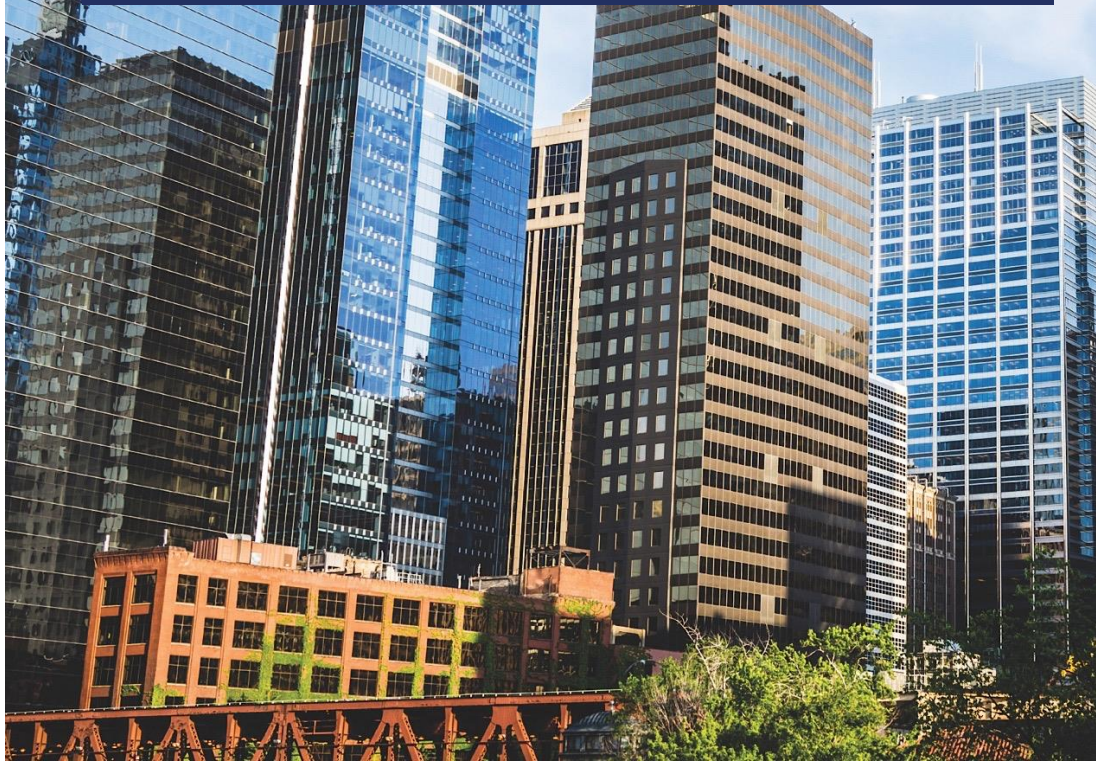


# State of the Long-Term Care (LTC) Insurance Industry



PROTECTING THE CONSUMER'S FUTURE

**NAHU**

National Association  
of Health Underwriters

AMERICA'S BENEFITS SPECIALISTS



# NAHU LTC Insurance Resources (LTC Portal)



Membership Advocacy Professional Development Events Resources

Sign Out

JOIN NAHU



The Long-term Care (LTC) portal is a forum for NAHU members to engage on industry best practices in the sale and service of LTC products. It will help you start a conversation about LTCI with clients, expand your business, and plan for unprotected risks your clients face. The information below will provide basic knowledge, and you may find it useful to partner with a long-term care planning specialist, once you have opened the door to further conversation.



FOLLOW US



<https://nahu.org/resources/ltc-portal/>

## Publications & Articles

- 7 Key Ways the LTC Market has Changed - LifeHealthPro
- Don't Underestimate the Value of LTCI - AHIP
- Regulator Calls for a LTC Planning Shift - LifeHealthPro
- Collapse of LTC Insurer Reflects Deep Industry Woes - WSJ
- 3 Options for LTC Planning - LifeHealthPro
- LTC Plan for Clients Who Have Failed to Plan- LifeHealthPro
- Caring for a Relative Can Mean Draining Your Savings - The Washington Post
- LTC Can Protect Your Client's Retirement Assets
- LTCI Still Better than Out of Pocket
- Your Strategy to Contain the Costs of LTC - The Washington Post
- No Spouse, No Kids, No Caregiver - How to Prepare to Age Alone - US News
- LTC Rates Remain Stable
- NAIC Looks at Ways to Boost LTC Policy Sales - Employee Benefit Adviser
- How Retirement Planning for Childless Couples is Different
- MACPA - Living a Long Life May Have Financial Consequences
- Long-term care insurance could help defuse the looming baby boom retirement 'disaster'
- NAHU LTCI Position Papers
- Initial Recommendations to Improve the Financing of Long-Term Care
- Potential Concerns and Risks for Traditional Long-Term Care Insurance
- Two Options for Funding Long-Term Care Expenses
- Costs and Incidence of Long-Term Care
- Family Spillovers of Long-Term Care Insurance
- Long-term care insurance could help defuse the looming baby boom retirement 'disaster'
- 3 Ways to Pitch LTCI in the Workplace
- Article on whether 401K might be considered for use to pay LTC premiums
- Wall St. Journal-Mistakes to Avoid When Purchasing LTCI
- New Report: Long-Term Care Insurance Offers Critical Financial Stability, Security for Consumers

# Guest Speakers

- Steve Cain | Director | Sales & Business Development | LTCI Partners
- Lori Martin | President | Envision Benefit Specialists
- Jim Glickman | President and CEO | LifeCare Assurance Company



**The most important Part of our presentation...**

**OPEN**

*for Business*

# Discussion Items

- Marketplace update
- Overview of product solutions
- Working with small business owners
- Tax Treatment of LTC Insurance
- Group & Multi-life options
- Sales & revenue opportunities
- Q&A

# Benefits Brokers' Objections...

Critical illness coverage

Eventually the government will cover LTCI

Don't have time for CEs

Media is critical

Products are too complicated

Carriers keep dropping out of market

I refer my clients to a specialist for LTCI

Clients don't like that they have to "use it or lose it"

**Rate hikes**

**Too expensive for my clients**

**Product changes are too much to keep current with**

Too much time and effort to engage clients when they might not qualify

My clients are too young

My clients self insure

# Why Long-Term Care Planning?

## WHY “LATER” IS TOO LATE

LTC is costly to your employees in expenditures and lost income, and places a huge burden on most families who need it. In fact, health and disability insurance don't even cover LTC costs. Medicare isn't always the answer, either. For most, it's an out-of-pocket expense that drains retirement savings. Look at the stats:

**70%**

Americans 65 and older who will need LTC assistance.<sup>2</sup>

**\$91,000**

Average national cost for for one year in a skilled LTC facility.<sup>3</sup>

**\$15,600**

Average annual Social Security benefit for retired workers.<sup>4</sup>

**\$165,000**

Average 401(k) balance.<sup>5</sup>

**\$33 billion**

Annual amount of employer productivity lost due to LTC claims.<sup>6</sup>

It's important for you to help your employees understand that LTC insurance is more affordable to them during their working years rather than later.

Sources:  
1 "What is \$1 Billion an Hour Worth? Navigating the Employee Benefits Marketplace" LIMRA, 2011.  
2 U.S. Department of Health and Human Services, [longtermcare.gov](http://longtermcare.gov).  
3 Genworth, "Genworth 2015 Cost of Care Survey."  
4 Social Security Administration, Master Beneficiary Record, 100 Percent Data, November 2014.  
5 CNN Money, Melanie Hicken, "401(k) Balances Hit Record ..." Feb. 13, 2014.  
6 Genworth, "Genworth 2012 Cost of Care Survey."



# Marketplace Update

- Growing awareness or consciousness
- Sales growth (Individual, Multi-life & Hybrid Life/LTC plans)
- Carrier entries
- Increase in HSA limits
- Proposed changes to Medicare Advantage
- State of WA Long-Term Care program





# Marketplace Update

*Numerous challenges faced 1<sup>st</sup> generation LTC Insurance policies. Here are a few:*

- Mortality
- Morbidity
- Interest Rates
- Lapse Assumptions
- Regulatory Environment
- Adverse Selection

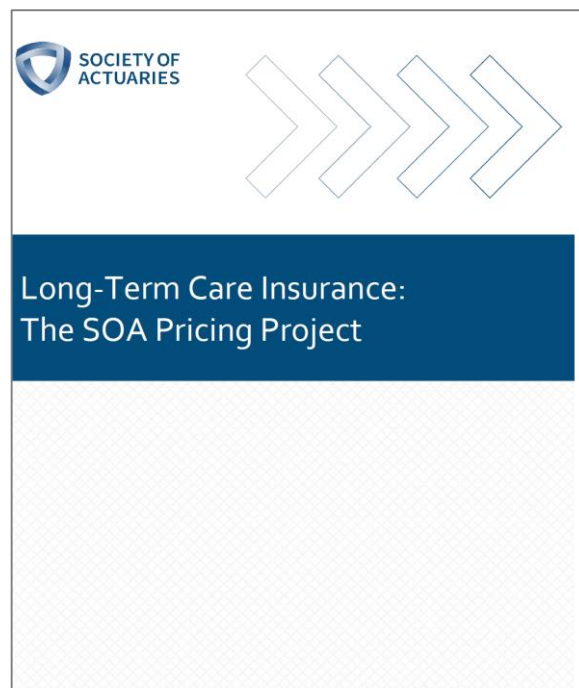


Figure 15: Probabilities and Average Size of Rate Increases, by Year

Pricing Point Year	Probability of a Rate Increase	Average Size of Rate Increase
2000	40%	34%
2007	30%	18%
2014	10%	10%

# Insurance Planning Strategies

- Traditional LTC Insurance
- Linked-Benefits
- Life Insurance with CI/ADB riders
- Group Life Insurance with LTC Benefits
- Annuities with LTC Riders
- Immediate-need LTC Annuities
- Short-Term Care



# Individual Product Planning Options

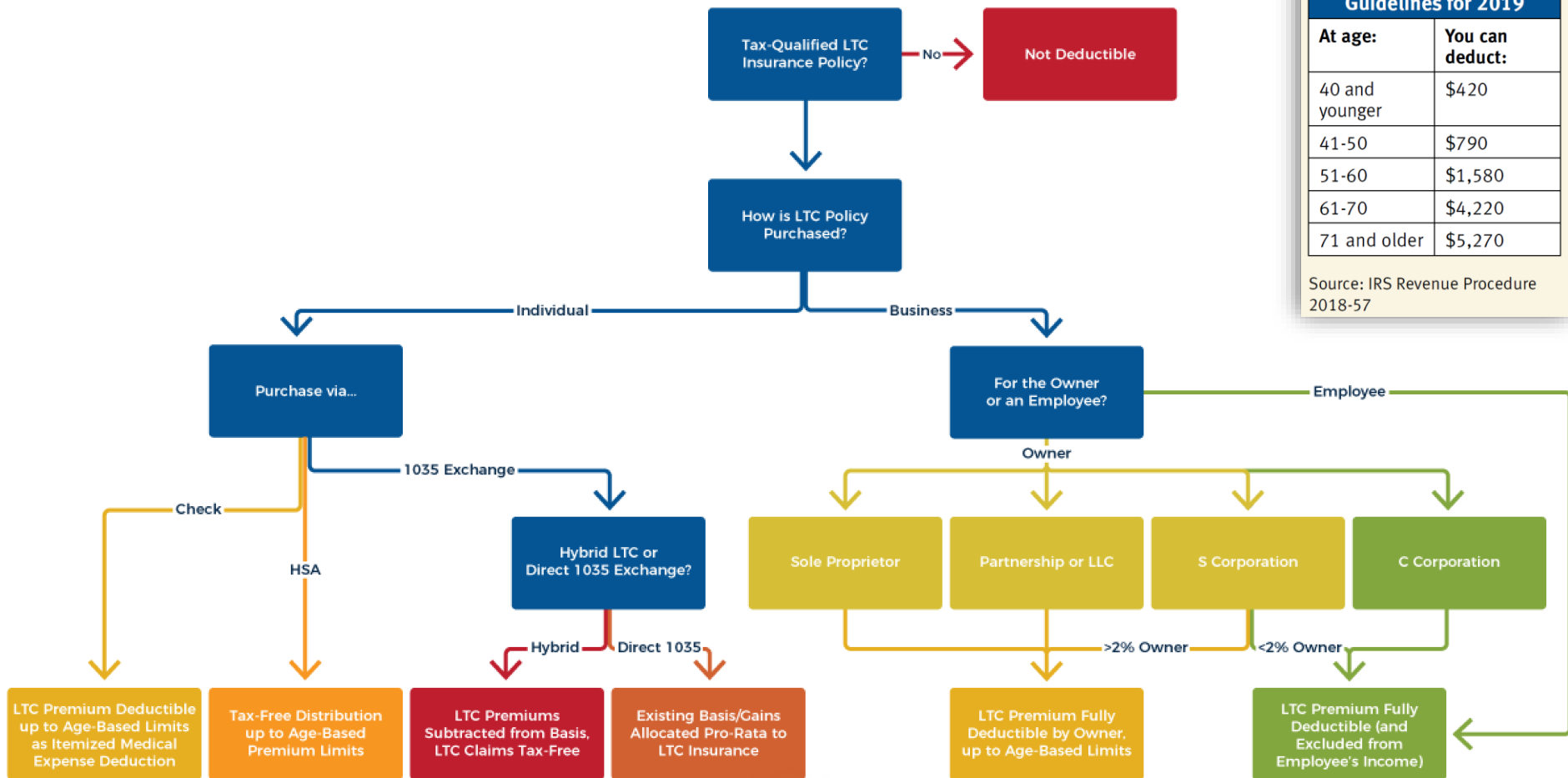
Traditional LTC	Life Insurance with Linked Benefits (Life/LTC)	Life Insurance with a Qualified LTC Rider	Life Insurance with a Chronic Illness Rider
Tax Code: 7702B	Tax Code: Life Portion - 101a1 LTC Portion - 104a3	Tax Code: 7702B	Tax Code: 101(g)
LTC license required	LTC license required	LTC license required	No license needed
Indemnity or Reimbursement	Reimbursement	Indemnity or Reimbursement	Indemnity Only
Cost only covers LTC benefits	Generally single premium that buys Life & LTC benefits <i>(longer premium durations available with certain carriers)</i>	Additional up-front charge for rider	Charge can be up-front or back-end <i>("discounted acceleration")</i>
Total LTC benefit determined at issue	Total LTC benefit determined at issue	Total LTC benefit determined at issue	LTC benefits may not be determined until claim is made <i>(depending on charge structure)</i>
Full Underwriting	Most are Simplified Underwriting	Some do not require additional underwriting b/c they are underwritten with life policy; others will require Full or Partial Underwriting	Some do not require additional underwriting b/c they are underwritten with life policy; others will require Full or Partial Underwriting
Qualifying Condition(s) can be Recoverable or Permanent	Qualifying Condition(s) can be Recoverable or Permanent	Qualifying Condition(s) can be Recoverable or Permanent	Qualifying Condition(s) must be Permanent
Do NOT offer any DB; "Use it or Lose it"	Residual DB	Some offer Residual DB	Some offer Residual DB

# Tax Treatment of LTC Insurance

## Eligible Premium Guidelines for 2019

At age:	You can deduct:
40 and younger	\$420
41-50	\$790
51-60	\$1,580
61-70	\$4,220
71 and older	\$5,270

Source: IRS Revenue Procedure 2018-57





# Tax Treatment of LTC Insurance

## IRS CODE SECTIONS:

- 7702B – defined Qualified LTC (accident & health insurance / tax-free benefits)
- 162 – ability to deduct accident & health insurance (c-corp owners are treated as employees)
- 213 – age-based deductibility for pass-through entities (s-corps, LLCs or LLPs)
- 106 – premium is not included /counted as imputed income
- Treasury Regulation 1.105-5 – employer can create a class of select employees to offer this coverage to (ability to carve-out or “discriminate”)
- IRS Notice 2004-50, Q and A41 (HSAs) – tax-qualified LTCI premiums are a qualified medical expense. As a result, an individual may withdraw money tax-free from their HSA to pay tax-qualified LTCI premiums

### *IRS CIRCULAR 230 DISCLOSURE:*

*Pursuant to requirements imposed by the Internal Revenue Service, any tax advice contained in this communication (including any attachments) is not intended to be used, and cannot be used, for purposes of avoiding penalties imposed under the United States Internal Revenue Code or promoting, marketing or recommending to another person any tax-related matter.*

# Filling the Gap in a Benefits Portfolio

## The Employee Benefits Gap: Importance vs. Offered by Employers

In addition to retirement benefits, health and welfare benefits can enhance workers' financial security. These benefits can bring insurance protections, mitigate out-of-pocket healthcare expenses, provide the possibility of additional resources in a time of need, and offer wellness help. Most workers believe these benefits are important; however, a significant gap exists between the percentage of workers who believe they are important and the percentage who are offered them by their employers. This represents an opportunity for employers to increase the competitiveness of their compensation and benefits packages, while helping their employees achieve greater long-term financial security.

Type of Employee Benefit	All Workers		
	Important (NET) – Very/Somewhat Important	Offered by Employer	The Gap: Importance vs. Offered
Health Insurance	94%	75%	-19
Life Insurance	79%	51%	-28
Disability Insurance	77%	44%	-33
Long-Term Care Insurance	74%	25%	-49
Critical Illness Insurance	66%	16%	-50
Employee Assistance Program	64%	30%	-34
Financial Wellness Program	63%	16%	-47
Workplace Wellness Program	60%	28%	-32
Cancer Insurance	59%	10%	-49

BASE: ALL QUALIFIED RESPONDENTS

Q1171. For each of the following, please tell us how important that benefit is to you, personally.

Q1175. Which of the following does your company offer to you, personally?

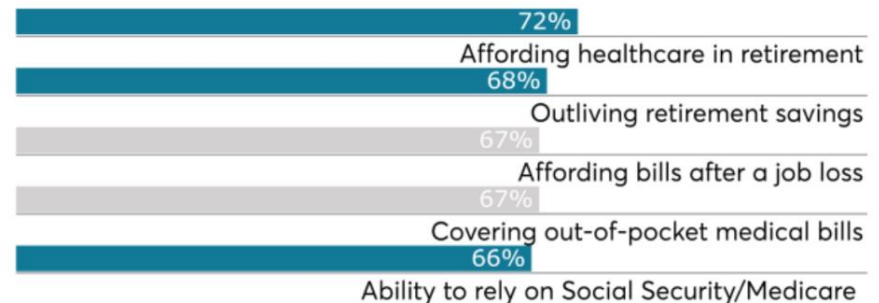
# Benefits of Group & Multi-life LTC Insurance Programs

*Offering LTC in the workplace provides numerous benefits to employees. Here are a few:*

- Timely and valuable education on the need for LTC planning
- Addresses a significant “gap” in the employee’s financial plan and helps protect their 401(k) & lifestyle
- Simplified underwriting
- Unisex rates and group discounts

## What employees say are their top sources of financial stress

● Long-term concerns ● Short-term concerns



Source: MetLife

# Employer-Sponsored Strategies

*Our three different strategies are designed to appeal to organizations of varying sizes and needs.*

## VOLUNTARY STRATEGIES

- Best fit for employer groups with more than 200 eligible employees
- Benefits are offered to employees, spouses, parents, and other family members
- Provides discounted rates and simplified underwriting
- Can be payroll deducted or direct bill

## EMPLOYER-FUNDED BASE PLANS WITH BUY-UPS

- A good fit for employer groups with less than 200 eligible employees
- Satisfies the participation requirement for underwriting concessions
- Provides discounted rates and simplified underwriting

## EMPLOYER-FUNDED EXECUTIVE CARVE-OUTS

- LTC insurance has more favorable tax treatments than any other type of benefit (i.e.. life, disability, etc.)
- Employer-paid premiums are tax-deductible and are not counted as income to employees
- Employer paid premiums are excluded from ACA Excise Tax calculation
- Employers have the ability to carve-out and offer coverage to a select class or classes of employees



# Sales & Revenue Opportunities (case study)

## About the Client

**Industry:** Law Firm

**Eligible Employees:** 35

**Background:**

- Maryland based law firm
- Senior partner had personal experience, which led to the discussion
- No LTC plan in place

**Solution:**

- Contributory arrangement – the employer funded \$2,500/year towards the LTC Insurance premium
- Simplified issue underwriting for employees

## Enrollment By the Numbers

**Enrollment Period:** 3 weeks

**Number of Applications:** 15

**Enrollment Communication:** Emails (3)  
Webinars (2)  
Onsite meeting  
1-on-1's with partners

**Notes :** Employees paid \$500/year per person to maximize the MD State Tax Credit.

As new equity partners were added, more sales have taken place.

Annual Premium = \$31,000

# Q&A and Next Steps



## Contact Information:

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