



Make Note Of Our New Address!
New Location:
 19220 Lorain Rd. Suite 202
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LTC News

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Hang On To That LTCI Policy Persistence Is The Key

Information from the 2004 study conducted jointly by LIMRA International and the Society of Actuaries (SOA) Long-Term Care Experience Committee that focuses on long-term care insurance (LTCI) persistency shows that LTCI is here to stay. The study examines voluntary lapse and total termination activity for calendar years 2000 and 2001. Overall, the results indicate that LTCI persistency has continued to improve; however, the current improvement seems to be coming from the individual lines of business rather than the group lines.

Highlights:

- Voluntary lapses have decreased from a rate of 7.6 percent for all policy years combined, based on the most recent SOA LTC Experience Committee Intercompany Report (experience 1984–1999), to a rate of 5.4 percent, based on the current study’s 2000–2001 experience base.
- In the early durations, individual LTCI persistency is consistently



higher than that of other individual product lines, such as life insurance and disability income insurance. Many long-term care writers attribute this, at least in part, to the efforts being made by carriers and producers to increase consumer understanding of both the need for the coverage and the value of the products being offered.

- While women continue to represent 60 percent of the in-force business, for calendar years 2000 and 2001 males and females exhibited very similar patterns of lapse activity.
- Rates of voluntary lapsation are lowest for the longest elimination periods and the greater lifetime maximum benefits. These may be individuals with more substantial financial resources, as preliminary results from LIMRA’s consumer research indicate that clients with greater assets and income tend to purchase larger LTCI benefits. However, possibly due to the fact that they have the ability to self-insure for longer than

Good Tidings to All.



Hang On To That LTCI Policy Con't

other consumers, these individuals also tended to choose longer waiting periods.

- Generally, the plans with richer inflation protection benefits experienced lower lapse rates, both for individual and group LTCI.
- LTCI lapse rates increase as the number of premium payments made per year increases.

This result is consistent with persistency experience for other insurance products.

- For participating companies that provided data on marital status at issue, married policyholders exhibited higher rates of persistency than did their unmarried counterparts. This pattern is consistent both by company and by issue age group.

Protecting Your Clients from Using Their Assets

The need for long term care insurance is growing. Market penetration is still low-only 3.5% of U.S. households own an individual long term care policy. Those without long term care insurance may be forced to turn to their assets to pay for care. Once used, assets will be gone forever.

It is important to know the facts.

- Americans 65 and older are expected to face a 40 percent chance of needing some type long term care, according to the Department of Health and Human Services.
- People 65 and older-today's elders-number 35 million, or 13 percent of the population. In contrast, the baby boom generation numbers

76 million. In just 28 years, 55 million people are projected to be 65 years or older. That's 17 percent of the population-One in six Americans.

- The national average cost of a year in a nursing home is \$57,700

According to the U.S. Census Bureau, the average nursing home care duration is now 2.8 years.

Potential impact to your book of business.

How many clients do you have approaching 65? How many more do you have that are working age adults with older relatives they may be taking care of? To understand the potential impact on your book of business, do the exercise below:

An Example	A Look at Your Current Book of Business Fill in the Blanks below...
• Number of clients that are 65 and over: 100	
• Estimated % that may need long term care sometime in their lifetime: x 40	X 40 %
• Total number of clients age 65 and older who are estimated to need nursing home care at sometime in their lifetime: =40	=
• Average annual nursing home cost is \$57,700 x 2.8 years average stay. X \$161,560	X \$
• Total potential impact to book of business over a lifetime of clients age 65 and older = \$6,462,400	= \$



Happy Holidays!

On behalf of all of us here at Ohio Long Term Care Brokers, we Thank You for your business in 2004 and we look forward to serving you in the coming year!

