Sell the need not the policy

By Ed McCarthy | Published March 1, 2009
From the March 2009 Issue of *Senior Market Advisor* Magazine

Long term care insurance is a challenging product. It provides a solution to a relatively straightforward problem, which is the need to fund long term care. Policy features and options can be quite complex, however, and it's easy to start stressing the coverage's bells and whistles in an effort to educate and persuade potential buyers.

It's important to thoroughly understand the technical details of your preferred LTCI policies and those of your competitors. But most prospects don't need or want to hear about every facet of the coverage. They're concerned with satisfying their personal needs, and successful LTCI producers build their sales presentations around those needs, not the policies' features.

Fact-finding basics

The possibility that an applicant might be rejected by underwriting or prove unable to afford coverage makes it important to prequalify prospects. Phil Grossman, CLTC, LTCIP is a financial services representative and long-term product coordinator with MetLife in Phoenix, Ariz., who has been selling LTCI exclusively since 1997. He starts qualifying prospects during his first phone conversation by taking them through a detailed health questionnaire. "I will ask these questions 100 percent of the time to determine whether I can go to the next level," he says.

Most of Grossman's prospects come to him through referrals. They understand that he is an LTCI specialist and they usually understand that their health plays a role in obtaining the coverage. Grossman says that he encounters very little resistance from prospects when he asks them to provide their medical details. In fact, he is often able to use the medical questions to demonstrate his understanding of LTCI underwriting. "When they tell me a medication they're taking, 99 percent of the time I know why they're taking it," he says. "Now it's not like they're talking to a salesman—I've just created a different environment."

Ken Story, CPCU and partner with the Gjurasic/Story Group, LLC in Seattle, Wash., also uses an initial phone interview to start identifying LTCI needs. "Many agents use appointment centers to set their appointments on the phone, and the first time that they have an opportunity to meet with the client is either in their office or in the client's home," he observes. "I used to do that but don't any longer. I have found that a phone interview is a very important part of the process. Not only for the health screening part, but it's particularly important for establishing needs. When you do meet the person, you'll have some idea of what approach you're going to take, because the needs are different for each client. It's also an opportunity to establish some common ground outside of insurance itself. For example, I ask about their work or about their hobbies. And most importantly—and I can't stress this enough— I ask if they have ever had a personal experience with long term care. And then if they have, I let them talk and talk to their heart's content."

LTCI can confuse prospective buyers, and Story encounters some prospects who require additional explanations. In those cases, it's important to step back and work on educating the prospect. "My objective on the telephone is just to get an appointment, just to get in front of them," he says. "Oftentimes the way that I do that is to explain to them that my primary role, at least initially, is to help them understand what these things are that we are talking about and to help them get a clear picture." Once prospects have that information, says Story, then you can go further in the sales process. In his experience, however, it's been much easier for him to "open up doors through education than it is to open them up through selling."

Terry Sandvold is an agent with Prudential Insurance in St. Louis Park, Minn., who incorporates LTCI fact-finding as part of a broader financial review and retirement plan. He introduces two retirement reviews: One focuses on investments and the other on risk analysis. Everyone wants to discuss investments, he says, but he stresses the additional importance of risk planning. As part of the risk analysis, he discusses the financial impact of disability and long term care. It's not a product pitch—he doesn't tell prospects they should buy the coverage at that stage. Instead, he asks them to keep an open mind while he explains the risk to them. Once they understand the risk, they can decide if they want to consider LTCI.

The sequential phases of the typical retirement have been called the go-go, slow-go, and no-go years. Most advisors prefer to focus on preparing clients for the go-go years, says Deb Newman, CLU, ChFC, LTCP, an MDRT member and founder of Newman Long Term Care in Minneapolis, Minn. As a result, clients fail to plan for the likelihood that they will need some form of care in the last two stages. Newman addresses the lack of preparation for life's latter stages directly with LTCI prospects. "I ask, 'What's your plan?' and they typically say, 'Well, I don't have a plan.' I tell them, 'You do have a plan. Your plan is your 401(k) plan. Your plan is your wife, who will be 88 years old when you need help. Your plan is your 60-year-old daughter, who thought she was going to retire, and now she's taking care of you. That's your plan. Is that the plan that you want? Or do you want to give your kids and spouse permission to continue to live their lives and make sure that you're well cared for? Talk about how you're going to pay for that.'"

The money questions

Assuming that a prospect tentatively qualifies medically for LTCI, the next step is to determine the degree of coverage they need and can afford. After he completes his medical questions during the initial phone interview, Grossman tells prospects that the average cost of semi-private nursing home room in Arizona is roughly $53,000 a year. The average length of care is 2.8 years, so he then asks prospects if they could pay for three years of care from personal assets without being forced to sell their home. A positive response gives him a good starting indication that they can afford coverage. "If they live in what I would consider to be an affluent area, I may not even ask any financial questions," he says. "That's why I ask if they can pay for three years of their own care if the cost of care is $50,000 a year. I don't ask them what they were worth—I just ask them if they could pay for it."

If the prospects can't pay that expense, Grossman asks additional questions to get a more accurate estimate of their net worth. If he suspects the prospect can't afford coverage, in some cases he breaks his own rule and gives them a rough estimate of the coverage's cost by phone. Providing that information helps determine affordability and allows Grossman to eliminate prospects who can't afford the premiums.

In Story's experience, many prospects object to an agent's attempt to go a thorough financial analysis during a preliminary conversation. Prospects suspect, often correctly, that the agent is asking the questions to determine how much insurance the prospects can afford, as opposed to how much insurance they need. Consequently, he often relies on other cues to assess financial status. A prospect's job history or residence, for example, provides rough indicators of net worth. Because Sandvold creates a personal balance sheet and retirement cash flow analysis with his clients, he's familiar with their need for and ability to pay for LTCI. "Our prospects have been trained that they come in with the balance sheet all filled out, even before I meet them," he says. "And a lot of people come to us to help determine if and at what level can they retire. So we're going through all of that probably before we get to the long term care topic in detail."

Assuming the prospect qualifies, it's still necessary to select the coverage benefits. Although LTCI policies are complex, Newman breaks down the coverage elements into steps that clients can grasp. She starts by explaining the cost of care in the local community. Because most clients are familiar with deductibles on other insurance policies they own, she then introduces the concept of waiting periods. The third step reviews benefit inflation features and she concludes with the selection of a maximum benefit. "That's all," she says. "We just designed a long term care plan, and by the way, here's how much it costs. If they fall off their chair, then we say, well, you know what, this is the place where we've started, now here's how we modify this. What are you comfortable with? Maybe you don't have to insure the whole thing. And it should be a pretty easy discussion to have with somebody."