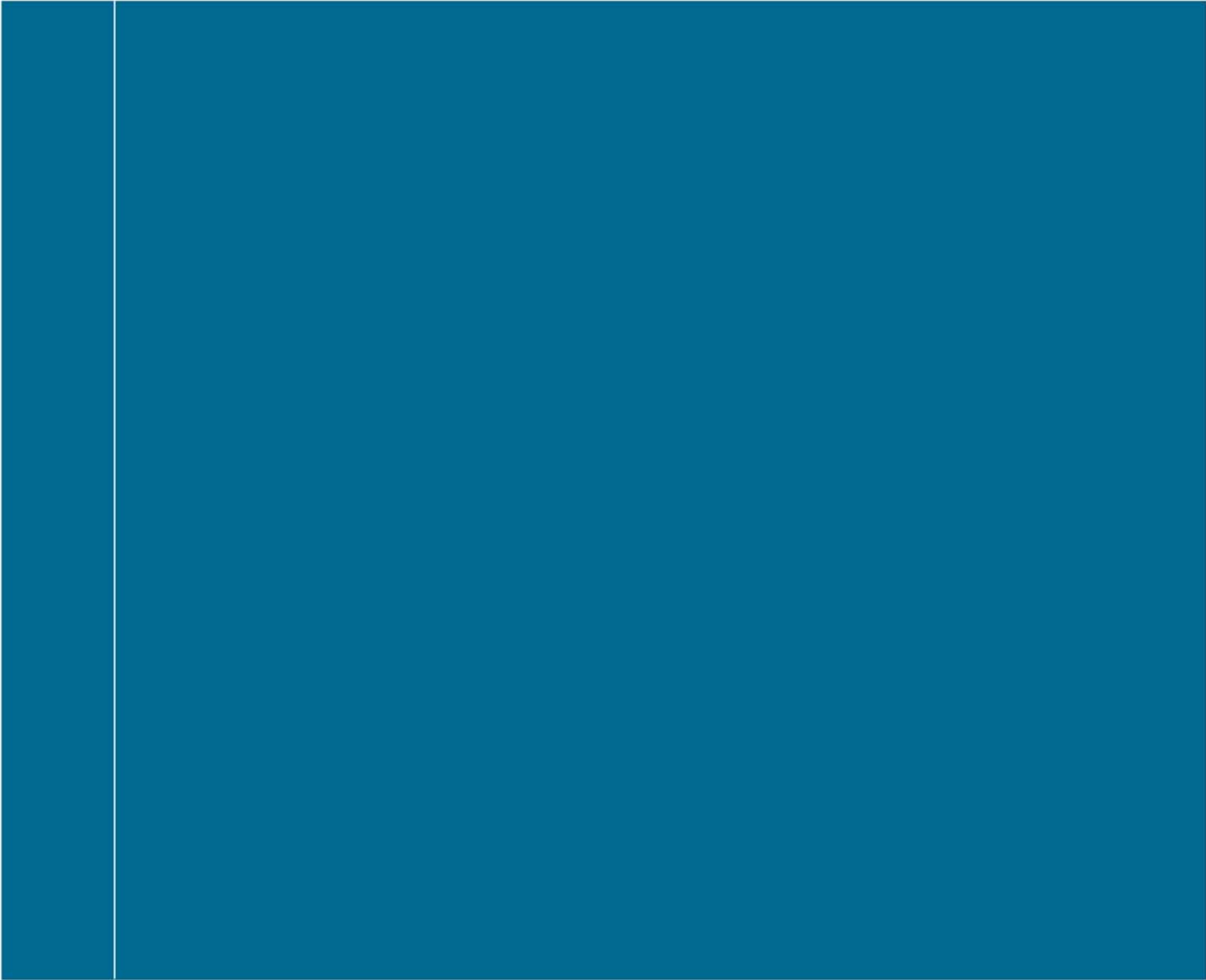




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# Seven Step Sales Process for Long Term Care Insurance



## **Introduction**

There is a financial planning need that is coming more and more into American consciousness – protecting assets and income from long term care. Your clients might have seen this topic in the news more and more lately, or they may know of someone in a long term care (LTC) situation. LTC is a high cost, high probability event that may be unprotected.

Before trying to sell LTC insurance it is important to understand some of the reasons why people buy LTCI. In a 2006 LTC Study conducted by Mathew Greenwald & Associates for John Hancock, here is what consumers had to say about LTC in general, what motivated people who had bought coverage and what were the primary reasons for not buying.

### **General feelings on LTC**

- 84% acknowledge that the need for LTC could significantly reduce their retirement and assets
- 83% believe it's irresponsible not to plan ahead for LTC needs
- 42% recognize the viability of LTC insurance as the best solution for those needs
- 78% said it is best to purchase LTC insurance before age 60
- 81% believe that even healthy people need LTC insurance

**When buyers were asked what the reason they bought LTC insurance was, here is how they responded.**

- 89% Did not want to be a burden on family
- 76 % Preserving Assets for your spouse
- 66% Leaving assets or inheritance for children

### **Primary Obstacles to Purchase**

- Fear leading to denial
- Lack of knowledge
- Competing priorities
- Cost overshadowing value

Using this information, plus almost 20 years of experience in training producers on selling LTC insurance, John Hancock created the following suggested language to be used with the John Hancock Consumer Needs Brochure (LTC-3700)<sup>1</sup> when making your presentation for LTC insurance. This process is designed to focus on areas that are of importance to consumers and address possible objections throughout. The steps should lead to a natural, objection-free close.

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<sup>1</sup> LTC-3700 is currently approved for use in all states except NC. A FL version is in the process of development.

## Key Success Factors

There are key factors that are proven to ensure a successful delivery of the LTC insurance sales process.

- **Memorize** to stay on track and bring your prospect back on track if the conversation goes astray
- **Internalize** practice to make the language sound natural
- **Listen** when you ask a question, listen closely to the answers; this is how you will determine your clients key concerns and how to best meet their needs for LTC insurance
- **Avoid Acronyms** that may be familiar to you, but not your client

<p><b>THE WARM UP</b></p>	<p><b>Remind your client why you are meeting today and set the agenda to be sure you are both on the same page.</b></p> <p><i>“The reason we are here today is because you expressed an interest in learning more about one of the fundamental foundations of the financial planning process, long term care. Today I would like to talk with you about what long term care is and the associated costs, get your thoughts and ideas about long term care, and look at options for planning ahead that would best suit the needs of you and your family. Is there anything else you wanted to discuss today?”</i></p> <p><b>Allow client to respond</b></p> <p><i>“Great, then let’s get started.”</i></p>
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**STEP 1:**  
What is LTC?

Page 1 & 2 of  
LTC-3700



**The goal of Step 1 is to educate your client on the need for long term care planning and what long term care is. First you need to establish why long term care planning is important:**

**Explain to your client:**

*“You’ve worked hard to accumulate assets, create a comfortable standard of living, and prepared yourself and family for retirement. If you or your family were to need long term care, the expenses are often higher than people think and could interfere with your plans and dreams. That is why the need to protect assets and income from long term care is coming more and more into American consciousness. You might have seen this topic in the news lately, or you may know of someone in a long term care situation. As people are living longer and longer, the need for planning ahead becomes more important. Long term care is a high cost, high probability event that with the proper planning can be protected.”*

**Ask your client:**

*“What do you think of when you hear the words long-term care?”*

**Allow client to respond:**

*“Long term care is the type of care you or someone in your family may need if you no longer can take care of yourself, either due to a physical or cognitive impairment. When most people think of long term care they think of going into a nursing home. In reality, most care is actually received right in the home or in an assisted living facility.”*

**Explain to your clients what creates the need for long term care:**

*“People receive care in these types of settings because they require ongoing assistance with what is referred to as Activities of Daily Living. John Hancock defines these activities as eating, bathing, dressing, toileting, transferring and continence. Typically this is a result of an accident, unexpected disabling illness, or gradual deterioration in health. Other times it may be caused by a cognitive impairment such as Alzheimer’s.” “Were you aware that long term care included care in all these settings?”*

**Allow client to respond:**

*“Most people are not.” “Long term care insurance provides financial protection and resources to combat this risk. A good long term care insurance plan can also provide you and your family with the flexibility of determining the quality of your care and where you receive that care. Having a policy keeps all of your choices and options open. Because many people do not understand the nuances of long term care or mistakenly believe they are already covered, I felt it was important for us to spend some time today talking about your plan.”*

**STEP 2:**  
Personal Experience

Page 2  
LTC-3700



**Now ask your clients about their personal experience. It is important to tie this personal experience into the conversation and will help to get agreement from your client in Step 4. Really listen to how the client responds.**

*“The first experience most of us have had is with a family member or friend who needed this type of care. Have you had some experience with family or friends?”*

**Allow client to respond** and continue to ask the following questions about their experience allowing the client to respond to each question. Again, listen carefully to the answers as this may help you make policy recommendations later on in the process.

*“I see. What caused the need? How long did they require care? Was this expected or was it somewhat of a surprise? What was the impact on the family? How did it affect everyone financially?”*

**You should also share your own experiences,** after listening to your client. If you do not have a personal experience of your own, you could share experiences of other clients.

**STEP 3**  
The Financial Impact

Page 3  
LTC-3700




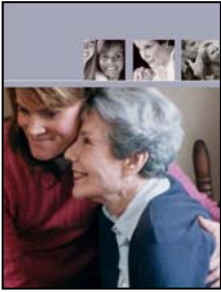
**The goal of Step 3 is to be sure your clients understand the potential financial impact as if they ever have a need for LTC.**

*“Thank you for sharing your experiences with me. Working in the area of Long Term Care, I can tell you your experience is quite common. While we hope it does not happen, if you had a need for long term care today, how would you pay for it?”*

**Allow client to respond** and listen to what they say. A possible objection may come up here so you want to be sure it is addressed later in your presentation. Based on a 2004 report from the Congressional Budget Office *“Let’s talk about the current cost of care on a national level. The cost of care varies significantly based on geography; however, the national average cost for a nursing home stay or 24-hour home care today can cost more than \$66,000 per year. In states such as New York, the costs can run as high as \$115,340.”* According to the New York State Partnership for Long Term Care, 2003.

*“When you factor in inflation, this care could cost between \$150,000 - \$250,000 per year in 20 or 30 years”* according to the Bureau of Labor Statistics Consumer Price Index, January 18, 2002. *“As it stands now, if you had a need for long term care tomorrow or 20 years from now, this cost would have to come out of your income or assets.”*

**Allow client to respond.**

<p><b>STEP 4:</b> Getting Agreement</p>	<p><b>The goal of Step 4 is to get your clients to agree that this is something that could happen to them and to begin thinking about how they would plan ahead.</b></p> <p><i>“Of course we all hope we never have to face the need for long term care; but would you agree this is something that could happen to you?”</i></p> <p>It is critical to get agreement here. Wait and listen to how your client responds. If they do not agree, you may want to end the discussion at this point.</p>
<p>Pages 4 &amp; 5 of LTC-3700</p>  	<p><i>“There are many benefits to planning ahead other than financial. As you know from sharing your experience with me, when care is needed it can be a very challenging time. It is important to have resources to develop an appropriate plan of care, guidance on knowing where to go, and assistance to help you, and your family, manage the complexities of the situation. All of these services help to minimize the challenges of long term care.”</i></p> <p><i>“Distance, work, time and other responsibilities may make it difficult for family and friends to do as much as they might like to. Having a plan in place that allows professionals to provide the care relieves you of having to rely too much on your family and children for both financial help as well as physical assistance. Unfortunately, family members put in the position of having to provide care often find their own health in jeopardy. Planning ahead means the time you spend together can be of a more social nature.”</i></p> <p><i>“What benefits of planning ahead would be the most important to you and your family?”</i></p> <p><b>Allow client to respond.</b> You can also tie in personal experiences your clients may have shared with you earlier. Discuss with them how these types of support services would have helped to minimize some of the challenges they faced at that time.</p>

**STEP 5:**  
Funding Sources

Page 6 of  
LTC-3700



**Step 5 discusses funding sources and the goal here is to explain what government programs do and don't cover the limitation of Medicare, Medicaid, and other alternative sources for LTC Payments.**

*“So far we have talked about what long term care is and have agreed that planning ahead for this possible event is important. Many people have asked me when the best time to do my long term care planning is. People who put off planning until they are older run a risk. It is interesting to note that 40% of people who need long term care are working adults between the ages of 18 and 64, often due to a serious accident or debilitating illness. As you can see, long term care can strike at any age.”* According to America’s Health Insurance Plans, “Guide to Long Term Care Insurance,” 2004 (Page 6 Fact)

*“People also mistakenly believe they are already covered. Health insurance does a great job paying for skilled medical expenses, disability insurance does a great job replacing income, but neither of these pay for long term care which is primarily custodial in nature.”*

*“As for government programs, Medicare pays only for short periods of care and that care must be rehabilitative or skilled in nature. Medicaid does cover long term care, but only for those whose assets have been spent down to state-required minimum levels. The levels vary by state, but in 2007, states may require individuals to spend all but about \$20,328 in assets and \$1,650 a month in income. That does not really leave a lot of money. Medicaid may also limit your choices on where you receive care.”*

(The Federal ceiling on the total allowed assets for a couple in 2006 is \$101,640 and a minimum of \$20,328 for community or at home spouse. The maximum monthly needs allowance for income for 2007 is \$2,541 and the minimum is \$1,650. State amounts may vary within the guidelines These regulations currently impacts non-partnership LTC insurance policies in non-partnership states)

*“Given this information, do you feel Medicaid is a viable option for your long term care needs?”*

**Allow client to respond**

*“You can self insure against the risk, but the goal here is to protect the income and assets you have accumulated for you and your family, not liquidate in the event of a need for long term care. Not only do you put your assets at risk, but also if one of you needed long term care, the other may live a long lasting impoverished life. In many cases when a parent’s money runs out children may have to spend their savings in order to cover the cost of care for their parents.”*

**Allow client to respond**

*“Now that we have reviewed what long term care is the financial impact of needing long term care and the various funding options, is there any other way to pay for these expenses, other than long term care insurance that would make sense to you?”*



**Allow client to respond**

You will need to determine the best way to fund the LTC insurance premiums. Provide your client with one of the following options.

Option 1: Monthly Commitment

*“Realizing that long term care insurance is a priority, you will need to set aside additional dollars on a monthly basis. That being the case, how much could you comfortably set aside every month to achieve this goal?”*

**Allow client to respond**

Option 2: Interest on Savings

This option should be used when you are familiar with your clients overall financial picture. Here you will show your client how they can protect the assets they have accumulated using an amount of the interest they receive on the investment of those assets.

*“Realizing that long term care insurance is a priority, I would recommend we use a portion of the interest you are earning on your investments to fund a long term care insurance policy in order to protect those assets.*

**STEP 6:**  
Build A Policy<sup>2</sup>

At this point you should use the Consumer Product Brochure for the John Hancock policy that you will be recommending.

We now move to Step 6 where you will present a John Hancock long term care insurance product recommendation. It is important that you are familiar with the various product features and benefits so you can confidently make the right recommendation to your client and comfortably walk them through building a policy. There are four core components to any policy with optional riders that you may or may not recommend depending on your clients' needs.

*“Let’s determine how much coverage makes sense as we talk about the benefits and features of long term care insurance. First let me explain how you would qualify to receive benefits. Remember when I mentioned activities of Daily Living? The Activities of Daily Living include eating (although not preparing food), bathing, dressing, toileting, continence, and transferring (as in from bed to chair). Should you require assistance with 2 of 6 of those Activities of Daily Living, you will be eligible for long term care assistance. For example, because you have severe arthritis you are unable to dress or bathe without assistance, you could be eligible for benefits.*

*Besides meeting 2/6 Activities of Daily Living, you could qualify for coverage by having a cognitive impairment. A cognitive impairment is a condition that leads you to require substantial supervision to protect yourself or others from threats to health and safety. For example, a person with Alzheimer’s may be able to perform all activities of daily living but potentially be harm to themselves or others if they are not supervised. If you require just verbal cuing, at least half of the time, John Hancock would cover this as well.*

*In both cases, a licensed health care practitioner certifies that you are unable to perform at least 2 of the 6 Activities of Daily Living and the disability is expected to continue for at least 90 days, or that you require substantial assistance supervision due to a cognitive impairment.”* The policy building blocks include:

**The Long Term Care Benefit Amount**

This is the daily or monthly maximum that John Hancock will pay for actual covered charges, subject to the elimination period, policy conditions and exclusions. We recommend using the average cost of care in the area in which your client plans to retire as a baseline for the conversation. Average care may not be the level of quality your client is looking for. Some clients may want to plan for care that is above average and consequently may be more expensive. Do a little research in the area to get your own understanding of the cost associated with higher “quality” care providers.

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<sup>2</sup> Policy options vary by product type and state.

**The Benefit Period**

The Benefit Period does not refer to the length of the coverage necessarily but is used as a multiplier to calculate the total policy limit. Not all of a daily or monthly maximum may be used everyday; unused dollars remain in the pool of money.

**Policy Limit**

Policies provide a single pool of money that can be used in any approved care setting. To determine the policy limit, or pool of money, multiply the long term care Benefit Amount by the number of days/months in the Benefit Period.

**Inflation Option**

It is important for clients to consider the impact of inflation on their Long Term Care Benefit Amount. John Hancock policies offer several inflation options. Be sure you are familiar with these options, how they work, and whether or not they require additional premiums. This will allow you to help your client determine the best option for them.

**Elimination Period**

The Elimination Period is like a deductible, where the client must pay for covered services before the policy begins paying.

**Optional Riders**

John Hancock policies offer several optional riders to help customize a policy to meet clients' individual needs. Please refer to the appropriate John Hancock producer product guide for more information on optional riders.

<p><b>STEP 7:</b> The Close</p>	<p>Once you have explained the various building blocks for long term care insurance to your client, you simply close the sale on Step 7 by motivating your client to take action today. It is important to set expectations for next steps with your client before getting started.</p> <p><i>“I would like to congratulate you on taking the first steps to accomplishing a very important financial goal. Let me explain what our next steps are. First we will complete the application for coverage, which includes some medical questions, as long term care insurance requires medical underwriting. I will also need to take a deposit so that we lock in your health as of today. Depending on your age, health and the plan of coverage you choose, John Hancock will make a decision within 2 to 6 weeks. At that time I will contact you to arrange a time to deliver and review your policy with you and answer any remaining questions you may have. Do you have any questions at this time? Great then let’s get started. How would you rather pay annual or monthly?”</i></p> <p><b>Complete the application.</b></p>
<p>Handling Objections</p>	<p>This process has built-in mini clauses throughout designed to bring possible objections to the surface in order to deal with those objections up front, so once you get to the clause there are no objections to handle. Still, there may be cases where a client feels they are not ready to move ahead. Usually this is caused because either the need was not sold, or they feel they cannot afford the coverage. In either case, you should step back, acknowledge the client’s concern, and then remind them of what you have already discussed.</p> <p>For example if a client decides they want to self-insure you might say</p> <p><i>“From the information we discussed, self-insuring certainly is one of the options. I do have a question though. Would you feel free to enjoy the assets you have accumulated for retirement if you know John Hancock was covering these expenses?”</i></p> <p>Whatever the objection is, be sure to not argue with your client, simply remind them of all the reasons why putting a long term care insurance policy in place makes sense.</p>
<p>Policy Delivery</p>	<p>Once the long term care policy has been issued, arrange a time to deliver the policy to your client. Congratulate them again on their decision, and carefully review the policy with them. We also recommend that you view a copy of “What to Expect When You Need Care” (LTC-3032) the claims DVD available from John Hancock with your client. The DVD explains the claims process, including testimonials from policyholders and their families and reinforces the value of a long term care insurance policy. You should leave the copy of the DVD with you client.</p>