



**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. Website: www.HBLTCI.com.*

# How Could It Possibly Get Any Worse?

This spring I have been presenting a continuing education course for agents entitled "LTCI at the Crossroads." The purpose of the seminar was to discuss the current condition of our industry and what we have learned from research, as well as to pound the pulpit on *why now is the absolute best time to sell LTCI.*

I forwarded a PowerPoint slide that listed my reasons for believing now is the best time to sell LTCI to several thousand LTCI agents, brokerage general agents and company representatives, and asked for comments.

The responses were very comprehensive and, for the most part, in agreement with my bullet points, although emphasis did certainly vary. I have never claimed to have a monopoly on the truth, merely what may seem to many as an unending supply of opinions.

When you add up: negative sales results (beginning in 2001 and continuing into the first quarter of 2006), an abundance of closed blocks of business, dramatic overall premium increases, more restrictive underwriting, and retreat of carriers, agents and general agents from the struggle, it may be difficult to locate sufficient optimism. Martin McBirney, actuary, lobbyist and consultant from Sandpoint, ID, said it best: "How could it possibly get any worse?"

The answer really is, "We have nowhere to go but up." I am not a hopeless Pollyanna; there has simply never been a better time to commit to protecting the greatest unsecured risk in our industry's history.

Consumer awareness is growing; more

and more clients are asking their agents for planning assistance. Caregiving issues are becoming the engine that pulls the freight train. Many of us have become personally involved with family disability or dependence issues. We look in the mirror and see the wrinkles and we begin to understand our fate.

General agent Alyse N. Blumberg, Blumberg Financial Services, Lower Gwynedd, PA, summarized it this way: "Nothing lasts forever—sometimes as consumers and sales professionals we have to identify good opportunities, share them with our client, and take advantage of their availability while we're in good health, while we can afford to do so, and while the products are available for purchase."

Peggy Murray, director of underwriting, Long Term Care Partners, LLC, Portsmouth, NH, added, "If aging boomers cannot get LTC insurance for their parents, I cannot imagine why they are not thinking about it for themselves."

General agent Dave Chittenden, The Chittendens, Phoenix, AZ, was even more precise: "Your client's health is most likely the best it will ever be for the rest of his life."

Karen Barron Smith provided a quote by Bishop Robert South: "If there be any truer measure of a man than by what he does, it must be by what he gives." She reminds us that long term care insurance is a gift to your family. A gift that says, "I am protecting the quality of my life to protect the quality of yours."

Consultant Honey Leveen, Your LTCI Specialist, LLC, Houston, TX, points out

that her clients are aware of LTC issues, and they already understand that the government won't pay. She also reminded me of the special nature of her chosen profession: "LTCI business is blissful compared to other types of insurance sales."

LTCI administrator Sarah Walter, George W. Evans & Associates, Inc., Houston, TX, summed it up: "Caring for elders affects all families. And those who don't have elders in their families are affected when the government pays the bills." Caregiver shortages and the relentless medical inflation costs were also a concern. I was also reminded that rising deductibles and co-pays for healthcare continues to enhance the perception of LTCI as a sound investment.

What is finally being accepted is that if we are able, we will have to pay and take personal responsibility for our own care. The government cannot and will not provide assistance, as Marilyn Meyerowitz, principal, Benefit Program Services, Inc., Union, NJ, commented: "That means that we can only rely on our own resources, and for most of us that will not cut it."

As might be expected, Stephen Moses, director, Center for LTC Reform, Seattle, WA, summed it up best: "You can always tell the pioneers by the arrows in their backs. So, veterans in the long term care insurance business must feel like pin cushions. But that's all about to change. Here's why. Social Security and Medicare have combined unfunded liabilities of \$84 trillion. No one has even run numbers for Medicaid—the primary payer for long term care in the United States. As the age wave crests and crashes, those government programs will implode. Most baby boomers will have to turn to their home equity to obtain quality long term care in the future, unless they wise up and purchase LTCI. More and more of them will. That's what is different from before. And that's why the market for long term care insurance will explode over the next 10 years."

Boomer demographics are already upon us. The magnitude of future caregiver shortages is being recognized. Boomer experience with aging parents will continue to emphasize the emotional, physical and

*"The LTCI sale has gained credibility and stature. It is being recognized as an essential part of professional planning."*

financial devastation of a long term care event. Jeff Evans, marketing representative for George W. Evans & Associates, Inc., explained, "Boomers are having that personal experience of having someone they know need care and are starting to realize what the costs really are." It is the age wave in and of itself which creates the parameter of the potential. We still have much work to do. As LTCI specialist George Leslie, Source Brokerage, Inc., Indianapolis, IN, suggests, "LTCI sales are still an untapped marketing opportunity."

We are also at a point in history at which we can indeed learn from our mistakes. Rates and benefits have been "stabilized." The industry has only recently completed a substantial rate revision. This provides us with a relative period of calm without the fear of severe rate fluctuations. As Billy B. Hill, Jr., president of the United Teacher Associates/Loyal American Life, so eloquently summed it up: "The fires of the early mistakes of persistency and interest rates have cleared the field and allow new entrants to sensibly price the product."

I would like to add that the hemorrhage of carriers leaving the business seems to have abated. In addition, rising interest rates creates considerable optimism for

current business profitability, as well as the prospect of new players in the market.

Product innovations are finally emerging from the overall sameness of the marketplace. In truth, we have been continuing to apply Band-Aids to a product that was originally designed 15 years ago for senior clients. That market and that product's usefulness have long since passed us by. General agent Tom Riekse, Jr., LTCI Partners, LLC, Libertyville, IL, points out that, "Carriers are using consumer market research to retool their message."

President and CEO Ed Ledford, Market-Share Financial, Indianapolis, IN, adds that, "Simple solutions that advisors can feel confident about delivering are now emerging in the marketplace."

The most common objection remains that the product is too complicated, too expensive, and the distance to the claim is too far for the client to see. Clients still have trouble understanding the value proposition of the purchase. These concerns are finally being addressed by product and sales innovations.

Worksite sales will grow exponentially as more boomer employers understand the cost of the caregiving risk. A prediction by Paul Rose, vice president of marketing for Western Asset Protection, Phoenix, AZ, is the one I liked best: "Small group LTCI will explode in less than a year." Agents learned how to make the executive carve-out sale and transformed our industry. They are now learning how to make the core buy-up sale and complete their sales responsibilities. Underwriting concessions will continue to add fuel to this fire.

The long term care insurance sale has gained credibility and stature. It is being recognized as an essential part of professional planning. John M. Drye, Esq., general counsel for LTC Compass.com, said, "Financial planners are starting to realize the liability issues they face for not investigating LTCI as a planning tool."

Registered representative Mike Cajthaml, McHenry Investment Services, Inc., McHenry, IL, adds, "I would not be a professional if I didn't bring up the idea of LTC insurance."

Brian Nelson, managing partner of the senior products division of MarketShare Financial, confirms it as a "vital element of the general planning process."

I think general agent Gail Steingold, Burling Insurance Group LTC, Chicago, IL, nailed it: "Most Americans have not saved enough to fund their retirement, let alone an LTC risk. LTC requires a specialized professional."

The Deficit Reduction Act of 2005 has changed the game. Joe Lessen, director of special projects for federal affairs, AHIP, confirmed that the partnership plans are on the move. Idaho was the first new state to approve Medicaid plan document amendments. Paul Rose pointed out that, "Attorneys are facing new challenges with tighter rules on Medicaid." LTCI will, by necessity, be recommended more often.

Chris Perna, president, MedAmerica, reminded me that we are also getting help on the state level: "More states are offering meaningful incentives; for example, New York offers a 20 percent tax credit. If a state is willing to subsidize a significant share of LTC premium as an incentive to buy, we should be selling to that!"

In conclusion, I was offered a number of personal observations that help to best quantify the future potential marketing implications. Rick Radford, principal of Cornerstone Insurance & Financial Services, Inc., Birmingham, AL, reminded me that brokerage sales in general could use a shot in the arm. His simple and insightful response was, "We need the money!!!!!" General agents Art Jetter, Art Jetter & Company, Omaha, NE, and Bernie Vukelich, Executive Brokerage Services, Pittsburgh, PA, men-

tioned our declining agent base. Past Chair of LTC Network Peter Gelbwaks, Gelbwaks Insurance Services, Inc., Plantation, FL, summed it up best: "With fewer independent agents competing in the LTCI marketplace, and virtually no carriers training new agents to specialize in LTCI, the marketplace is wide open for those agents committed to this field."

And finally, this from Mike Muench, Platinum Services, Inc., Dubuque, IA: "Slowing down now would be like quitting five feet from the finish line. As an industry, let's get busy!"

I recognize that there is disappointment and discouragement. However, as my late father would have said, "Now is the moment to pick up your rifles, emerge from the trenches in force, and take our objective." *It is, in fact, the best time.* 🌍