.

The benefits to business are even greater for those employers who are willing to pay all or part of the cost of coverage. Employers may be able to enjoy the same tax deductions that apply to their health coverage. Moreover, paying for premiums may often result in more favorable underwriting concessions from the insurance carriers, which can benefit all eligible employees.

Many savvy employers currently offering LTCI coverage have chosen to reward their executive class by paying 100% of the premiums. Current tax codes allow long-term care insurance to be offered on a selective basis. I usually recommend that employers interested in this approach opt for premium payment on a limited pay option (e.g., 10-Year Pay), so that premium payments are finite and executives are aware that if they stay with the employer for 10 years, they can leave with fully paid-up coverage. This strategy creates a "Golden Handcuff" for the executive and can help an employer retain key contributors.

Securing the buy-in

One of the most critical components to the success of any multi-life LTCI plan is the employer endorsement. Although the demographic criteria are important, strong employer sponsorship can mean the difference between a great enrollment and a poor one.

Employees, particularly those in small- to mid-size companies, often rely on their employer to act in their best interests where benefits are concerned. If an employer demonstrates its belief in the LTCI benefit by publically endorsing it and permitting access to employees for an educational marketing campaign, enrollment numbers will generally be stronger than they would be in the absence of such an endorsement.

This was true in a case I recently sold and the enrollment results speak for themselves. This employer is a 200-life marketing firm, headquartered in the Midwest. Employee demographics were positive, so I focused on making sure that the human resources staff was comfortable with all of the plan features and explaining why a robust educational campaign was central to the benefit's success.

Their reaction was fantastic. They set up three mandatory worksite meetings and provided lunch for all participants. These meetings covered the need for long-term care and the risks of relying on their savings, family, or the government to cover the high cost of care.

I also spent time going over the benefit features, so participants would understand the value of the coverage. The employer also permitted me to run Webinars for employees who needed additional information. In the end, 17% of employees enrolled, far exceeding what I would have expected from individual sales, with the same effort.

If you have clients you think are right for this product, but need assistance to get started, I recommend that you contact a broker or consultant who specializes in LTCI — they can make a compelling case for the benefit, help you select the best carriers to work with, and assist you in maximizing enrollment results. So what are you waiting

for? Multi-life LTCI sales is a great way to grow your business and the sooner you get started, the greater your rewards.

Jerry A. Manning, CLTC, is a Vice President with Marsh Private Client Life Insurance Services (PCLIS), and was recently honored by The American Association for Long-Term Care Insurance (AALTCi), as one of the industry's Top 20 performers in 2008 from a universe of 40,000 U.S. agents licensed to sell long-term care insurance.

Footnotes:

- 1. Based on the John Hancock 2008 Cost of Care Survey, conducted by CareScout, 2008.*
- 2. U.S. Census Bureau Newsroom, 2006, www.census.gov.*
- 3. U.S. Department of Commerce, Bureau of Census, Statistics of U.S. Businesses. Published in 2008 by the U.S. Small Business Association, Office of Advocacy.*

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