



LTC News

Introducing Our New Underwriting Column

By Debbie Kocsis

“One of the common misconceptions most agents have about long term care insurance is underwriting.”

INSIDE THIS ISSUE:

Introducing Our New Underwriting Column	1
Is Your E&O Insurance Paid Up?	1
Tidbits	2
Ohio Long Term Care Brokers	2
Underwriting Corner : Diabetes Mellitus	2
The Dramatic Evolution of Long-Term Care	2

“Almost 75% of individuals over 65 will need some long-term care services in their lifetime.”

We at Ohio Long Term Care Brokers have developed a new column in our newsletter entitled “Underwriting Corner”. This column is designed to help an insurance agent recognize and understand the health conditions that may become an obstacle in obtaining a long term care policy for a client.

One of the common misconceptions most agents have about long term care insurance is underwriting. Agents who do the bulk of their business selling life insurance know that when an insurance company underwrites a life application, the company takes into consideration health conditions that may lead to the death of the appli-

cant. The ultimate result is that the insurance company wants to avoid paying out a premature death claim.

Long term care companies, on the other hand, look at the health conditions that may cause a policyholder to live an indefinite amount of time with a chronic illness. A chronic illness, such as Parkinson’s Disease may allow a policyholder to live in an extended care facility for an undetermined amount of time. The longer the policyholder lives with the illness, the more claim dollars an insurance company will have to pay out over time.

Each upcoming edition of our newsletter will feature a specific health condition or illness.

We will define that condition and discuss the complications associated with that specific illness. We will also advise what client information should be obtained about the condition. This will help us to determine which insurance company best fits each individual medical history.

Ohio Long Term Care Brokers takes pride in our vast knowledge of underwriting. We know how important it is to an agent to get a policy approved the first time. Though this may not always be possible, we do strive to achieve this goal. By passing on our knowledge, it allows us to help you provide the best service possible to your clients.

Is Your E&O Insurance Paid Up?

Agents who sell LTC insurance should protect themselves with Errors & Omissions (E&O) insurance. Consider the liabilities contained in the following scenarios.

1) An agent advises clients that they only need 1-3 years of facility care because that is what the competition does, or that is the average length of stay for the area that they work in. I hope that agent’s E&O policy is paid up! Many agents sell to today’s need, and disregard what the future may hold for the individual. With the typical younger consumer, the need for long-term care may be many years away, yet the basis for coverage that some agents use is based on what appear to be present conditions.

2) Home healthcare is an area that some agents downplay or

shy away from because of the expense. I hope their E&O coverage is paid up! Home healthcare is more important now than at any other time. More and more services are provided in the familiar surroundings of the client’s home. That surely will increase in the years to come. Almost 75% of individuals over 65 will need some long-term care services in their lifetime. Most of that will start as home healthcare.

3) An agent sells a high elimination period to clients just to keep the cost down. I hope that agent’s E&O coverage is paid up! Many times clients are saddled with an outrageously high elimination period just to get the premium down or make a sale. At \$100 per day for benefits, that adds up to \$3,000 per month. So a 90-day elimination period is

actually a \$9,000 deductible. Does the client *really* understand this? It may be better to lower premium costs by adjusting something else, such as daily benefit, benefit period, or by going to a cost of living increase, or guarantee purchase option as an alternative to inflation protection.

There are many ways to honestly help a client. They begin with being knowledgeable about the exact nature of the benefits, how clients are going to access them, and how the process works. At least one agent has explained the bed reservation benefit as one which provides a bed for the spouse when he or she comes to visit in the nursing home. I hope that particular agent’s E&O was paid up!

Source: Leonard J. Berthelsen, LTC News & Comment, May 2000.

Underwriting Corner: Diabetes Mellitus

By Debbie Kocsis

Diabetes Mellitus is a health condition we see often in potential policyholders. Diabetes is a disease that affects the body's ability to produce or respond to insulin. There are two main categories of Diabetes: Type 1, insulin dependent, which usually begins during childhood or adolescence, and Type 2, non-insulin dependent, which usually occurs after age 45. Diabetes is a chronic illness for which there is no cure.

Common complications to Diabetes are as follows:

Diabetic retinopathy is damage to the blood vessels of the eye. It can cause loss of vision and may lead to retinal detachment. Retinopathy is sometimes treated with laser surgery, although this is not a cure.

Diabetic neuropathy is dam-

age to the peripheral nervous system. If the nerves to the arms, hands, legs, and feet become damaged, sensation may become abnormal and tingling, numbness, burning and weakness may develop.

Skin ulcers are damage to the nerves of the skin. Infections of the skin and other areas of the body are common in diabetics because of impaired circulation, elevated blood glucose, and depression of the immune system. Simple cuts and scrapes can progress to ulcers and gangrene. The treatment for this may be amputation.

Diabetic nephropathy is any damage to the kidneys. Blood vessels in the kidneys thicken; protein leaks into the urine and the blood isn't filtered normally. This can lead to poor kidney function and/or kidney failure.

When screening a potential long term care client who has diabetes, you need to be aware of the complications associated with this disease. Question your client to see if they are affected by any of the above conditions. Ask them how long they have been diagnosed with this disease, get their height and weight, and ask the medication and dosage they are taking to control the diabetes. If they are taking insulin, find out how many units they are taking each day. Diabetes is not an uninsurable condition. Having the most complete information on the severity of this disease will help us in providing the best insurance company for your client.

To learn more about Diabetes, log onto the Diabetes Web Site at www.diabetes.org.

The Dramatic Evolution of Long-Term Care

by George Sherman

Every aspect of LTC has changed over the last ten years. Everything, including the legislative and regulatory environments, the design of LTC insurance products, the knowledge and sophistication of agents, awareness of the public, the acceptance of private insurance for LTC on the part of the media, the LTC provider industry, and the technological advances that have deeply influenced, and promise to further influence all aspects of the marketplace. In this series, we will look at these changes one at a time.

Legislators and regulators now promote LTC insurance

I have written elsewhere that the death, about ten years ago, of the Pepper Commission established by Congress to study the feasibility of establishing a new public entitlement for LTC, was the birth of private insurance for LTC. While the product had been on the scene before the commission, it was held suspect by

Congress and by state regulators. Even the nursing home industry shied away from it. When the Commission could not muster enough votes to recommend even the most rudimentary program, lawmakers and regulators shifted their focus on doing what they could to make private insurance work.

In 1996 the Health Insurance Portability and Accountability Act officially recognized LTC insurance, putting federally qualified policies in the same class as health insurance for tax purposes. The latest federal bills would enhance the tax status of LTC insurance even beyond health insurance by granting a 100% above-the-line deduction for premium. In addition, after ten years on the legislative back burner, it appears likely that

we will see a new federal, employee-pay-all LTC program by the end of summer.

At the state level, the mood of regulators swung from suspicion, to doubt, to understanding, to support. Ten years ago the big issue was affordability. Then came the greatest threat to the product: mandated nonforfeiture. This would have killed the LTC insurance for sure. The battle over this waged for three to four

years. The issue of benefit triggers followed. Most recently, the NAIC has approved the landmark addition to the LTC model act: rate stability. On the legislative side, ten years ago no state offered tax advantages for LTC insurance. Today 21 states do. Dramatic change in a relatively few years.

Source: www.mrltc.com

"On the legislative side, ten years ago no state offered tax advantages for LTC insurance. Today 21 states do."

Tidbits

Info on Assisted Living

- 47% of residents are being assisted with bathing.
- 32% are assisted with dressing
- 58% of people enter an ALF from their home than from any other location.
- 13% enter from a nursing facility.
- 43% of residents leave an ALF to enter a nursing facility than any other destination. 13% return home. 22% die.
- The prime market for Assisted Living, age 75+, will increase 70% between 1997 and 2025.

Source: LTC New & Comments, Jan 1999

Ohio Long Term Care Brokers

- Robert P. Dittman
President
- Deborah D. Kocsis
V.P. Operations
Underwriting
- Denise L. Gott
V.P. Marketing
- Shannon Norris
New Business

701 Beta Drive Suite 34
Mayfield Village, OH
44143

Ph: 440-461-5131
Fax: 440-461-4503
Toll Free: 800-461-2051

www.ohioltcbrokers.com
Email: ohioltc@core.com