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A Younger Crowd: Thirty - And 40-year Olds Are The New Potential Customers For Long-term-Care Insurance

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Source: Best's Review

Wordcount: 1690

Long-term-care coverage is continually changing. Since arriving on the insurance scene 20 years ago, long-term-care insurance has experienced improvements in features and benefits, ongoing product innovations, an ever-expanding marketplace, and the growing Medicare/Medicaid crisis, which is helping convince more and more once-skeptical prospects to become long-term-care policyholders.

One of the most significant changes is that long-term-care insurance isn't just a "senior" product anymore. Young working adults are becoming an important part of the new policyholder mix. The overall age of long-term-care applicants is trending down. More long-term-care agents are beginning to recognize this trend.

New Trends

Long-term-care companies are continually introducing new features and benefits that appeal to younger people. These companies have addressed the issue of meeting the changing needs of clients and prospects. As a result, today's long-term-care insurance products bear little resemblance to coverage available just a few years ago. By developing flexible policies that can be tailored to accommodate the budget of almost any prospect, they have really captured the interest of younger working adults. New benefits such as access to cash are a significant reason that the average issue age for some major long-term-care carriers has dropped from the 70s just a few years ago to about age 57 today.

Here are some of the innovations that are now available:

* Some policies offer new options for policy growth with more creative inflation riders to meet premium restrictions better. Some offer five-year rate guarantees with the ability to extend the guarantee even further.

* Some innovative companies offer benefits such as a return of premium if death occurs prior to age 65 and an accident benefit that doubles the daily dollar benefit if an accident triggers a long-term-care event prior to age 65.

* Married couples can take advantage of a shared-care rider, providing them access to more benefits while saving premium dollars by purchasing shorter length plans.

* The work-site marketing environment, especially executive carve-outs, can take full advantage of limited pay options, such as a 10-year premium payment period, a 20-year payment period or a paid-up-at-age-65 plan.

* Long-term-care companies have developed additional ways to make policies more cost effective by offering new options for home health care, including care in an assisted living facility or an adult day-care facility. Care in a nursing home--once the only choice--has now become the option of last resort.

* New home health-care benefits and options include monthly vs. daily reimbursement, a home health-care benefit that could be 300% of the nursing-home benefit, and a built-in cash benefit to allow for payment of services normally excluded from policies. Accessing policy benefits faster at home is now possible with a waiver of the home healthcare elimination period.

Educate the Customer

Agents have a huge challenge ahead of them to reach and sell long-term-care insurance to millions of individuals of various age groups who don't know they are currently at risk without it. Worse, many

of them erroneously believe they already have the coverage.

Many prospects will say they are covered for long-term care either through Medicare, Medicare supplements, or their individual or group health insurance policy. They are mistaken. None of these plans covers long-term care, and they need to know that.

Others will say Medicaid will take care of them. Some will even mention they know someone whose long-term-care expense is being picked up by this government program. If they need care, they say Medicaid will be there for them. These prospects need to understand that it's highly unlikely they would qualify for this welfare program since it's only available to those with few, if any, assets or income.

Some people, through Medicaid planning, have been able to transfer their savings and assets in order to qualify for Medicaid. This has placed an additional financial burden on the federal government and the states, and reduced Medicaid resources that are meant to help the poor.

To discourage people from hiding assets in order to have Medicaid pay for their long-term-care expense, Congress recently passed The Deficit Reduction Act of 2005, which includes tough new provisions such as increasing penalties on individuals who have transferred assets for less than fair market value during the previous five years, and prohibiting individuals with home equity above \$500,000 from qualifying for nursing-home benefits. This will make it difficult for people to abuse the system. As a result, many who might have considered using Medicaid planning may now be more inclined to purchase long-term-care insurance.

To their credit, a growing number of states also are finding ways to reduce their Medicaid expense instead of waiting for Congress to do more to address a mess that is hovering on the brink of complete financial disaster. But whatever transpires, it could become a major financial crisis for the United States.

To head off that crisis, the industry needs to recruit and train large numbers of long-term-care agents to reach the millions of people who need to understand the immense value of this timely and much needed product.

In spite of these positive changes, some things continue to remain the same within the long-term-care marketplace. Many people are in denial--they don't believe they will ever need long-term care. Unless this objection can be overcome, it's unlikely a sale will take place.

Not long ago, when someone mentioned long-term care, most people thought only of older people. That's not necessarily true today. While some seniors may require such care, many others within their age group are quite active, thanks to medical breakthroughs, keeping physically fit and living healthier lifestyles. Nevertheless, they should have long-term-care insurance, because the longer someone lives, the more likely he or she is to need long-term care.

Following closely behind today's seniors are the baby boomers. They'll soon be leaving the workplace in droves; some of them already are leaving, as many are turning 60 this year. A look into the future reveals an estimated 25 million people will retire from the work force by 2020. How many of them will be leaving with the needed protection of a long-term-care plan?

When you put it all together, today's long-term-care market is one of the largest insurance target markets ever. There are 111 million seniors and boomers in the United States, according to the U.S. Census Bureau. Add to that the growing interest shown by younger prospects and the market expands by many millions more.

Most of these individuals can be seen on an individual basis in one-on-one presentations, through long-term-care seminars, or at work-site marketing presentations where the sale of long-term-care products is showing steady growth. For some time now, the closing ratio of seminars sponsored by American Independent Marketing and GoldenCareUSA has remained at or near 60%. And work-site marketing is currently becoming a very lucrative market for the companies as well.

An ever-growing number of people who have gone on to retirement haven't stayed inactive for long. And they aren't solely spending their newfound free time on hobbies. Many have entered new livelihoods on either a part- or fulltime basis, and some have become even more successful than they were in their former occupations. Having joined the ranks of millions of others active in the steadily growing small business market, they now need to safeguard their business with various forms of insurance--including long-term-care insurance--which most of them don't have.

If agents aren't already selling long-term-care insurance, they should get started. With all the innovations, features and benefits, they will find a receptive audience. And they will gain a lot of satisfaction in helping people protect themselves against what could become their greatest financial risk. And, to top it off, they will be hard-pressed to find a better commission/renewal income arrangement anywhere.

Key Points

- * The overall age of long-term-care applicants is trending down. Several carriers report their average issue age has dropped from the 70s to 57.
- * About 40% of the nation's functionally disabled people who need long-term care are between the ages of 18 and 64.
- * To attract younger buyers, some long-term-care insurers are offering built-in benefits such as return of premium if death occurs prior to age 65.

The Changing Face of the Long-Term-Care Market

Career-oriented adults in their 30s and 40s are becoming a larger part of the potential prospect base of many long-term-care agents. The reasons for this include:

- * Many of these younger adults have heard about or personally witnessed what can happen to parents and grandparents, boomers and even younger folks like themselves who are suddenly faced with the enormous costs of long-term care--and don't have the money to pay for it.
- * Younger people like the new features and benefits of today's long-term-care policies. They understand how having access to a cash benefit can be beneficial to them now and in the future because it can be taken as an alternative to benefits for home care, assisted living or nursing-home care without going through the elimination period. Because there are no restrictions on how the cash is used, it can be used to help pay for care for a spouse, family member or friend.
- * When they realize they could be forced to give up their job or career to become a part- or fulltime caregiver for an ailing parent or grandparent, they tell the relative about long-term-care insurance and suggest he or she purchase the coverage. If possible, they may help pay for it.
- * They know others their own age who have been struck down by a catastrophic accident or disabling illness and realize that such things can happen to anyone, of any age, at any time.
- * When they learn that 40% of the nation's functionally disabled people who need long-term care are between the ages of 18 and 64, they realize they need to purchase coverage for themselves and are motivated to buy it.
- * Long-term-care insurance agents are informing them that the sooner they purchase the coverage, the less it will cost them over time.

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