

Senior Insurance Training Services

Long-Term Care Insurance Success!



Continuing Education & Sales Training

(800) 460-7487

All Along the Watchtower

See Inside:

- New Innovations in LTC on the Horizon
- New LTCI Rate & Consumer Guidelines
- Advanced LTCI Sales Course Expanding
- New 2001/2002 Fall/Winter Schedule
- Clarification of NTQ Sunset & Taxation Benefits

In his seminal 1971 album entitled “John Wesley Harding”, Bob Dylan contrasts the different ways individuals perceive reality through a series of parables and ballads, always with the goal of unmasking unpleasant truth. In one of his closing songs, he faces off a joker and a thief in the crucible of the issue as the one looks to the other for “some way out of here.” They conclude that there’s too much confusion and that there’s no time for false talk as “the hour is getting late.”

The forces of medical technology and 21st century demographics portend such a crucible for LTC insurers as they and their unwitting customers struggle to deny emerging realities surrounding the long term care risk and how it will be dealt with in the decades to come.

Today’s Product Model

As every agent knows, the central hurdle that lies before purchase is the denial of risk. This is what makes the LTCI sale such an emotional one and is the issue that must be dealt with before a product can be presented. What is less apparent is that the denial actually persists after the sale is made.

When a client comes to accept that long-term care is a reality of aging and that it may become an issue in their life, the purchase of insurance plays the role of providing emotional distance from that reality. That is, by buying a policy, they are able to distance themselves from a highly unpleasant matter through the reassurance that the insurance has dealt with it. In our circle, we call this “peace of mind.” A more accurate description would be to say that it has been put it “out of mind.”

What makes today’s LTCI product model work is that this disposition toward the risk, to write a check and forget about it, precisely matches the goal of insurers. As one prominent Medical Director in the industry put it, “We want to be invisible to these people. That’s why we like monthly bank draft. They forget about us.” The ideal client from an insurer’s point of view is the one who regularly sends checks and forgets they have coverage.

A similar mentality emerges at time of claim. As anyone who has dealt with the issue of long term care in their family knows, the true driver of need is not ADLs or Cognitive Impairment, but a breakdown in the family support structure. Emotional and work related stress ultimately forces the decision to “put mom in a nursing home.” The result is panic, reaction and crisis management.

Issue 22

November 2001

continued on page 2

All Along the Watchtower

continued

Once again, this exactly fits the insurer's business model. Put off using the benefit until there is absolutely no other choice. Unfortunately, what insurers and clients both miss is that this Faustian bargain results in a reduced quality of life and the payment of unnecessary benefits in cases where early, low cost intervention could dramatically reduce costs and improve the quality of life. It also fails to prepare insurers for emerging trends that are going to force change, whether they like it or not.

Tomorrow's Reality

In a Senate Health Subcommittee hearing earlier this year, researchers in the field of Alzheimer's Disease testified that, due to America's declining birth rate, this disease will affect 4% of the population by 2030. If one accepts that an advanced Alzheimer's patient requires the equivalent of one person (combining time spent by family members, aides, nurses, administrators, etc.) to meet their needs, this implies that 8% of the population will be sidelined by a single disease.

In the absence of a dramatic change in immigration policy (not likely, given the events of September 11), this will augur a significant reduction in our standard of living, as 1 in 12 adults will basically become placeholders, involved in activity (or inactivity) that has no positive economic benefit.

Given America's boundless resourcefulness, such a situation will not endure. The country will find a way to reduce the effect of Alzheimer's and other chronic conditions so that we are not reduced to a third world nation covered by LTC facilities in which the makers of bed pans and food bibs are the only ones who prosper.

Already today, highly innovative companies are finding ways to mitigate the effects of chronic disease, particularly in the area of Alzheimer's. Simple prevention, detection and treatment protocols can delay the effects of Alzheimer's by 3 to 6 years, without extending life expectancy, resulting in dramatically reduced costs and an improved quality of life. The tradeoff, however, is acknowledgment of the prospect *before* it occurs, which given today's LTCI product model, is heresy to insurers.

Nonetheless, these developments will continue, as the forces of medical research and demography are not to be deterred. The choice insurers are faced with is to embrace these trends, and incorporate proactive components into today's purely reactive product model, or to sit on the sidelines while this and related technologies find their way as tools of antiselection. Simply put, they can bring these changes inside their industry so as to reduce costs and improve outcomes, or allow them to reside outside and drive up costs. The evidence to date is that they're willing to gamble on the latter.

Bob Dylan's song ends with the lines,
"Outside in the distance, a wildcat did growl.
Two riders were approaching, the wind began to howl."

For those who look carefully, the two riders, demography and medical technology, are just on the horizon.

To verify CE credit unit hours or any other licensing information,
visit the DOI Web site at: www.insurance.ca.gov or
call toll-free (800)-967-9331 or (916) 322-2555

New LTC Insurance Company Rate and History Guide Plus California DOI LTC Insurance Consumer's Guide Now Available Through SITS

Tom Orr of Senior Insurance Training Services has acquired 2000 copies of the new California DOI LTC Insurance Company Rate and History Guide. This 500 page guide will provide an agent with over 365 pages of company rate comparisons illustrating their 3 year vs lifetime options from comprehensive to California Partnership. These comparisons represent companies currently approved to do business in California. In addition to the comparisons, the guide also illustrates over 85 pages of company "rate increase" history going back ten years on existing policyholders in California and or nationwide. This alone is worth \$150 in the private market. **This Free guide is available to all students who attend any of SITS 8 hr CE approved LTC/CTQ Seminars. ***

Plus...

Any student/agents who attends the California Partnership 8-hr CPR Seminar receives a free copy of the California DOI LTC Insurance Consumer's Guide, April 2001. This 34 page guide is provided by the DOI of California to help educate California consumers about the issues associated with long-term care and its insurance. This free guide is available to all students who attend any of SITS 8-hr CE approved CA Partnership seminars.

Both Guides are free to consumers or agents through the DOI (Department of Insurance) at (800) 927-HELP or attend * one of Senior Insurance Training Services Seminars. *(attend means paid student) –the 8 hr CE/LTC-CTQ for the rate guide or the 8 hr CE/Cal Partnership–CPR for the consumer guide. See page 4 for the current seminar schedule for a location near you or call us at 1-(800) 460-7487.

Senior Insurance Training Services Revamps "Advanced" LTC Insurance Sales Workshop

Tom Orr is currently working with LTC Insurance industry experts on expanding his current "Advanced" LTC Insurance sales course "The Magic of Selling LTC Insurance." Based on all the evaluations from past attendees and taking into consideration new insights, studies and ongoing discussions with industry leaders, SITS is in the process of expanding the material and curriculum to include pre-course review/CE material, point-of-sale handouts, on-going support material, etc...all this and more! So stay tuned for the next newsletter for more details!

Seminar Calendar 2001 & 2002



CALIFORNIA LONG-TERM CARE (CTQ-CALIFORNIA TAX-QUALIFIED) - COURSE #83363

	November 01		December 01		January 02		February 02
2	Riverside	4	Ontario	4	San Francisco	5	San Jose
6	San Francisco	5	Woodland Hills	8	Fresno	6	Woodland Hills
7	Woodland Hills	5	San Rafael	8	San Jose	7	Sacramento
9	Fresno	6	Walnut Creek	9	Woodland Hills	7	Ontario
13	Sacramento	11	Santa Rosa	10	Modesto	8	San Rafael
16	Costa Mesa	11	Pasadena	15	Walnut Creek	13	Pasadena
20	Walnut Creek	13	Sacramento	16	Santa Barbara	14	Costa Mesa
20	San Bernadino	14	Costa Mesa	17	Sacramento	20	Walnut Creek
30	San Jose	18	San Diego	18	Costa Mesa		
				29	San Diego		

All Long-Term Care class attendees will receive a free "California Department of Insurance Long-Term Care Insurance Company Rate & History Guide - 2001"



CALIFORNIA PARTNERSHIP FOR LONG-TERM CARE - COURSE #85943

	November 01		December 01		January 02		February 02
9	Riverside	4	San Jose	3	San Diego	13	San Jose
13	San Francisco	7	Ontario	11	San Francisco	19	San Diego
14	Woodland Hills	12	Woodland Hills	18	Walnut Creek	20	Woodland Hills
15	Fresno	12	San Rafael	22	Fresno	21	Ontario
28	Costa Mesa	14	Santa Rosa	23	Woodland Hills	26	Walnut Creek
28	Sacramento	18	Walnut Creek	24	Sacramento	26	Costa Mesa
30	Walnut Creek	19	Pasadena	25	San Jose	27	Pasadena
30	San Bernadino	20	Sacramento	30	Santa Barbara	28	Sacramento
		20	Costa Mesa	31	Modesto	28	San Rafael
				31	Costa Mesa		

All Partnership Class attendees will receive a free "California Department of Insurance Consumer Guide - 2001"

Minimum of 10 paid enrollees are required to hold a class

All courses 8:30am - 4:30pm

Long-Term Care & Partnership courses cost \$85 each, sign-up for both and save \$20!

Long-Term Care Correspondence cost is \$58.75

8 Hours of CE credit per course

MORE THAN JUST CE. IT'S INFORMATION YOU CAN USE.

Registration Form

Seminar Descriptions & Fees



California LTC/CTQ Seminar

(new course # 83363 as of 7/7/00)

8:30 AM - 4:30 PM **8** hours of CE credit

\$85 per seminar - \$100 at door

CFP Approved for 8 hrs.

California LTC/CTQ

CORRESPONDENCE

(new course # 83364 as of 7/7/00)

8 hours of CE credit

\$58.75 (includes sales tax and Priority mailing)

CFP Approved 6 hrs.

California CPR/TQ

(new course # 85943 as of 10/6/00)

8:30 AM - 4:30 PM **8** hours of CE credit

\$85 per seminar - \$100 at door

CFP Approved for 7 hrs.



\$20 discount when reserving attendance & paying for both LTC and CPR seminars. (Does not include correspondence.)

4 Ways to Register for Seminars:

- ◆ **CALL** (800) 460-7487
- ◆ **FAX** (707) 939-9599
- ◆ **E-MAIL** tomorr@ltcce.com
- ◆ **MAIL** with Check or Credit Card Information.

**VISIT OUR WEBSITE
WWW.LTCCE.COM
ASK ABOUT PRIVATE
SEMINARS**

Minimum of 10 paid enrollees are required in order to hold a class.

NAME: _____ PHONE: _____

ADDRESS: _____ FAX: _____

CITY / STATE / ZIP: _____

EMAIL: _____

SSN: _____ LICENSE: _____ EXP DATE: _____

COURSE (circle one): LTC CORRESPONDENCE 8HR LTC SEMINAR 8HR PARTNERSHIP SEMINAR

DATE / LOCATION: _____ Payment Type: CHECK VISA M/C
American Express, Discover Not Accepted

Credit Card #: _____ Exp. Date: _____

Signature: _____

**72-Hour Cancellation Notice Required for Refund
Non-Cancellation is Forfeiture of Tuition**

Clarification of NTQ Sunset Provisions & Taxation of NTQ Benefits

In the last issue of SITS newsletter, Issue 21, July 2001, we informed you of the “sunsetting” of NTQ policies pursuant to subdivision (a) of Section 10232.2 (SB 527) which took effect July 1, 2001. In addition to the “sunsetting” of NTQ, Section 10232.23 (SB 1527) which essentially stated that if federal law is enacted, or the United States Dept. of Treasury issued a decision, declaring that the benefits paid under long-term care insurance policies or certificates that are not intended to be federally qualified (NTQ) are either taxable or nontaxable as income, that policyholders of long-term care insurance sold pursuant to subdivision (a) of Section 10232.2 shall be given a one-time opportunity to exchange their long-term care policy. This bill was also part of the “sunsetting” provision which took effect July 1, 2001.

Simply put, effective July 1, 2001 carriers are no longer required to offer NTQ policies or a one time exchange. However, no one could be ignorant enough to assume that if the federal government or treasury/IRS were to experience an out-of-body experience (i.e.: officially tax NTQ benefits) that California would not one: enact emergency legislation essentially enacting SB 1527 or simply refer to Sec. 13. Section 10235.50–step-down provisions (i.e. Assuming NTQ is perceived as a better policy so “stepping-down” to a TQ would/could apply?) or Sec. 16. Section 10235.51–step-up in coverage provisions could be interpreted to include NTQ to TQ assuming like for like benefits or even Sec. 14. Section 10235.52–updating existing coverage.

Since the last newsletter, SITS has been bombarded by e-mails, faxes, phone calls regarding a recent article in California Broker which was written by a provider of LTC CE in San Diego who stated that since the sunsetting of SB1527 effective July 1st 2001, “many policy holders who have been sold NTQ policies will not have the opportunity to switch over to TQ policies without proof of insurability and may end up paying thousands of dollars of tax on these benefits.” The author goes on to say that the “IRS confirmed in writing that NTQ LTC insurance benefits are taxable income.” I took the many faxed and emailed copies of this article to our CPA (35 year-Senior Partner at Ernst & Young–Retired) and after extensive review of IRS publications, rulings, regulations, court cases and code sections he simply had one comment “**Baloney.**”

First of all, Refer to IRS Publication 502 (schedule A-Medical Deductions) Long-Term Care Insurance/Expenses. Long-Term Care Insurance is generally treated the same as accident and health insurance (refer to IRC ss 7702B.) Also, when one reviews Qualified LTC insurance benefits, Qualified LTC Insurance Contracts, Qualified Long-Term Care Expenses (i.e.: to include diagnostic, preventative, therapeutic, curing, treating and rehabilitative expenses for chronically ill Patients-those unable to perform two of the following daily tasks: Bathing, dressing, toileting, continence, transferring, and feeding without substantial assistance for a period of 90-days) or cognitive impairment. One will see that if a CPA was to say “That NTQ policy benefits are taxable-no ifs, ands or buts-It's time to find a new CPA !” This and much more will be reviewed in Senior Insurance Training Services 8-hour/LTC-CTQ Classroom programs. When you are ready to learn about LTC and it's insurance, call SITS.

Implications of SB 870

In 1999, the legislature of California passed SB 870 with an effective date of 7-1-01. Essentially, SB 870 was a clean-up bill for issues missed in 1997 under SB 1052.

The big points of the bill was the mandating of RCFE's to be included in all LTC insurance policies (not as a rider). Since 1992, under SB 1943, which addressed what it took to trigger home care benefits, SB 870 finally defined what it took to trigger facility benefits (both NH & RCFE's)—i.e.—the same triggers used to access home care benefits. Also, SB 870 raised the minimum benefit payout for RCFE's from 50% to 70% as well as mandating that not only will room and board be covered but all ancillary services including personal care and homemaker services.

Company's could no longer raise rates on individuals who due to death or divorce are no longer married, therefore the spousal discount would no longer apply. Besides minor clean-up issues the final change included the dropping of the "Mental and Nervous Disorders" from the exclusions sections of all LTC Insurance policies.

These and many more issues are addressed in Senior Insurance Training Services 8hr/CTQ classroom and correspondence programs as well as 60 author's notes in the material to leave the student with a simple explanation as to its implications to the carrier, the agent and the consumer.

Stay tuned to SB 898 (Rate Stabilization Bill) in which carriers now must be refiling to comply with by 1-1-03.

Call 1-800-460-7487 for more than just CE...It's information you can use!



All Agents/Brokers selling Long-Term Care Insurance

Due to the overwhelming success of the John Hancock Pre-Partnership launch in June 2001, we are offering these classes again!

John Hancock is sponsoring three 8-hour California Partnership/Continuing Education Product Seminars at the following locations:

November 27, 2001
Marriott Walnut Creek
2355 N. Main St.
Walnut Creek, CA
Tel: 925-927-1122

November 28, 2001
Hilton
100 W. Glenoaks Blvd.
Glendale, CA
Tel: 818-956-5466

November 29, 2001
Airport Marriott
18000 Von Karman Ave.
Irvine, CA
Tel: 949-553-0100

- Become certified to sell the California Partnership Product
- Earn 8-hours of California CE credits (automatically reported to the Dept. of Ins.)
- Overview of the NEW John Hancock Long-Term Care Insurance Products
- Receive a complimentary copy of:
 - > "What you need to know NOW about Long-Term Care", a 30-minute point of sale video by the California Partnership of Long-Term Care
 - > California Department of Insurance Consumer Guide 2001
- \$65 per person pre-paid**, includes lunch and validated parking. Seating is limited to the first 55 pre-paid attendees. Please contact the hotel for directions.

Complete the attached registration form and begin your journey into the California Partnership for Long-Term Care with John Hancock!

If you have any questions regarding this information please contact SENIOR INSURANCE TRAINING SERVICES AT 1-800-460-7487.



SENIOR INSURANCE TRAINING SERVICES
670 W. Napa Street, Suite M
SONOMA, CA 95476

PRSRT STD
U.S. Postage
PAID
San Jose, CA
Permit No. 2196

Inside:

- New Innovations in LTC on the Horizon
- New LTCI Rate & Consumer Guide
- Advanced Sales Course Expanding
- New 2001/2002–Fall/Winter Schedules
- Clarification of NTQ Sunsetting & Taxability of Benefit
- John Hancock CA Partnership Re-launch

Host Your Own Advanced Private CE/Sales Seminar and receive free copies of the California Rate & Consumer Guides

Tom Orr, President of Senior Insurance Training Services, with over 14 years of LTC Insurance home office, agent training and field selling experience, will personally conduct private, one day 8 hour sales and/or LTC CE programs for your agency or group at your location. California Long Term Care/CTQ, California Partnership, and the Magic of Selling LTC Insurance Workshops are available for your convenience. Tom's dynamic personality and in-depth knowledge on the subject will empower your group to expand their opportunities in the dynamic field of LTC Insurance. Group discounts are available as well as customized programs focused on you products. Minimum class sizes are required. Call today at (800) 460-7487 to reserve a date for your agency to increase their LTC Insurance results.