BROKER WORLD

The Last Word On LTCI…

RONALD R. HAGELMAN, JR.
CLTC, CSA, LTCP, has been a teacher, cattle rancher, agent, brokerage general agent, corporate consultant and home office executive. As a consultant he has created numerous individual and group insurance products.

A nationally recognized motivational speaker, Hagelman has served on the LIMRA and Society of Actuaries LTCI committees and is past president of the American Association for Long Term Care Insurance, as well as a master trainer for the LTCP professional designation. He is president of Republic Marketing Group dba "America's Long-Term Care Insurance Experts" and a principal in the agent sales training company Hagelman-Barrie Sales Training Solutions.

Hagelman can be reached at Hagelman Consulting, PO Box 310707, New Braunfels, TX 78131. Telephone: 830-620-4066. Email: ***ron@rmgltci.com.*** *Website:* ***www.ltcicentral.com****.*

Hen's Teeth

Turmoil but not chaos, concern but not panic, fire sales but not wildfires…and to make matters worse, business is good. Maybe it's just the persistently bad economy, the interest environment that seems to be in a vacuum or, somewhere at the core of all this, a simple lack of will. Indeed, we do live in trying times.

What is happening with LTC insurance may simply be a dress rehearsal for a massive retreat of policies and benefits across all lines. Yet LTC insurance seems to be the most vulnerable or expendable, depending on your perspective. *We are witnessing the end of many of our favorite LTC marketing conversations.*

Advanced pay strategies remain extremely desirable from a consumer point of view (i.e., pay up your policy during your most productive years, accelerate the corporate premium deduction and stare down the threat of future rate increases). However, advanced pay obviously requires that additional premiums *earn interest*—and, unfortunately, the interest rate drought has no end in sight. Advanced pay is not really gone, only temporarily unavailable for viewing. If interest returns, advanced pay returns.

Lifetime benefits are also evaporating before our very eyes. Unfortunately, risk attracts claims and claims follow premium *(imagine that)*, which requires the most aggressive reserving strategies. Thus, without the ability to earn a fair return on investments, unlimited benefits become an impossible pricing conundrum.

Underwriting continues to constrict, and this will continue to accelerate. Decisions to accept risk must be accurate and precise—there is virtually no room for error. Hopefully, new and improved underwriting practices will be used to more accurately price each given risk rather than used as a subterfuge to deny coverage to all but the most healthy.

Situations which contribute to early and prolonged claims will be scrutinized even more severely, particularly contributing issues such as co-morbidity and family history. Coverage is going to become progressively harder to acquire, *period.* Preferred underwriting that is truly a discount of standard 100 percent morbidity is also vanishing. Even those with the most exemplary lifestyles may be forced to subsidize standard risks.

Behind the scenes, the LTC insurance underwriting process is also undergoing substantial change. Most companies rely on automated initial screenings, using prescription drug records, but these practices are being expanded to verify multi-life gatekeeper questions, making the so-called simplified underwriting subject to even more scrutiny. Some companies are even moving forward with plans to require lab work on all individual applications. Granted, the margin of error will be dramatically reduced, but this approach can be viewed as good and bad, depending on which side of the fence you sit. Bottom line, for many, obtaining coverage—at any price—will become even more difficult.

And God help us, rates continue to rise. When do we finally charge enough to pay for the risk? Perhaps more important, were some of the rate increases justified, or just knee-jerk reactions? Worse yet, were these increases designed to create fear in an attempt to slow down the flow of premium?

Are we experiencing a rationalization process created to convince us that an anemic interest climate is fueling a slowdown in production? Even reducing commissions has become an increasingly popular excuse to attempt to stifle premium. This is another decision-making process that may have taken place in a room with no windows.

None of this thrashing around to slow down premium is going to work. This approach flies in the face of human nature. Everyone loves a good sale; and the more scarce and difficult the best bargain is to obtain, the faster the product flies off the shelf.

In my humble opinion rising premiums, vanishing benefits and constrictive underwriting will only increase production problems because sales will increase rather than slow down, despite all the announcements. Being as scarce as hen's teeth works for diamonds and gold, and I expect it to work exactly the same for LTC insurance.

Now is the time to get serious about LTCI, because further procrastination may be very expensive and harmful to your career.

Other than that I have no opinion on the subject.