

LTC pricing and availability may stabilize in 2005

Insurer shakeout likely to help market

By Gary S. Mogel

NEW YORK — The long-term-care-insurer shakeout and fine-tuning of the pricing structure are expected to create a more stable market for the coverage in 2005, as well as blunt some of the negative press that has hounded the industry.

The carrier shakeout helps the LTC market, said Jesse Slome, president of Sales Creators Inc., a Westlake Village, Calif., firm that assists agents in marketing LTC insurance. Companies that stay in a business they really don't want to be in can hurt the entire industry's pricing and reputation, he added.

Also, most of the insurers in the market want to be there, and believe that they can successfully write the coverage, Mr. Slome said. He expects LTC sales to be about 10% higher than in 2004.

Insurance agents are also giving more attention to long-term care.

A recent survey by LIMRA International Inc. in Windsor, Conn., found that half the agents not selling LTC insurance planned to start doing so within three years. According to LIMRA, agents who are thinking about selling LTC consider in-person training from the insurers as critical to their decision to start writing the coverage.

Insurers' exiting the market and premiums' increasing by leaps and bounds have plagued the LTC market, said Debra Morrison, a wealth manager with RegentAtlantic Capital LLC in Chatham, N.J., which manages \$952 million in client assets.

"Insurers came out with a vengeance and started buying business, with no actuarial evidence to justify prices," she said. Later, this inadequate price structure had to be "corrected."

Despite the insurer defections and price instability of recent years, advisers such as Adam Leavitt, president of Red Rock Financial Advisory LLC in Tulsa, Okla., which manages \$5 million in assets, have continued to recommend the coverage to clients in order to provide them with peace of mind. "Some clients are concerned that they don't have enough savings to fund long-term care or want to make sure they leave an inheritance to their kids," he said.

LTC needs and have a comfort level discussing sensitive care-giving issues, the study noted.

Another factor that is expected to increase sales is the recruitment of more women into the LTC agency sales force. "Women are often more effective sellers than men because the LTC decision maker in families is usually a woman, they can speak to each other, and it has more of an



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When insurers realized that the business was underpriced — partly because it had much lower lapse rates than expected — renewal increases of 30% or more were often imposed. That gave the coverage a "black eye,"

Mr. Iverson said.

Making matters worse, insurers often didn't adequately explain the

reason for the increase to the agent or policyholder.

Mr. Leavitt and Ms. Morrison, who are both fee-only advisers, inform clients of their LTC needs and options but outsource the policy sales process to local insurance agents. However, they first provide clients with an idea as to pricing to see if it is within their budgets.

The annual premium for a couple in their 50s usually runs about several thousand dollars, Ms. Morrison indicated.

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Training needed

Ron Iverson, a Helena, Mont., consultant and author who publishes a weekly LTC insurance newsletter, said that insurer training of its LTC agency force is the key to increasing sales. "Agents want to know how to sell the product, especially techniques for worksite marketing, and selling to groups," he added.

The LIMRA study found that a majority of agents selling LTC insurance thought that it was the hardest financial product to sell. To sell LTC effectively, an agent or adviser must show the client the economic value of the coverage, be comfortable talking about the emotional impact of



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nificant round of increases this year, as the insurers' actuaries now have more years of claims and other data on which to calculate rates and have accounted for the low-lapse problem.

However, advisers and their clients shouldn't expect to see premiums go down significantly this year, according to Mr. Slome.

The business now is "right priced," as opposed to over- or underpriced, he said. Because of the time cycle to develop new rates, file them and obtain approval where necessary from state insurance departments that are often short staffed and backlogged, any premium decreases won't be immediate, Mr. Slome added.



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