

Eliminating Group LTC Insurance Misconceptions

BY JOHN NOBLE

There are some major misconceptions about long term care insurance that really hinder a broker's ability to sell the coverage to employers. Understanding the trends in the LTC insurance market can help brokers be prepared to answer questions, dispel the myths and make valuable recommendations for plans that fit an employer's needs.

This article seeks to help you understand how you can use trend information to guide discussion on LTC insurance with your employer clients.

Misconception: LTC insurance is too expensive for me to cover my employees.

The trend to talk about: Not only are LTC insurance rates affordable, they are also stable. Those are 2 features every employer can agree are important, considering their health insurance rates rise each year unpredictably.

Everyone knows about the cost pressures facing employers today. But employers who wish to remain competitive have to start looking at ways to expand their benefit options. LTC insurance is not a stretch. In fact, an employer could pay as little as \$15 a month per employee for a base plan that includes a \$2,000 per month benefit as well as professional home care. And LTC insurance premiums, unlike health insurance, aren't an unknown from year to year. Group LTC insurance rates have changed little since the product's inception in the 1980s.

Misconception: LTC insurance isn't something my employees want to spend their benefit dollars on.

The trend to talk about: Employees are becoming more involved in the benefits process, but they still look to their employer to guide them on important benefit decisions. Employers who make LTC insurance a priority will find their employees doing the same. In fact, 92% of cases sold in 2006 by Unum had some level of premium contribution from the employer. It just takes the employer deciding that LTC insurance is important. And it is.

LTC insurance could arguably be one of the most important insurance offerings employers can offer. Consider that long term care costs can range from \$33,000 a year for a private room in assisted-living care to \$70,000 for a private room in a nursing home. Those rates can drain even a well-planned nest egg in short order.

Think also about the finding from the U.S. Senate Special Committee on Aging that expects LTC costs to double by the year 2025 and nearly quadruple by 2050.

Misconception: My employee population isn't old enough to be interested in LTC insurance.

The trend to talk about: Buyers of group LTC insurance are getting younger every year. In fact, according to Unum data, more than 52% of purchasers are under 45. Also consider that nearly 58% of submitted claims for Unum's group LTC insurance are for people under age 65. So this is definitely an issue that affects the employee population, not just retirees.

Another great thing about purchasing young is that the younger employees are when they purchase LTC insurance, the lower the premium—and it won't go up just because they get older.

Misconception: The federal government or disability insurance will cover the cost of long term care.

The trend to talk about: Besides the price of LTC insurance, this argument may be one of the biggest misconceptions. Addressing the federal government's role first, Medicaid is only responsible for helping with the cost of LTC after a person has spent their assets down to the poverty level. The individual also loses all choice and control of who will provide their care and where it will be provided.

Dispelling the second argument about disability insurance is also basic to helping employers understand the role of LTC insurance. DI is designed to protect an individual's ability to earn an income if they should suffer an illness or injury. It will help you pay normal bills, but not the actual cost of providing long term care, if that becomes necessary. If you do not have LTC insurance, a long term care event can be devastating to your financial situation.

Misconception: I've used all my benefit dollars. There's no way I can allocate more money for LTC insurance.

The trend to talk about: In cases where employers offer a 401(k) and match to their employees, it's not a question of adding benefit dollars; it's a matter of reallocation. As the graphic shows, an employer who is making a matching contribution to an employee's 401(k) can easily and effectively parlay a small amount of those dollars into an LTC insurance policy. Now the employer is not only working to help the employee earn money for retirement but also helping them preserve their assets against the devastation that a long term care event could have.

One of the most important ways you can squelch misconceptions and push back about LTC insurance among customers is to do your homework. The more you can learn about what type of coverage is available and how that benefits a specific customer's employee population, the more compelling and logical your argument will be.

Is LTC insurance for everyone? No, but the more you arm yourself with knowledge of the product, the more you increase your chances of success when you do pitch LTC insurance.

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