

# *Combination Products*

## **Combo Product Distribution: Suitability, Planning, CE Requirements**

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15th Annual Intercompany Long Term Care Insurance Conference

Metamorphosis- “ a striking alteration in appearance, character or circumstance”

- Sales are down but opportunities are up !
- The fastest growing segment of LTCl sales is Life insurance
- The fastest growing segment of Life insurance marketing is LTCl

# Planning Confusion



- Is LTC : Financial Planning, Health Planning or Asset Management ?
- Does it come first or last in the Planning Process ?
- How and Where does the concept of “Kill two birds with one stone” fit in the Planning Process ?
- When do you explain that Combo product also means Combo pricing ?
- Can you just pick sides in the Great Rider Debate ?

- Are Combo policies just a matter of choice ?
- Are CO-Insurance strategies just one giant sliding scale based on income and circumstance ?
- Is something always better than nothing ?
- Price matters but what is the right price ?
- Training is of course the answer but who or whom is responsible ?

- We have come to understand there are Two LTC risk abatement strategies;

## Primary & Supplemental

How does this influence Individual and Worksite Combo Sales in terms of training and product development ?

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## **Long-Term Care Funding Solutions: A Market In Transition**

Attorney Harley Gordon



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- The LTCi market is not in decline, it is in transition
- Regardless of product, pricing reflects the harsh realities of lapse, longevity, morbidity, inflation
- Growth therefore cannot come from traditional markets consisting generally of
  - The barely healthy
  - Prior experience
- New products require new markets

- The markets
  - Healthy men
  - Healthy men with no prior experience
  - The wealthy
- Access to that market is through
  - Financial advisors /representatives
  - Higher net worth insurance professionals
  - Accountants, CPAs & attorneys
- New products and a new market require a new marketing strategy



- Traditional view on reaching COIs is educational based
  - Risk & cost of needing care
  - Financial impact on their client's portfolios
  - Funds used to pay for care = assets not under management
  - Malpractice
- Does it lead to increased conversations and recommendations for LTCi?
- The presumption that COIs are interested in this form education is just that --- a presumption

- The message must be relevant to the market
- The message should not be focused on a product to solve a problem that many do not believe exists or if it does can be covered by self-funding, but rather on a...
- Subject that disrupts their business model
- Their business model focuses on planning...
  - Tax planning
  - Planning for predictable streams of income
  - Planning to keep future obligations
  - Estate planning

# The Message

- *Not having a plan for an unexpected need for care will disrupt every plan created to keep financial obligations during later years*
- Paying for care disrupts...
  - A plan to minimize / eliminate taxes
  - A plan to assure predictable streams of income
  - A plan to keep future financial commitments
  - An estate plan
    - Inheritances
    - Charities
    - Legacy assets

- As an industry our obligation goes beyond manufacturing world class products and giving wholesalers the tools they need to educate COIs about them
- It includes a commitment to...

- Educate COIs and consumers about a subject that left unattended to an ever occurred would cause serious if not irreversible consequences to those they love
- Educate them the solution is not a product but a plan to mitigate those consequences
- Educate them that our products don't protect clients they fund that plan

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## **Finding Clarity between Long Term Care and Chronic Illness Riders**

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# What's the Difference?



- Two types of riders create much confusion
  - Often believed to be same thing with different name
- Advisors are often unaware how rider differences impact claims, rider benefits and death benefit
- Interstate Compact changes rules -
  - Chronic Illness Riders in the past
    - Only allowed for permanent claims
  - Recoverable claims now allowed for new filings for Chronic Illness Riders
    - Does not change provisions in current contracts
  - Many carriers choose to retain “permanent” requirement
  - Do new rules result in less consistency?



# Increase of Chronic Illness Riders



- Why the surge in chronic illness riders?
  - “LTC” is becoming table stakes
- Chronic Illness Riders:
  - Are easier to price
    - “Permanent” - reduces claims numbers/admin costs
  - Are easier to get approved
  - Have no CE (or health ins.) requirements for advisor
    - Easier to sell the advisor on using the product
- Advisor should consider “what if’s” of temporary claims (assuming the product doesn’t pay them)
  - *“Most claims are forever”* just isn’t true anymore

# “No charge” Chronic Illness Riders



- Why are most new chronic illness riders of the “no charge” model?
  - Easier to price
    - Discounting method and the lien-with-interest method mitigates most of insurance company’s risk
  - Easier to sell
    - “No charge” unless you need it
    - Some advisors mistakenly call them “free”
- Do these riders fit with a client’s goals?
  - Great for life insurable client who is uninsurable for LTC
  - For other clients, is it wise to invoked these riders?
    - Better to use other assets and take tax deduction
    - Indemnify the asset used for care expenses with DB

- Advisor should consider client planning objectives
  - Life insurance need transitions to chronic illness benefits
  - Do clients grasp what “non-recoverable” means for claims?
- Policy protection while on claim?
  - Lapse protection? – most require premiums paid on claim
  - Waiver of Premium (rare) – are limitations explained?
- “No charge” riders – do advisors/clients understand?
  - Impact of “discounting”
    - Monthly benefit based on discount formula – not set amount
    - Total of forfeited death benefits – reaction of beneficiaries?
  - Impact of the “lien with interest” on death benefits
    - Impact of a declining death benefit after acceleration
    - Potential tax impact of taking a single lump sum

- Long Term Care Riders
  - Transition from life insurance need to LTC benefits
    - Family protection to LTC protection
    - LTC - no “use it or lose it” - asset/income protection
  - Some companies allow LTC amt. to be “dialed down”
    - Helps protect a portion of DB to be paid at death
  - Lapse protection – applies only while on claim
    - Generally not an initial “waiver of premium”
    - How and when provision applies varies by company
    - Does remaining death benefit pay on lapse protection?
  - Indemnity policies
    - Some carriers require “proof of billable services”
      - An “inconvenience” advisors/clients not aware of

## Chronic Illness Riders

- Clients believe they purchased LTC
  - Clients may be “shocked” when:
    - claim denied because of temporary condition
    - when lesser benefits are paid
    - When beneficiaries find the total amount “doesn’t add up”
  - Small print can become the big print
- Advisors/Clients need more education on differences
  - Better disclosures and client suitability education

## LTC Riders

- More visible disclosures on the policy details
  - Effect of no-lapse provision
    - What situations qualifies for protection
    - How death benefit is affected if policy surviving on this provision

- More clarity and guidance is needed
  - State departments of insurance
    - Additional CE requirements?
  - Associations and Educational groups
    - Can provide objective education
  - Insurance companies
    - Improve clarity in marketing material
  - Advisors
    - Better educate themselves/clients on policy details
    - Should remember to keep life insurance needs in mind when choosing products

- What is the “practical” difference between a LTC Rider, and a Chronic Illness Rider that underwrites, charges, pays 100% benefits in all years and covers temporary claims?
- How does an advisor explain it to a client?
- Until the industry brings more clarity and consistency:

**Confusion will continue to flourish!**

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## **Mandatory LTC Certification Requirements**

Catherine Dove  
Director of Education  
LTC Connection



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- DRA of 2005 put the requirements in place for agents selling LTC Partnership policies.
- NAIC adopted the training requirement but recommends the training for agents selling any type of LTC insurance policy
- Most carriers require the training regardless of what type of policy is sold



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**Carrier-Authorized Portal for Producers of  
John Hancock, Genworth,  
MedAmerica, TransAmerica,  
Unum, Colonial Life,  
Forethought, Trustmark Financial,  
Pacific Life, MassMutual,  
Thrivent Financial and The Guardian**



The Authorized Carrier Portal for Long Term Care and Annuity Training



- Clear Cert worked with carrier members to come up with a course outline that met the DRA/NAIC requirements
- Carrier members notified CE providers that all courses had to be certified by Clear Cert
- The current 8 & 4 Hour courses have very limited, high level training on products that are an alternative to LTC insurance.

- Many of the life insurance products that have the LTC Chronic riders do not require the mandatory LTC training
- Double edged sword:
  - Not only do they not truly understand the LTC riders they are selling, they don't understand LTC insurance or other options available

# Clear Cert Course Outline Review

- Explanation of long-term care insurance
- Available long-term care services and providers
- Changes or improvements in long-term care services or providers
- Importance of and effect of inflation on benefits
- Detailed review of Partnership policies
- Description of how partnership policies relate to private and public coverage for long-term care
- Description of how partnership policies relate to Medicaid

- State partnership regulations and requirements
- Importance of and effect of inflation on benefits
- Detailed review of Partnership policies
- Description of how partnership policies relate to private and public coverage for long-term care
- **Alternatives to the purchase of private long-term care insurance**

- Alternatives to the purchase of private long-term care insurance
  - Use of home equity for LTC
  - **Use of life insurance**
  - Annuities
  - Assets & Income (out of pocket)

Alternatives to the purchase of private long-term care insurance	Use of home equity for LTC	Basic explanation
		Pay-out methods
		Importance of reviewing advantages and disadvantages
	Use of life insurance	
	Annuities	
	Assets and income (out of pocket)	



- Solution?
  - Make changes to the current training requirements?
  - Carriers require additional training?
    - Create 1-2 hour CE Course that educates in great detail the differences between
      - Life/LTC Policies
      - LTC Riders

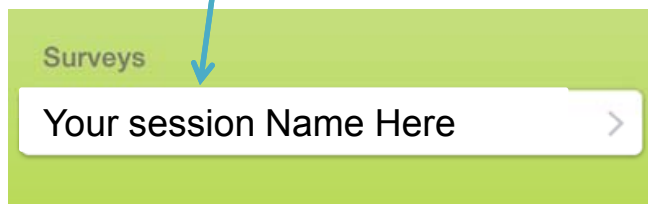
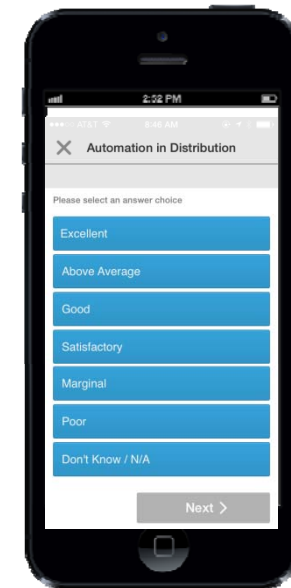
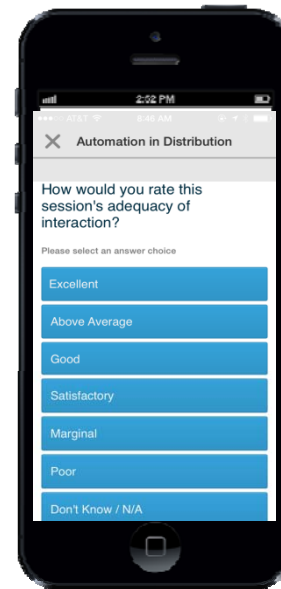
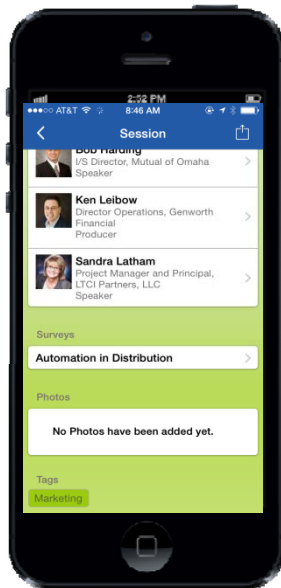
# Don't forget to fill out the survey



1<sup>st</sup> you must have download the ILTCI Mobile App  
- Go to your app store; search ILTCI. It's free.



1. Find the session
2. Scroll to the bottom
3. Tap on the session name below the survey



Tap on the answer you wish to submit

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