Why 'Cash LTC' Policies?

BY TREVOR THOMAS

CASH LONG TERM CARE INSURANCE policies are a remedy for the doldrums that have beset the LTC market for the past couple of years, according to Peter Gelbwaks.

These policies may be relatively expensive, but they have an advantage that can make them quite attractive for many more affluent clients, says Gelbwaks, head of Gelbwaks Insurance Services, Plantation, Fla. They are easy for the advisor to explain and for the client to understand.

The principle of the cash policy is straightforward: When a policyholder needs care, he receives regular monthly payments to spend on whatever care he wishes.

"Cash is a way to simplify the sale," says Gelbwaks, who is immediate past chairman of the National LTC Network. "The client doesn't have to go into a nursing home or receive home care from professionals. They can receive care from their children or friends if they wish."

Gelbwaks warns, however, that due diligence requires the agent to explain that LTC insurance is not the same as a disability policy.

"Make sure the buyer really understands the qualifying event," he warns. "Otherwise, you're walking on thin ice. Make sure they understand there's a certification period," typically 90 days.

Walter J. Robinson, director of LTC insurance sales at Booth Financial Associates, Norwalk, Conn., says he, too, is selling more cash policies. He also cautions producers to exercise due diligence in explaining proposed contracts with buyers.

"Understand the contractual features of these policies before you jump on the bandwagon," he emphasizes.

For instance, some cash-only benefits are attached as a rider to a regular LTC policy and may not pay 100% of the benefit that would be paid for confinement. The policyholder also should understand the insurer must approve a plan of care before forking over any payments.

"Clients still have to be eligible for long term care to receive benefits," Robinson says. "And what if family members insist the patient stay at home, and the care coordination folks think she'd be better served in a facility? You could have a conflict."

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But because of its simplicity, the cash policy has tremendous appeal to many who would otherwise not be serious prospects for LTC insurance, says Gelbwaks.

The typical prospect for a cash policy is younger than the average buyer of more traditional coverage, he says. "The target age is 35 to 55, and the average buyer is 35," he estimates.

"I'm interested in the 90% who are not buying LTC insurance, the ones who think it's too expensive and too complicated," he explains. "They don't want to go through a maze of four hours of meetings to understand what it is you're selling."

Gelbwaks sees big opportunities for cash LTC insurance policies in the workplace. Traditional LTC policies only appeal to 5% of the typical workforce, he says. The other 95% just aren't thrilled about it.

"This is an exciting way to talk about LTC insurance," he says. "We need to find more of a mass appeal product for this market, and I think there's great opportunity here for the industry."

Carriers in the cash market include MetLife, MedAmerica and Prudential, which offers a cash rider to one of its LTC policies.

"Think of it as a consumer would," advises Gelbwaks. "If I could show you a $6,000-a-month plan, with tax-free benefits, that's not going to require you to show your medical bills to receive benefits, wouldn't you be more interested in that? I think 90% would. The only problem is that pricing for those over 55 is not inexpensive. So, we need to target the younger person."

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