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Chairperson's Corner

LTCI Section Exceeds Expectations in 2003

by James M. Glickman

Welcome to this LTCI section newsletter, my first as your section chairperson for 2004. The LTCI section has made tremendous progress since it was formed just four years ago. Perhaps our most important initial goal was to develop a high quality industry-wide meeting that would provide the latest in educational information together with an unparalleled networking opportunity.

I think most people would agree that we exceeded expectations in this regard with our first three annual Intercompany LTCI Conferences. I would highly recommend our Fourth Annual Intercompany LTCI Conference to be held at the brand new Houston Hilton Americas, February 8–11, 2004, especially for any of you who have not yet had the opportunity to attend one.

This LTCI conference will feature over 60 breakout sessions spread out among eight time slots featuring eight specialty tracks, including actuarial, claims, compliance, group, management, marketing, operations and underwriting. Networking with over 700 of your peers also will be a high priority, with nearly 20 hours of scheduled networking time, including 15 hours in the exhibit hall. Add an unbeatable hotel rate, great food from morning to evening and the getaway

networking session with prize drawings to assure that this will be the best conference yet.

Among my other goals for the LTCI section to accomplish this year (and we can judge our success rate at this time next year) are:

- 1) Increase LTCI section membership more than any other section with an emphasis on increasing the number and participation level of the non-actuarial members.
- 2) Make the LTCI section Web site an indispensable tool for everyone in the LTCI industry with more "hits" than other section Web site.
- 3) Start the process of making the LTCI section the resource of choice for political, educational and research questions regarding LTCI and the LTCI industry.

In order to accomplish these goals, we will need your help. Please contact me, or any of the other section members, if you are willing to participate in LTCI section activities.

Finally, I would like to welcome our newest council members, Bob Yee and Vince Bodnar, as well as congratulate Steve Sperka on being re-elected to the council. ↵



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A Niche Product and Its Marketing – A Tale of Trials, Tribulations and Potential Rewards

by Steven P. Cooperstein

Niche products, almost by definition, have risks and difficulties, though they can of course also have rewards. Here is a tale of a niche product you may be able to profit from as it is marketed to people at the "at-need" edge of long-term care and has the potential to instruct in bridging the gap for the products now being marketed to people "pre-need."

In 1985 my mother almost landed in a nursing home before she died. My research at the time suggested that more needs to be done in providing long-term care insurance coverage.

Unfortunately, I see others having the same experience today.

Over the next few years I developed several coverage innovations, though only a couple made it modestly to market. Then in 1994, I was talking with a financial planner who liked the seeming win-win appeal portrayed by a life insurance with long-term care rider combo (her feel was that the market didn't want to bite the LTCI bullet, but embedding it in life insurance and a fancy illustration made it win-win!!!). As an aside,

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the financial planner moaned that it was a shame she could not get the combo or any other long-term care insurance for a tax client who was just starting to use a walker. She said the client was ready to buy LTCI (surprise) but the insurers wouldn't cover her. I wondered if substandard might be a possibility, but ended up confirming that nothing was in fact available for this now willing buyer. The care risk was no longer in question, but the longevity risk was still very much open and potentially devastating. This seemed to me like the ingredients of a potential market. Just covering a VERY conservative percentage of those privately paying in a nursing home would be a \$100++ million market. But I wondered—is there a practicable product response? In what form? Could it be “underwritten?” Could it be priced? Was there data?

It quickly became apparent that the product might take the form of a very substandard LTCI policy or a seriously impaired annuity. Policy filing, as well as tax and marketing considerations, tilted towards the impaired annuity route, even though there was serious surplus strain then associated with impaired annuities. We found an underwriter with some data for rate making and underwriting, lined up reinsurers for both the longevity risk and surplus relief and defined a marketing plan with strategic affiliates.

Five years later, after lots of interest by insurers targeted as already in the structured settlement market, unfortunate reorganizations by a company ready to do it in three weeks (!) and finally almost stumbling on a company not involved with structured settlements that saw the product as a strategic marketing, financial and distribution fit, the product was on the market. Well it wasn't quite that easy, but it did get there about four years ago.

Along the way we discovered that a seriously impaired annuity was already being marketed in England. While they had/have universal health insurance, their government opted, similar to ours in forming Medicare, to not cover long-term care. England thus has a comparable market for LTCI as well as this uncovered “at need” market as they call it. Their lead has been helpful, though regulatory, tax and cultural differences, as well as the niche nature of the market, still required/require first-to-market efforts here.

As a market developer, my firm's mission is to not only invent breakthrough products, but to also market them as the opportunities offer. We saw getting a strong leg up on distribution as this product's biggest opportunity, as the niche nature of the market and the product suggested that it would be hard to distribute through brokerage channels at a significant and sustained level. As usual, there were bumps in the road. Significant

for us was that we couldn't negotiate the exclusive marketing arrangement we sought and we lost a major part of the financing for our efforts because of “administrative hitches.” These impediments seriously impaired (pun intended) our marketing, relegating most of our efforts to local “feeling out” the various doors we saw to the market rather than more aggressive marketing and selling. Nevertheless, the results of this feeling out has been instructive and now forms the basis for more extensive marketing by us (the company continues to market the product through its brokerage channel).

Our primary tests have been focused on the various providers in the geriatric care field—nursing homes, assisted living facilities, geriatric care managers, retirement communities, elder law attorneys, as well as accountants, trust departments of banks and some specialized brokerage firms.

Our biggest early disappointment was nursing homes. They had, and continue to have, more major problems, including rampant turnover of administrators, though we are seeing some turnaround there. Assisted living facilities were a pleasant surprise, though some product gaps were experienced. Elder care attorneys and accountants were also not very productive. Geriatric care managers, though, seem to hold some potential. Several new niches have also been developing, among them, a charitable giving play and home care. Direct approaches to the market also seem to hold some promise and as experience is developed both at the customer and center of influence level, there seems to be potential for even greater success. And, as originally anticipated, helping people with these problems opens up trust and cross-selling opportunities—certainly for the LTCI and the investments of the impaired person's offspring.

Moreover, as with the initial development of this product (and others), being in the market uncovers potential for additional product innovations. We are already seeking insurance companies interested in a second stage product and, perhaps more significantly, for refurbishing the basic LTCI package into a much more consumer-friendly offering. As mentioned earlier, I also trust, as I have from the outset, that this work at the other edge of elder needs will be instrumental in bridging the gap beyond the products now receiving attention at the beginning of an elder years' market.

The moral of this tale—stay attuned to changing needs in the market, be persistent, adjust for inevitable bumps in the road, be flexible and remain focused—the niche may revamp the mainstream. ↩

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