



**BARRY J.  
FISHER**

is vice president of Broadtower Insurance Solutions, Inc., the nation's largest national marketing organization dedicated to long term care planning and insurance. He is a pioneer in long term care insurance marketing, distribution and training, and has been a leading advocate for independent agents and advisors for more than 25 years.

Fisher can be reached by telephone at 818-444-7750 or by email at [bfisher@broadtowerinsurance.com](mailto:bfisher@broadtowerinsurance.com).

# Long Term Care Insurance Underwriting: Challenge = Opportunities

Why do tougher underwriting criteria and significantly lower placement rates in traditional long term care insurance create such distress in the brokerage general agent community? We have painfully learned over the past 12 months that it is more difficult to issue and place an LTCI policy today than it was two or three years ago. I understand change is difficult, and no one wants to work a case and not get paid for it. However, insurance carriers have been clear that more "precise" underwriting is an important component of staying the course in a difficult market. It seems to me that addressing this challenge is in the BGA's area of expertise. Most of us cut our teeth on sub-standard and health-impaired risk underwriting. Why not accept the current reality in order to create more marketing opportunities?

## **Inherently Sub-Standard**

I began the wholesaling portion of my insurance career about 25 years ago in a brokerage general agency steeped in sub-standard risk. Helping agents with health-impaired clients was our stock in trade. When the agency principal asked me to head up the nascent long term care insurance department, we immediately identified an important correlation between our life insurance and LTCI brokerage efforts. At that time the average age of a long term care insurance policyholder was 67. It was clear to us we were not in a "who has the cheapest premium" environment. We took extra care to identify the prospect's health conditions in order to propose the

best carrier with the highest probability of getting the policy issued as applied.

In 1990 it wasn't any easier to get an agent to ask about health impairments, conditions or medications than it is today. We spent a great deal of time training agents to ask questions about morbidity risk and advised them that the typical long term care insurance prospect was inherently sub-standard due to their age. It was highly unlikely that any prospect had no medical issues. While the average age of today's LTCI policyholder has plummeted to age 56, the same holds true. People in their fifties are diagnosed with medical conditions at a much earlier age, and many take myriad prescription drugs that create red flags in LTCI underwriting departments. Today more than ever, uncovering the good, bad and ugly of a prospect's health *before the proposal is prepared* will significantly improve policy issue and placement rates.

**Helpful hint:** *Abandon the use of LTCI spreadsheet programs. This encourages selling to the lowest common denominator: price! I guarantee your placement rates will go up if you compel the agent or advisor to come to you for the quote.*

## **Beware of the Prospect Who Wants to Buy Long Term Care Insurance!**

Years of experience has taught me that consumers who call me looking for long term care insurance need special scrutiny. While some have experienced a long term care event with a family member or friend, those looking to purchase may have been advised that they have an uninsurable condition or

been turned down in the past. With this in mind, it is best if agents and advisors initiate the long term care planning conversation, and at a much younger age. With the proliferation of hybrid products today, discussing chronic illness risk should begin when prospects are considering the purchase of any life insurance policy. Premiums are more affordable, and underwriting is generally not as difficult in these situations.

**Helpful hint:** *Always ask the agent or advisor, "Who initiated the request for a quote?" If it's the consumer, extra care is the order of the day. This information may also lead you to a solution other than traditional long term care insurance.*

Clients who have already purchased insurance or another financial instrument from our brokers are the best prospects for long term care planning. People who work with professional advisors are generally in the planning mode. They understand that preparing for unknown contingencies is a good idea. They also have developed a level of trust with the agent. Maybe even more important, most have passed over the river known as "De-Nile"—they know if they live long enough they are likely to need long term care and they're looking for the most efficient ways to cover the costs.

This means that brokerage general agents must constantly beat the long term care planning drum and work with their brokers to cross-sell existing clients. We now live in an era of a *lifetime of long term care planning*. Let's not let consumers find out about long term care risks and solutions when it may be too late for them to qualify for coverage.

**Helpful hint:** *Include a long term care planning idea or new product in every broker marketing communication or sales training meeting. In this way agents and advisors will see you as a center for long term care insurance excellence.*

#### **Multi-Life—Simplified Issue Underwriting—Tax Deductible Premiums**

In the traditional long term care insurance marketplace, employer sponsored long term care insurance for as few as five employees is still available. This is individual, not group, LTCL. However, these offerings provide for some level of simplified underwriting, and in our experience 95 percent of all cases

*"There is great reward in helping your clients by helping their customers solve their long term care planning challenges."*

are approved quickly and without the challenges of full individual underwriting. Of significance to the employer are tax-deductible premiums and tax-free benefits. Additionally, employers can select, by class, which employees they wish to include in the plan. In today's world of health care reform, these programs can create an extremely valuable and affordable owner/executive and key person employee benefit.

#### **Hybrid Life Products**

It's been reported that nearly 30 percent of all insurance products now have some sort of chronic illness benefit. Without getting into the weeds of IRC Section 101(g) and Section 7702(b), some of these insurance policies only underwrite for mortality. With this in mind, for prospects who may not qualify for traditional long term care insurance, brokerage general agents may already have the solution sitting on their product shelves. Keep in mind two important points however: 1) field underwriting, in advance of the application process, is critical in determining which product is suitable; and 2) there is a cost to chronic illness benefits in hybrid products, usually in the form of a discounted benefit in an accelerated payment for chronic illness. Full disclosure is extremely important when presenting these products to any consumer. Becoming expert in these products is another avenue to increasing BGA value to your clients!

**Helpful hint:** *For policyholders with existing cash values in older life insurance policies, this is a great 1035 Exchange opportunity.*

#### **Annuity Combos with Simplified or Guaranteed Underwriting**

Thanks to the Pension Protection Act (PPA), we now have clarity on the tax

treatment of annuity payments in the event the policyholder withdraws funds due to a chronic illness. In short, they are tax-free if the policy is PPA qualified. While the extended low interest rate environment has stunted the development of these programs, there are a few single-premium deferred annuities that provide leverage for the long term care risk. One SPDA, *with simplified underwriting*, allows the annuitant to acquire three dollars of long term care benefit for every dollar in the annuity. Another gives the policyholder the opportunity to purchase various extension of benefit riders. For the totally uninsurable risk, one SPDA provides nursing facility only benefits and enhanced benefits to pay for long term care. For the right client, many of these options can mean the difference when searching for quality long term care options.

**Helpful hint:** *Mega-dittos on the 1035 Exchange opportunity. Thanks to the Pension Protection Act, annuity holders can "trade in" their old fashioned SPDAs into dual purpose long term care liquidity.*

I don't think there's any better way for a BGA to attract and solidify relationships with agents and advisors than to provide them with reliable insurance products, tools and guidance for long term care planning. Far from being a dead issue, opportunities to help consumers plan for needed enhanced liquidity for chronic illness care are expanding, not contracting. While most are rushing to commoditize brokerage products and services, long term care insurance solutions require us to provide the specialized knowledge and hands-on support that built our agencies. There is great reward in helping your clients by helping their customers solve their long term care planning challenges. 🌐