



RONALD R. HAGEMAN, 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 and a principal in the agent sales training company Hagelman-Barrie Sales Training Solutions.

Hageman can be reached at Hagelman Consulting, 156 North Solms Road, New Braunfels, TX 78132. Telephone: 830-620-4066. Email: ronjr@satx.rr.com.

Multi-Life Trophies

In my opinion, two clear themes have emerged from all of the careful analysis and soul searching associated with our common desire to move the LTCI proposition forward. First, a need to sell less to more and, coupled with this, the need to increase our sales at the worksite. Health and retirement benefits are provided at work; it is only logical that post-retirement security be promoted at the same location.

Across the board, worksite sales—including true group, association and multi-life—are growing. Actually, we have done a fairly good job with larger groups, with more than 6,000 corporations offering voluntary programs. However, as outlined in February's true group LTCI (TGLTCI) survey, voluntary sales penetration remains in single digits.

The most important ingredient to expand sales is also present in the survey: the growth in popularity of core benefit buy-up programs now offered by almost all LTCI group companies.

However, there remains considerable confusion about how to be the most successful big game hunter. It seems the debate has shifted to a choice of weapons: true group or multi-life. Let's see if I can either clear this up or perhaps merely stir it up. In my opinion, multi-life, utilizing a core buy-up approach, is better than true group. I believe it is more effective regardless of how you compare the two.

The traditional primary difference between TGLTCI and multi-life individual

list bill is commission and pricing. TGLTCI is characterized by lower more leveled commission, while individual policies contain a higher first year and lower renewal structure. Commission allowances at the source are, of course, similar; the way the sales dollars are paid is different based on the approach to the sale.

When benefit specialists are only adding another supplemental benefit on an optional voluntary basis, employees are merely "enrolled," for the most part; they are not guaranteed to be individually counseled and sold. It should come as no mystery that regardless of how well targeted the education process, asking employees if they "want" LTCI is doomed to awaken the demons of anti-selection and low participation. Multi-life core benefit individual sales require at least two individual meetings with each enrolling applicant—one to take the individual application and one to deliver the policy. This creates a much greater opportunity for voluntary sales. The difference between the two approaches begins with this inherent structural enrollment difference.

TGLTCI is often offered only as an optional benefit in a long laundry list of available payroll deduction options (short term disability, group term, critical illness, vision, dental, etc.). *Is it any wonder we can't "bag more game" in this dismal environment?* LTCI must be sold, not merely offered, and primarily on an individual one-on-one basis. Commission initiative cannot

be ignored in the sales process. The first year commissions available in individual sales are absolutely necessary to facilitate sufficient participation.

Successful real estate sales are determined by location, location, location. Successful group LTCI sales, both in terms of premium and underwriting, are determined by participation, participation, participation. As reported by a number of major companies in the market at last year's National LTCI Producers Summit, implementing core buy-up programs can dramatically increase voluntary sales from low single digits to 30 or 35 percent, providing much greater participation than a pure voluntary program. Consequently, multi-life may actually produce more competitive premium than TGLTCI. Greater participation naturally reduces potential anti-selection. If I don't have to load for anti-selection, I can afford more competitive premium.

It is true that employer-controlled vesting in TGLTCI can lower premiums. However, I am hard pressed to understand how this helps anyone except the employer to reduce premium and commitment.

TGLTCI may offer coverage to spouses and some may even provide a spousal discount, although discounts are usually built into the aggregate rates. On the other hand, individual product offers the same—and often larger—spousal discounts. Although affinity discounts may be available to spouses, TGLTCI does not usually offer discounts to family members. Again, spousal and family member discounts contribute to greater participation and, therefore, more competitive premiums and underwriting offerings.

It is extremely important to understand that we are shifting the argument at the worksite from benefit to risk in an effort to clearly explain the direct financial and emotional cost to employers—they are not just adding another benefit; they are protecting a substantial risk exposure. The cost of employees leaving work to care for loved ones is the greatest risk. If you

do not even make the attempt to provide coverage for extended family members, you have not addressed the most important issue with the employer: the direct cost of employee caregiving. According to "Does LTCI Make a Difference?" the 2001 MetLife study of employed caregivers, "Those caring for disabled elders with private LTCI are nearly two times more likely to be able to work than are those caring for non-insured individuals."

The greatest difference between TGLTCI and multi-life list bill is flexibility. TGLTCI traditionally offers a limited number of choices. Although, for simplification purposes, multi-life may also limit enrollment choices. The ability to customize and adopt to individual need is more easily available with individual coverage.

It should also be easier to construct classes of benefits, utilizing a Section 105 medical reinforcement plan with the flexibility of a core benefit multi-life plan. Specifically, it may simply be easier to structure substantial differences in benefits between senior management and support personnel.

With TGLTCI, only an employer is asked HIPAA's consumer protection questions concerning nonforfeiture and inflation protection because he is the only policyholder. In my mind, consumer protection means just that. I like the necessity of having to take an application and deliver a policy and ask the HIPAA questions. LTCI is not just another benefit handled indifferently through the human resources department like a supplemental vision care policy. Yes, it is easier to enroll TGLTCI and have HR hand out certificates of insurance. Again, however, I'm not sure who is helped in that type of enrollment process.

It is not just flexibility at the time of enrollment; it's also flexibility in the future. It may be easier to amend an individual policy, subject to change in payroll deduction, than to amend an employer policy when choice is limited and changes may only be allowed on a periodic basis, i.e., annually during a scheduled re-enrollment.

Regulatory issues may also arise. There

remain some gray areas in the minds of some attorneys that TGLTCI may be subject to ERISA and, therefore, exposed to issues of discrimination and required filings. Although purely voluntary plans would not appear discriminatory, there remains some ongoing concern. The status of an individual policy is much clearer.

Multi-life may also provide greater underwriting flexibility: TGLTCI is usually made available on an accept-or-decline basis. In contrast, individual underwriting may have multiple rating categories, allowing a greater opportunity to obtain coverage.

Portability is a key difference. Conversion policies are required with TGLTCI; however, individual policies are already in the hands of the insureds. More importantly, a desire by the consumer with TGLTCI to *change* carriers may not be possible, since the individual conversion would remain in the same pool of premium.

There may also be concerns about legal recourse for employers and employees. If TGLTCI were to be interpreted as subject to ERISA, it is possible that judgment in claims of good faith with insurance companies would not be possible, as is the case with group disability insurance.

At this point, I am sure that TGLTCI advocates are out buying a new rope for my benefit. So let's go ahead and finish this off. Except for the largest companies with the greatest amount of indifference to the importance of the benefit, TGLTCI is not my option of choice and cannot help us move forward.

Is there some part of better premiums, better commissions, better consumer protection, better benefit flexibility, better portability, and better future rate stability that I may have missed?

The truth is we don't yet have a small group LTCI market. However, I believe that America is a land of small entrepreneurs. Millions of businesses need our help and we are not going to put any trophies on the wall shooting BBs from a TGLTCI blunderbuss. ☹