

Senior Insurance Training Services

Specializing in Annuity & Long-Term Care Insurance Continuing Education



It's more than just CE...It's information you can use!

Are YOU in Compliance?

(800) 460-7487

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From: Department of Insurance
Administrative and Licensing Services Branch
Producer Licensing Bureau – Education Section

To: Continuing Education Providers

Date: May 2004

Subject: Annuity Training Requirement for Life Agents

On September 29, 2003, Senate Bill 620 (Scott, Chapter 547, Statutes of 2003) was signed into law. This law requires that all life agents selling annuity products after January 1, 2005 must have completed a California Department of Insurance (CDI) approved 8-hour training course on annuities. This law applies to all annuity products (i.e. fixed, indexed, variable).

Specifically, Section 1749.8 of the California Insurance Code states that prior to January 1, 2005 any life agent who sells annuities must complete 8 hours of annuity training prior to soliciting individual consumers and 4 hours of training every two years prior to license renewal. Life Agents currently selling annuities must complete this training prior to January 1, 2005 to continue offering these products. To comply with the law, the CDI's Curriculum Board established an SB 620 Subcommittee for the purpose of developing an 8-hour Annuity Training Outline.

In addition, the 4-hour continuing training requirement must be completed by the life agent in the subsequent license term that follows the completion of the 8-hour initial training. For instance, if a life agent completes the 8-hour training in December 2004 and the life agent's renewal is in February 2005, that life agent will be required to complete the 4-hour continuing training on or before his or her February 2007 renewal.

****See page 3 of this newsletter for more details****

NEW LTC/CTQ CLASSROOM/CORRESPONDENCE COURSE APPROVED

Finally! After 21 months from submitting the revised LTC/CTQ 2000 course in August 2002, the "New and Significantly Improved" LTC/CTQ 2004 Course has been approved.

This Course has over 95 Author/Special Notes, an enhanced MediCare/Medi-Cal Section, and new charts, studies and illustrations. A 2003 LTC Cost Survey covering the State of California, an expanded LTCI suitability section, product features section and agent compliance/record keeping section. Updates on CalPERS, the Federal Plan, AARP and a tax section.

This is the most Comprehensive "California Specific" course in the State that includes the work of leading industry experts, each with 18+ years of industry experience (actuarial, compliance, product design, legislative, consumer protection). *It's more than just CE...Its information you can use!*

Issue 30

July 2004

Hold Onto Your Hats

Annuity professionals doing business in California are facing new sales and marketing regulations according to California Senate Bill 620, but salespeople across the country should be aware of what's happening on the West Coast, since the new California laws may serve as an example for other states looking to implement similar legislation.

Senate Bill 620, which became law on Jan. 1, made several changes to the way an insurance agent can market and/or sell certain types of insurance products. Section 787 of the California Insurance Code now requires that any advertisement or other material designed to produce leads directed towards people age 65 or older must prominently disclose that an agent may contact the applicant. And once an agent makes contact with prospects after getting their names from a lead-generating device, he must tell prospects in the initial contact how he obtained their information.

All first amendment believers, hold onto your hats: The new law requires agents who advertise for a seminar to state in the advertisement the following words: "...and insurance sales presentation." And for those of you who know something about Medi-Cal, Section 789.9 now effectively prohibits the use of an annuity sale if the senior would otherwise qualify for Medi-Cal.

Now for the crowning jewel: If you're an insurance agent in California and you plan to meet with a senior in the senior's home, you are required to deliver a notice in writing to the senior no less than 24 hours prior to that meeting. If you have an existing insurance relationship with a senior who requests a meeting with you in his home the same day, a notice must still be delivered to the senior prior to the meeting. The notice must state the following in 14-point type:

• During this visit or a follow up visit, you will be given a sales presentation on the following (indicate all that apply):

(1) Life insurance, including annuities

(2) Other insurance products (specify) _____

• You have the right to have other persons present at the meeting, including family members, financial advisors or attorneys.

• You have the right to end the meeting at any time.

• You have the right to contact the Department of Insurance for information, or to file a complaint. (The notice must include the consumer assistance telephone numbers at the department.)

• The following individuals will be coming to your home: (list all attendees and insurance license information, if applicable)

It doesn't stop there. Among the many other facets of SB 620 is a new protocol for house calls. Once you arrive at the senior's home, before saying anything other

than a greeting, you must state that the purpose of the visit is to talk about insurance or to gather information for a follow-up visit to sell insurance.

The restrictions imposed by SB 620 may seem overwhelming, but credible agents will find them manageable. Agents need to understand that diversification and some liquidity are important for a sound financial plan. The new CE courses being designed to meet the requirements of SB 620 will address the lack of education and training that exists in California life agent sales. And a more educated agent pool will certainly protect consumers.

Unfortunately, SB 620 will not bring the end of unscrupulous practices by some advisors; the bad seeds are already figuring out ways around the new laws. That's why all of us in this industry should do our part to insure quality service and education. When questionable behavior is identified, call the agent or organization and express your concerns; seniors will thank you for it.

David Hollander is president of Liberty Group, LLC, and founder of the California Association of Senior Estate Planners. He can be reached at david@casep.org



Annuity Compliance Bulletin – Agent Use Only

The following represents a recent compliance bulletin from a large insurance group informing its agents of the new annuity requirement.

To: All California Appointed Agents
 From: Compliance Analyst
 Date: March 30, 2004
 Subject: California Senate Bill 620

Background: California has new regulations regarding agent licensing continuing education (CE) requirements.

CE Requirements: Please be advised that by January 1, 2005, all licensed agents and producers who sell annuities in California must have satisfactorily completed eight hours of training prior to selling annuity products in the state. This training consists of topics related to annuities, California law and regulations, and prohibited sales practices. This is a one-time requirement.*(see question below)

In addition, effective January 1, 2005, all licensed agents and producers who sell annuities in California will be required to satisfactorily complete four hours of training every two years prior to license renewal. This new requisite will be included as part of the current 30 hours of continuing education requirements.

Penalties: Failure of any licensee to meet the CE requirements will result in non-renewal of his/her license and the removal of the licensee's qualification to act as an insurance producer in the State of California.

Questions:* What if an agent does not take the eight hour course in 2004, can she/he just take the four hour course in 2005. **Answer: NO!** First, the agent will be in violation of the statute and would have to satisfy the eight hour requirement. All new licensed agents in 2005 would also need to satisfy the eight hour requirement as well.

Senior Insurance Training Services has filed pursuant to CCR, Title 10, Chapter 5, Subchapter 1, §2188.2(e), for approval the new CA SB620 8-hour Annuity classroom, CA SB620 8-hour Annuity correspondence, and the new CA SB620 8-hour online course, and these courses are pending approval pursuant to Section 2188.2 (a) and 2188.2 (c).

Check out our website www.ltcce.com for course description and additional information.



Annuity Seminar Calendar 2004

SITS-CA SB620 8-HOUR ANNUITY CLASS - COURSE # PENDING

	JULY		AUGUST		SEPTEMBER		OCTOBER	
26	Santa Rosa	3	Woodland Hills	8	Woodland Hills	6	Woodland Hills	
27	Sacramento	4	Pasadena	9	Pasadena	7	Novato	
28	Walnut Creek	10	Sacramento	14	Santa Rosa	8	Pasadena	
28	Torrance	11	Modesto	14	San Luis Obispo	12	Bakersfield	
29	San Jose	12	Burbank	15	Costa Mesa	12	Fresno	
29	Fresno	17	Fresno	16	Glendale	13	San Jose	
30	San Diego	18	Costa Mesa	17	Torrance	14	Burbank	
		19	Torrance	21	Anaheim	19	Costa Mesa	
		20	Walnut Creek	21	San Jose	21	Walnut Creek	
		24	San Jose	22	Fresno	22	Redding	
		25	Novato	23	Sacramento	22	Torrance	
		26	Bakersfield	24	Ontario	26	Sacramento	
		27	Ontario	24	Redding	27	Ontario	
		31	San Francisco	29	San Diego	28	San Francisco	
		31	San Diego	30	San Francisco	28	San Diego	
				30	Walnut Creek	29	Modesto	

Group Discounts Available

Long-Term Care & CA Partnership Seminar Calendar 2004



CALIFORNIA LONG-TERM CARE (CTQ-CALIFORNIA TAX-QUALIFIED) - COURSE #149298

	July		August		September		October
7	Fresno	3	San Mateo	8	Sacramento	5	Costa Mesa
7	Costa Mesa	4	Costa Mesa	9	Fresno	5	Santa Rosa
8	Woodland Hills	5	Fresno	9	Woodland Hills	6	Sacramento
13	Novato	6	Woodland Hills	10	Torrance	8	Woodland Hills
13	San Francisco	6	Santa Rosa	14	Costa Mesa	12	Torrance
15	Pasadena	10	Sacramento	14	Walnut Creek	13	Walnut Creek
15	Sacramento	13	Torrance	16	San Jose	19	Fresno
20	San Jose	17	Novato	22	Novato	19	Novato
27	Walnut Creek	18	San Jose	23	San Francisco	19	Ontario
27	Torrance	19	San Francisco	28	Pasadena	20	San Francisco
		24	Ontario			21	San Jose



CALIFORNIA PARTNERSHIP FOR LONG-TERM CARE - COURSE #85943

	July		August		September		October
9	Costa Mesa	10	Fresno	10	Sacramento	7	Costa Mesa
9	Woodland Hills	11	Woodland Hills	15	Woodland Hills	8	Sacramento
20	Sacramento	12	Sacramento	16	Fresno	12	Santa Rosa
21	Pasadena	12	Santa Rosa	17	Costa Mesa	13	Woodland Hills
22	San Jose	17	San Mateo	20	Walnut Creek	14	Torrance
22	San Francisco	20	Costa Mesa	23	Torrance	15	Walnut Creek
27	Fresno	20	Novato	24	Novato	22	Novato
28	Novato	24	San Francisco	28	San Francisco	26	Fresno
29	Walnut Creek	26	Torrance	29	San Jose	26	San Francisco
29	Torrance	26	San Jose	30	Pasadena	28	Ontario
		31	Ontario			28	San Jose

All Partnership class attendees will receive a free copy of the NEW "Picturing Every Step" DVD from the Partnership. This 8-minute video/DVD provides powerful testimonies that emphasize the importance of purchasing long-term care insurance; yet, it is short enough to be an excellent educational and marketing tool for any setting.

Minimum of 10 paid enrollees are required to hold a class

All classes 8:30am to 4:30pm

LTC & Partnership classes cost \$85 each, or \$150 for both

LTC Correspondence home study course is \$60

8-hours of CE Credit each for LTC & Partnership Courses

Senior Insurance Training Services Registration Form

<p><u>SITS CA LTC/CTQ Insurance For The Advanced 2004</u> Course #149298 - New Course # as of April 12, 2004 8-hours of CE Credit / 8-hours of CFP Credit 8:30am – 4:30pm \$85 pre-paid/pre-registered, or \$100 at the door</p>	<p style="text-align: center;">\$20 DISCOUNT! REGISTER AND ATTEND BOTH SEMINARS AND SAVE \$20 (does not include LTC Correspondence or Annuity Classes).</p> <p style="text-align: center;"><u>4 Ways to Register for Seminars:</u></p> <p>1. CALL (800) 460-7487 2. FAX REGISTRATION FORM TO (707) 939-9599 3. WEBSITE www.LTCCE.com 4. MAIL REGISTRATION FORM WITH PAYMENT</p> <p style="text-align: center;">VISIT OUR WEBSITE WWW.LTCCE.COM</p> <p style="text-align: center;">REGISTER ONLINE AND RECEIVE \$5 DISCOUNT!</p>
<p><u>SITS CA LTC/CTQ Insurance for the Advanced 2004 Correspondence/Home Study-Course #149299</u> New Course # as of April 12, 2004 8-hours of CE Credit / 6-hours of CFP Credit \$60 each</p>	
<p><u>SITS CA Partnership TQ Seminar #85943</u> New course/new course # pending-updated and filed as of 12/03 8-hours of CE Credit / 7-hours of CFP Credit 8:30am – 4:30pm \$85 pre-paid/pre-registered, or \$100 at the door</p>	
<p><u>SITS CA SB620 8-hour Annuity Class - Course # Pending</u> 8-hours of CE Credit 8:30am - 4:30pm \$85 pre-paid/pre-registered, or \$100 at the door</p>	
<p><u>SITS CA SB620 8-hour Annuity Correspondence - Course # Pending</u> 8-hours of CE Credit \$55 each</p>	
<p><u>SITS CA SB620 8-hour Annuity Online Course - Course # Pending</u> 8-hours of CE Credit \$45 each www.ltcce.com</p>	

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

NAME: _____ DAYTIME PHONE: _____

ADDRESS: _____ FAX: _____

CITY / STATE / ZIP: _____

EMAIL: _____

INSURANCE LICENSE #: _____ EXP DATE: _____

COURSE : Partnership Seminar LTC Seminar Annuity Seminar
 LTC Correspondence Annuity Correspondence

DATE & LOCATION: _____

Payment Type: MASTERCARD DISCOVER VISA CHECK

Credit Card #: _____ Exp. Date: _____

American Express NOT Accepted

Signature: _____

72-HOUR CANCELLATION NOTICE REQUIRED FOR REFUND

Long-Term Care Insurance A Blueprint for Change By Martin McBirney

*“Fiery the angels fell,
Sweet thunder rolled about their shores,
Burning with the fires of Orc’.*

Blade Runner, 1982 after William Blake. 1795

Over the last three years we have argued that long term care insurance (LTCI) must change if it is to provide a more compelling solution to the underlying problem it helps to address. During that period, the wholesale departure of fully one half of the industry’s leading insurers, the implementation of extensive rate increases and a flattening of sales would seem to suggest that, at a minimum, we haven’t been entirely off base.

The recent disaster at the Orlando LTC Forum, which registered a 60%+ drop in attendance year over year, shows that the industry malaise is now spilling over into it’s wellspring, distribution. Thus, both manufacturing and distribution are becoming depressed. From this, we conclude the obvious. If the need for change is not clear now, then the product model we have today, and all its mediocre consequences, will be the one we live with for decades to come.

It is within this setting that we offer our thoughts on what can be done to improve LTCI, and thus its appeal.

Simplicity – The current competition among insurers to gain distinction through the endless addition of ever more features needs to be brought to an end. This course of development, if continued, will lead to product estrangement and consumer dissatisfaction. When a product becomes so laden with features that the average agent is unable to comprehend it, much less explain it, fewer will be inclined to offer it. The potential damage to a client relationship becomes greater than the appeal of the sale. At worst, liability and E & O issues come to the fore.

Features need to be collapsed and brought into generic provisions. This also has the virtue of not casting the product in terms of today’s provider constellation and therefore engaging the prospect of obsolescence when younger buyers attempt to use benefits in 30 years. As well, it counteracts the emphasis on short term recovery stays and provides a stronger platform for insuring the core risk.

Proactive Approach – The addition of resources that allow policyholders, on a voluntary basis, to assess and monitor their own risk for major disease segments covered by LTCI has the potential to change the entire nature of this insurance. By providing such resources to policyholders, along with incentives for their use (a 5% to 10% premium discount), claim costs could be reduced significantly. This is especially true in the area of Alzheimer’s disease and related dementia (ADRD).

- Inexpensive and accurate prevention, detection and treatment protocols can be overlaid onto LTCI as an optional product feature in the form of education directed at prevention, along with scheduled annual screenings, in exchange for a modest premium discount. Such a protocol would not qualify as an underwriting tool and would play no role in the underwriting process.
- Positively identified policyholders would be run through a second screen to rule out false positives and an individually tailored treatment program would be relayed to the personal physician.
- Treatment costs incurred prior to benefit eligibility under tax qualified standards could be covered by the policyholder, through a policy rider or companion funding mechanism. These costs are about 15% of the policy benefits that would be incurred in the absence of early intervention.
- Once the disease has progressed to the point where traditional policy benefits become available, the companion financing would cease and normal policy benefits would become payable, albeit *3 to 6 years later* than they otherwise would have been.
- Because intervention in the area of ADRD does not extend life expectancy, this 3 to 6 year delay equates to a true compression of morbidity and thus not only an increase in the number of premiums collected, but a significant reduction in claim liability.

Higher Value – Ultimately, the product needs to bring higher value than it does today. This is especially true in light of recent increases in such key product components as younger age pricing, inflation and lifetime benefits and the overall additions that are now required in order to offset dramatically reduced investment returns. Net of any countervailing effort, these increases can only skew the value equation further to insurer’s disadvantage.

Apart from the tax deductibility of premiums (the equivalent of a government subsidy), higher value can only result from a reduction in the cost basis of the product. Since distribution governs today’s market, it’s difficult to make a case for reducing commissions. The only remaining component of any magnitude is claims. By working to compress morbidity through the inclusion of proactive measures, insurers can reduce claim costs and therefore move to create a value equation that better resonates with the public.

Get Certified for the CA SB620 8-hour Annuity course with Senior Insurance Training Services!

For your convenience, Senior Insurance Training Services offers the CA SB620 8-hour Annuity course in three formats:

1. Online CE Course: On the web at www.ltcce.com
2. Home Correspondence Course: mailed with your choice of printed manual or Acrobat PDF on CDROM
3. Classroom Seminar: from 8:30am - 4:30pm in many Northern and Southern California locations

Ordering online is available for all three options, is easy and completely secure. All courses may be ordered or registered for from our website www.ltcce.com

Our online web course is the least expensive and is easy to use. Upon registration, the course material may be viewed through the website or may be downloaded in Adobe Acrobat format for offline study, reference or printing. Testing is simple and may be done within 12-months from the date of purchase once you are confident in your knowledge of the material. Once you pass the online test you will automatically receive your Certificate of Completion and we will submit your CE hours to the State. The cost of our online version is \$45.00.

Our Correspondence Course will be mailed to you with your choice of either a printed manual or a CD-Rom containing the manual in Adobe Acrobat PDF format (Acrobat is available as a free download from www.adobe.com.) You will also receive a printed exam and self-addressed envelope. When you complete your exam, simply return it to us and we will grade it and if you pass, will mail your Certificate of Completion. The cost of our Correspondence Course is \$55.00

Our seminars are available in many Northern and Southern California locations from 8:30am - 4:30pm (**see course schedule on page 3**). There is no test involved, simply attend the entire class and receive your Certificate of Completion. The cost of our Annuity seminar is \$85.

With either version, Senior Insurance Training Services will allow customers to re-take a second exam at no additional cost, should they fail the first exam.

GROUP DISCOUNTS ARE AVAILABLE!

Legislative Update Assembly Bill 2102

Assembly Bill 2102 presents some serious challenges for seniors and their Advisors. Consider, first the bill as amended, would require the Department of Health Services to make a claim against annuities as part of a deceased Medi-Cal beneficiary's estate. Second, the bill outlaws the use of balloon annuities for Medi-cal planning purposes. Third, the bill puts some serious limitations and consequences to gifting, including the family residence to anyone for less than fair market value. Stacking is prohibited. Fourth, the bill does not define the "look back" period. These are some of the implications of AB 2102. SO, what can you do?

The current requirements regarding recovery against annuities appear to be unconstitutional. Under the Social Security Act, California was required to submit a State Plan Amendment (SPA) **and** notify the public via regulation that annuities would be recoverable against **after** the Department of Health & Human Services (DHHS) provided the language outlined in the State Medicaid Manual at Section 3810. As of today, a SPA has never been submitted, nor has the public received due process via regulation. The only attempt the California Department of Health Services (DHS) has made to notify the public came via an All County Welfare Letter 02-35, page 2, third paragraph from the bottom, wherein acting Chief Richard Brantingham stated "Regulations are being drafted to specify what "other arrangement" includes, which, at a minimum, will include annuities."

For all you folks out there who did balloon annuities, better stop doing them.

With respect to gifting; stacking is going away, so if you must gift adhere to the monthly gifting strategies. With respect to the home or other assets, better consult with an attorney.

Lastly, a specific look back period will probably be added to the bill. Currently, the look back period for California is thirty months and the federal standard is 36 months / 60 months for a trust. There has been speculation that California may change the look back period to mirror the federal standards and the Legislature will most like address this issue in AB 2102 so stay tuned.

California is facing a budget that is quite serious. However, seniors who obeyed the law and who contributed tax dollars to the system should not be punished in their final days of need.

AB 2102 should only apply to those annuities and/or planning strategies that are implemented after the effective date of the bill. By doing this, the legislature will protect the seniors who obeyed the law. Moreover, they will have put all others on notice that any strategy used for Medi-Cal planning purposes after January 1, 2005, could be subject to recovery.

David Hollander is an attorney in Oakland, CA. He can be reached at david@casep.org.



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**HOST YOUR OWN PRIVATE
LTC/PARTNERSHIP/ANNUITY CE SEMINAR**

Tom Orr, President of Senior Insurance Training Services, will conduct a one-day 8-hour LTC/CTQ For the Advanced 2004 and/or CA Partnership for Long-Term Care for your group. Tom has 17+ years of LTC Insurance home office, agent training and field selling experience. His extensive in-depth knowledge will empower and motivate your group to expand their opportunities in the LTC insurance Field.

In addition to LTC Insurance, SITS will make available Pieter Boissevain, author of The California Annuities 8-hour (SB620-currently filed an pending approval) Continuing Education Requirement. Pieter was involved with Tom Orr on the Department of Insurance Subcommittee regarding the development of the 8-hour training requirements. Pieter will provide your agents with the in-depth overview of the issues surrounding the implementation of this controversial law and to help your producers avoid E&O Liabilities.

Group discounts are available as well as customized programs focused on your specific products. Minimum class sizes are required. Call 1-800-460-7487 to reserve a date, to increase their LTC Insurance and/or annuity sales results and satisfy their **LTC/CTQ CE, CA Partnership and/or Annuity CE requirements**. Special Note: The LTC/CTQ 2004 course material has been completely revised and updated and has a new course number.