



**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 currently serves on the LIMRA and Society of Actuaries LTCI committees and is the vice president and education director for the American Association for Long Term Care Insurance, as well as a master trainer for the LTCP professional designation. He is a principal in the agent education company Long Term Care Sales Training Solutions.

Hagelman can be reached at Hagelman Consulting, 156 North Solms Road, New Braunfels, TX 78130. Telephone: 830-620-4066. Email: ronjr@satx.rr.com.

LTCI Perspectives...

The Visit

Left over from my cattle ranching days are a few time worn yet meaningful all purpose jokes. Perhaps the oldest and most famous of these involves two bulls—one old, one young, who approach the crest of a hill and peer down into the valley below. There, spread out before them, is a large group of beautiful young heifers. The young bull, becoming somewhat agitated, says, "Let's run down there and visit a few." The old bull, speaking with the force and wisdom of experience, says, "No, let's walk down and visit them all."

By far the hottest topic in LTCI is small group and the so-called "multi-life" sale. The problem with LTCI sales is clear to all observers. The experts agree we need a 35 percent market penetration to be able to claim we have done our job. However, all of our combined valiant efforts over the last 10 years have given us only 7 to 10 percent, depending on whom you believe should be buying.

Of course, we should be proud of the growing number of successful LTCI professionals protecting an aging America from this most devastating of financial risks.

Let me begin by suggesting that the brokerage community has done a great job in making this product and this sale its own. It may be interesting to note that of the top ten companies marketing LTCI (representing more than 85 percent of new premium), nine distribute their products through brokerage. Yet, according to LIMRA International, production in 2003

could be viewed as flat if you filter out the federal program—only seven to ten companies experienced growth patterns of 10 to 20-plus percent.

The point I am making, however, has an even narrower focus. One quarter to one third of brokerage companies' new customers bought 10-pay products. This is because brokers and carriers have been extremely successful at encouraging and facilitating executive carve-out sales—you might say they have created what may amount to a highly successful crusade—explaining the tax benefits of corporate LTCI purchases. There are thousands of small businesses and hundreds of associations that have accessed an "affinity" premium discount.

Unfortunately, this sales penetration has been very shallow—traditionally involving the owner and a small number of senior executives only. However, there are 3.5 million businesses with less than 50 employees and **now is the time to go back and visit all the employees.**

LTCI is, and I believe will for the most part remain, a one-on-one, face-to-face transaction. And the success of that transaction is and shall remain the personal experience of the buyer.

Care giving may be the most common experience we share as Americans. Find the care giving experience, and you find the sale. It is this which drives the individual as well as the small group market, rather than employer philanthropy or largesse.

Employers will gladly give access to their employees so an agent can offer LTCI—not just as a buy-up or for spousal coverage but, more important, for parents, in-laws and grandparents, so that the employees will not have to leave work to care for their extended families.

If you add two more ingredients to this obvious financial risk, I believe you have a winning formula to greatly enhance sales success.

First, an employer will take action to protect against his own financial loss. According to a 2001 National Alliance for Care Giving study, 52 percent of caregivers are full time employees, and an employee-caregiver costs the company an average of \$3,500 annually. The MetLife survey of 1997 estimated the economic value of care giving to society at \$200 billion per year. By the

year 2005, it has been estimated that almost 40 percent of the American work force will be in the prime age group (40 to 54) of caring for aging parents. Currently, one in four American households is involved in caregiving.

Second, if you add this driving force to worksite marketing, you have the blueprint to make absolutely sure no one is missed.

We know from extensive worksite research from LIMRA and HIAA that LTCI is one of the most popular and desired employee benefits. We also know that if employers buy some minimum benefit for their employees, employees are more likely to buy more for themselves.

A small daily benefit of \$30 to \$50 with inflation protection (and factoring in an average group issue age of 43) represents only 2 to 3 percent of payroll and is a fully

tax deductible item—the employer pays no FICA or FUTA on the dollars.

Add to this the importance of retaining the best employees and the increasing costs of meaningful health insurance benefits. Deductibles and co-insurance amounts need to be continually raised as medical inflation cost continues to rise; thus a growing number of employers are abandoning the perceived obligation to provide health insurance, yet are trying to find benefits they can provide on a consistent and reliable basis.

There is no greater formula for sales success: protecting against serious financial risk, offering clear cut tax benefits, and providing the opportunity for an employer to “look” good at a low cost.

I suspect there may be a few old bulls out there who know exactly what to do. □