Fourth Quarter 2014

Volume 15 Issue 4

Mutual of Omaha LTC Sales Idea

While every prospect investigating the purchase of long-term care insurance has their own motivation, one reason that seems consistent in the majority of situations is the desire to have coverage for home care. By asking probing questions, we not only uncover true concerns, but can also provide a solution. Below is a sales idea from Mutual of Omaha about the benefits of the Home Health Care rider for your clients concerned about having home care.

How to Get Maximum Benefits for Professional Home Health Care

The Situation: Your client is determined not to go to a nursing home, but she knows care provided at home can be expensive.

Staying at home is your client's top priority. She has a good support network — children who live close by who will check on her regularly and provide help with day-to-day activities. However, she doesn't want her kids to have the responsibility of being her primary caregiver. She intends to hire the professional services she may need and wants to make sure her policy provides maximum benefits for this type of care.

Sales Idea: The optional Professional Home Health Care rider can provide the additional funds your client may need.
A MutualCare® Custom Solution policy offers an optional Professional Home Health Care rider that provides additional funds for long-term care services provided by a nurse or skilled health-care professional. These extra funds can give your client the ability to get the level of care she needs.

How it works:

• Sarah, age 60, purchases a MutualCare® Custom Solution policy with a $3,000 maximum monthly benefit. She adds the optional Professional Home Health Care rider for a nominal cost.

• At age 80, Sarah suffers a stroke and becomes eligible to receive benefits under her policy.

• Back at home after a hospital stay her children are there to help with household chores, but because of her health condition, Sarah also needs the services of a visiting nurse as well as physical and speech therapists.

• After satisfying the policy's elimination period, Sarah begins receiving policy benefits. However, for the first few months, the cost for the care she needs exceeds her policy's $3,000 maximum monthly benefit. She uses the benefits of the Professional Home Health Care rider, which provides up to an additional 100 percent of the home health care maximum monthly benefit. That gives her access to up to $6,000 per month to help pay for professional home health care services.

Inside this issue:

If there are specific topics you'd like to see covered in future newsletters, please contact:

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Simplified Underwriting Programs

Simplified Underwriting Programs can help increase your productivity and enhance existing client relationships. These streamlined underwriting programs provide multiple options to meet your clients' income replacement needs faster and easier than ever before.

- Fewer requirements make your job less complicated.
- Less underwriting time so your clients receive their policies in a more timely fashion.
- The programs are focused on providing you with competitive offers to present to your clients.
- Options and solutions make it easier for you and your clients to do business.

The Simplified Underwriting Programs will help making protecting your clients' most valuable assets easy and efficient. With no lab tests or income documentation required, this is a great way for your clients to obtain the coverage they need. Refer to the chart below for an overview of the Simplified Underwriting programs offered.

	Assurity	MetLife	Mutual of Omaha	Principal	The Standard
Monthly Benefit	Up to $2,500[1]	$6,500, ages 18-45 $3,000, ages 45-50 $7,500 for BOE	Up to $3,000[2]	$4,000 for single-life $6,000 for multi-life $10,000 for BOE	Up to $6,000[3]
Max Issue Age	59	50	Age 45 for Short-Term & Long-Term Age 55 for Accident Only	50 for single-life 64 for multi-life	50
Occ Classes	Class I and II	1-6 (all classes)	6A, 5A, 4A, 3A or 2A	All classes Occupation A not available in CA for BOE	5A, 4A - $6,000 4P, 3P, Surgeon - $6,000 3P, 2P - $6,000 3A - $3,000 2P non-physician - $3,000 2A - $3,000 A, B - $1,500
Max Benefit Period	6 months, 1 or 2 years	Up to Age 67 (Lifetime available)	24 months	Up to age 70[4]	Up to Age 67
Underwriting Requirements	▪Application ▪Phone Interview (ages 30+ with monthly benefits of $2,001+) ▪APS only as needed by underwriting	▪ Financial Section of Application ▪ TeleMed Interview	▪Application ▪Rx check	▪Parts A and C of application ▪TeleApp Interview ▪Financial documentation required for some occupations[5]	▪Application ▪TeleApp Interview ▪Rx check

For all carriers: Material MIB Findings will require further underwriting.

[1]Maximum 60% of monthly income. Benefits will be reduced dollar for dollar up to 50% by the amount of social insurance (Social Security Disability, Workers' Compensation, Government Disability and Railroad Retirement and Disability).
[2]Self-Employed Discount is unavailable.
[3]Maximum benefit is based on the occupational classes.
[4]May vary based on issue age, occupation class and/or state availability.
[5]Financial documentation required if annual income exceeds $150,000 and for the following occupations (regardless of income): Real estate agent/broker, mortgage loan originator/broker, residential construction, real estate developer, attorney specializing in real estate and residential construction.

For specific information about the Simplified Disability Underwriting programs, please call Pacific Advisors at 877.455.9580.

Is the Value of Non-Can a Myth?

By Brad Buechler FSA, MAAA; *SVP Product Performance of Mutual of Omaha Insurance Company*

At first glance, it appears obvious — a disability policy that cannot be canceled and also includes a provision where premiums will never increase is clearly a much better deal for the consumer than a policy that, while guaranteed renewable, has no limits on premium increases. But hold on for a second... What's the cost for the peace of mind that a non-cancelable policy at a locked-in cost can bring?

The Price of Peace of Mind

The premium difference between non-can DI and guaranteed renewable DI (under which the coverage cannot be canceled, but premiums are not guaranteed) is typically 20 to 30 percent — non-can DI being more costly because of the premium guarantees.

Consider what this means to two clients who buy otherwise identical non-can and guaranteed renewable versions of the same DI plan. The non-can policy has an annual premium of $1,800, compared with a $1,500 premium for the guaranteed renewable plan (the cost is representative of a typical 20 percent premium load for the non-can policy). Assuming that no rate increases are implemented on the guaranteed renewable coverage, over the next 15 years, the non-can buyer will pay a total extra premium of $4,500 ($300 a year for 15 years).

The non-can buyer pays this extra amount for peace of mind as the guaranteed renewable buyer is never certain what the premiums will be the next time the premium notice comes in the mail. The risk to the guaranteed renewable buy is really this: The insurance carrier increases the premiums to adjust for unexpected poor experience, and the guaranteed renewable buyer is now too old or has suffered a medical condition since the policy was issued that would make a newly underwritten version of the same policy through another carrier too expensive, or worse, unobtainable.

Do the Math

But does this risk hold up to scrutiny? Just adding the total premiums paid over 15 years, we can see that for the non-can to be a better deal, it would require the insurance carrier who sold the customer the guaranteed renewal DI to implement more than a 30 percent rate increase after the first five years of coverage or, alternatively, more than a 60 percent rate increase after the first 10 years of the contract. But this ignores the interest (investment return) on the $300 the guaranteed renewable buyer saves each year. At a conservative 4 percent after-tax rate of return, the future value of the $300 premium differential over 15 years is more than $6,000. With interest, this means that the guaranteed renewable rate increase needed to make the non-can policy the better deal would be 33 percent after five years or 74 percent after 10 years!

But this is probable? Anyone who has been in the DI business the last couple decades knows that, first, guaranteed renewable DI rate increases are few and far between and second, when they do occur, they tend to be modest. DI rate stability isn't surprising when considering the coverage has been around for more than 100 years and carriers designing and pricing products have industry experience spanning multiple economic cycles, target markets and benefit features to draw from when pricing and designing products.

The Importance of Data

Contrast this abundance of experience data with the data that long-term care insurance pricing actuaries had to work with 20 years ago when they were pricing this new coverage type. The result of long-term care was unfortunate: Large rate increases were implemented because of dramatically underestimated persistency and morbidity assumptions. Actuaries weren't intentionally under pricing the long-term care product to sell it, they just didn't have the data needed to arrive at a fair consideration for the risk they were taking on.

Is non-can peace of mind still worth the extra premium? Consider this irony: Most of the profit pressure carriers have experienced over the past 30 years is tied to non-can DI, not guaranteed renewable. This counter-intuitive fact results from competition for the affluent markets (which non-can appeals to) being intense enough that it goes through underwriting (profit) cycles, like most competitive markets. A profit cycle approaches its lowest point when insurance carriers are pressured by their distribution partners to liberalize premiums and underwriting to make their coverage more competitive. A bubble, of sorts, emerges and eventually bursts, as it did in the mid-1980s. What inflated the 1980s bubbles was irresponsible risk management and inadequate pricing relating primarily to non-can policies sold to physicians - not guaranteed renewable policies.

Mutual of Omaha LTC Sales Idea, *Continued*

The Professional Home Health Care Rider Explained

- This rider makes additional funds available when the insured receives professional home health care services
- Professional home health care is defined as services provided by a nurse* or other skilled professional specializing in physical, respiratory, occupational or speech therapy, audiology, nutrition or chemotherapy administration
- If the insured's cost for professional home health care services exceeds the policy's home health care maximum monthly benefit in any given month, this rider provides up to an additional 100 percent of the home health care maximum monthly benefit
- This gives the insured the peace of mind knowing that additional funds are available, if needed.

*Additional funds for home health care services provided by a nurse are limited to 365 days over the life of the policy

News You Can Use

- Pacific Advisors supported Ben Towne Foundation at the benefit 2014 where they raised $1.6 million to go toward pediatric cancer research.
- Ameritas introduced a new, innovative Business Overhead Expense policy on September 15, 2014 that provides consumers with a cost-effective way to protect their business.
- Ameritas enhanced their DInamic Fundamental product to include homemakers as eligible prospects.