



WHO IS SELLING WHAT? TO WHOM, HOW AND WHY?

2020 Long-term care planning survey results

January 2021

CONFIDENTIALITY

Our clients' industries are extremely competitive, and the maintenance of confidentiality with respect to our clients' plans and data is critical. Oliver Wyman rigorously applies internal confidentiality practices to protect the confidentiality of all client information.

Similarly, our industry is very competitive. We view our approaches and insights as proprietary and therefore look to our clients to protect our interests in our proposals, presentations, methodologies, and analytical techniques. Under no circumstances should this material be shared with any third party without the prior written consent of Oliver Wyman.

© Oliver Wyman

CONTENTS

1.	Executive summary	4
2.	Who is selling long-term care insurance solutions?	11
3.	What products are advisors selling?	18
4.	From the advisors' perspective, who is the customer and why do they buy?	26
5.	How advisors are selling: <i>"Best Practices"</i>	35
6.	Future considerations	43

1

EXECUTIVE SUMMARY

SURVEY PARTICIPANTS

Over 600 agents/advisors participated in the survey

32%

Of participants learned about our survey through their long-term care insurance brokerage general agent or distributor

32%

Of participants did so by responding to emails we sent to licensed life and health insurance agents

9%

Of respondents heard about our survey through professional organizations that helped promote the survey

27%

Of respondents learned of our survey through various other word-of-mouth methods

EXECUTIVE SUMMARY

Who is selling and what products are they selling?



Who is selling long-term care insurance solutions?

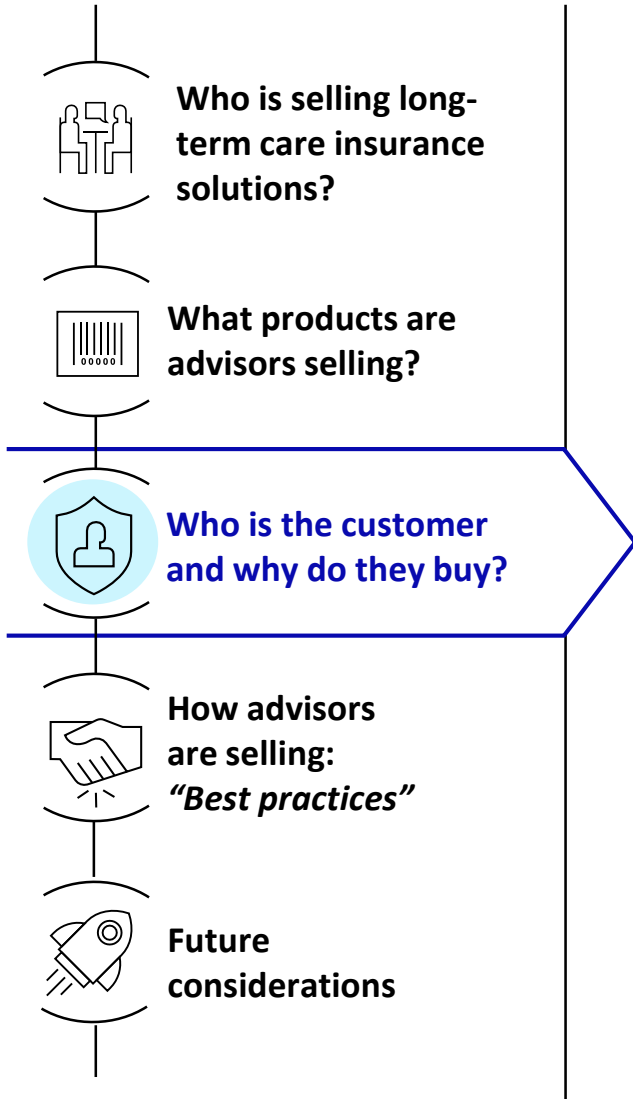
- 1** **Advisors tend to be older.** 85% of respondents were over the age of 50; 59% were over the age of 60
- 2** **Advisors have a wide variety of core businesses.** For 1/3 of respondents, long-term care planning was not one of their core businesses
- 3** **Advisors are focused on up-scale markets.** 75% of respondents focus efforts towards an up-scale market; there is room for penetration in the mid-market

What products are advisors selling?

- 1** **Advisors are selling both traditional and combo products.** Approximately half of respondents find traditional long-term care products best suited for their clients, while the other half finds life combo products as being the best suited choice
- 2** **85% are comfortable discussing all long-term care insurance product options with consumers, but knowledge varies by product.** Advisors are most knowledgeable with traditional products and least knowledgeable with chronic illness accelerated death benefit riders
- 3** **"Zero premium" products are not the key to sales success.** Only 33% of respondents find that "zero premium" products help them close more life insurance sales
- 4** **Advisors admit that long-term care solutions are difficult to explain.** 52% of respondents indicated difficulty with explaining the difference between various long-term care insurance planning choices in general; the difference between 101g and 7702b riders, methodologies for paying chronic illness claims, and differing terminologies and tax treatments are most challenging to explain to clients
- 5** **Recurrent premiums have increased market penetration.** 71% of respondents indicated that the availability of recurring premium life combo products has increased affordability for consumers

EXECUTIVE SUMMARY

Who is the customer and why do they buy?

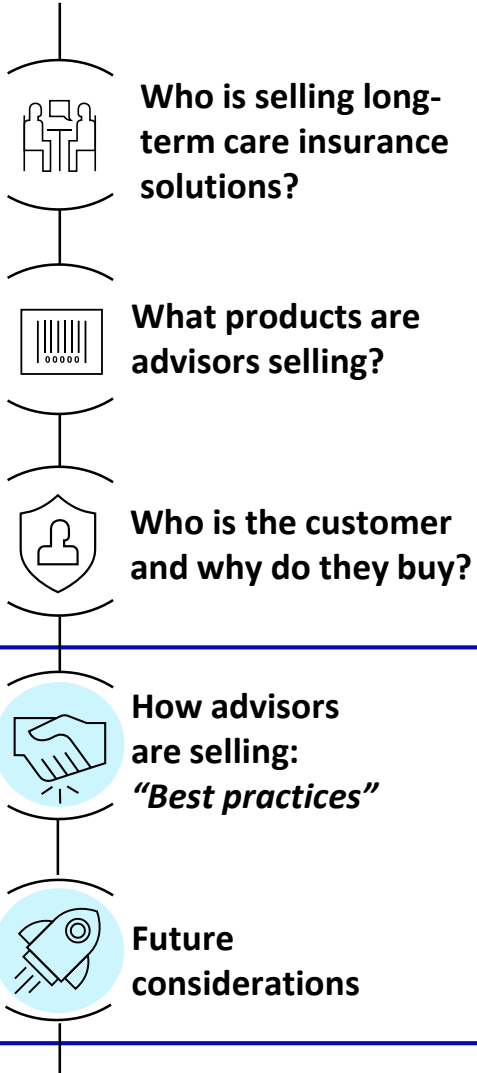


From the advisors' perspective, who is the customer and why do they buy?

- 1** Consumers are motivated by personal experience. 92% of consumers of long-term care insurance are motivated by personal experience
- 2** Consumers do not want to be dependent on family. Personal experience and desire to avoid dependence on family are the most common reasons consumers purchase long-term care insurance; concern around the cost of caregiving is another top reason consumers purchase long-term care insurance; desire to leave a legacy is of least importance
- 3** Consumers are doing their homework but lean on advisors when making the final product choice. 58% of respondents indicated that their long-term care planning prospect/client researched product choices prior to speaking with them; however, 97% of respondents indicated that consumers require the personal assistance of an advisor/agent to help them narrow product choices and make a final choice
- 4** Consumers believe they should foot (at least some of) the cost. Over 79% of consumers accept that they have at least partial personal responsibility for long-term care costs
- 5** Consumer interest peaks when products have options, premium rate guarantees, and inflation protection. Return of premium and non-forfeiture benefits are the product features with least impact on consumer interest

EXECUTIVE SUMMARY

How advisors are selling and future considerations



How advisors are selling: "Best practices"

- 1** **Advisors are proactive.** 81% of respondents are proactively engaging consumers in long-term care planning discussions; 71% are doing so because they believe long-term care planning is an important part of a financial plan
- 2** **Advisors use both targeted and holistic engagement approaches.** There is an equal balance between advisors engaging with a long-term care concern and those incorporating the discussion into the overall financial planning process
- 3** **Advisors look at personal situations when discussing long-term care risk.** Screening for health insurability, financial position and personal financial goals, and personal experience with long-term caregiving are the most common screening methods for discussing long-term care risk
- 4** **Advisors are including long-term care planning discussions in policy review conversations.** 79% of respondents have life insurance policy review conversations with existing clients that include adding policy benefits that would cover long-term care or chronic illness expenses
- 5** **Advisors believe in chronic illness and long-term care riders.** 85% of respondents believe adding a chronic illness or long-term care benefit rider is in the policyholder's best interest

Future considerations

- 1** **Technology could improve sales ease.** 31% of respondents indicated that technology solutions offered by life and long-term care insurance companies do not meet their expectations for making sales easier
- 2** **Outreach to the mid-market is expected to increase future sales.** 46% of respondents expect that expanded outreach to the mid-market will increase future long-term care sales growth
- 3** **There is appetite for both live and virtual product and sales training in the future**

THANK YOU

Staff from the following companies assisted in developing the survey questions and making financial advisors aware of the survey:

- Art Jetter & Company
- Borden Hamman
- Broker World Magazine
- Center for Long-Term Care Reform
- CPS Horizon Financial
- John Hancock
- Lincoln Financial Group
- LTCI Partners
- Long-Term Care Resources (“LTCR”)
- MasterCare America
- Mutual of Omaha
- National Alliance of Insurance Agencies, Inc
- National Association of Insurance and Financial Advisors (“NAIFA”)
- National Association of Independent Life Brokerage Agencies (“NAILBA”)
- NAILBA Perspectives Magazine
- National Brokerage Agencies
- National Long-Term Care Network
- Nationwide
- New York Life
- Northwestern Mutual
- Pacific Life
- Securian Financial
- The Brokerage
- The Marketing Alliance
- Transamerica

AUTHORS



Vince Bodnar

*Partner & Long-Term Care
Practice Leader*

Oliver Wyman

vince.bodnar@oliverwyman.com



Angela Cobble

Senior Consultant

Oliver Wyman

angela.cobble@oliverwyman.com



Barry Fisher

Principal

Ice Floe Consulting, LLC

barry@icefloeconsulting.com



Ron Hagelman

Principal

Ice Floe Consulting, LLC

ron@icefloeconsulting.com



Liz Hoch

Consultant

Oliver Wyman

liz.hoch@oliverwyman.com



Carter Khalequzzaman

Consultant

Oliver Wyman

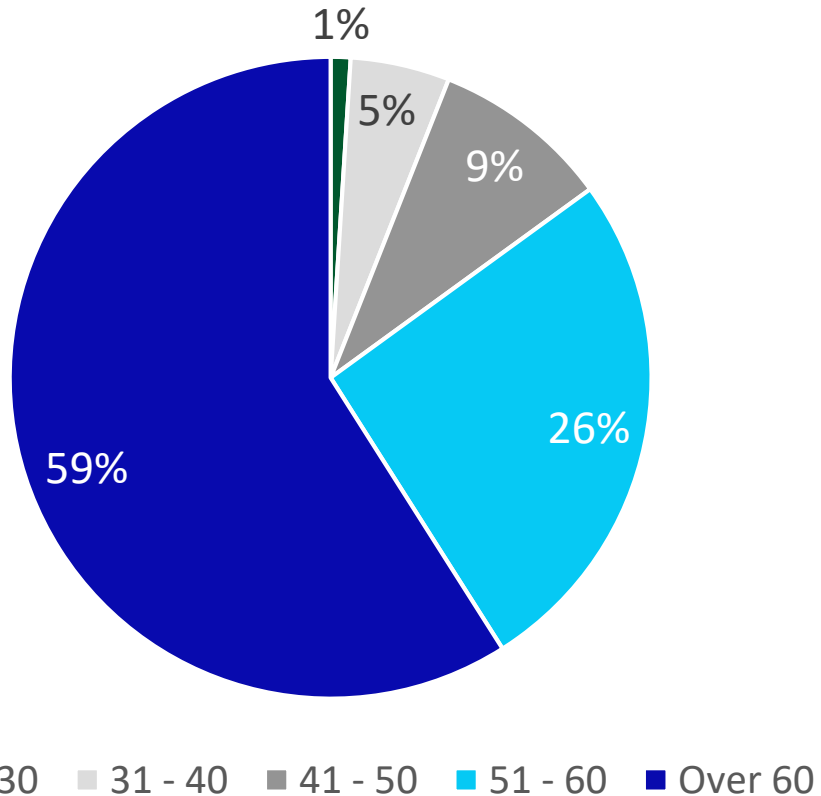
carter.khalequzzaman@oliverwyman.com

2

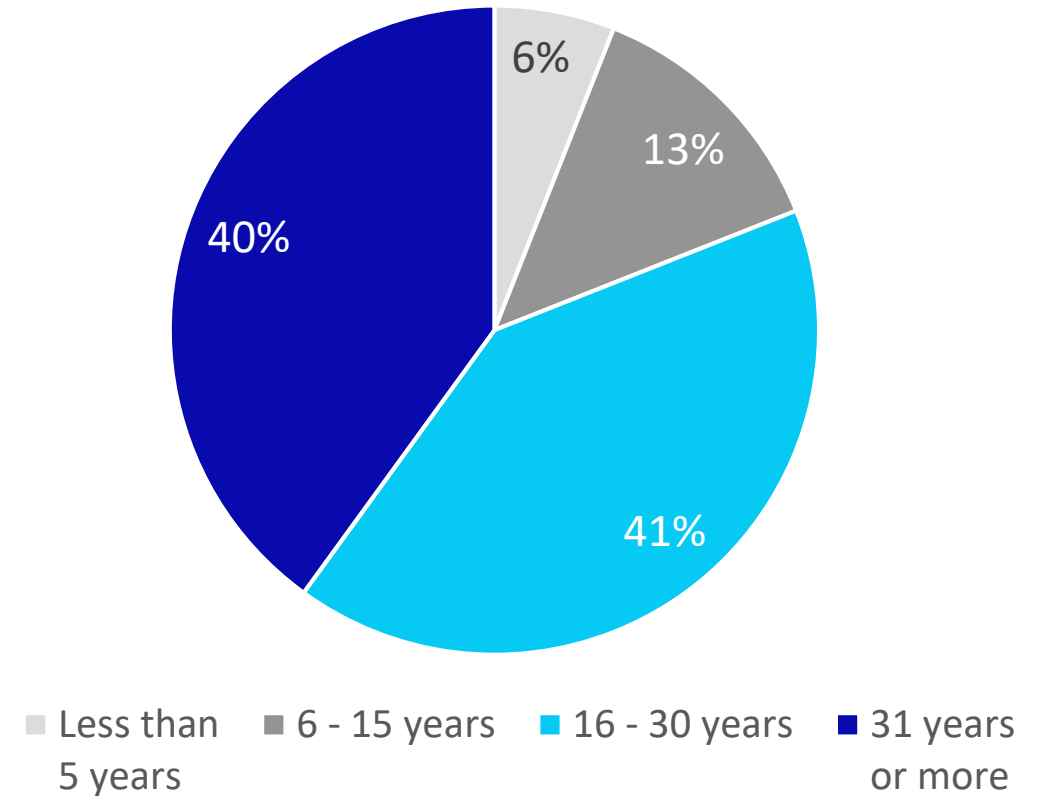
**WHO IS SELLING LONG-TERM
CARE INSURANCE SOLUTIONS?**

AGENT DEMOGRAPHICS

What is your age range?



How long have you been an agent / advisor?

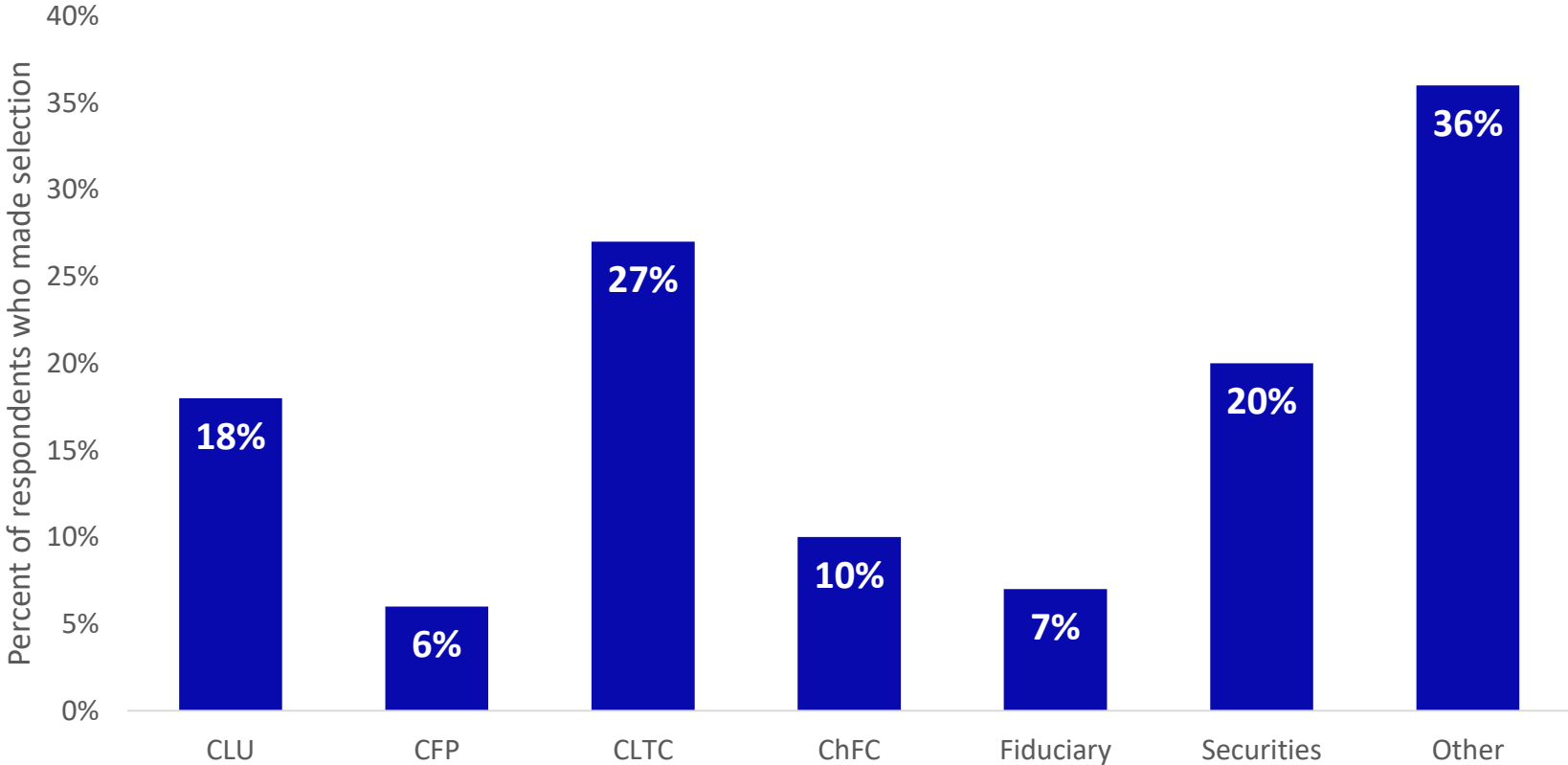


85% of respondents were over the age of 50 and 81% have over 15 years of experience

PROFESSIONAL DESIGNATIONS

Have you earned professional designations such as CLU or ChFC? (Select all that apply)

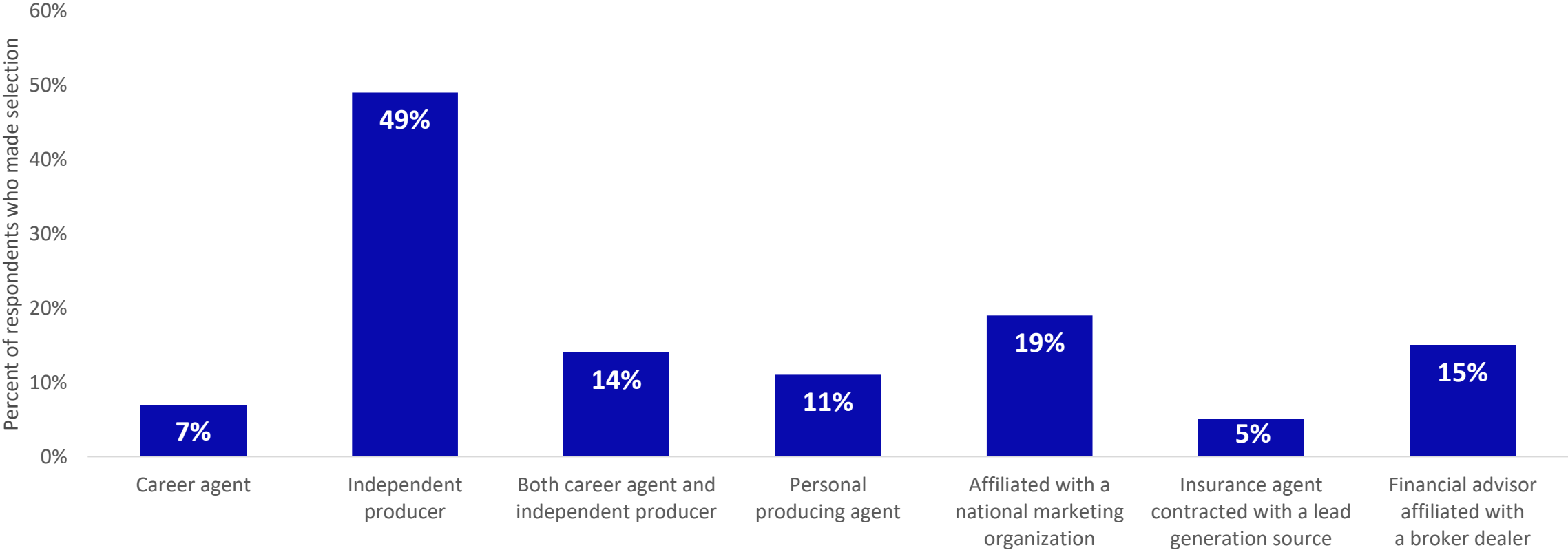
56% of respondents earned at least one of the presented designations



Respondents had a variety of professional designations

BUSINESS MODEL

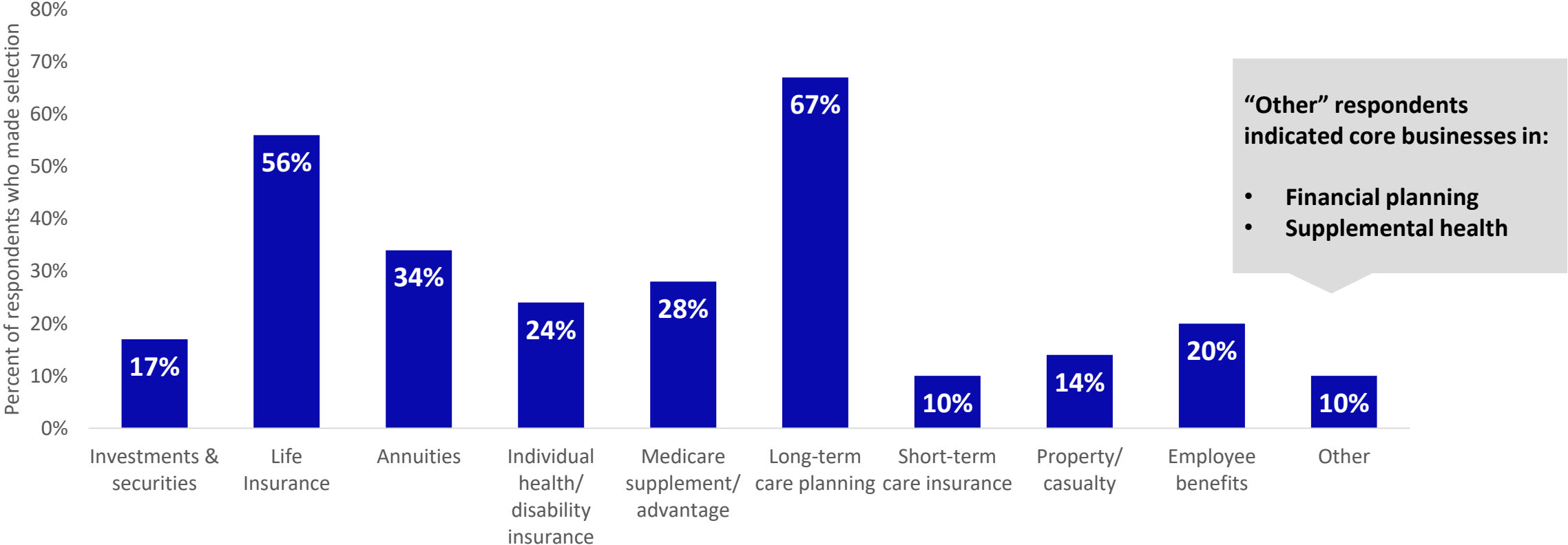
What is your business model? (Select all that apply)



Over half of respondents identified as independent or personal producing agents

CORE BUSINESSES

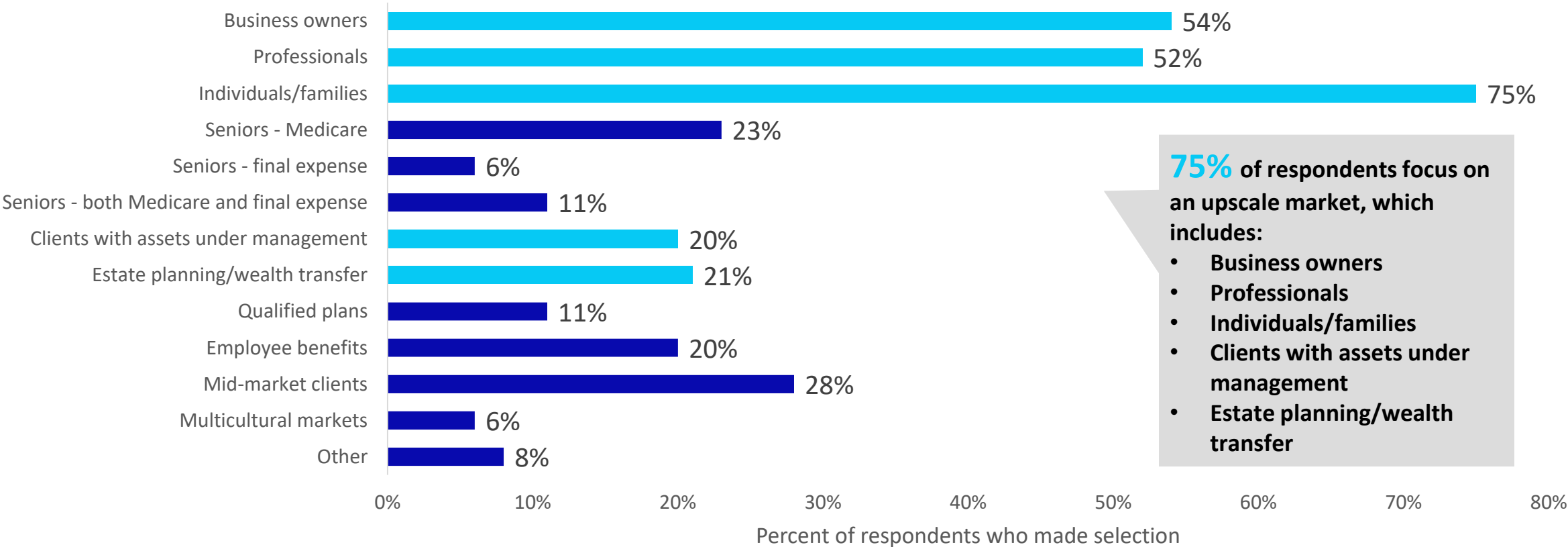
What is your core business(es)? (Select all that apply)



Respondents are from a wide variety of general insurance and specialized disciplines; long-term care planning was not the core business of all respondents

MARKET FOCUS

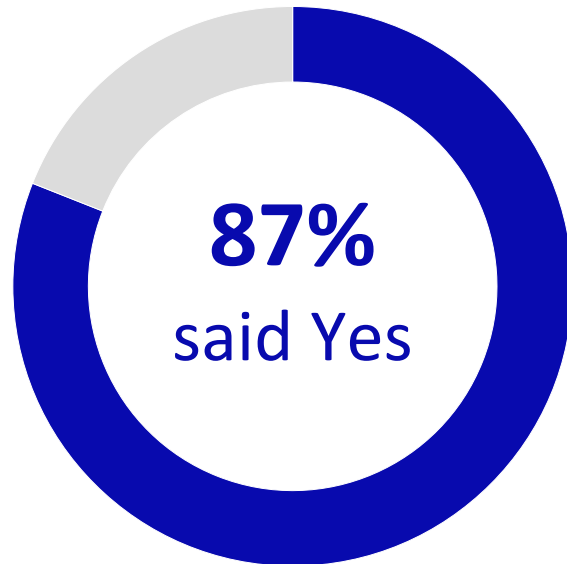
What is your market focus? (Select all that apply)



Respondents had broad market focuses; however, 75% cater to an “upscale” market

ADVISOR PRACTICE

Do you include long-term care planning in your practice?



Most common reasons advisors do not have long-term care planning discussions with their clients:

- 1** They refer the client to an expert in long-term care insurance
- 2** Difficult underwriting
- 3** Rate increases

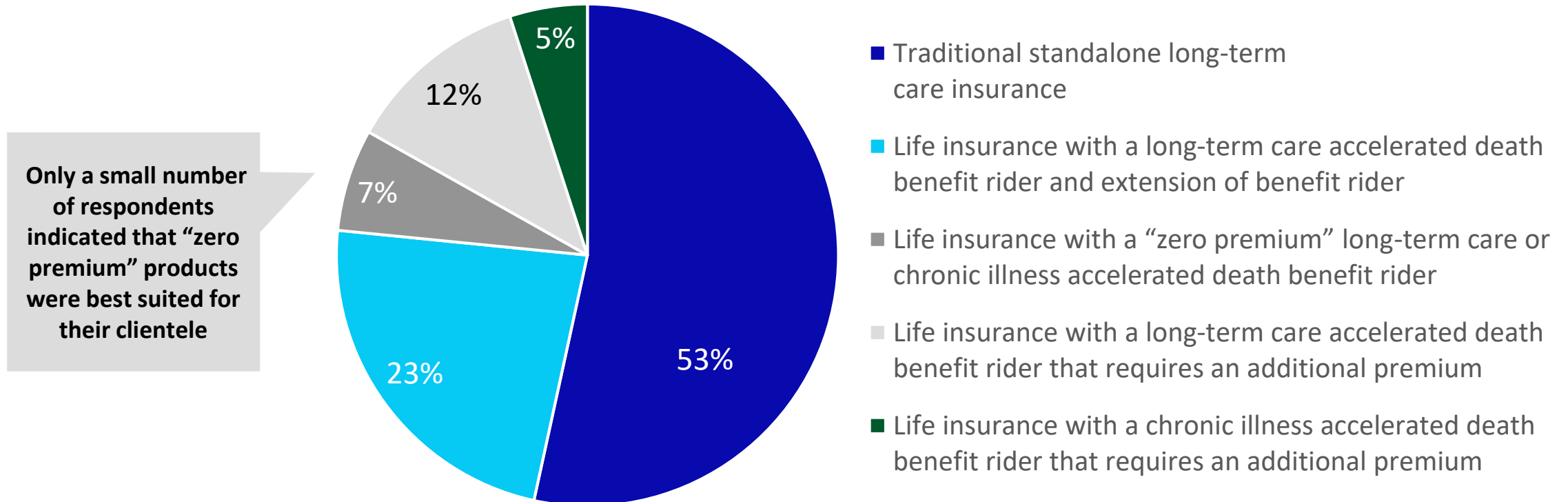
The majority of respondents include long-term care planning in their practice

3

**WHAT PRODUCTS ARE
ADVISORS SELLING?**

TYPES OF LONG-TERM CARE INSURANCE SOLUTIONS

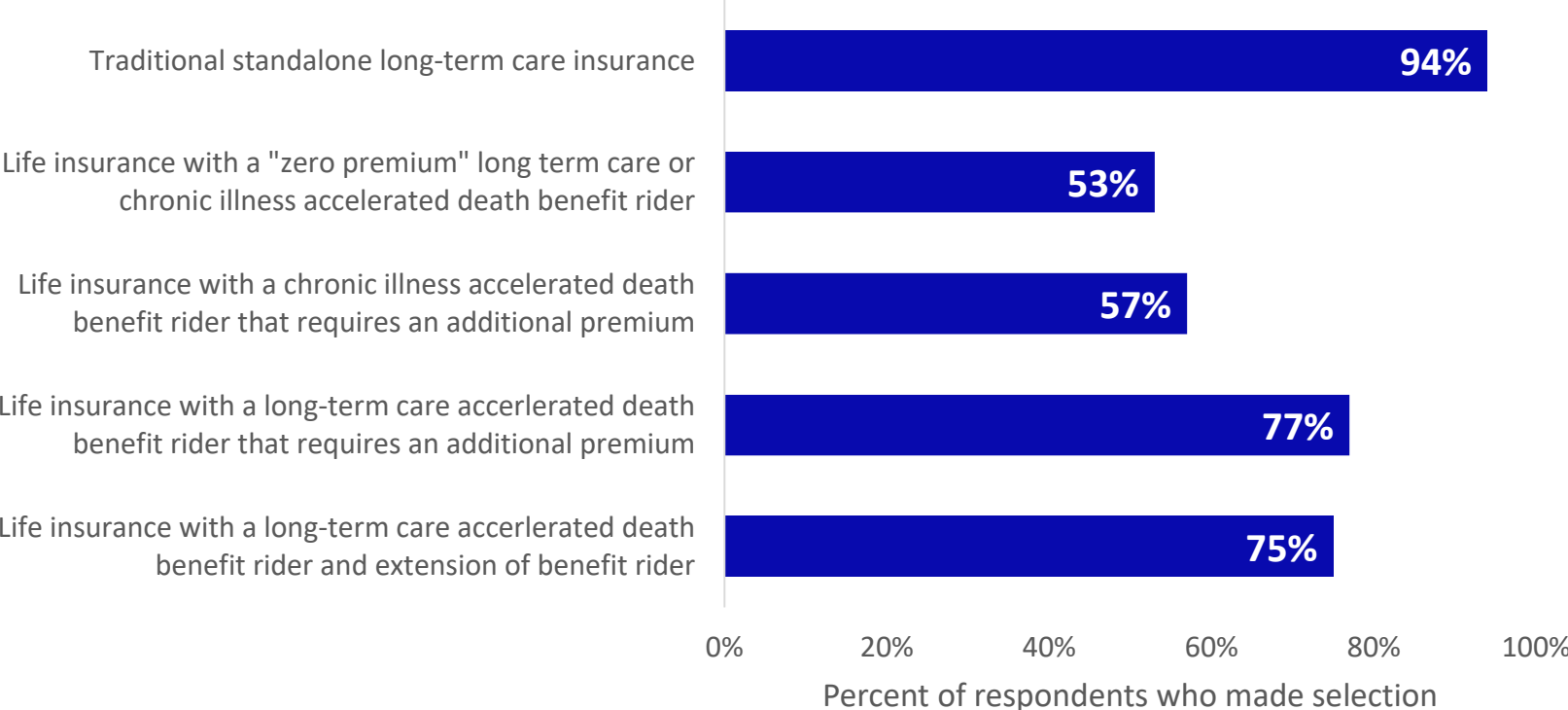
In general, which type of long-term care insurance planning solution is best suited for your clientele?



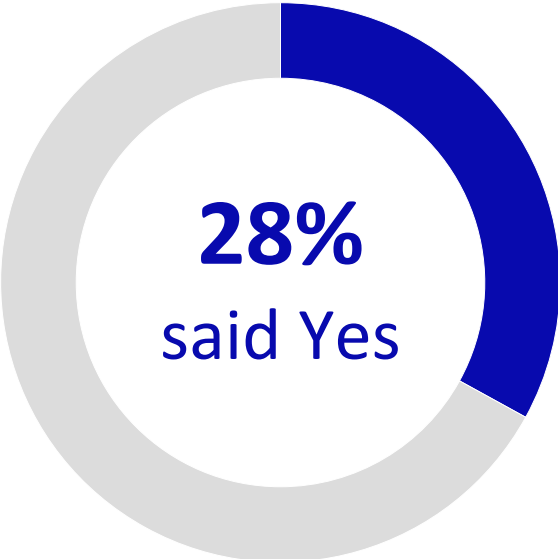
Responses almost split between traditional and combo products being best suited for clientele

PRODUCT KNOWLEDGE

Which of the following products do you feel knowledgeable enough to explain to your prospects/clients? (Select all that apply)



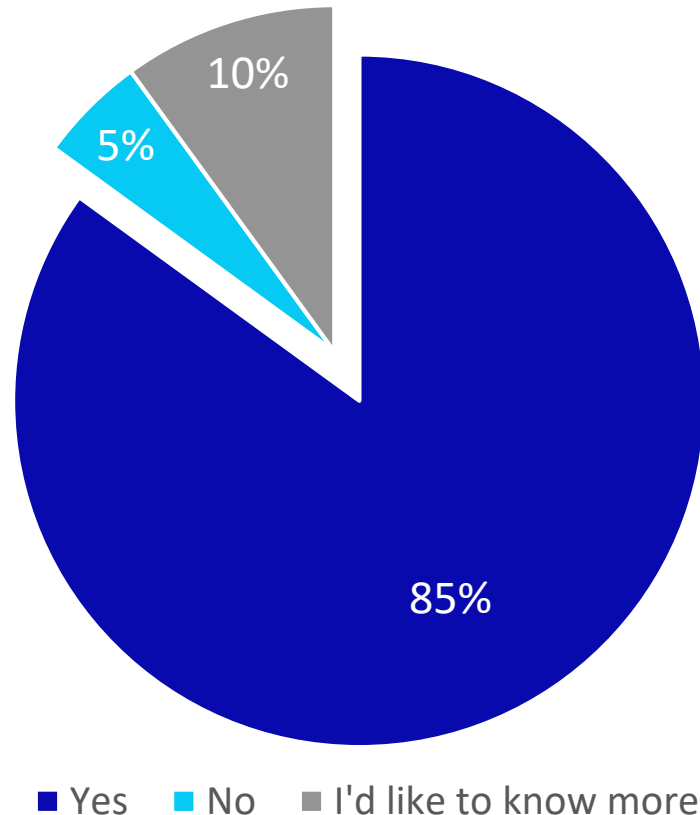
Do you find the variety of long-term care product choices confusing?



Advisors are most comfortable with traditional standalone long-term care insurance and least comfortable with chronic illness accelerated death benefit riders on life insurance policies

PRODUCT COMFORT

Are you comfortable discussing all long-term care insurance options with consumers?



Of those who selected "Yes":

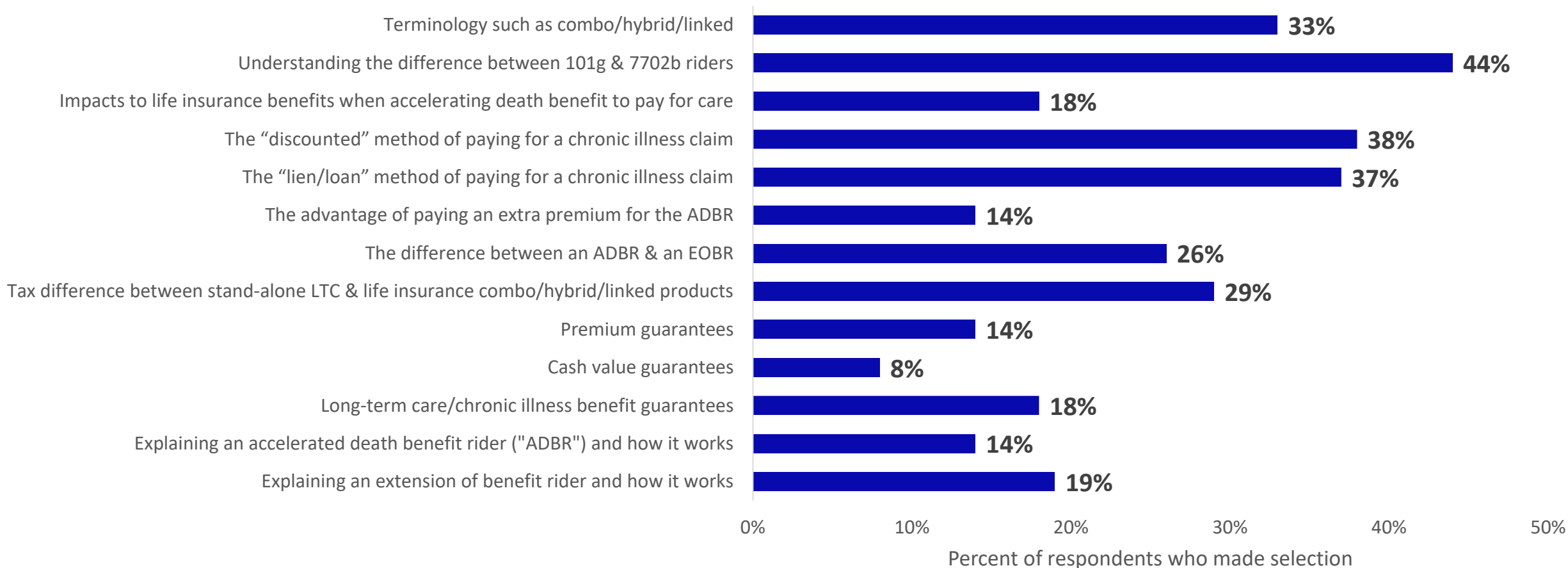
- > **42%** attested to being knowledgeable enough to explain every product option available
- > **77%** felt knowledgeable enough to discuss long-term care insurance accelerated death benefit riders
- > **A little over half** felt knowledgeable enough to discuss chronic illness accelerated death benefit riders
- > **Almost all** felt knowledgeable enough to discuss traditional standalone long-term care insurance

Although 85% of respondents are "comfortable" discussing all long-term care options, advisor knowledge varies by product

SALES CHALLENGES

52% of respondents found it difficult explaining the difference between various long-term care insurance planning choices in general

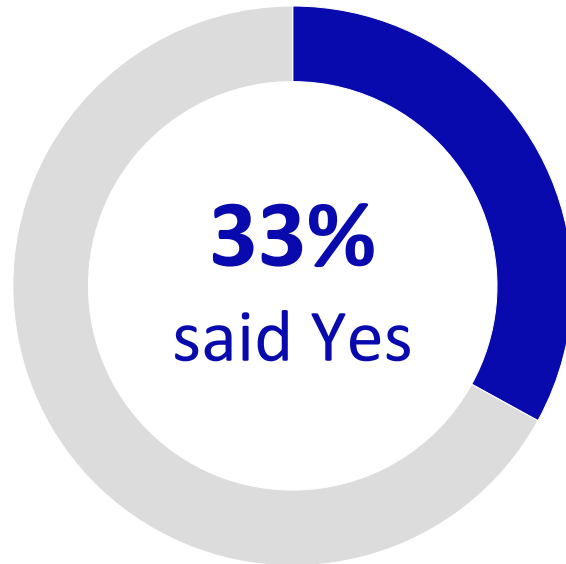
In your opinion, which of the following features is the most challenging to explain to your clients? (Select all that apply)



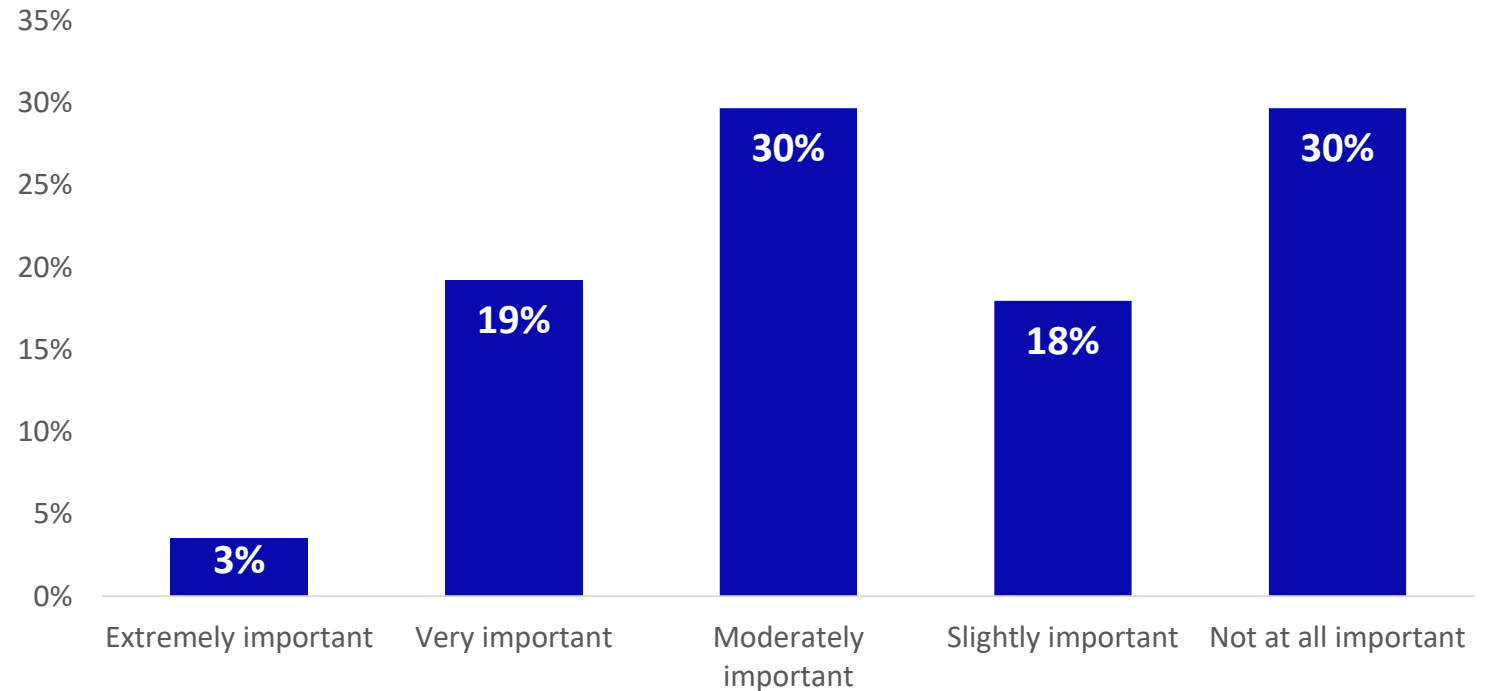
Differing terminology, riders, and methods increase the difficulty with explaining long-term care choices

ZERO PREMIUM PRODUCTS - SALES

Do “zero premium” living benefit features help you close more life insurance sales?



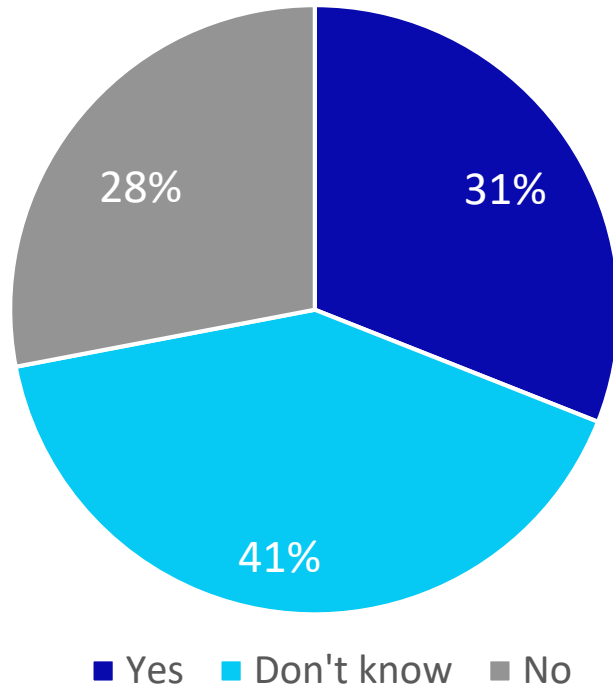
How important is the “zero premium” feature?



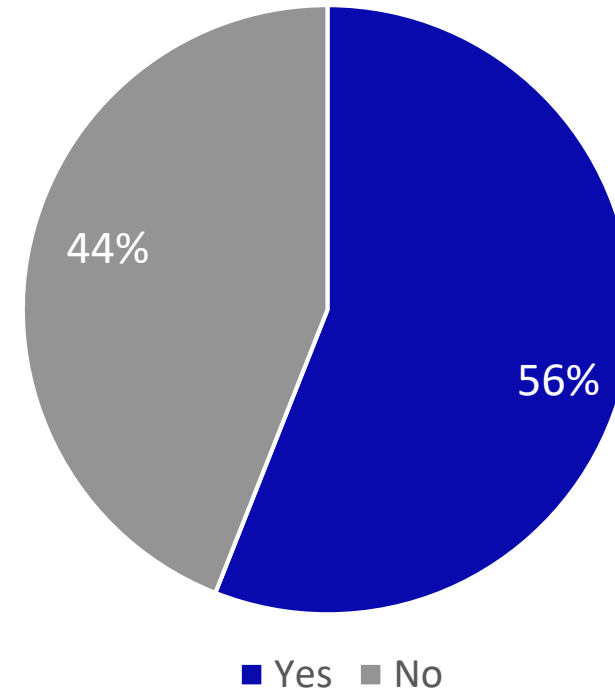
The majority of respondents do not credit “zero premium” features in their sales success

ZERO PREMIUM PRODUCTS - RISKS

Are the reduced and/or uncertain chronic illness benefits in “zero premium” riders a concern to your professional liability?



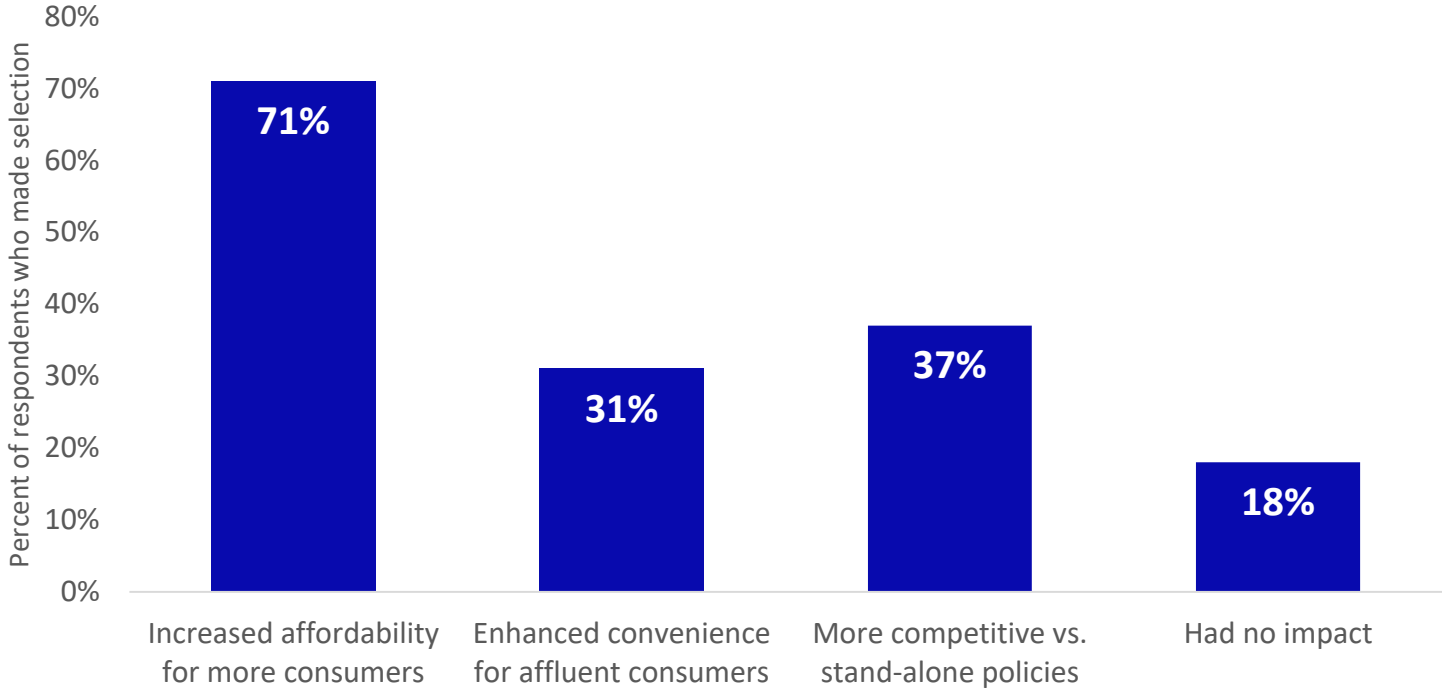
Are the reduced and/or uncertain chronic illness benefits in “zero premium” riders a concern to your clients/prospects?



Responses are mixed as to whether advisors and consumers are concerned with the risks associated with reduced and/or uncertain chronic illness benefits in “zero premium” riders

RECURRENT PREMIUMS

Historically, the most popular life combination products could only be purchased on a single premium basis. Many of these policies are now available on a recurring premium basis. How has this increased your ability to reach/sell more policies to more consumers? (Select all that apply)



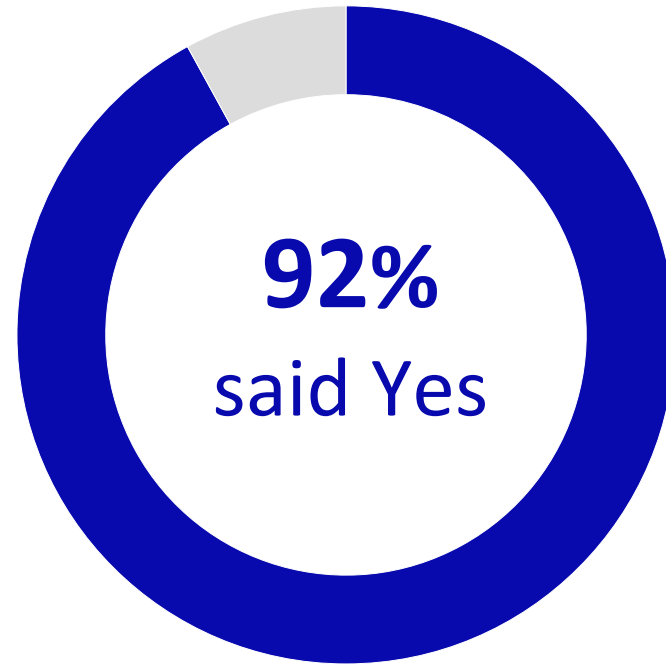
Affordability, or the perception thereof, has increased market penetration

4

**FROM THE ADVISORS' PERSPECTIVE,
WHO IS THE CUSTOMER AND WHY DO THEY BUY?**

PERSONAL EXPERIENCE

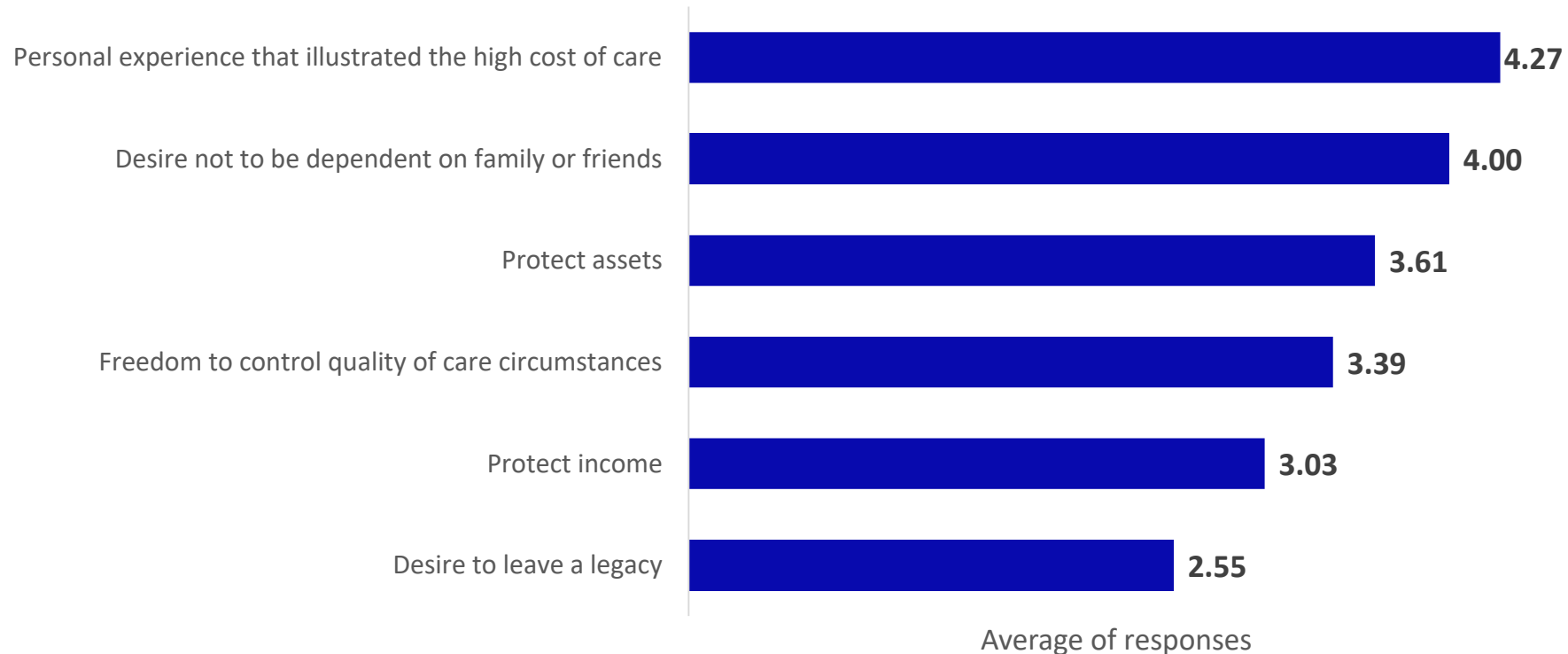
Based on your knowledge, are most consumers of long-term care insurance motivated by personal experience?



Majority of long-term care insurance consumers have been touched by a long-term care event in their lives prior to purchasing insurance

WHY CONSUMERS BUY

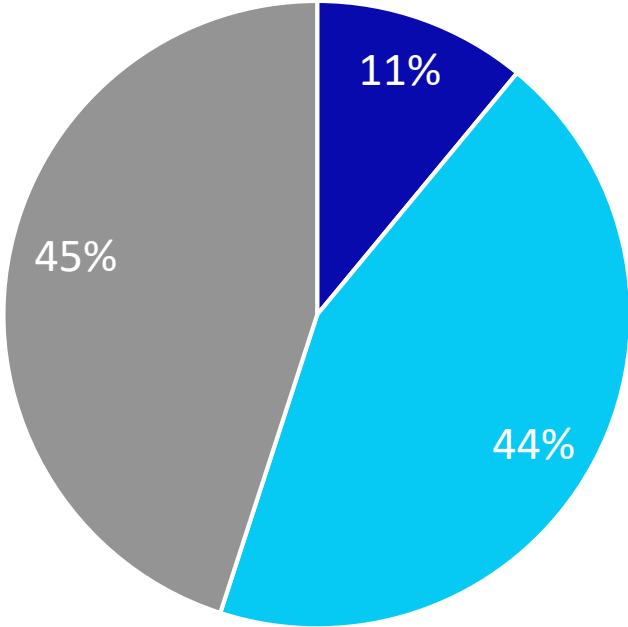
Based on your experience, consumers purchased long-term care insurance because:
(Rank in order of importance where 5 is most important and 1 is irrelevant)



According to advisors, personal experience and desire to not be dependent on family are the most common reasons consumers purchase long-term care insurance; desire to leave a legacy is of least importance

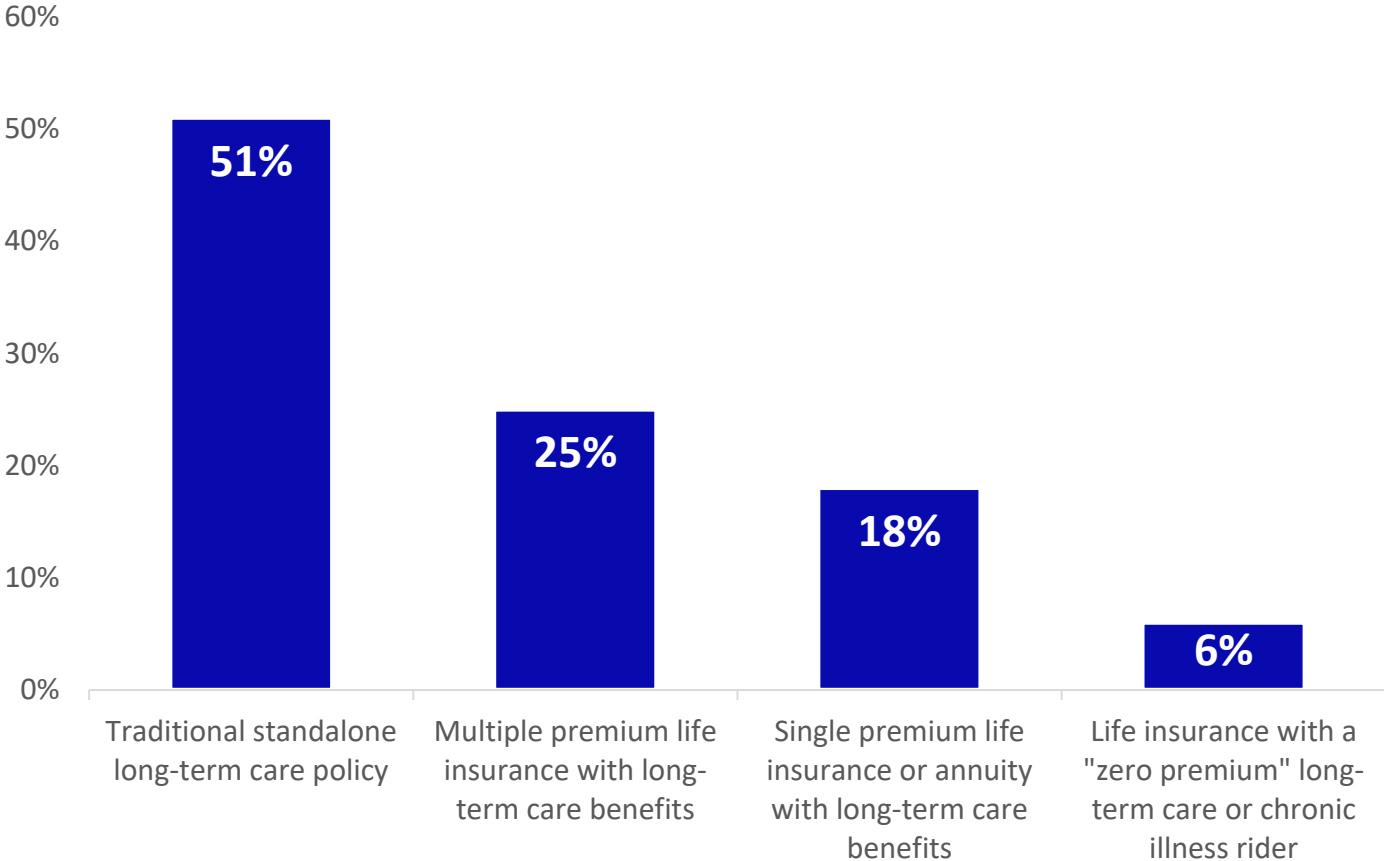
PREDISPOSITION

Are your prospects/clients pre-disposed to one product over another?



■ Most of the time ■ Some of the time ■ Not very often

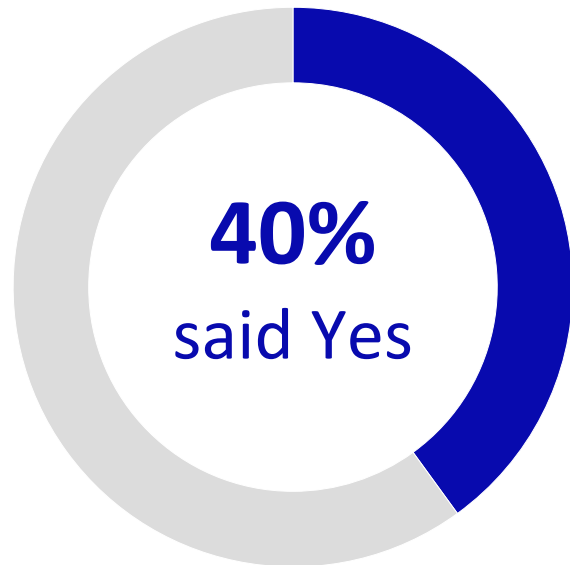
If so, which is the most common?



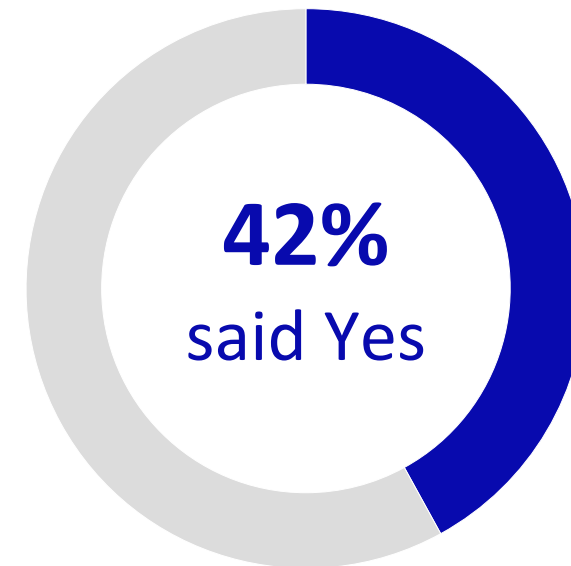
Prospects/clients are commonly pre-disposed to traditional products over combo products

RAISING THE ISSUE

Do you find that consumers frequently ask you about financing long-term care risk?



In your experience, do consumers raise the issue of long-term care risk more frequently than their advisors?



CUSTOMER KNOWLEDGE

26% Of respondents believe consumers raise the issue of long-term care planning before they do

58% Of respondents believe their long-term care planning prospect/client researched product choices prior to speaking with them

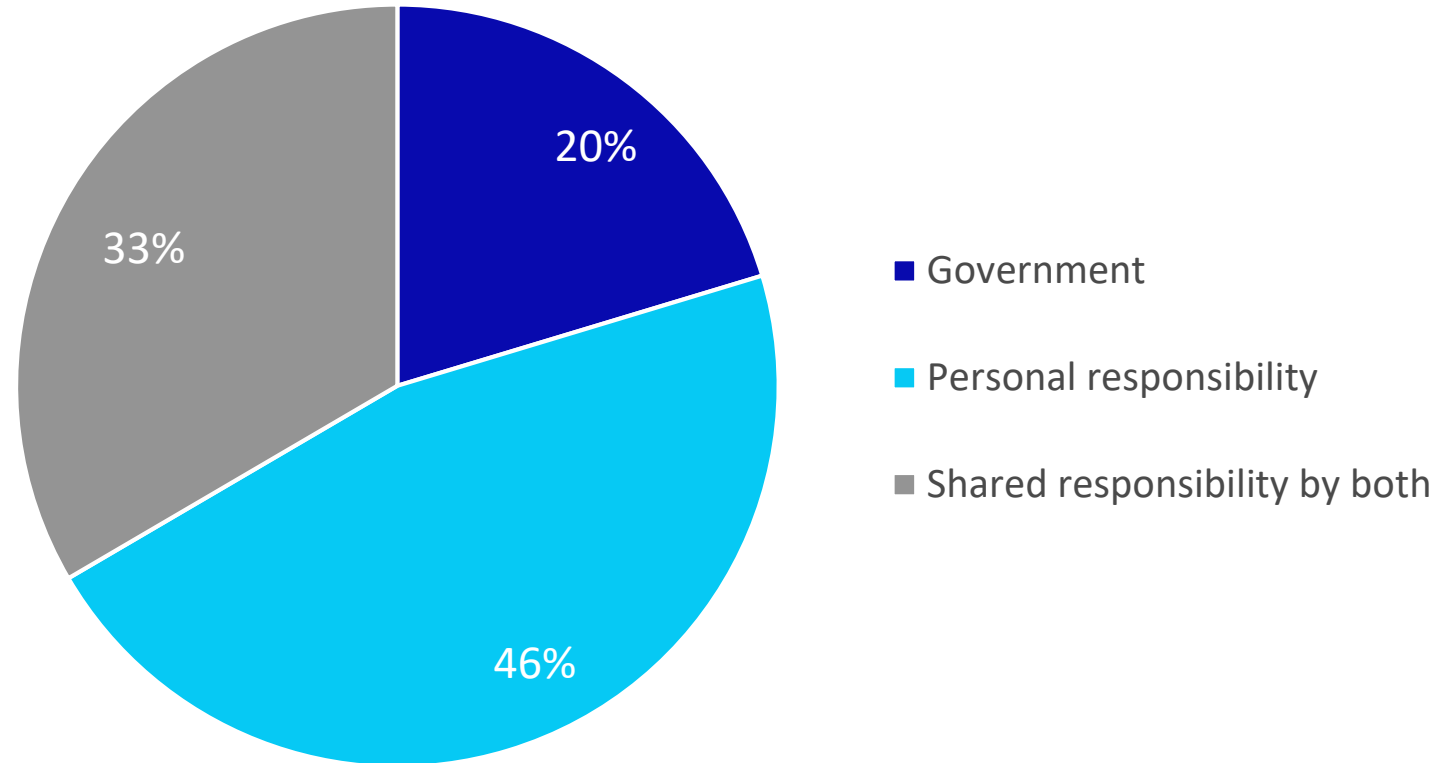
90% Of respondents believe their clients understand that, when they access a long-term care or chronic illness benefit on a life insurance policy, the death benefit is reduced

88% Of respondents believe that, when it comes to combination policies, clients perceive value in knowing exactly what their long-term care/chronic illness benefit will be at time of claim

97% Of respondents believe consumers require the personal assistance of an advisor/agent to help them narrow product choices and make a final choice

LONG-TERM CARE FUNDING

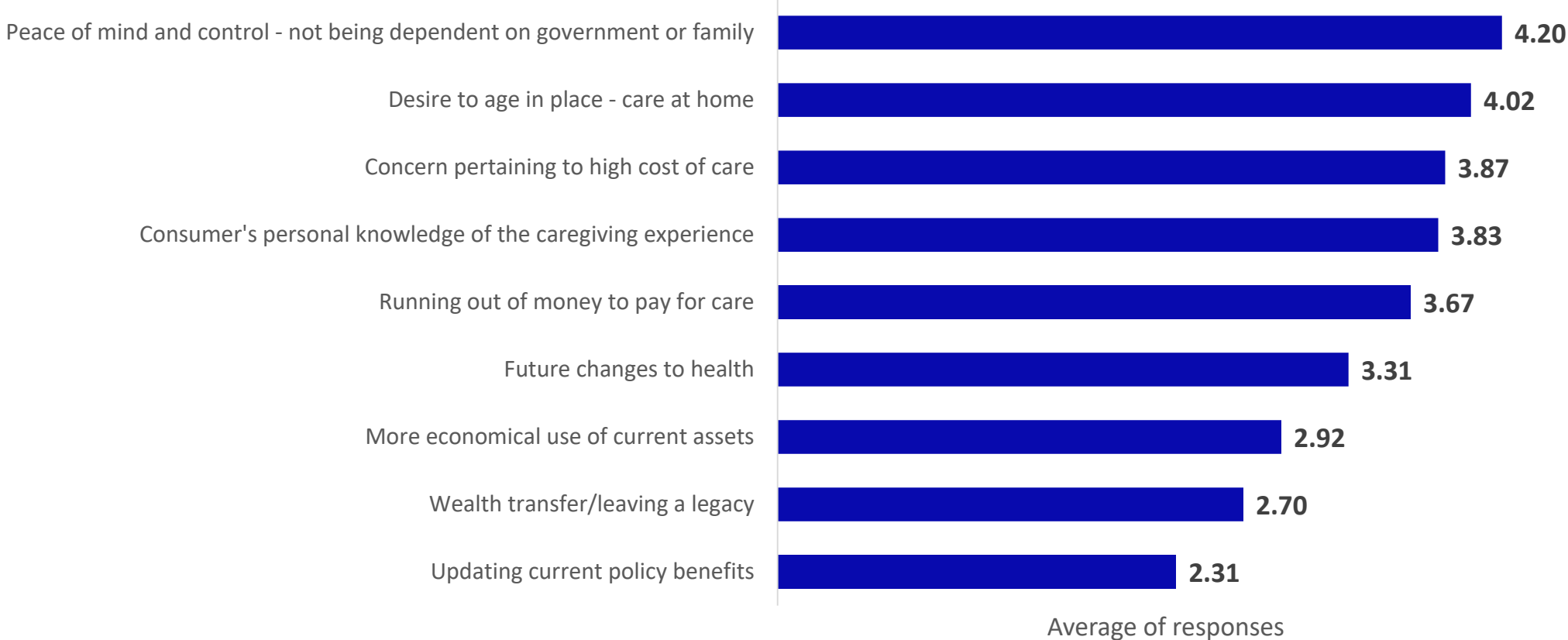
Who do consumers believe is responsible for paying for long-term care?



According to advisors, 79% of consumers accept that they have at least some personal responsibility for long-term care costs

GETTING THE CLIENT TO “YES”

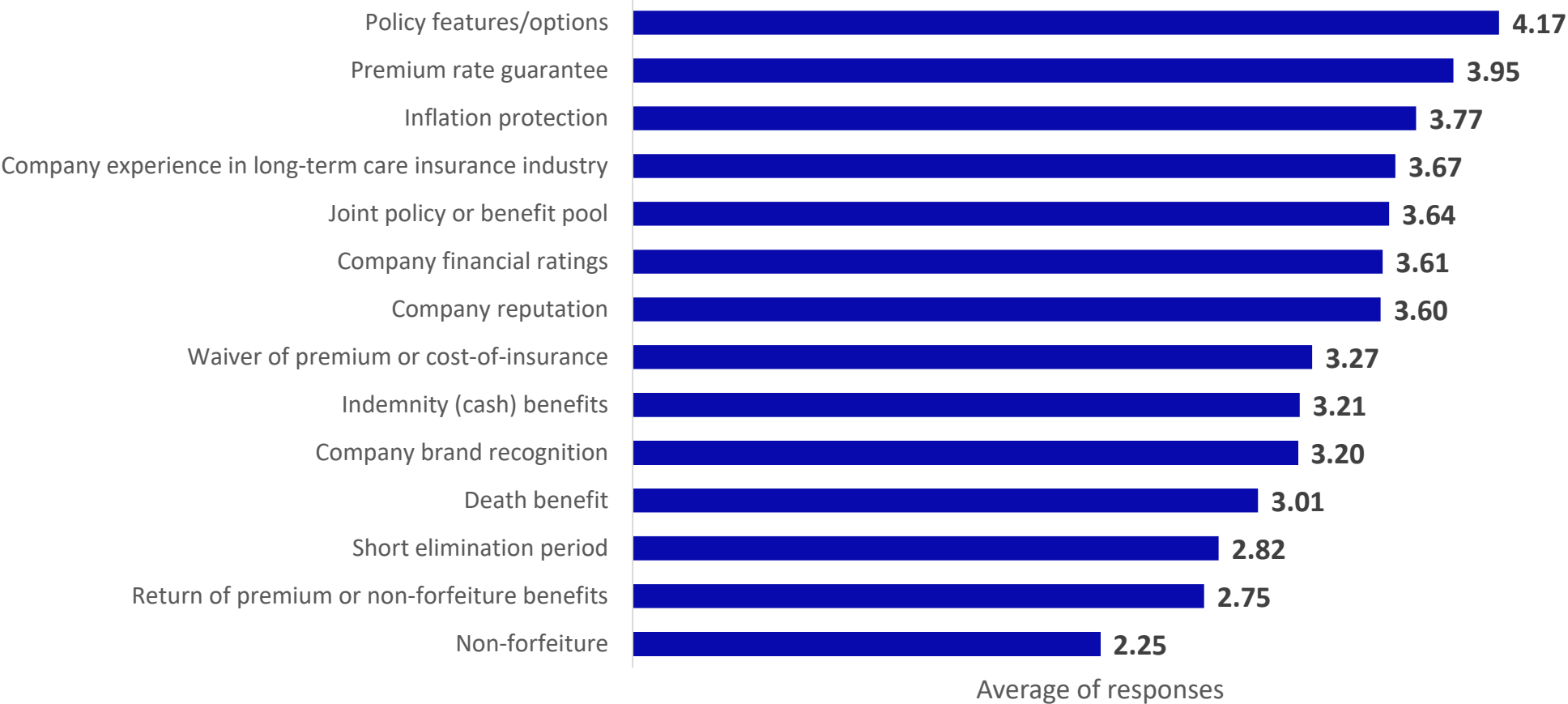
What are the most important factors in getting the client to “yes”?
(Rank in order of importance where 5 is most important and 1 is irrelevant)



Desire for independence, concerns around cost of care, and personal knowledge of the caregiving experience are the most important factors to get the client to “yes”

POLICY FEATURES

Which of the following policy features enhance consumer interest in purchasing?
(5 means greatest impact to consumer interest, 1 means no impact to consumer interest)



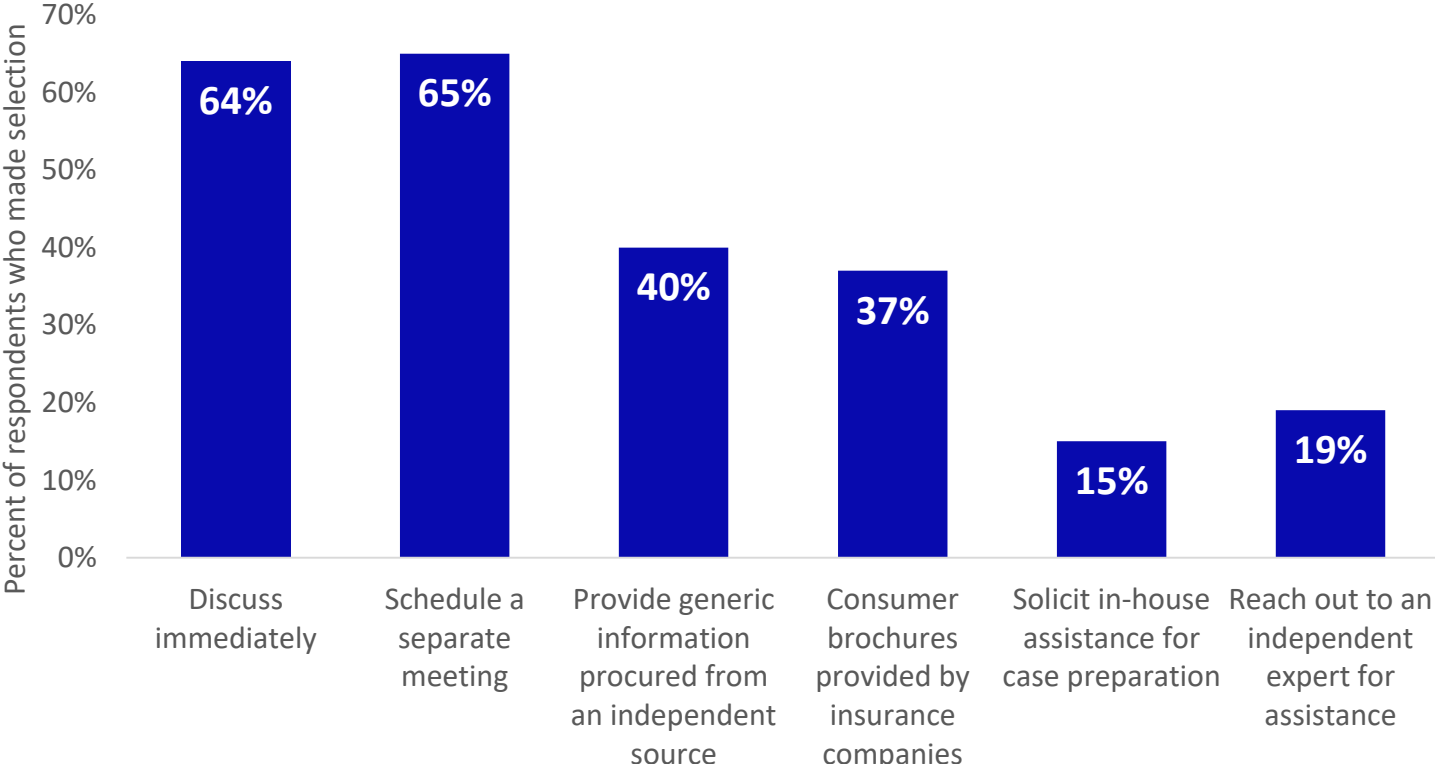
Policy options, premium rate guarantees, and inflation protection have the greatest impact on consumer interest

5

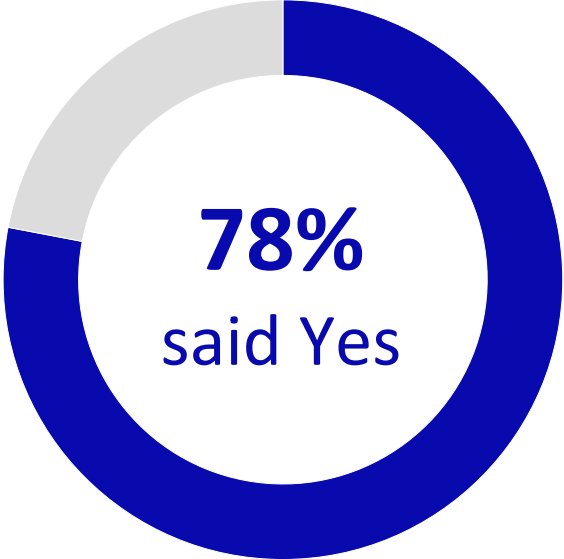
**HOW ADVISORS ARE SELLING:
“BEST PRACTICES”**

REQUESTS FOR ADDITIONAL INFORMATION

When you have a client that requests additional information regarding long-term care insurance solutions, how do you proceed? (Select all that apply)



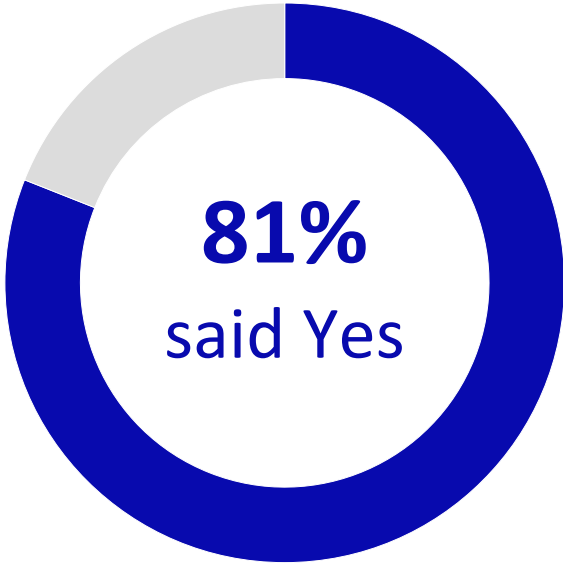
When working with an outside/independent expert, are you willing to share commissions?



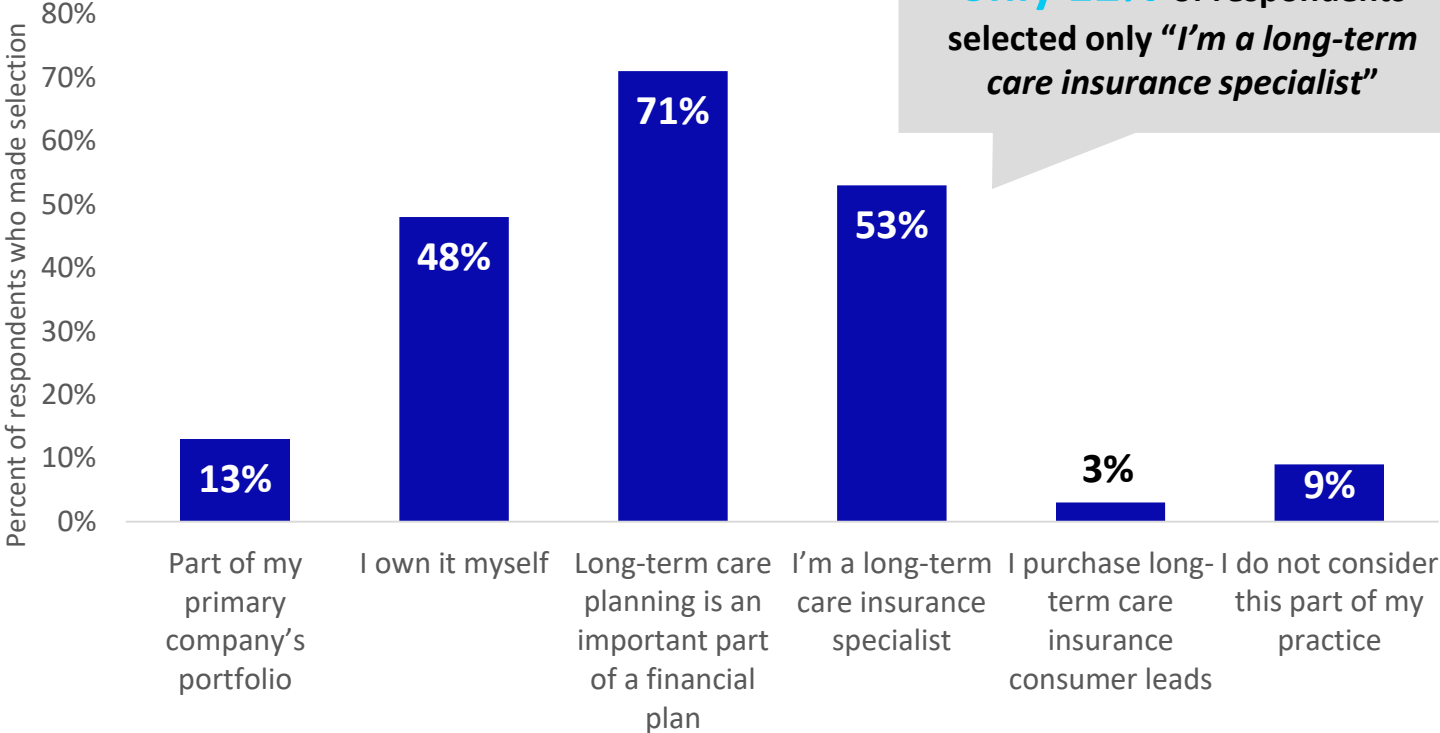
Most agents take ownership of additional information requests regarding long-term care solutions; however, when working with outside experts, only 78% are willing to share commissions

ENGAGING THE CUSTOMER

Do you proactively engage consumers (clients/prospects) in a long-term care planning discussion?



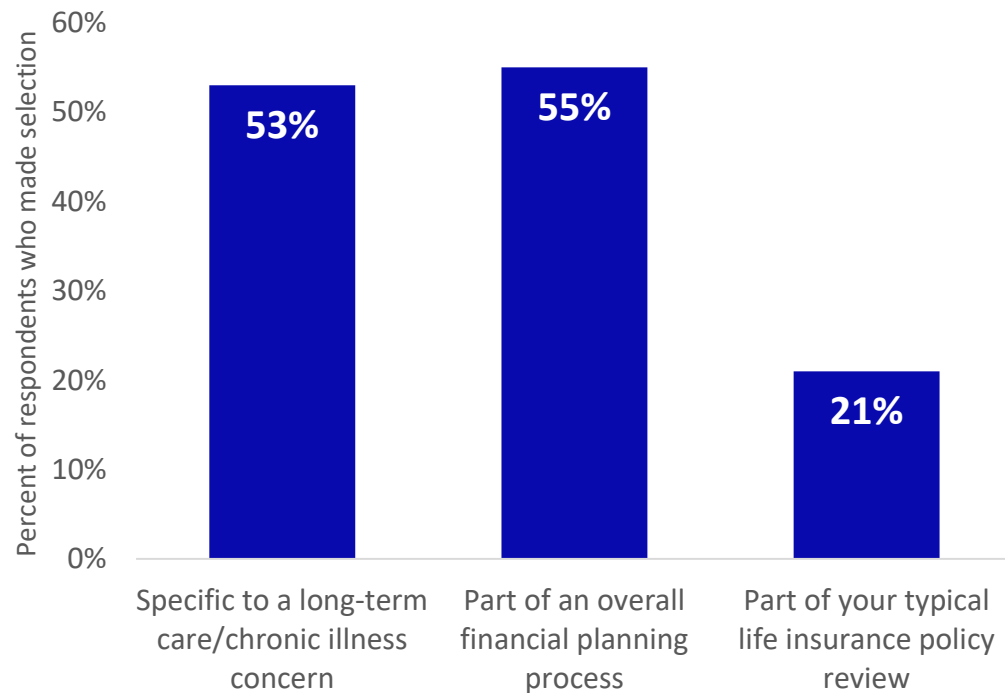
If you do, is it because: (Select all that apply)



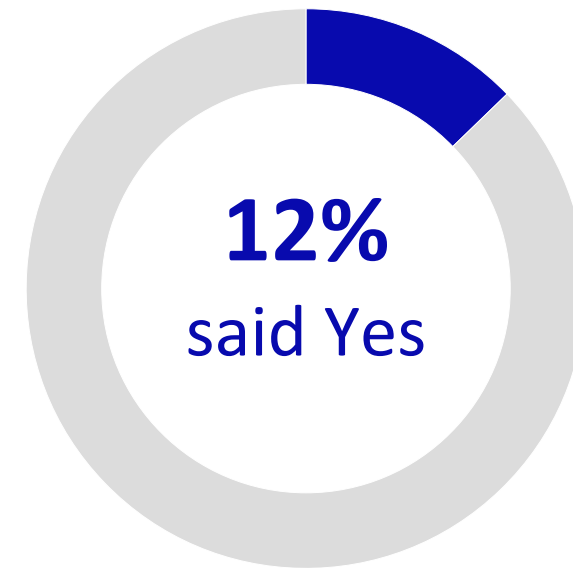
Four out of five advisors are proactively engaging the consumer in long-term care planning discussions

LONG-TERM CARE DISCUSSIONS

When you engage your client in a long-term care planning discussion, is it: (Select all that apply)



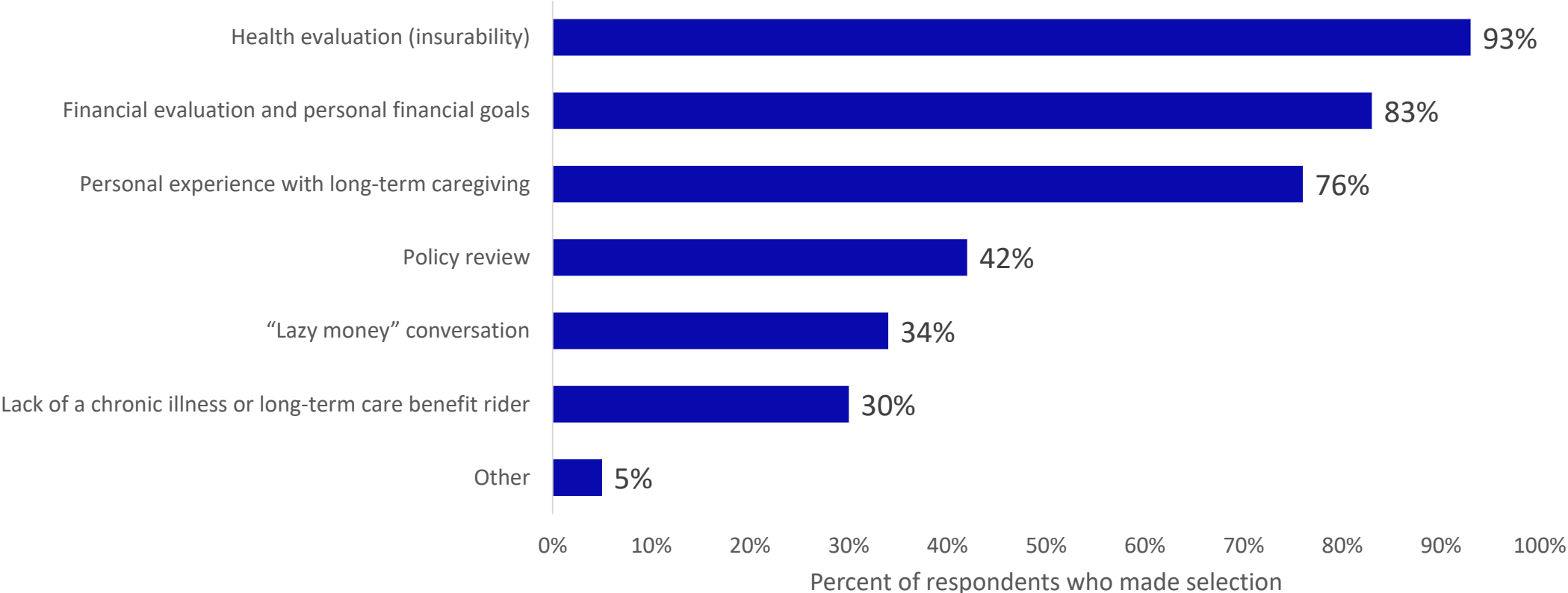
In your experience, do you find it difficult to initiate a conversation about long-term care planning with consumers?



Equal balance between advisors “leading” with long-term care planning discussions and those taking a more holistic approach to financial advising

CLIENT SCREENING

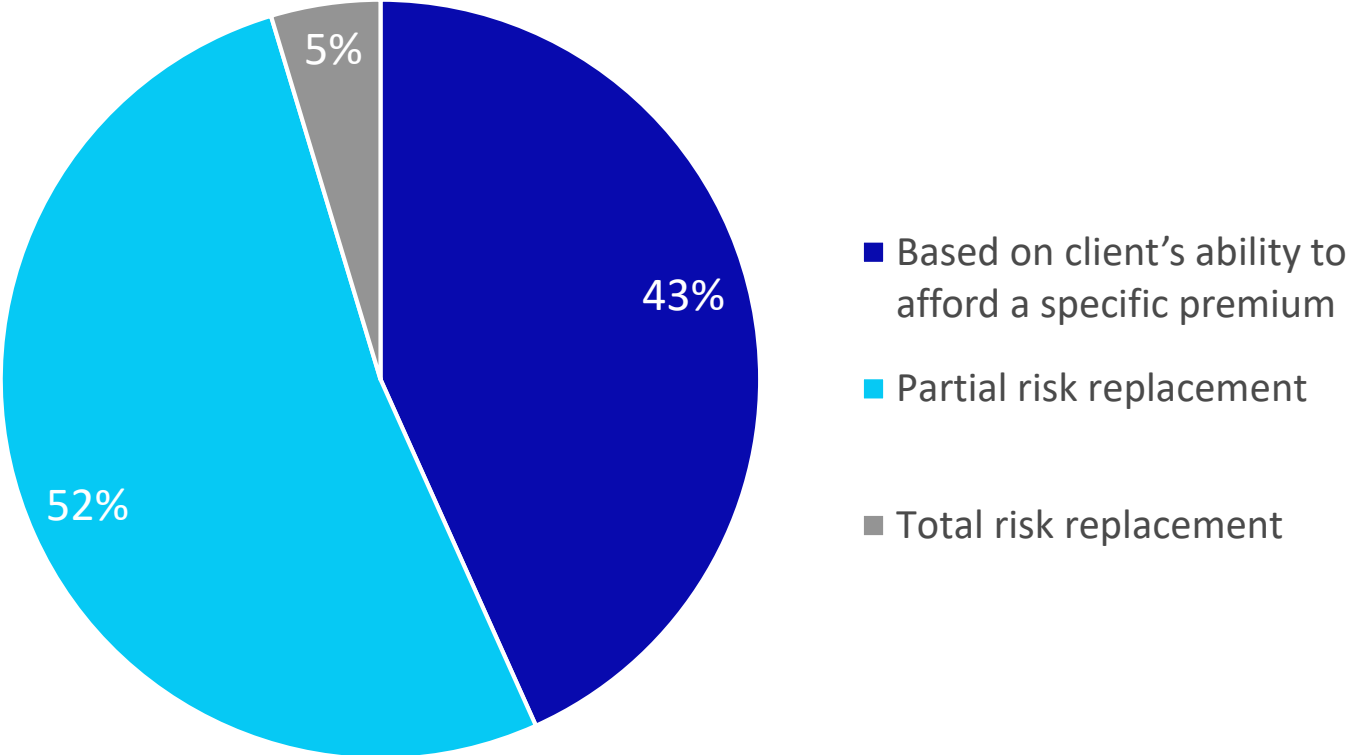
What kind of client screening do you use when discussing long-term care risk? (Select all that apply)



Screening for health insurability, financial position and personal financial goals, and personal experience with long-term caregiving are the most common screening methods for discussing long-term care risk

RISK REPLACEMENT

When presenting a long-term care insurance planning solution, which of the following do you typically propose?



Respondents rarely propose long-term care coverage as total risk replacement

POLICY REVIEW CONVERSATIONS

79%

Of respondents have policy review conversations with existing clients that include adding policy benefits that would cover long-term care or chronic illness expenses

72%

Of respondents discuss “1035 Exchange” opportunities as part of the policy review conversation

59%

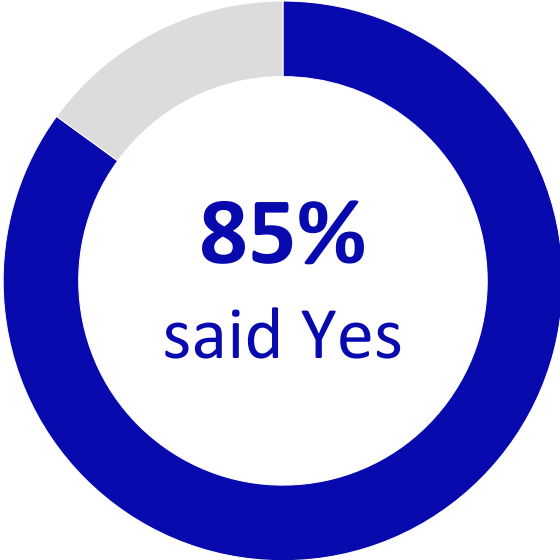
Of respondents think that the absence of a chronic illness or long-term care benefit rider justifies a 1035 Exchange conversation

19%

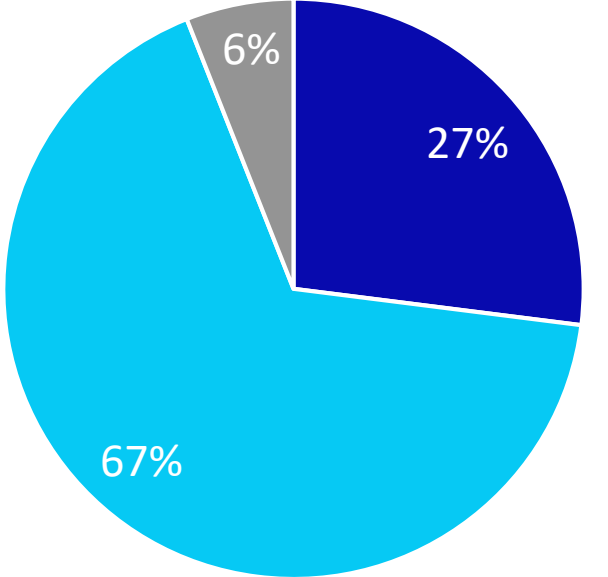
Of respondents include a 1035 Exchange as part of their long-term care solution 20% or more of the time

BEST INTEREST

Do you believe that adding a chronic illness or long-term care benefit rider is in the policyholder's best interest?



Do you believe that adding a chronic illness or long-term care benefit rider is in the beneficiary's best interest?



■ Always ■ Sometimes ■ Never

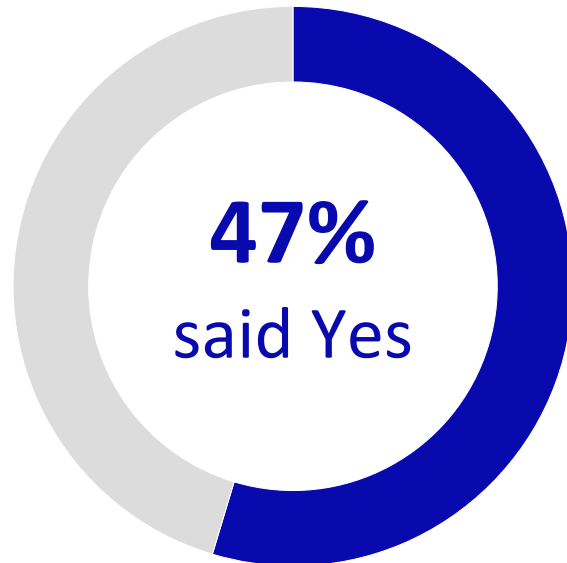
There is general agreement that chronic illness or long-term care benefit riders are in the policyholder's best interest

6

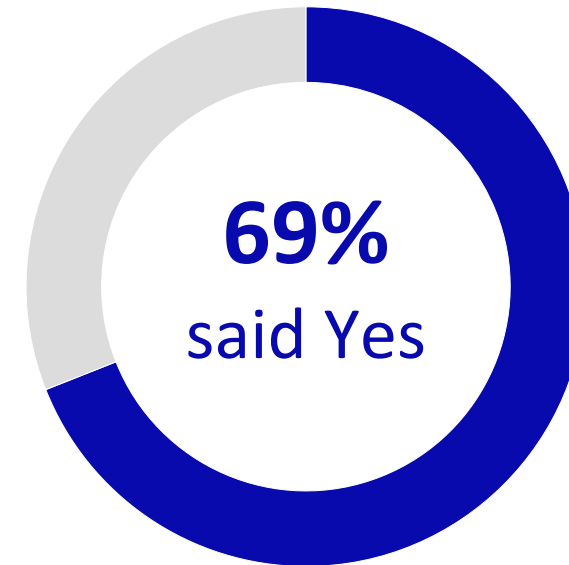
FUTURE CONSIDERATIONS

TECHNOLOGY SOLUTIONS

Have drop-ticket applications and streamlined underwriting increased your ability to make more sales?



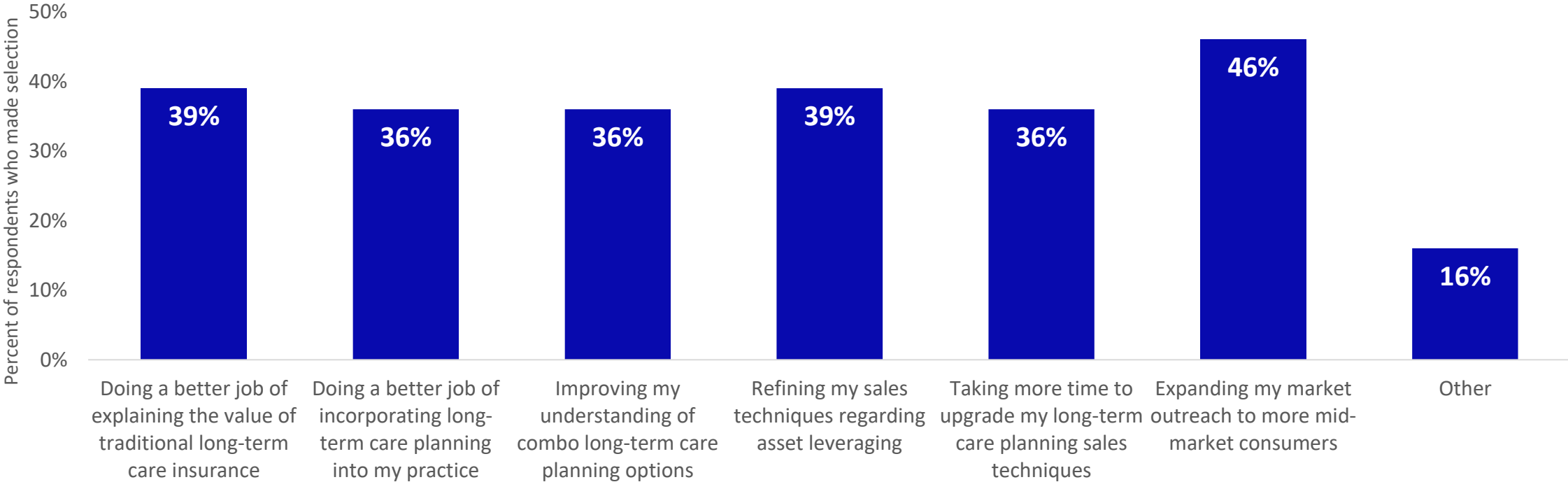
Do the technology solutions offered by life and long-term care insurance companies meet your expectations for making sales easier?



There is room for improvement with technologies solutions for sales ease

FUTURE SALES GROWTH

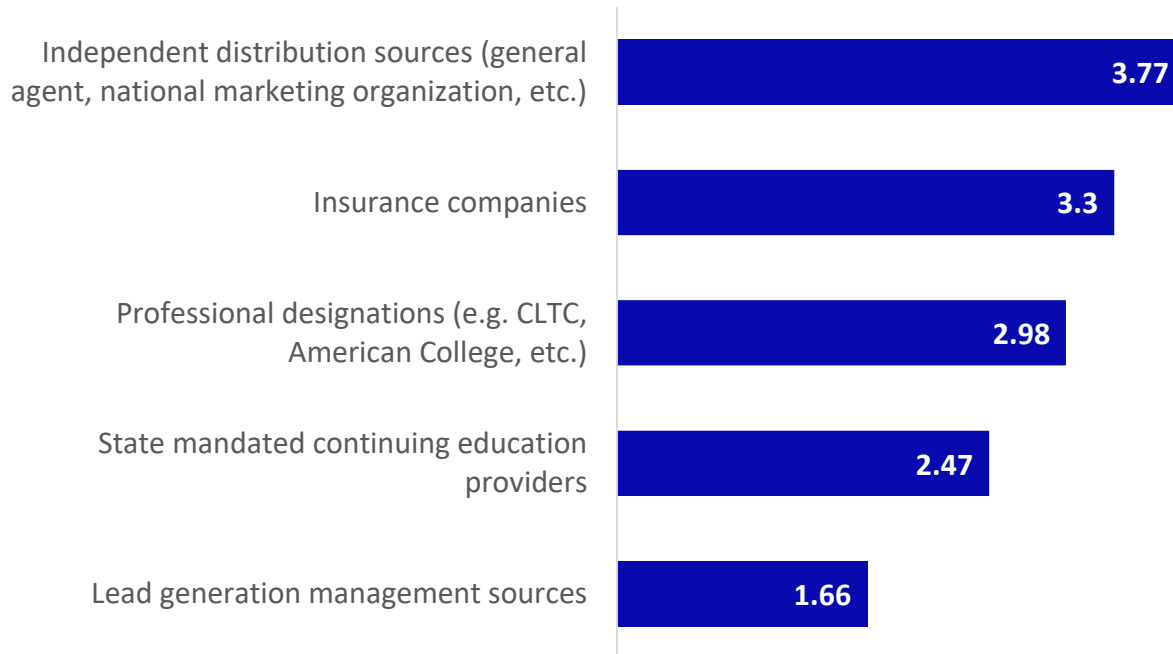
I believe my future LTC sales growth will be a result of:
(Select all that apply)



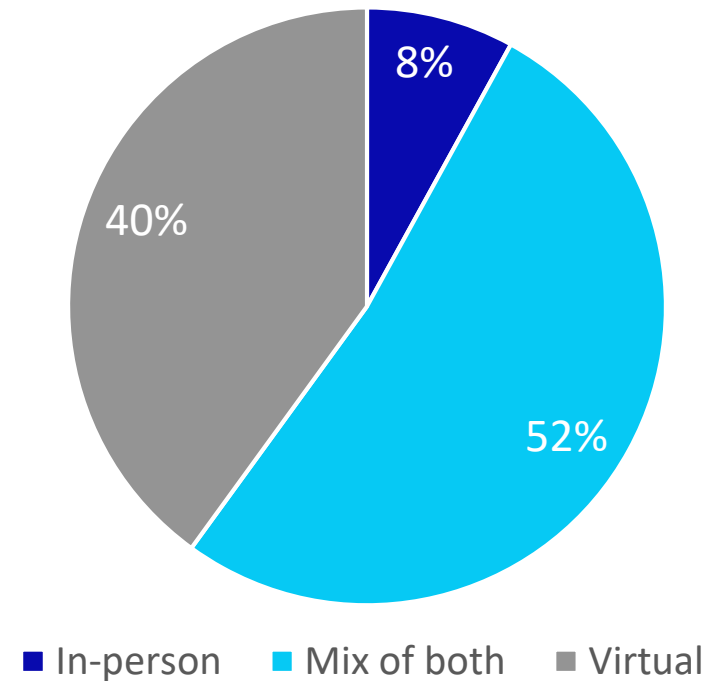
Most common action that is expected to increase future LTC sales growth is expanding market outreach to more mid-market consumers

TRAINING

Who do you feel provides you with the best training for long-term care insurance sales success? (5 is most valuable training provider and 1 is least valuable training provider)



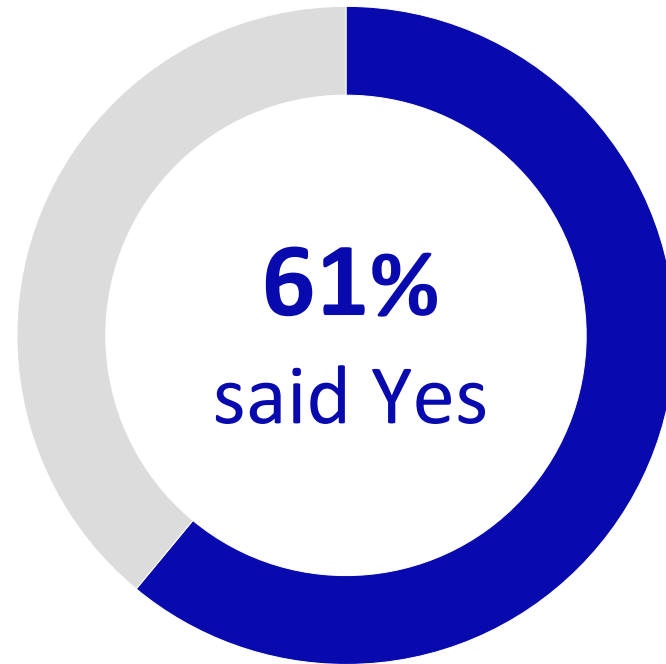
In the future, which format would you prefer product and sales training for combo life and long-term care insurance?



There is appetite for both live and virtual product and sales training in the future

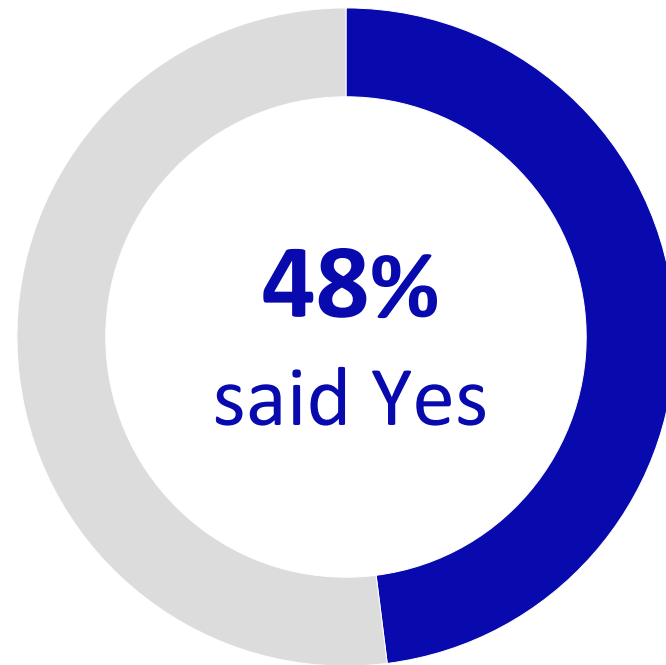
CONTACT WITH LONG-TERM CARE PROVIDERS

Do you think that expanded contact with long-term care providers such as care communities and home care services would enhance your business?



COVID-19 IMPACTS

Have you recognized an increase in morbidity and mortality insurance planning discussions during COVID-19?



Time will tell if the increase in morbidity and mortality insurance planning discussions persists

QUALIFICATIONS, ASSUMPTIONS, AND LIMITING CONDITIONS

This report is for the exclusive use of the Oliver Wyman client named herein. This report is not intended for general circulation or publication, nor is it to be reproduced, quoted, or distributed for any purpose without the prior written permission of Oliver Wyman. There are no third-party beneficiaries with respect to this report, and Oliver Wyman does not accept any liability to any third party.

Information furnished by others, upon which all or portions of this report are based, is believed to be reliable but has not been independently verified, unless otherwise expressly indicated. Public information and industry and statistical data are from sources we deem to be reliable; however, we make no representation as to the accuracy or completeness of such information. The findings contained in this report may contain predictions based on current data and historical trends. Any such predictions are subject to inherent risks and uncertainties. Oliver Wyman accepts no responsibility for actual results or future events.

The opinions expressed in this report are valid only for the purpose stated herein and as of the date of this report. No obligation is assumed to revise this report to reflect changes, events, or conditions, which occur subsequent to the date hereof.

All decisions in connection with the implementation or use of advice or recommendations contained in this report are the sole responsibility of the client. This report does not represent investment advice nor does it provide an opinion regarding the fairness of any transaction to any and all parties. In addition, this report does not represent legal, medical, accounting, safety, or other specialized advice. For any such advice, Oliver Wyman recommends seeking and obtaining advice from a qualified professional.



OLIVER WYMAN