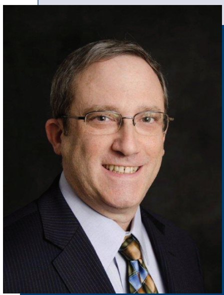

DON LEVIN,

JD, MPA, CLF, CSA, LTCP, CLTC, is the managing general agent of PNW Insurance Services, a national brokerage which offers long term care insurance, short term recovery care, life insurance and annuities to the general public across the country. The long term care planning specialists and staff of PNWIS are proud to offer comprehensive individualized planning solutions to their clients while also working through a strategic alliance of financial planners, estate planning and elder law attorneys, CPAs, and other businesses and organizations.

Levin has been in the long term care industry since 1999, during which time he has been an award-winning agent, district manager, regional sales manager, marketing director, associate general agent, general agent, and divisional vice president. Levin is also a former practicing Attorney-at-Law, court-appointed arbitrator and is a retired U.S. Army officer.

In addition to his various law and life and health insurance licenses, and the above designations, Levin has also earned Green Belt certification through GE's Six Sigma program, and is a graduate of GAMA International's Essentials of Leadership and Management. He has also taught Managing Goal Achievement®, Integrity Selling® and The Way to Wealth® to hundreds of leaders and salespeople over the past fifteen years. He previously possessed FINRA Series 7, 24, and 66 licenses.

Levin earned his Juris Doctor from The John Marshall Law School, his MPA, from the University of Oklahoma, and his BA from the University of Illinois-Chicago. He is also a graduate of the U.S. Army Command and General Staff College and the Defense Strategy Course, U.S. Army War College.

He is a published author of nine books in a wide range of genre.

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The LTC Insurance Industry Asks: Where Have You Gone Joe DiMaggio?

For those who don't know who Joe DiMaggio was before he was the spokesman for Mr. Coffee, Joe D. was nicknamed "Joltin' Joe" and "The Yankee Clipper," and played his entire 13-year Major League Baseball career for the New York Yankees. He is best known for his 56-game hitting streak during the 1941 season, a record that still stands today. *I always liken his streak to that of our agents submitting written business every week – a feat not easily attained.*

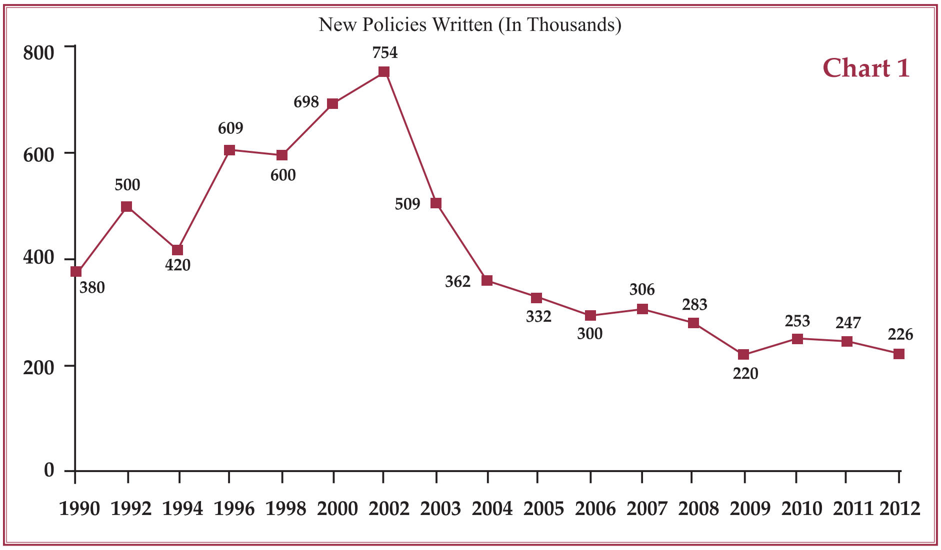
DiMaggio was a three-time Most Valuable Player, and an All-Star each of his 13 seasons. During his tenure with the Yankees, the club won ten American League pennants and nine World Series championships. The man was a champion, and despite missing a couple of seasons due to service in the Army during WWII, he returned to baseball and picked up exactly where he had left off without missing a beat. Joe was inducted into the Baseball Hall of Fame at Cooperstown, NY, in 1955, and was voted the sport's greatest living player in a poll taken during the baseball centennial year of 1969. Despite passing away in 1999 there is still an impressive website honoring him that you can visit.

For the past seventeen years I have been a part of the long term care insurance industry. I joined it after a 13-year career as a general practice attorney. Since making the transition, I have enjoyed many roles in our industry, and have remained a faithful student of our business. In those seventeen years I have truly seen the good, the bad, and the ugly. I have had the pleasure of being named a Leading Producer as a career agent, district manager, regional sales manager, and divisional vce president. I have experienced the highs of our industry when it was genuinely fun to be in the business, and lived through some really bad times. Some might say that we are living in one of those bad times again, and I would say... **you're wrong**! This is **not** a bad time to be in the long term care insurance industry— if you are truly in the industry. For years, my agents have heard me say that this business is "90 percent belief and the other half is activity." It was true when I said it for the first time in 2000, and no less so today! It all starts with whether you are in or **out** – there is no more maybe.

Fact: (see chart 1) According to LIMRA statistics, the LTCI industry has contracted about 80 percent in sales over a five year period. The naysayers are proclaiming this the death spiral of the industry. My answer: **Not**! We heard that 2004 was the tail end of a two year death spiral and it clearly was not.

Yes, the industry is down that much in

traditional LTCI sales, but there is quite a logical explanation for this phenomena which dosen't impact our ability to be successful in this business in 2016.



Chronology:

• For many years after its inception in 1974, the long term care insurance industry was on a meteoric path in terms of sales and policies issued, with the top carriers shattering sales records year after year. When I first joined GE Financial, we were GE Chairman Jack Welch's darlings—a cash cow to corporate, and achieving 45 percent year over year growth. It was nothing short of amazing, and quite easy to maintain a swagger when we walked.

• In the 1990's, long term care insurance was, by and large, a product sold by internal career shops comprised of specialists; advisors and brokers largely gave us a wide berth.

• Case in point—for many years the GE Financial/Genworth team of agents was heralded as the greatest career LTCI sales force in the industry bar none. In its hey-day, the 1500 career agents of this shop would produce $180 million in annual sales, with brokerage contributing a negligible amount. Parenthetically, the President's Club of 10-15 agents would produce $5-10 million annually by itself.

• This very talented career sales force would produce 40 percent of the industry sales generated annually. This sales force is largely gone now.

• The LTCI industry was once producing over $500 million dollars in annual premium, largely thru the efforts of career agents.

• Many of the top carriers have divested themselves of their career shops, or ceased new sales, or folded their tents and/or crept away into the night, in some cases in a state of insolvency.

• Anecdotally, the brokerage channel is full of "casual" LTCI producers who are becoming even more casual in their efforts to position this product alongside their other primary, mainstream products.

So how did the industry end up where we are today?

• Reports indicate that in 2002 there were over 750,000 new LTCI policies issued to consumers; in 2014 this number had shrunk to only 131,000 new policies, but…there were also 91,000 hybrid and combo products that were purchased as a means by which to address the long term care conundrum. Consumers and advisors were clearly embracing alternate strategies!

• Agents began realizing that the (direct mail) lead machines maintained by these carriers for the exclusive benefit of their career agents were not producing the same quantity or quality of leads, and soon most of these carriers began charging for these leads. The allure of free leads, albeit with lower commissions, lost some of its luster, and agents then began to leave career for the brokerage/independent channel and significantly higher commissions associated with becoming independent and entrepreneurial. A good number of agents were not successful in this transition for a variety of reasons. Career sales fell while brokerage sales began to climb proportionally until the pendulum had swung near completely to the other side—but overall, sales continued to fall industry-wide.

• Age and attrition. These natural forces have taken an enormous toll and ravaged this once proud industry of producers. When I think about the number of President's Club, Platinum, and Diamond agents I personally know that are no longer producing, the list is staggering as is the sheer amount of production that they accounted for each year.

• Lack of recruiting. Coupled with age and attrition, the lack of recruiting of fresh younger talent has had an even more severe impact on the industry. Proselyting or the practice of "musical chairs" is not now, nor has it ever been, the same as honest recruiting. Stealing agents from one another is not growth, but merely stagnation and kicking the can down the road.

• As a footnote, our current agency was one of the few within the system that did grow…and in the right way. It grew primarily on the basis of training, mentoring, and oh yes, the recruiting of fresh talent new to the industry. In fact, our agency grew as some $1 million (or about 20 percent) of our traditional LTCI production came from agents new to the industry in 2012-2014.

The market is still there!

• Contrary to reports, the market is still there. As Mark Twain once said, "the reports of my death have been greatly exaggerated."

• The Baby Boomers who were our sweet spot as they turned 65 at the rate of 10,000 per day are still here but are now turning 70 at this same rate. They are largely retired or retiring, and unlike their parents are doing so with mortgages still in place, fewer forms of pensions and guaranteed lifetime incomes, with the prospect of living longer and potentially outliving their money. The risk of outliving their money goes up dramatically particularly if they have not addressed the potential ramifications of long term care and if they are part of a married couple or civil union—where the odds jump to 70 percent that one of them is going into care!

• The need is greater than ever! The costs associated with home care, assisted living facilities and skilled nursing facilities have all steadily risen over the years—nearly tripling in the time that I have been in the industry. What was once a $40,000 annual cost is now topping out in excess of $119,000, making self-insurance an untenable alternative.These expenses threaten our country like never before in our history. More women in the workplace and fewer children in the family (oftentimes scattered across the country) greatly reduces caregiver options in terms of family. Government entitlement programs are drowning in red ink, fueling even more challenges to Society.

• While premiums have risen, on balance, the ability with which consumers can leverage their personal resources still makes LTCI a tremendous bargain… if the agent has harnessed **need**, created **urgency**, and demonstrated the **value** inherent to being a policyholder. As noted above, costs have nearly tripled—why should we expect that the insurance which will protect us from this scourge will not also rise in cost? Put another way, why does LTC insurance cost more than say an average term life insurance policy? Because the expectation on the part of the insurance company is that there is a 70 percent certainty of paying out on the LTCI policy, whereas only 2 percent of term life policies ever go to claim. Why are car insurance premiums more expensive than homeowner's policies? Because there is a five times greater risk of you filing a claim on your auto insurance.

So why aren't the fish biting?

All of that aside, why aren't consumers flocking to those of us left in the industry? Why aren't we all up to our ears in applications and illustrations? According to members of the ever contracting agent force from whom I have solicited input:

• There is an incredible void in the education and awareness campaigns that should be ongoing by *the carriers and the states*. The advent of partnership and subsequent mail campaigns by state governors was an incredibly successful and fruitful partnership that generated revenue for carriers and agents and reduced the potential burden on state Medicaid systems. Why has it been allowed to virtually disappear?

• The carriers have largely ceased to promote the long term care insurance product. Gone are the days when we were being reminded about the ever present danger associated with the ravages of long term care with a variety of mass media offerings ranging from print, radio, and television commercials.

• Denial is still strong! Whether it is the heart of the consumer or that of their trusted advisor, the attitude of "this won't happen to me" still resonates, largely due to ignorance. Our challenge is to educate them so that they are no longer ignorant or lacking knowledge—so that they can then make an informed decision on the proper course of action.

• Due to changes in basic economics, the average American family has less disposable income today than it did four years ago. Now more than ever it is all about prioritizing.

• Most consumers and more than a few advisors would also cite "financial instability" in the marketplace leading many people to maintain the dreaded and often fatal "wait and see" mindset.

• "People won't answer the phone or respond to my mailings."

• "It's just plain harder to sell it these days."

You decide which of these bullet points are legitimate concerns or simply excuses…

The Math: So where did the market disappear to over the years? It didn't go anywhere! It is still here if you look for it. The lake is still full of fish but there are far fewer fishermen on the pier or in boats with poles in the water—thus less fish on ice in the market!

• 30 percent of the fishermen were lost when the GEFA/Genworth team largely eroded and finally disappeared, though remnants of the team are still in the industry but with other carriers and brokerages.

• 40 percent of consumers are purchasing hybrid and combination (non-traditional) policies to address this need in their lives.

• 10 percent is attributable to age and attrition—which is continuing to ravage the industry sales force and is only going to continue to accelerate.

• 5 percent is due to the number of financial advisors, attorneys, and other insurance professionals who may have previously put their toes in the water only to pull them back out due to a change in product offerings that served to make the product even more "complicated" to understand, much less position for a sale to their clients.

The result is that the market is still there, but there are far fewer boats on the water offering our products to the public. I don't view this as a problem, but rather as an opportunity and call to action!

The Solution: You!

If you are truly in the game, with your own lines in the water, you can be as successful as you wish. If you want to sit on the pier and drop a line or two into the water, you can do that and deem that success. If you want to go trawling for the big albacore, you can do that as well—but to do so you have to a) have a boat, b) go where the fish are biting, and c) throw the chum into the water to create that very same feeding frenzy we used to enjoy years ago. These activities require time, patience, diligence and discipline.

• Build your brand. The public, professionals, and your centers of influence need to know that you are there and how you can provide them with assistance. People in your local market, or even remotely, need to associate **you** with your product portfolio.

• While building your brand, simultaneously engage in consumer education and awareness. The public needs us and our products but won't purchase them until they discover the **need** within themselves, couple it with the fervor of **urgency**, and you have demonstrated the **value** associated with being a policyholder.

• It is no longer about direct mail leads – it is now all about marketing, networking and prospecting. In exchange for these efforts, most carriers are now paying the agent more than twice the commission of a previously captive agent. Work your existing book of business, turn your clients into centers of influence, and be deliberate in working both your warm and target markets. *Marketing is not an event, but rather a way of life for the true fisherman entrepreneur.*

Required Carrier Actions:

For the industry to survive and flourish, carriers must:

• Bring to the marketplace websites, tools and electronic applications (e-apps) as well as develop processes to include underwriting and policy issuance that are both streamlined and agent friendly.

• Commit to developing cycle times that allow (new) producers to get paid in a timely manner, e.g. in ten days, not ten weeks. Being paid 60-90 days after submission causes otherwise quality producers to wither on the vine, even in the presence of regular production, as it is all about cash flow and survivability. Where possible, carriers need to work with agencies to foster an environment into which new agents can be recruited, e.g. a draw or new agent bonus program similar in nature to the "financing" that their financial counterparts can offer their new candidates.

• Move into the 21st century—eliminate as much paper as possible, and automate the policy issuance through the cloud.

• Invest in the education and awareness of the general public and financial service and insurance professionals with branding and educational campaigns—this can't all fall to the shoulders of the agencies and agents.

• Intensify governmental relations efforts to promulgate legislation that will allow consumers and employers to utilize qualified (retirement) funds for the purchase of this critically needed insurance. Premium deductions and credits are useless if there are no funds with which to make the purchase! Failure to change the manner in which prospective policyholders can fund their purchases will further erode the purchase of these products, lead to the subsequent dissipation of these (qualified retirement) funds on said care, and/or cause a rise in Medicaid filings and the ultimate collapse of these systems.

Required Agency Actions:

Agency owners and managing partners must shoulder their share of the burden by:

• Investing in infrastructure—training, marketing, recruiting, technology, case management.

• Recruiting, recruiting, recruiting of new agent talent and second-tier leadership development. *What would the impact be to the industry if every agency successfully launched just one new agent to partner with a veteran agent? How much new business would be written? For the true agency leader recruiting is not an event but rather a lifestyle!*

• Training agents in how to position both carriers and product offerings in this new age.

• Training in how to create lakes in which to fish and generate sales for themselves. Providing leads was analogous to feeding our agents one day at a time; *if we teach our agents how to fish we will feed them for a lifetime.*

• Leading the marketing efforts within the agency and fostering relationships with professionals that create selling opportunities (not just leads or introductions) for agents.

• Providing training in how to complete the fact finding and home interview against the backdrop of remote / virtual sales—unlike the old days when this was a kitchen table industry, last year some 40 percent of the market purchased this product from an agent or carrier not physically present in their home.

• Providing co-op funding for marketing efforts with agents to promote local branding.

• Working with industry organizations, e.g. NLTCN, NAIA, NAIFA, GAMA International, etc. and carriers to support strong lobbying efforts in Congress and state capitals.

Charting a new course in familiar waters:

One of my favorite movies is *Forrest Gump*. A large number have seen it, and most will recall that Forrest's newly acquired wealth came from the Bubba Gump Shrimp Company, which made it big when all of the shrimping boats were wiped out in a Gulf Coast hurricane, leaving Forrest and his boat the *Jenny* as the last remaining boat on the water and the only one capable of hauling in the catch. *With the vast number of agents, agencies and carriers no longer on the water, this is our time to shine and to land a big catch!*

The question is: are you ready to go fishing again? We'll teach you how, we'll provide you the rod and reel, and even some great bait, but we can't put the line in the water for you— that is completely up to you.

Conclusion(s):

• I remain in this industry with guarded optimism that we can rebuild it through a solid partnership between agent, agency and carrier, as well as industry organizations working with federal and state government agencies.

• This business can, and must, survive and flourish again. It all begins with each and every one of us doing that which is required to insure that the public receives the education and awareness necessary for informed decisions to be made and *policies to be purchased*.

• Federal and state regulators **are** coming around to appreciate the significance of a strong and vibrant LTCI industry and the inherent risk to the general public if we are not successful—and for these reasons are granting in-force rate actions and generally providing a more receptive ear to the industry.

• Marketing, networking and prospecting is fun if you do it right!

• For fear of further accusations of being the ever optimist, I really do believe that fewer poles in the water should mean that we all catch **more** than our previous share; the fish are hungry (though they may not know it), so it is incumbent upon us to insure that the bait is in the water to attract them.

• We now have reached a point where the quality of our current agents must offset the former *quantity* of selling agents.

We all have the opportunity to be the next Joltin' Joe of the Long Term Care Insurance Industry if we get our lines back into the water!