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A Niche Product and Its Marketing —

A Tale of Trials, Tribulations and Rewards

by Steve P. Cooperstein

Niche products, almost by definition, have risks and difficulties, though they can also have rewards. Here is a tale of a niche product you may be able to profit from.

It's 1985. My mother almost lands in a nursing home. It becomes apparent to me that more needs to be done in providing long term care insurance coverages—not an uncommon experience of those who become involved in the broad field of long-term care.

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 win-win appeal portrayed by a life insurance with long-term care rider combo (the market doesn't want to bite the LTCI bullet). As an aside she moaned that it was a shame she could not get long-term-care insurance for her tax client who was just starting to use a walker. The client was ready for LTCI, and yet they wouldn't cover her! I wondered if substandard might be a possibility, but ended up confirming that nothing was available for this now-willing buyer. An obvious market! The care cost longevity risk is no longer in question for someone already receiving care. And just covering a very conservative percentage of those privately paying in a nursing home would be a \$100++ million market. But is there a practicable product response? In what form? How or could it be "underwritten?" 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, 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

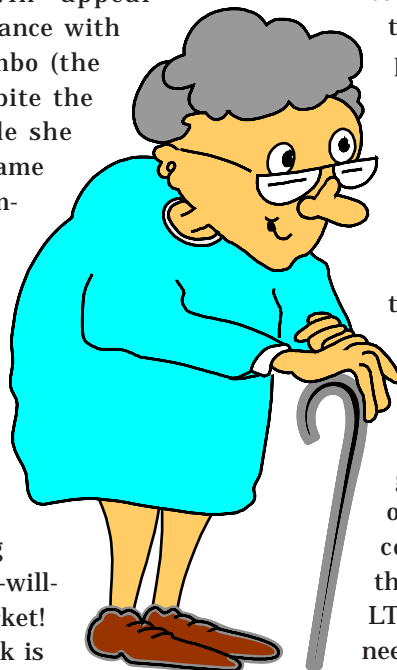
company not involved with structured settlements that saw the product as a strategic marketing, financial, and distribution fit, and the product was on the market. Well it wasn't quite that easy, but it did get there about three years ago.

Along the way we discovered that a seriously impaired annuity was already being marketed in England. Yes, in England.

While they 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 regu-

latory, 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 opportunity offers. 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



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to distribute it through brokerage channels at a significant and sustained level. As usual, there were bumps in the road—we couldn't negotiate the exclusive marketing arrangement we sought and also 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 small local "feeling out" of the various doors we saw to the market rather than more aggressive marketing and selling. Nevertheless, the results of "feeling out" the market have been instructive and now form 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 here. 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. 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. I also trust, as I have from the outset, that this work at the extreme 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 (such as LTCI and payout annuities).

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. 📖

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challenging. I feel very fortunate to have an excellent framework to start from as developed over the last year by Chris Hause and Julie Tani. As editors we are very fortunate to be able to work with an engaged group of authors and contributors.

This edition includes a message from Diane McGovern, the new Chairperson of the Nontraditional Marketing Council, which outlines our focus for the next year. We have also included overviews of sessions from the annual SOA meeting in Boston that were sponsored in whole or in part by the non-traditional marketing section. From a field trip to Babson College to learn about entrepreneurship to a session in patenting

insurance products, these sessions were very thought-provoking. For good measure, there are some excellent articles, including the third installment from Robert Winawer, "Direct Insurance Sales Using Microeconomics" and a piece from Bob Smith, "Outlooks for Using the Internet in the Distribution of Life Insurance."

I look forward to working with Julie over the next year to bring you interesting new issues of *NewsDirect*. Should you have any thoughts or ideas on how to improve the newsletter, both Julie and I would be very interested to hear from you. The path starts with a willingness to participate. 📖

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