

LTC survey results:

What the agents think



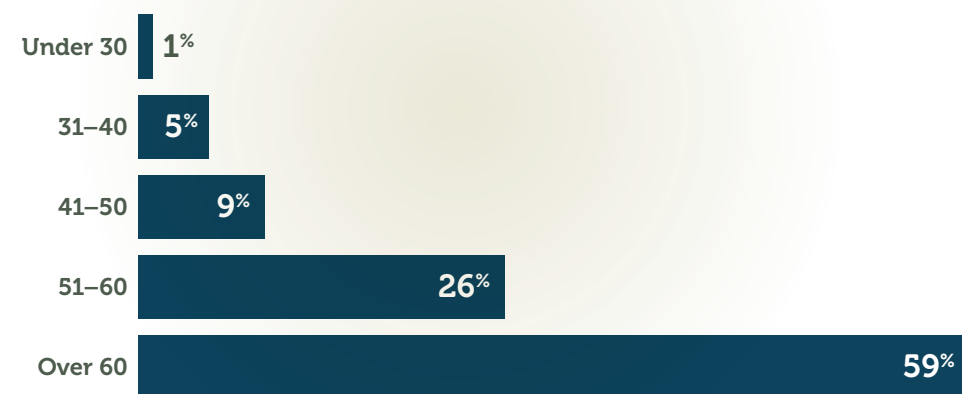
In the world of life and long-term care insurance, these deceptively simple questions can be lost in the design and introduction phases of even the most carefully planned product launch. While much thought can be given to the actual policyholder's needs and desires, agent/advisor perspectives are frequently overlooked. Think about it: how many times has an insurance company or distribution channel trumpeted the latest/greatest policy innovations only to stumble out of the starting blocks when agents don't get as excited as they do? In most cases, the agents and advisors (as many like to be called), are the first customers that need to say "yes". In fact, they place their reputations on the line when presenting what carriers ask them to propose.

Looking at the long-term care planning market from the agent/advisor perspective was the primary purpose of the Oliver Wyman/Ice Floe Consulting survey, Who is Selling What? To Whom, How & Why? We sampled a wide variety of agent/advisors through carrier and BGA distribution sources. We also approached a large cohort of licensed life insurance producers gathered from departments of insurance all over the country. After aggressive outreach, our respondents came almost equally from each of these groups.



Survey results indicate that respondents clearly recognize the value of policy review for consumers and a key to future sales.

Survey respondent age distribution



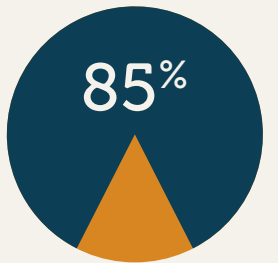
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Survey results

Characteristics of "who" is actively speaking to consumers about long-term care planning include:

- Equal representation between agents/advisors who "lead" with long-term care planning and those that make it part of an overall financial planning discussion;
- Many agents/advisors from a wide variety of general insurance and specialized disciplines. Many had professional designations, some practiced law and accounting and a good number were life insurance agents and financial advisors;
 - Only 12% represent themselves as traditional long-term care insurance specialists;
- 87% include long-term care planning in their practice;
- 85% of respondents were over age 50; 59% were 60+ years old;
 - This should come as no surprise and the implications remain troublesome.
- 75% focus on the upscale market though a great deal of interest in the mid-market exists.

Agents/advisors surveyed were clearly passionate about the need for long-term care planning. That said, based on the age distribution of respondents, interest in this field is wide but not deep.

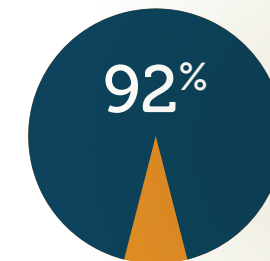


Percent of respondents were over the age of 50

Traditional vs. Combo

Product preferences of those surveyed were balanced between traditional (53%) and combo (47%). Of the latter group, most preferred selling long-term care as opposed to chronic illness riders. While 85% of respondents indicated a generally high comfort level with all products available, almost half of those, when pushed for specifics, indicated some hesitation in being "fluent" in all nuances of combo products. Questions pertaining to "zero-premium" chronic illness combo plans with lien or discounted benefit payment methods found that respondents generally understand the difference between defined benefits and limited or discounted benefits. They also expressed some concerns surrounding professional liability with the latter form.

Our discussion of "Best Practices" starts with considering how the long-term care planning conversation begins with consumers. An impressive 81% of advisors participating in the survey confirmed that they proactively engage prospects/clients in long-term care planning discussions. Respondents also indicated that 42% of consumers frequently ask about long-term care risk before the advisor raises the issue. An equal percentage of consumers were also concerned about financing the risk. Advisors indicated that 46% of consumers think responsibility for paying long-term costs rests with the individual, and an additional 33% felt it is a joint obligation with the government. Only 20% felt that the government is solely responsible. Rising consumer awareness of the long-term care risk and an acceptance of responsibility to act has helped set the stage for future sales.



Percent of long-term care consumers motivated by personal experience

Understanding the differences

It is fair to state that long-term care combo product choices have expanded the field. The survey confirms that advisors understand the importance of understanding substantive differences in products to facilitating sales.

- 86% of respondents preferred combo policies that charged a current premium for the long-term care benefit and believed these are best suited for their clients.
- 90% confirmed consumers understand that when they access long-term care or chronic illness benefits on a combo policy, that the death benefit is reduced.
- 88% believe consumers value knowing exactly what their LTC/CI benefit will be at the time of claim.

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What the agents think from page 31

Quality matters

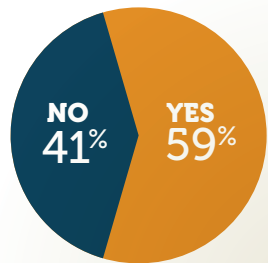
Quality benefits matter to advisors and consumers. The survey found the following policy features enhance client purchasing interest:

- Multiple policy features that appeal to a wide variety of consumer needs.
- Premium rate guarantees.
- Inflation Protection.
- Reputation of company (i.e. ratings, length of long-term care experience)

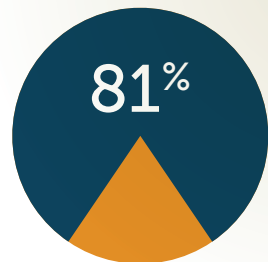
How do advisors tailor their approach to recommending long-term care planning solutions?

- 43% based on client affordability.
- 52% understood partial risk replacement was the best approach
 - Only 5% responded that total risk replacement was their preferred method.

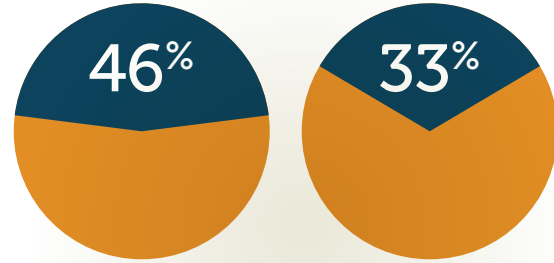
This response indicates an understanding that reduced benefits provide an acceptable planning solution and bodes well for increased marketing penetration, especially in the mid-market.



Do you think the absence of a chronic illness or long-term care benefit rider justifies a 1035 Exchange conversation?



Percent of advisors initiate a long-term care planning conversation



Advisors indicated that 46% of consumers think responsibility for paying long-term costs rests with the individual, and an additional 33% felt it is a joint obligation with the government.

A V-8 moment

Policy review was an important focus of several survey questions and may have provided us with a powerful “I should have had a V-8” moment. Survey results indicate that respondents clearly recognize the value of policy review for consumers and a key to future sales. Traditional policy review is a balance between policy performance and the availability of new benefit options. We therefore suggest that asking prospects if their existing life policy provides long-term care benefits will lead to more combo sales. This has been a successful technique for more than a decade in the zero-premium combo policy market. Our survey adds considerable credence to the notion that this would be a successful strategy for all combo product sales. Agents/advisors surveyed told us the following:

- 85% consider adding a long-term care planning benefit to be in the policyholder’s best interest.
- 79% say that they already have had this conversation with prospects/clients.
- 59% say that the absence of a long-term planning benefit justifies a 1035 Exchange.
- 72% consider a 1035 Exchange discussion to be an integral part of policy review.

We previously noted that 81% of advisors initiate a long-term care planning conversation. The top three reasons are:

1. LTC is an important part of a financial plan.
2. They consider themselves a long-term care insurance specialist (12%).
3. They own a policy.

Regardless of agent/advisor practice focus, helping consumers prepare for an uncertain future is a key consideration when including long-term care planning in their portfolio.

Things to consider

As we continue to sort through and analyze respondent perspectives, the following topics rise to the top for further consideration:

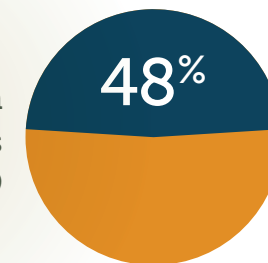
- 92% of respondents indicated that consumers are motivated to discuss long-term care planning because of personal experience.
- Purchasers said “yes” due to:
 1. Personal experience that illustrated the high cost of care.
 2. Desire not to be dependent on family/friends.
 3. Desire to protect assets.
- 61% of agents/advisors believe that contact with care communities would enhance business.
- Most popular future growth opportunity is affordable solutions for the mass middle market.
- 48% recognized the increase in mortality and morbidity concerns associated with COVID-19.
- Technology solutions received mixed reviews
 1. 47% felt that drop ticket and streamlined underwriting helped sales.
 2. 69% think that carrier tech solutions made sales easier.
- Advisors felt the best sales training came first from independent distribution and second from insurance companies.
- 52% indicated they prefer a mix of virtual and in-person training.
- Recognition that heightened consumer awareness, provided by the insurance industry, would increase sales.

Takeaways

Our short-list of survey takeaways includes:

- This survey is a continuation of producer perspectives studies conducted in 2004 by LIMRA and the Society of Actuaries. Continued study of agent/advisor opinions at point-of-sale will be helpful in product improvement and training.
- Expand the universe of consumers that are informed and aware of the need to plan for long-term care.
- Increase the number of agents/advisors (particularly those under age 50) that are willing and able to proactively discuss long-term care planning with consumers.
- Develop affordable and measurable product choices for the upper end of the middle market.
- Advisors recognize the value of combo products with measurable long-term care planning benefits and are not afraid to ask for additional premium.
- Enhanced training applicable to policy review and 1035 Exchange opportunities will improve sales results.

What have we learned, so far, from the Who is Selling What? To Whom, How & Why? survey? Regardless of agent/advisor practice focus, helping consumers prepare for an uncertain future is a key consideration when including long-term care planning in their portfolio. Those that have done so believe they’re competent or expert, but still desire ongoing and enhanced training. Additionally, expanding the playing field to a broader mid-market continues to be a top need. Finally, a deeper and more consistent consumer awareness effort, spearheaded by insurance companies, professional associations and distribution, will serve us well as we move into the future.



Percent recognized the increase in mortality and morbidity concerns associated with COVID-19