

# 2010 Kick-Off *to* Long-Term Care & Life Insurance Planning Success



Barry J. Fisher/Paradigm Insurance Marketing  
American Capital/Paradigm Insurance Marketing

*Featuring*

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[www.paradigmmins.com](http://www.paradigmmins.com)

# Today's Topics

- Industry & federal government review
- Pension Protection Act opportunities
- New traditional long-term care product review
- New life insurance product review
- March 11, 2010 sales & CE meeting w/Genworth
- Odds and ends

# The View From 30,000 Feet

- Our ability to earn a living in a narrow insurance specialty is in increasing jeopardy; for example
  - *If you're primary business is medical insurance you just dodged a scud missile*
    - *Health care reform will never go away*
    - *The health insurance companies agreed to be regulated like public utilities; what will they agree to next time?*
    - *Expect lower commissions regardless*
    - *HSA's also putting pressure on your bottom line*
- Traditional long-term care insurance is now joined by more linked products
  - *Game changes to who is a better long-term care "PLANNER"*
    - *Everybody will be in the long-term care insurance business*
    - *Being a product specialist isn't going to be enough*
    - *Fluent in all products*
- Life insurance pricing and underwriting gets tougher
  - *No longer ignore the long-term care planning imperative*

# 2009 LTCi Industry Results

## *LIMRA Third Quarter*

- **22 companies reporting**
  - *95% of long-term care insurance marketplace*
  - *Top 10 carriers represent 88% of sales*
    - *Allianz, Bankers Life & Casualty, Berkshire, Genworth, John Hancock, MetLife, Mutual of Omaha, New York Life, Northwestern Mutual, Prudential*
- **29% decline in premium written**
  - *Life insurance sales during the same period down 20%*
- **28% decline in number of lives written**
- **3 out of 24 carriers experienced increases in sales**
- **Average premium per buyer down 1% to \$2,157**
- **Lifetime pay = 93% of sales**

# Good News At BJFIM/Paradigm

- 2009 premium production up 17%
- Multi-life is more than 50% of our business
  - *Result is that we have a very high placement percentage*
  - *Good for profitability*
  - *Companies used have strong vested renewals and top names*
- Also starting to see increased interest and sales in the linked product area
- How has this happened for us and our agents?
  - *Great marketing team*
  - *Stay on message*
  - *Keep innovating regardless of how painful*
  - *Keep asking you to ask the question "have you done your long-term care planning yet?"*

# Health Care Reform – A CLASS Act?

## *Community Living Assistance Services & Support*

- **Voluntary employment based offering**
  - *Employer “opt-out”*
- **Guaranteed issue – All Cash Benefit – Lifetime Benefits**
- **Benefit triggers & benefits**
  - *“Considerable assistance” w/2 of 6 ADL’s*
  - *“Substantial” cognitive impairment*
    - *Presumptive eligibility for benefits -- patient in hospital, nursing or intermediate care facility and in-process of discharging*
      - *Are these consistent with HIPAA?*
  - *Nursing facility, assisted living, home and community care*
- **Benefits after 60 months of premium payments**
  - *Liberal lapse provisions – must pay premium for 24 continuous months*
  - *No underwriting as insured “bops” in and out of plan*

# CLASS Act -- Rationale

- Medicaid (Medi-Cal) is going broke
- Medicaid would “claw-back” CLASS cash benefit
  - *50% to 95% of benefits paid to Medicaid eligible would go back*
- Payroll tax today to bail out Medicaid tomorrow
- Assumed “revenue” from voluntary enrollees is being used to offset 10% of the cost of health care reform
  - *Enrollment assumptions way too optimistic*

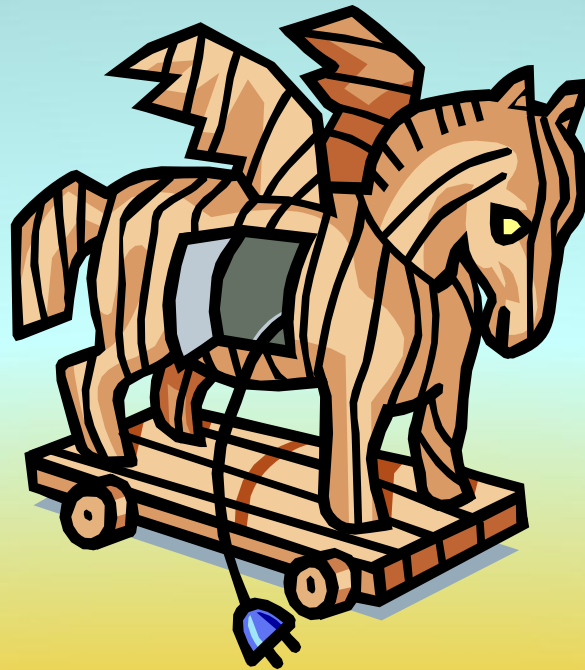
# CLASS Act Is “Unsustainable”!

*American Academy of Actuaries & Society of Actuaries*

- Voluntary enrollment + guaranteed issue = adverse selection
- *Ability to drop in and out of the program = adverse selection*
- Guaranteed issue for spouses of participants = adverse selection
- *Program lacks educational component to drive participation*
- Presumptive disability approach = higher claims incidence
- *Premiums proposed in plan are not actuarially adequate*
- No elimination period + lifetime benefits = increased utilization
- *Cash benefit structure reduces ability to manage claims*



# Class Act Is The Trojan Horse For Single Payer-Health Care



# Pension Protection Act

- **Linked life and or annuity + long-term care presents you with an opportunity to revisit clients who've said "NO" to traditional LTCi**
  - *Life products with accelerated benefits for long-term care*
  - *Annuities that provide coverage for long-term care*
    - *Genworth, Lincoln Financial, Nationwide, State Life*
  - *Leveraged safe money play for clients with investable assets*
    - *Average age of issue = 65*
    - *Investable assets of \$1,000,000 +*
    - *Have generally set aside an emergency fund for long-term care contingency*
- **1035 exchange rules are in-play**
  - *Life to life*
  - *Life to annuity*
  - *Annuity to annuity*
  - ***Big question? Partial 1035 exchanges to traditional LTCi***

# NEW CARRIER & PRODUCT REVIEW

## Not A Zero Sum Game

*Point Is To Create New Business*

# John Hancock Multi-Life

- **Simplified underwriting at 7 employer paid lives**
- **Simplified underwriting for spouses with minimal employer contribution**
- **Rich benefits for owners and key employees**
  - *Up to \$300 per day, 5 year benefit, compound inflation*
- **Low benefit threshold for rank and file employees**
  - *As low as \$50 per day, 2 year benefit*
    - *50 year old cost less than \$11/month*
      - *Lowers the cost of entry for the employer*
      - *Allows employees and spouses to buy-up on a simplified issue basis*
- **15% Preferred industry discount**
  - *Attorneys, CPA's, MD's and many other "white collar" businesses*
- **California Partnership is available**

# Transamerica Individual

- **Competitive joint rates particularly at older ages**
- **Six underwriting rate classes**
  - *Not a "substandard" play*
  - *Provides underwriting flexibility*
- **Only one-pay plan in California**
  - *Great corporate tax planning tool – with caution*
- **Built-in cash alternative rider**
  - *33% of monthly benefit*
- **Modified guaranteed issue at 15 employer paid lives**

# United of Omaha

- **Wide choice of compound inflation rider rates**
  - *2.5% 3.0% 3.5% 4.0% 4.5% 5.0% and 5% Compound/20 Year*
    - *5% compound/20 year very competitive at older ages*
- **Monthly benefits = 31 days**
  - *\$200 per day benefit = \$6,200 per month*
- **Spousal Security Rider**
  - *If the insured is receiving benefits, UOO will pay an additional cash benefit. The additional cash benefit is (60%) multiplied by the daily or monthly benefit they pay the insured for covered expenses incurred. Benefits paid under this provision will not reduce the maximum lifetime benefit.*
    - *36% premium surcharge (approximately)*



# Met-Life

- **New VIP 2 product pricing increases anticipated this spring**
  - *Compound inflation rates up 40%*
- **Simplified issue/multi-life underwriting at 3 lives**
- **California Partnership is Available**

# The “Old Standards” Still In Play

- **Prudential long-term care**
  - *Multi-life at seven lives*
  - *50% cash alternative rider*
  - *150% home care rider*
  - *Very competitive preferred and standard rates for individuals*
- **Genworth**
  - *Product continues to be highly competitive standard of the industry*
  - *California Partnership*
  - *Linked product flexibility*
    - *March 11, 2010*
- **Assurity, Guardian/Berkshire, MassMutual**
  - *Most competitive priced limited pay plans on the planet*



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Carrier Name	A.M. Best	S & P	Moody's	Fitch	The Street .com	Comdex	Surplus As % of Assets	RBC
Assurity	A-				B+		10.8	580
GENWORTH ¶	A	A	A2	A-	B	78	12.0	577
Guardian	A++	AA+	Aa2	AA+	A	98	13.4	447
John Hancock ¶	A+	AA+	Aa3	AA	B	96	6.1	405
LifeSecure (BCBSM) *	A-							
Lincoln National	A+	AA-	A2	A+	B-	88	7.6	392
MassMutual	A++	AA+	Aa1 w-	AAA	A	99	10.6	443
Metropolitan ¶	A+	AA-	Aa2	AA	B-	96	6.7	446
Mutual of Omaha	A+	AA-	Aa3		B+	95	45.0	430
Nationwide	A+	A+	A1	A	B	87	8.7	503
Prudential	A+	AA-	A2	A+	C+	88	5.1	399
State Life	A	AA-			B	90	6.4	464
Transamerica	A	AA-	A1	AA	B-	91	8.1	412

*Rating data for October 1, 2009 from the life insurance companies statutory annual statement.*

\* Not currently available in California

¶Traditional & California Partnership LTCi policies available



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For Agent Use Only

# Life Insurance Review

*Paul D. Kaplan, CLU*

- Capital markets have dried up due to massive government borrowing puts pressure on pricing
- Life insurance pricing on term and UL expected to increase
- New product structures
  - *More "Term-UL" products*
- Compensation going south

# Links To Long-Term Care Planning Success

*March 11, 2010 – Woodland Hills Country Club*

## **Featuring Genworth Financial & Paradigm Insurance Marketing**

- **In-depth industry updates**
  - *Bob Eckhardt, Genworth Financial SVP-LTC*
  - *Barry J. Fisher, LTCP and Paul D. Kaplan, CLU – Paradigm Insurance Marketing*
- **Comprehensive linked and traditional LTCi product review**
  - *Ken Herlihy, CLTC – Genworth Regional Vice-President, LTC*
  - *Leah Glowacki-Bishop – Genworth Linked Benefits Division*
- **Life Insurance & Annuity Product Updates**
  - *Richard Nefzer, Genworth Regional Vice-President -- Life*
  - *Justin Shipman, Genworth Regional Vice-President -- Annuity*
- **Two hours California continuing education**
  - *Underwriting traditional and linked long-term care insurance*
  - *Long-term care claims practices*
- **12-hours of discounted online continuing education from Lyte-Speed**
- **Producer panel, networking lunch and wine and cheese tasting, door prizes and much more**

**Register Today**  
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Classes "Tab"

# Odd & Ends

- **New BJFIM website**
- **Info Long-Term Care ([www.infolongterm.com](http://www.infolongterm.com))**
  - *Generic Consumer Website for your website*
- **We do help you make the sale**
  - *Live, in-person consumer presentations by Susan and Barry*
  - *Webinar or teleconference assistance with clients and their financial advisors*
  - *Simple & Easy to use individual and corporate sales presentations along with your proposals*
  - *Great training seminars and webinars*
- **Lyte-Speed Learning Discounts**
  - *Online 8-hour LTC-2004 continuing education class only \$19.50*

**THANKS FOR  
JOINING US  
TODAY**



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