



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 the president of 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 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.

Don't Look Back

Long term care insurance sold and underwritten properly is, by definition, a claim that occurs after a substantial passage of time. Your role as an agent is to make sure that a policy sold today will withstand the test of time.

Every sale is customized, based on need and the specific desires of the customer in front of you. Ultimately clients buy what they want; but hopefully only after you have recommended what you, in your best judgment and knowledge, believe will address their needs and their ability to provide for those needs.

Selling long term care insurance is always an educational process. A long term care specialist needs to have a strong foundation in understanding the history of the product, HIPAA guidelines and NAIC model regulations, Medicare/Medicaid and policy benefits. I strongly recommend a professional long term care insurance designation such as CLTC or LTCP.

What can you do now to prevent problems from occurring in the future? How can you ensure that your client's intentions today become the reality he had planned for tomorrow?

I see two levels of serious concern: (1) policy benefits and (2) general professional liability.

Policy benefits in long term care insurance do represent an amazing number of "moving parts." Your ability to explain and recommend these benefits will define your career in long term care insurance sales.

You should begin with a concern that your recommendations will provide the protection necessary to adequately cover the risk at the time of claim. You should also recognize that others, including those outside the transaction, may come to believe that any benefit combination that falls short of expectations incurs sales culpability. Specifically, any shortcomings in terms of benefits paid may certainly be perceived as your direct responsibility at the time of claim.

Daily benefits should be recommended, based on the prevailing average cost in your area. Choices can fall across a fairly wide spectrum. There may be a concern that medical inflation historically rises at 6 to 7 percent, and inflation protection may not keep up. Therefore, utilizing an indemnity plan at a higher room rate may have merit. Selling less than the prevailing room rate is certainly also acceptable in combination with adequate inflation protection, since the policy will represent an ongoing and predictable percentage of the risk. Covering one-third, one-half or more of the risk is acceptable as long as the client understands and is given the opportunity to do more. Daily benefit amounts represent the equivalent of coinsurance amounts in health policies.

Elimination periods represent deductibles. Perhaps the greatest consideration here is that many policies are per diem policies with benefits payable only on days where service was received. A 90-day elimi-

nation could represent a much longer period before claims would be paid. Although you will probably be recommending a shorter elimination period, cost becomes a strong consideration with this benefit. You should explain the difference between 90-day elimination and 90-day certification thoroughly and repeatedly if necessary.

Benefit period is a highly debated, and some would suggest controversial, area of concern. Your job is to approximate a policy duration that coincides with an average nursing home stay or protects against the catastrophic risk of an extended long term care event experienced both at home and in a facility.

Inflation protection and nonforfeiture options also create their share of controversy and opinions. Conversations about these policy features are at least mandated by HIPAA and policy application requirements. Opinions here vary dramatically from compound COLA every time, regardless of age, to a tiered approach which utilizes a diminishing return with age. What is important is that without inflation protection you are clearly selling a “phantom” benefit that will evaporate

over time with the ravages of inflation. An actuary recently pointed out to me that the least expensive option to buy—guaranteed purchase option—will eventually cost more than a level compound or simple inflation protection benefit. The gamble is that all available non-underwritten increases in benefits will be exercised. If they are not, for whatever reason, do you share in the responsibility?

This discussion is not meant to be all-inclusive. While there is a wide difference of opinion about the appropriate level of benefits, what is critical is that clients thoroughly understand LTCI options at the time of purchase.

Following are several strategies that may help protect you against future liability. You should write a clear statement about your client’s understanding of and desire for LTCI in the agent comment section of every application. I would also recommend keeping a signed proposal ledger in your file showing your client’s benefit choices. My strongest recommendation is that you utilize a long term care insurance refusal form, which spells out what you recommended and why, versus what was

chosen. This form should be signed by you and the client.

The voluntary group market creates an opportunity to access affinity discounts, which leads to another important purpose of long term care insurance refusal forms. You can document those who did not buy. This process opens up the second area of general concern: direct and individual professional liability. The conversation is again bubbling to the surface as it did with individual disability insurance. If you have not recommended and your client has not bought long term care insurance protection, does any responsibility fall on you personally? I can only express my opinion here: Long term care insurance is an integral and, I believe, mandatory component of a well-constructed financial plan. How do you build a career creating and protecting assets up to retirement and not adequately protect those assets after retirement?

Ideally you should explain LTCI benefits in great and vivid detail, taking an educational yet collaborative approach and documenting your actions. In doing this, you will create an environment in which you don’t have to look back. 🌐