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Who Do You Love?

As I continue to travel across this wonderful country, one burning question emerges from concerned producers.

How do you choose the right long term care company?

In fact, as a consultant, I was recently asked if I could recommend the three best companies to move a marketing opportunity forward. I am not, of course, going to name my personal favorite; however, I would like to provide some guidelines to determine your own love interests.

It is best to begin with a basic evaluation of the primary points of contact: (1) product, (2) underwriting and (3) commissions.

Product issues are the most visible. Does the company remain competitive in terms of flexibility and benefit structure? Long term care insurance policies have undergone an amazing transformation over the last 7 to 10 years, from humble beginnings as Medicare supplement look-alike products to rather sophisticated financial instruments providing retirement security, tax prevention and wealth transfer. The number of benefits provided continue to escalate and adapt to an evolving market and a changing need. The simple question becomes: *Is your chosen company dedicated to keeping pace with an industry in constant transition?*

Underwriting may be the most important consideration. One of the greatest motivations to buy is the sure and certain knowledge that everyone's health will change. It is important to select a company that understands that producers must outplan and outsell the march of time. The best companies will be committed to helping you making the sale before it is too late. This is not a product with an impaired risk alternative. It has to be said; nothing will take the wind out of a company's sales faster than bad underwriting decisions.

My only comment about commissions is that they are just like rain: too much or too little are equally bad.

Yes, size and financial strength are important. The rising, and some would say shocking, persistency of individual long term care insurance does suggest that there will be substantial and hopefully anticipated claims in the future. A company in partnership with its reinsurer needs to be there when the time comes. Obviously a strong reinsurance relationship is a clear indication of staying power.

The next question becomes *how do I determine whether a company is susceptible to future rate increases?* Let me begin by suggesting there is only one sure way to avoid future rate increases: select your client's favorite advanced pay strategy and pay up his policy. I recognize this is not an alternative for many. In that case there is, frankly, only one concept that matters—conservative—conservative product structure, conservative underwriting and conservative commissions. The most important being precise and restrictive underwriting philosophies.

All the above being said, there is one answer that emerges from survey after survey: ***price does matter.*** Competitive pricing and conservative product are not, however, mutually exclusive.

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I am now going to go way out on a limb, which is a realm in which I have become quite familiar over the years. **It is very important to select companies with diverse distribution channels.** A company that has the ability to accommodate the politics of channel conflicts is better prepared to face adversity. A company that is in a position to blend and satisfy the needs of more than one constituency makes a stronger business partner. If the product is needed by more than one field distribution, it is less likely to be sacrificed based on profitability. As I have mentioned in previous columns, making money selling long term care insurance is very difficult. If the product must stand alone and isolated with no additional rationalizations to accommodate its future, it is clearly more vulnerable to capricious corporate decisions. If, however, the company understands that it is doing the right thing by offering the product and servicing the needs of its policyholders and distribution, it will experience greater longevity in the market.

The final and the most important consideration when determining the identification of the brightest stars in the long term care business are the people involved. In truth, service and attitude completely control the home office—and they are often the most neglected. A company must want your business and understand and respect how hard it is to sell insurance. When you have a problem, can you actually speak to someone in underwriting or policyowner service, or has the company imposed barriers and restrictions on your ability to sell and serve your client? Has the company selected its brokerage distribution with care? Is your BGA your advocate or just another impediment to success? Has your company chosen knowledgeable and helpful regional vice presidents that build strong and direct relationships?

Frankly, this last list of intangibles makes all the difference in the world. Which are the best? "The answer, my friend, is blowing in the wind, the answer is blowing in the wind."