

Senior Insurance Training Services

Long-Term Care Insurance Success!



Continuing Education & Sales Training

SITS Stands Corrected

(800) 460-7487

See Inside:

- A Broken Product Model
- Coming Soon CTQ 8 hour Correspondence courses filed and pending
- New 2003 Spring/Summer Schedule
- CA Partnership Special Invitation to Participate
- LTC Insurance Designation Schedule for CA 2003

In our last newsletter (Issue 25, November 2002) Senior Insurance announced the completion of a new and updated version of the current CTQ 2000 8-hour Long-Term Care Insurance Course. The current Curriculum when approved back in early 2000 did not reflect final regs for SB 898 (Rate Stability bill effective 7-1-03) nor does it currently reflect the repealing of SB 527 (TQ/NTQ offering) or SB 1537 (one time exchange).

Since this last outline there have been five additional bills that have directly, and/or indirectly impacted Long-Term Care Insurance. Senior Insurance Training Services filed a course approval application in January 2002, and provided the course materials in August 2002. SITS assumed it would have been approved before the newsletter was mailed. The Department of Insurance Education Unit reviewed the course materials and requested a number of corrections to the course materials be submitted of which have not been provided to date and, therefore, the department has required SITS to print a retraction and notify its readers that 1) the course has yet to be approved and is still PENDING SITS' corrections and missing elements and 2) the new CTQ 2003 correspondence course titles are in violation of the Department's policy and can not be used since a new outline has not yet been approved and 3) readers were left with the misleading impression that the courses were approved but infact were and are still PENDING the required corrections and additional information necessary to complete review of the courses.

Senior Insurance Training Services has hired an industry expert with over fifteen years of Long-Term Care Insurance product, regulatory, actuarial and sales/marketing experience to help expedite these and other course filings. It is the intent of Senior Insurance Training Services and its consultant to work with the current and new administration of the Department of Insurance to expedite the current filing which will reflect the requested changes as per the Department of Insurance. Senior Insurance Training Services apologizes for any misunderstanding.

Host Your Own Private CE/Sales Workshop

Tom Orr, President of Senior Insurance Training Services, will conduct a one-day 8-hour LTC Sales Workshop, LTC/CTQ or California Partnership seminar for your group. With 15+ years of LTC Insurance home office, agent training and field selling experience, Tom's in-depth knowledge will empower your group to expand their opportunities in the LTC Insurance field.

Group discounts are available as well as customized programs focused on your specific products. Minimum class sizes are required. Call today to reserve a date for your agency to increase their LTC Insurance results and satisfy their LTC CE requirements.

Special Note: New course material covering the Federal LTCI program, AARP's LTCI offering and a new California LTC provider cost survey, pending.

Issue 26

March 2003

A Broken Product Model

by Martin McBirney

Long term care insurance (LTCI) has been considered a product with high growth potential for more than ten years now. Yet sales are generally flat and market penetration remains mired at about 5% to 7%. Conventional wisdom typically attributes this to low levels of consumer demand and restricted distribution.

Experience has shown that LTCI is a “push” product, requiring one or more extended sales calls and the broaching of difficult emotional issues. When coupled with the perceived high cost of the product, it’s of little surprise that sales remain weak.

It is the opinion of this writer that a fair portion of the difficulty in this market can be attributed to:

1. a product whose fullest value has not yet been realized and;
2. a lack of understanding within the distribution force of the value the product does bring.

This shortfall results from a number of subtle emotional factors and dispositions among certain influential brokers that, in turn, are hampering an evolution of the market and its products along more fruitful lines.

Specific segments of the brokerage community, as well as random agents at large, portray LTCI as a tool to cover the costs of short term recovery stays not covered by Medicare, DI or health insurance. The ongoing popularity of Non Tax Qualified products, first day home care benefits and benefit restoration provisions betray this disposition. Each of these subtly conveys the myth that people in need of LTC get better. Thus the desire to sell policies with a medical necessity trigger, promote first dollar coverage and highlight a feature that restores benefits once care is no longer necessary. Even the order in which the benefit triggers are usually addressed, ADLs followed by Cognitive Impairment, attest to this bias.

The reality, unfortunately, is that only a small percentage of LTCI claim costs are associated with claims of this nature. Witness that benefit restoration provisions are priced at about 1% to 2% of premium. The vast majority of claim dollars are spent on multi-year stays that end in death or hospitalization followed by death. These claims are uniformly the result of long term chronic conditions such Alzheimer’s, Parkinson’s, stroke and other neurological and cognitive conditions. Given that over 70% of claim dollars are associated with claims that involve cognitive loss (typically coupled with other comorbid conditions), one can argue that it should be Cognitive Impairment, not ADLs, that should be addressed first.

In terms of the bulk of claim dollars paid out, and therefore premiums levels, LTCI funds the cost of slow death, which in turn is the consequence of dramatically extended life expectancies. Many agents, and even some home office professionals, prefer not to focus on this. For agents with insufficient knowledge and skills it makes sales more difficult. These individuals find it easier to focus on first dollar coverage and the short term recovery aspects of the coverage.

Due to the historic imbalance within the LTCI industry, an excess of manufacturing capacity set against insufficient distribution, the independent brokerage community has had a disproportionate influence over the market. This is because, for many carriers, they represent the only additional available capacity over and above the company’s dedicated field force. This, in turn, has led to a high level of competition for their attention.

continued on next page

2003 INFORMATION YOU CAN USE!

The “eligible long-term care premiums” for the year 2003 for S-Corporations, Limited Liability Partnerships, Sole Proprietors, Family Limited Partnerships, and Individuals are shown in the table below. Please remember: C-Corporations (including some Professional Corporations) are NOT limited by these caps.

Attained Age Before Close of Tax Year	Tax Yr. ending in 2003	Tax Year ending in 2002
40 or less	\$250	\$240
41 but not yet 51	\$470	\$450
51 but not yet 61	\$940	\$900
61 but not yet 71	\$2,510	\$2,390
71 or older	\$3,130	\$2,990

Under current law, S-Corporations can deduct premium for employees (and their tax dependents), however people who are 2%+ owners will incur taxable income for the premium less 70% of this cap* in 2002, **and 100% for 2003 and thereafter.**

** or the factor applied directly to the premium if the premium is lower than the cap*

In addition, Rev. Proc. 2001-13 provides that the stated dollar amount of the per diem limitation under section 7702B(d)(4) has increased from \$210 for 2002 to \$220 for 2003.

CURRENT CURRENT CURRENT CURRENT 2003 TAX IMPLICATIONS FOR THE SELF-EMPLOYED

The percentage of premium for qualified LTC insurance that may be deducted by Self-Employed without regard to the 7.5% AGI adjustment.

Beginning in Calendar year	The Applicable %
✓ 2003 and thereafter	100%

NEW! MEDI-CAL UPDATE 2003

Spousal impoverishment caps:

- ✓ The spouse at home will be able to keep \$90,660 in assets and \$2,267 in income.
- ✓ The institutionalized spouse can keep \$2000 in assets and \$35 per month for personal needs.

NEW MEDICARE CO-PAY

- ✓ Day 1-20 100%
- ✓ Day 21-100 \$105 a day “2003”

A Broken Product Model – continued

This group’s disproportionate influence has generated dialogue, and therefore product emphasis, in favor of their bias and away from directions that target the core of the insured risk. This, in turn, has kept the product from evolving into a form that provides greater value, and therefore appeal, to the customer.

Until, as an industry, we move away from this course of development, and toward a product model that resonates with the public, we will remain mired in a low sales environment, competing on price and largely irrelevant features, and not providing the value the product is capable of delivering.

Seminar Calendar 2003



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

	March		April		May		June
4	San Jose	1	Novato	1	San Francisco	3	San Marcos
5	Novato	2	Pasadena	2	Torrance	3	San Francisco
5	San Bernardino	3	Oxnard	6	San Jose	4	Novato
6	Woodland Hills	4	San Jose	7	Novato	10	San Jose
7	Torrance	8	Ontario	9	Costa Mesa	11	Sacramento
11	San Francisco	9	Woodland Hills	13	Walnut Creek	11	Pasadena
13	Fresno	9	Sacramento	13	San Bernardino	12	Woodland Hills
18	Walnut Creek	10	San Francisco	15	Woodland Hills	17	Walnut Creek
18	Costa Mesa	15	Walnut Creek	20	Fresno	17	Costa Mesa
20	Sacramento	16	Costa Mesa	28	Sacramento	20	Ontario
25	San Marcos	29	Fresno			24	Fresno

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



CALIFORNIA PARTNERSHIP FOR LONG-TERM CARE - COURSE #85943

	March		April		May		June
6	Novato	3	Novato	8	Torrance	5	San Francisco
11	San Bernardino	4	Pasadena	8	San Francisco	6	San Marcos
14	Fresno	8	San Jose	9	Novato	6	Novato
14	Torrance	10	Ontario	14	San Jose	12	San Jose
20	Woodland Hills	11	Oxnard	15	Walnut Creek	13	Sacramento
21	Costa Mesa	17	San Francisco	16	San Bernardino	17	Woodland Hills
25	San Jose	22	Walnut Creek	20	Costa Mesa	19	Walnut Creek
26	Sacramento	23	Woodland Hills	21	Fresno	19	Costa Mesa
27	San Marcos	23	Costa Mesa	29	Woodland Hills	25	Fresno
27	San Francisco	24	Sacramento	30	Sacramento	26	Ontario
28	Walnut Creek	30	Fresno			27	Pasadena

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

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.

Senior Insurance Training Services Registration Form Seminar Descriptions & Fees



California LTC/CTQ Seminar

(new course # 83363 as of 7/7/00, updated 6/02)
8:30 AM - 4:30 PM **8 hours of CE credit**
\$85 per seminar - \$100 at door
CFP Approved for 8 hours

California LTC/CTQ CORRESPONDENCE

(course # 83364 as of 7/7/00, updated 6/02)
8 hours of CE credit
\$58.75
CFP Approved for 6 hours

California Partnership TQ Seminar

(new course # 85943 as of 10/6/00, updated 9/02)
8:30 AM - 4:30 PM **8 hours of CE credit**
\$85 per seminar - \$100 at door
CFP Approved for 7 hours



\$20 DISCOUNT!

**REGISTER AND ATTEND
BOTH SEMINARS AND
SAVE \$20** (does not include
LTC Correspondence).

4 Ways to Register for Seminars:

1. **CALL (800) 460-7487**
 2. **FAX REGISTRATION
FORM TO (707) 939-9599**
 3. **WEBSITE www.LTCCE.com**
 4. **MAIL REGISTRATION
FORM WITH PAYMENT**
- VISIT OUR WEBSITE
WWW.LTCCE.COM
TO REGISTER, VIEW OUR
SEMINAR CALENDAR AND
GET LTC INFORMATION**

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

NAME: _____ PHONE: _____

ADDRESS: _____ FAX: _____

CITY / STATE / ZIP: _____

EMAIL: _____

SSN: _____ INSURANCE
LICENSE: _____ EXP DATE: _____

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

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

Credit Card #: _____ Exp. Date: _____

Signature: _____

**72-HOUR CANCELLATION NOTICE REQUIRED FOR REFUND
NON-CANCELLATION IS FORFEITURE OF TUITION**

Invitation to Participate from the CA Partnership

An "Invitation to Participate" (ITP) with the California State Department of Health Services (CDHS) and its special program, the California partnership for Long-Term Care, in an exciting effort to increase the sale of long-term care insurance (LTCI) to middle-income consumers. CDHS is seeking a single contract with a single insurance company (or collaborating entities) that will develop and market Partnership-certified individual and/or group policies to active employees, retirees, their spouses, parents and parents-in law. The successful Proposer will design and offer a LTCI product or products, and devise innovative marketing strategies directed at significantly increasing sales to middle-income Californians.

We are concerned about a very real issue affecting California employers and our economy-employees missing time from work to deal with aging parents and relatives. Eldercare is now on tract to replace childcare as the dependent care issue in America, with one out of three workers caring for an aging relative. A report in the *Wall Street Journal* states that every employee with a caregiving problem is going to cost the employer \$3,142 a year in lost productivity.

There is a solution. Studies have shown that employees who care for elderly or sick relatives with LTCI are twice as likely to stay in the workforce as those caring for non-insured relatives. The State of California and the Federal government have responded by offering LTCI for their own employees, retirees and their family members. However, the CDHS, through the Partnership, has determined that many employers have neither the time nor the knowledge to determine which LTCI products might best serve their own employees. These employers have indicated that it would be helpful if the State could identify and endorse a high-quality insurance carrier and product design(s) for them.

The Partnership is looking for insurance companies that have the financial stability and customer service experience to design, offer, and insure and administer a high quality LTCI product to small and mid-size businesses. The Partnership believes the involvement of employers, unions and other organizations can facilitate focused and efficient educational, sales, enrollment and premium collection efforts. We believe that the affinity of employees, retirees, members and their families for employer sponsors or other organization sponsors, combined with consumer confidence in the messages and product endorsement offered by the State, will encourage the purchase of Partnership LTCI protection with the unique Medi-Call asset protection feature.

Through the responses receive to this ITP, CDHS will assess each Proposer's understanding of the LTCI industry, the needs of the Partnership, and the employer market; how the Proposer will develop and implement successful employer, union, or association outreach strategies for marketing the approved policies in the work site; whether the Proposer has the LTCI experience relevant to the ITP, the financial stability, and the resources to fulfill the contractual obligations of the resulting agreement; and the reasonableness of premium rate quotes and their underlying components/assumptions.

Responses to this ITP are due March 17, 2003. We hope you will participate in this valuable effort. Any questions regarding this ITP should be directed to the CA Partnership at 916-323-4253.



May 19th & 20th
Univ. Of phoenix
5955 De Soto Ave.
Woodland Hills, CA

May 29th & 30th
Univ. Of phoenix
1760 Creekside Oaks Dr. #100
Sacramento, CA

June 16th & 17th
Univ. Of phoenix
3590 N. First St.
San Jose, CA

CLTC: Industry's premier professional designation dedicated to the Long Term Care market.

CE Credits: 8 to 38 depending on state of residence

Pace Credit: 24 **CFP Credit:** 24

The Master Class: A two-day class conducted by a certified national instructor, preparing you for the CLTC exam.

- **Proven sales and marketing ideas**
- **Comprehensive training on LTC issues**
- **Multi-disciplinary approach, linking LTC to financial planning, tax law, elder law, and other services.**

Master Class Fee: \$995.00

The above fee includes all course material, examination fee, instructor expenses, and CE filing fees.

NOTE: Met Life and Prudential agents call CLTC for a special rate.

To register use the CLTC website at www.ltc-cltc.com or call (866) 383-2075. Seating is limited to the first 30 students!

Why should I get my CLTC designation? CLTC graduates praise the CLTC Program for giving them the knowledge and Confidence needed to be successful in the LTC insurance market and with effectively meeting their clients' needs. As a CLTC graduate, you are entitled to ongoing valuable benefits, including regular legislative and industry updates and newsletter—which will enable you to provide ongoing value to your clients.

How do I get the CLTC designation? After completing the Master Class of self-study materials, you schedule an examination with a local Prometric Office. (Formerly Sylvan Learning Center.) Upon passing the 100-question exam (70% is required), you will receive the CLTC designation.

Who has participated in the CLTC Program to date? Over 5000 financial and insurance professionals have participated since the launch of the Program in July 1999.

What if I cannot attend this Master Class? You should consider the self-study program or call CLTCC to put your name on the waiting list for the next Master Class to be held in your area.

More Valuable Information you can use!

The Center for Long-Term Care Financing is a great resource for LTC insurance producers. Their website at www.centerltc.org is full of valuable free information including comprehensive reports, quotable speeches, and archives of hundreds of articles. Subscribe to the Center's LTC Bullets (free for three months). Support the Center with a \$150 tax deductible contribution and gain access to the "donor only zone." Donors receive daily LTC E-Alerts, LTC Readers or LTC Data Bases, designed to give busy producers a 5-minute, one-a-day mental vitamin that will keep you at the very forefront of industry knowledge and professionalism. Explore our Long-Term Care Graduate Seminar at http://www.centerltc.com/ltc_grad_seminar.htm. To subscribe to LTC Bullets, email info@centerltc.org. For more information, contact Executive Director Amy McDougall at 425-377-9500 or amy@centerltc.org. The Center for Long-Term Care Financing is a 501(c)(3) nonprofit, nonpartisan, charitable think tank and public policy organization dedicated to ensuring quality long-term care for all Americans. If you find value in the Center's "LTC Bullets," our web site, our reports, or our public policy work, please consider making a tax-deductible donation. Even small contributions are greatly appreciated.



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Inside:

- A Broken Product Model
- Information You Can Use, 2003
- New 2003 Spring/Summer Schedule
- CA Partnership Special Invitation to Participate
- LTC Insurance Designation Schedule for CA 2003

NEW FROM SITS

Guide to Personal and Financial Information for your clients and prospects. This guide provides your client a convenient booklet to record their important financial and family information to ease the task left to survivors. The guide includes pages for important documents location, important legal documents and advisor information, insurance document and advisor information, personal financial information regarding assets, investments and liabilities, personal information regarding the client and a spouse, and important family contacts. The booklet is professionally published with a textured card stock cover. **Most important, the outside cover will be personalized for your business.** Your client will keep and use this business gift! To Order submit your personal business information and a \$150.00 deposit. You will be billed for the balance on delivery. Following is pricing based on order size.

Minimum order: 100 @ \$3.00 per book, 250 @ \$2.25 per book, 500 @ \$1.95.

Larger orders call for quote. Sales tax and shipping via UPS will be added to each order.

Your black and white photo may also be included in the personalized information for an additional charge of \$30.00. Call today 800-460-7487.