

[Print](#) | [Close Window](#)

## Lincoln, Nationwide, OneAmerica Ride Big Gains in Life-LTCI Sales

By Warren S. Hersch December 18, 2017



OneAmerica's headquarters in Indianapolis.

Amid hand-wringing over the continuing woes of stand-alone long-term care insurance sales, the industry is cheering one sector of the market, linked-benefit life/LTCI products. The optimism is warranted: Major carriers active in the space — **Lincoln Financial**, **Nationwide**, **OneAmerica**, and others — are enjoying double-digit gains in sales.

“We see huge growth in this marketplace,” says **Bill Nash**, a national sales manager at Lincoln Financial. “Demand overall is very strong. As an organization, we’re seeing a significant lift in year-over-year sales.”

Adds **Pat Foley**, president of individual insurance and retirement services at OneAmerica: “Sales of hybrid life-LTCI product line has been growing dramatically over the last four years. We’re seeing particular strong growth in the wirehouse and insurance brokerage channels.”

Strong growth, indeed. One America’s sales, adds Foley, increased by a compounded annual growth rate of 20% since 2013. Year-over-year sales at Lincoln and Nationwide were up by 35% and 50%, respectively. In Nationwide’s case, the gain translates to about \$38 million premium revenue for the first half of 2017.



Bill Nash, a national sales manager at Lincoln Financial.

Industrywide, **LIMRA** reports, premiums are up 19% at mid-year 2017 relative to the first half of 2016. In dollar terms, hybrid sales reached \$3.6 billion in 2016, up from \$3.1 billion in 2015.

LIMRA Corporate VP **Elaine Tumicki** says she anticipates “no slowdown anytime soon” of the hybrid market, which remains a small but fast-growing portion of permanent life insurance sales. The five top five sellers in the space (in alphabetical order) include **Great-West**, Lincoln, **Midland National**, **Pacific Life** and OneAmerica. Two other carriers angling to move up in the rankings are **Ameriprise** unit **RiverSource Life** and **Securian Financial**.

### **Boomers Desiring Protection**

Several factors, say experts, are fueling the market’s rapid rise. High on the list is the massive wave of Americans over age 50 who are now preparing for retirement, including an estimated 10,000 of some 79 million baby boomers who are daily transitioning to their golden years. Many among them are driven to prepare for future long-term care needs by a desire to avoid saddling adult children with the same financial and emotional burdens the boomers are experiencing in caring for their own enfeebled parents.

They have good reason to worry. According to the Department of **Health and Human Services** (HHS), one in every two Americans turning age 65 will need the coverage of an LTCI product during their lifetime. A 2016 study of the **Alzheimer’s Association** reports that one in three individuals over age 85 suffer from Alzheimer’s.

To fund the long-term care need, more boomers and GenXers are turning to hybrid life-LTCI products because of the offerings’ multiple benefits. Whereas stand-alone LTCI products pay only a benefit if the insured requires long-term care, linked-benefit offerings are built on a life insurance chassis; they thus provide a death benefit for beneficiaries and (depending on the product design) cash value that can be used for retirement expenses or other financial needs.

The linked-benefit products also guarantee a set premium at contract issue. In contrast, premiums of traditional LTCI products have experienced continual rate hikes over the years, increases that carriers have forced on policyholders because of an unanticipated rise in LTCI claims and the cost of long-term care.



Pat Foley, president-individual insurance, retirement services, OneAmerica.

The premium rate increases have, except for the wealthiest individuals, prompted consumers to abandon stand-alone products in droves. Hence the precipitous decline in providers of traditional offerings. More than a dozen insurers — **AXA**, **John Hancock**, **MetLife**, **Prudential Financial**, **State Farm** and, as [reported](#) in Friday's issue, **Manulife Financial** — have stopped marketing and/or servicing the products. The poster-child for the sector's woes is **Genworth Financial**, whose financial troubles in recent years (including a record [\\$1.2 billion loss](#) in 2014) have led the carrier to seek a buyout by **China Oceanwide**, a deal that awaits regulatory approval.

As traditional providers have exited the space, other carriers have filled the breach with hybrid life-LTCI products. And they're bringing to market product design and business process innovations that are bolstering consumer demand.

### How Do You Wish to Pay?

Chief among these are new payments options. In contrast to prior years, when offerings were available only as single-premium products, carriers now allow funding over a period of years (typically 5, 10 and 20 years), to age 65, or in monthly installments for the life of the contract. The enhanced premium flexibility, says Lincoln's Nash, has yielded substantially increased sales for Lincoln's MoneyGuard product.

“Our FlexPay option has opened discussions with younger clients, including parents who are looking to free up money to pay for a kid's college education or other financial priorities,” he says. “The number of advisors doing four, six or 12 cases a year has gone up dramatically.”

Contributing to the rise, he adds, is a return of premium option Lincoln added in 2014. Should clients decide they no longer need coverage after contract issue, they can get their money back. They can also opt for a lower refund in exchange for more long-term care coverage.

Carrier products now also offer greater flexibility for covering LTC needs. Nationwide's YourLife CareMatters, available in face amounts ranging between \$50,000 and \$750,000, is an indemnity plan that pay a monthly cash benefit, regardless of the expense incurred. This contrasts with a traditional reimbursement policy that pays benefits based on actual expenses for covered services (e.g., home, hospice or adult day care; assisted living expenses, household services, home safety improvements or alternative long-term care arrangements).



Nationwide Associate VP Mike Vaughan.

The hassle-free coverage does entail a trade-off: a lower monthly maximum benefit relative to products offering reimbursement. But depending on the type and amount of LTC expenses, policyholders might secure a greater payout under an indemnity option, says Nationwide Associate VP **Mike Vaughan**.

Consumers, note experts, also are benefiting from a greater array of product types. Many carriers, including Lincoln and Nationwide, build their hybrid products on a universal life insurance chassis. OneAmerica, a mutual insurer, markets a whole product suite, including a second-to-die option for couples, under its Care Solutions brand. The carrier sees the offering as a competitive advantage because of whole life's rock-solid guarantees.

Nationwide's Vaughan insists, however, that the distinctions between whole and universal life — both in respect to the guarantees and premium-paying flexibility — is “inconsequential” in the hybrid space because both

product types come (upon contract issue) with fixed premium schedules and guaranteed benefits.

Of greater import, Vaughan adds, is the amount of long-term care coverage desired. Clients for whom the LTCI benefit is a high priority should buy a hybrid product with an extended benefit rider, wherein the long-term care benefit can exceed the death benefit by two or three times, but the cash accumulation potential is minimized. Those looking for maximum growth and some long-term care coverage should opt for a conventional permanent life policy with a long-term care rider that can accelerate up to 100% of the death benefit.

### **Carriers' Feet on the Ground**

To ratchet up sales, hybrid manufacturers also are beefing up their distribution channels. OneAmerica's Foley says the carrier has doubled the size of its wholesaling team and "dramatically" increased distribution of its life-LTCI products through wirehouses, independent market organizations and brokerage-general agencies.

Premium revenue through the BGA channel rose 27% in 2016 and is on pace to increase by 17% to 18% in 2017. To streamline sales, OneAmerica also had instituted straight-through electronic processing of policy apps, which Foley claims is a first in the life/LTCI space. The carrier has additionally recruited data science experts to bring efficiencies to product development, underwriting and business processes.

Lincoln, for its part, is bolstering training, online resources and support services for advisors. The offerings are especially in need among producers who are new to the hybrid market; and, given the nature of the product, often face difficult discussions with clients and prospects.

"Our [home office] people are very big differentiators for Lincoln in helping advisors and clients work through long-term care coverage decisions," Nash says. "We're committed to building out resources to help them navigate this challenging area of financial planning."

*Life Annuity Specialist is a copyrighted publication. Life Annuity Specialist has agreed to make available its content for the sole use of the employees of the subscriber company. Accordingly, it is a violation of the copyright law for anyone to duplicate the content of Life Annuity Specialist for the use of any person, other than the employees of the subscriber company.*

An Information Service of Money-Media, a Financial Times Company