



Consumer Insurance Council

AGENDA

Wednesday, November 16, 2011

10:00 a.m. to 1:30 p.m.

1560 Broadway, Conference Room 850B

- | | | | |
|------------|------|--|-------------------------------|
| 10:00 a.m. | I. | Welcome, Call to Order and Introductions | Chair Betty Lehman |
| 10:10 a.m. | II. | Approval of the Minutes of September 28, 2011 | |
| 10:15 a.m. | III. | Council Operations and Functions | Commissioner Jim Riesberg |
| | | A. Scheduling for 2012 | |
| | | B. Functions of Council and Chair | |
| | | C. Council Membership | |
| | | D. Council Leadership Election Discussion | |
| 11:15 a.m. | IV. | Life Insurance Issues | Deputy Commissioner Peg Brown |
| | | A. Asset based Life Insurance | |
| | | B. Current issues in Life Insurance Regulation | |
| 11:45 a.m. | | Break | |
| 12:00 noon | V. | Federal Health Care Reform | Commissioner Riesberg |
| | | A. Exchange | |
| | | B. Essential Benefits federal regulation | |
| | | C. MLR and Commissions | |
| | | D. Federal/state harmonization | |
| 12:45 p.m. | VI. | Outreach and Education | Jo Donlin/Marianne Goodland |
| | | A. Town meetings and webinars | |
| | | B. New brochures and resources | |
| 1:15 p.m. | VII. | Division Updates | Commissioner Riesberg |
| | | A. Regulations and Bulletins | |
| | | 1. Regulation Review | |
| | | 2. Pits and Peeves | |
| | | B. NAIC Winter Meeting | |
| 1:30 p.m. | IX. | Adjourn | |
| | | Next Meeting – tbd | |

Consumer Insurance Council Meeting

September 28, 2011

Council Attendees: Chair Betty Lehman, Jean Jones, Lynn Leader, Denise de Percin, Kelly Stahlman, Jean Nofles, Deanna Ames (by phone), Flora Rodriguez Russel, Christy Blakely, Linda Romer Todd, Chris Crigler

DOI Attendees: Commissioner Jim Riesberg, Deputy Commissioner Peg Brown, External Affairs Director Jo Donlin,

Other Attendees: Garry Wolff, Tim Canning, John Riedel, Ashley Wheeland, Debra Judy, Gretchen Hammer

Opening of the Meeting

Chair Betty Lehman opened the meeting at approximately 10:00 a.m. and the Council and other attendees introduced themselves.

Update from Tim Canning and Garry Wolfe

Messrs. Canning and Wolfe requested time to provide the Council with an update on the issues they had brought to the Council previously. Mr. Canning described that funds for his refinancing had been electronically stolen from the title insurance company and that he was currently in litigation with the title insurance company over the issue of closing protection letters. One of his concerns is how a consumer gets educated about issues in title insurance and what a consumer can do to protect themselves from being victimized by theft of funds from the entity holding them for closing. Garry Wolfe passed out his brochure on "Are You Selling, Buying or Refinancing Your Home? What Consumers Need to Know About Title Insurance in Colorado."

Approval of the Minutes of May 18, 2011

Lynn Leader moved for the adoption of the Minutes of the Council's May 18, 2011 meeting as presented. Christy Blakely seconded the motion. The Minutes were approved without dissension.

Introduction of Commissioner

Commissioner Riesberg was introduced and invited to provide comments on his background and priorities for the Division of Insurance. Commissioner Riesberg described growing up in Denver and living in Greeley for the past 30 years. He held various jobs in insurance and human resources before he went back to school and got a Master's degree in gerontology. He then worked in and with several human service organizations before running for the legislature. Commissioner Riesber spent seven years as a legislator, serving as the chair and ranking member of the House Health and Human Services Committee. He was appointed to be the Insurance Commissioner on June 27, 2011 and joined the Division on July 1, 2011.

Commissioner Riesberg's priorities for the Division will be on encouraging consumer literacy on insurance. He outlined the Division's September webinars and town meetings on health premium rates. He also reported on attending a meeting of consumers affected by the Four Mile Canyon fire in Boulder.

Federal Health Care Reform

Exchange Board, Grants, and Operations

Gretchen Hammer was introduced as the Executive Director of the Colorado Coalition for the Medically Underserved and Chair of the Board of the Colorado Health Insurance Exchange.

Ms. Hammer began the discussion of the Exchange Board, Grants and Operations by discussing the evolution of the Exchange concept in Colorado. She noted that one of the recommendations of the Colorado Blue Ribbon Commission on Health Reform (the 208 Commission) was for an entity to provide an alternative marketplace for health insurance for individuals and businesses including the aggregation of individuals and small businesses to achieve lower insurance rates. This concept was further refined and developed, modeled after the Massachusetts program, in the federal Patient Protection and Affordable Care Act (PPACA). PPACA, or the Affordable Care Act as it has become known, provides that states, or in the absence of state action the federal government, to set up a health insurance exchange for individuals and small business in each state. Under this requirement, Colorado obtained a planning grant from the federal government to begin planning for a state operated health insurance exchange. With the planning grant, ten stakeholder meetings were held across the state on the topic of "What Would an Exchange Look Like in Colorado?" The results of these meetings were used to inform the drafting of legislation to establish an Exchange in Colorado.

SB11-200 was enacted to provide for the establishment of a quasi-governmental non-profit entity, modeled after CoverColorado and Pinnacol, to establish and operate a Health Insurance Exchange in Colorado by the federally set deadline of 2014. The legislation called for appointment of a nine person Board of Directors, with three ex officio members including the Insurance Commissioner. The board was appointed by the Governor and the legislative leadership in the early summer of 2011 and began meeting in July to develop a health insurance exchange for Colorado. SB11-200 also established a Legislative Implementation Review Committee to meet five times per year and approve the appointment of an Executive Director for the Exchange, grants and funding for development and implementation of the Exchange, and a business plan for the Exchange.

The Board of the Exchange has been meeting since July and getting themselves organized. Among the near term tasks are hiring an Executive Director and securing federal grant resources. Beyond the Exchange planning grant, two levels of implementation grants are available – Level 1 to continue the planning and development of the Exchange, and Level 2 to fund the initial operations of the Exchange. Federal requirements are that the Exchange be self-sustaining as of January 2015.

There are four sets of current federal regulations applying to Exchange operations. Further, the federal government has recently proposed a structure under which the federal and state governments share some of the responsibilities of the Exchange. The Exchange Board is awaiting the publication of the federal regulations on the required essential benefit package as these requirements will have significant impact on the certification of health plans for participation on the Exchange and what rules may be placed on the overall insurance marketplace – inside and outside of the Exchange. The board of the Exchange will meet again on October 10 to approve bylaws, and they anticipate continuing their twice monthly board meetings for the time being.

Colorado Co-op Plan

Barbara Yondorf briefly discussed the option under the ACA for the establishment of consumer owned and operated (Co-op) health plans. She handed out a summary of the requirements for co-op plans and indicated that at least one Colorado nonprofit is working on developing a co-op proposal.

Under the federal law, \$3.8 billion in funding is available for start-up costs and grants for meeting state solvency requirements for co-ops. These funds are in the form of grants, with the start up grants repaid within 5 years and the solvency grants within 15 years. The grants must be awarded no later than July 1, 2013 and the Secretary of Health and Human Services is to ensure that there is sufficient funding to establish at least one qualified co-op plan in each state and co-op plans are qualified to offer products their state's exchange(s). Co-ops must be organized as a nonprofit corporation under state law, cannot be an existing organization or an affiliate or successor of such, cannot be sponsored by a state, county or local government, and substantially all of its activities must be the issuance of qualified health plans in the individual and small group marketplaces including on the Exchanges. The co-ops are to be consumer focused with any profits being used to lower premiums, improve benefits, or improve quality of health care. Co-ops are to meet all other requirements of state law.

Ms. Yondorf also noted that the NAIC consumer representatives were focused on commenting on, and participating in the NAIC deliberations on comments to the proposed federal regulations mentioned by Ms. Hammer. Deputy Commissioner Brown provided the Council with information about the federal regulations issued since the last council meeting, including interim final rules on external review, and proposed rules on summaries of benefits and coverage including uniform glossaries, exchanges and risk adjustment, risk corridors, and reinsurance.

Consumer Outreach

External Affairs Director Jo Donlin updated the Council on several consumer outreach activities. She first noted that the 2010 Statistical Report on Insurance Companies in Colorado had been published and showed over \$26 billion in premiums paid by Coloradans for insurance. She reported that the Division had issued a "Back to School" news release on insurance considerations for college students.

Ms. Donlin then reported that the Division had gotten a \$4 million grant to continue its premium rate review enhancements. On September 1, the Division had opened a new section of the Division's website specific to health insurance. She also passed out a new brochure intended to inform consumers of the new and additional resources available on the Division's health insurance webpages. The webpages and enhanced consumer resources are the focus of two webinars and three town halls that the Division in October. Ms. Donlin requested Council members to pass out the brochures and make people aware of the webinars and town hall meetings.

Real Estate and Title Insurance Issues

Council member Linda Romer Todd discussed issues that she had encountered as a real estate agent on the Western Slope. This includes bank-owned properties where there were multiple closings conducted with no clear title at the end of the process, and certain liens not being resolved and removed before closings occur. She introduced Diane Evans of Land Title Guaranty to discuss other issues.

Ms. Evans recounted that many banks had contracted with asset managers for disposition of bank-owned properties and noted that the banks and asset managers could be anywhere in the country. In these transactions, the seller (bank) provides title insurance to the buyer, so long as the seller can choose the insurance company. If the consumer identifies a defect, i.e. a lien, the seller can choose, or not, to cure the defect and it is up to the consumer whether to go forward with the closing or not. The situation is further complicated by the bank having the documents and they are not available to the purchaser until very close to the closing.

Cindy Compton, President of the Land Title Association of Colorado, provided further discussion about the problems encountered when closings on real estate owned by a bank are conducted and in particular the practice of title insurers issuing "garbage exceptions." Garbage exceptions are exceptions so broad

and generic as to disclaim coverage under a title insurance policy for many identifiable and curable conditions. Ted Leighty of the Colorado Association of Realtors further expounded on problems of consumers not getting clear title at closing, delays in obtaining documents, federal requirements, and the necessity of realtors, title insurers, closing agents and others working together to address the problems in real estate transfers.

Senior Health Insurance Program

Alice Ierley, Director of the SHIP/SMP programs for the Division, noted that the annual Medicare open enrollment period has been changed for 2011 to October 15 to December 7. The SHIP affiliates across the state are gearing up for the open enrollment season with the Medicare Plan Comparison website going live on October 1. The Division's SHIP program will be publishing the annual newspaper on Colorado Medicare Part D prescription drug plans and Medicare Advantage plans. The program is also developing some materials in Spanish to address needs in communities with high concentrations of Spanish speaking seniors and Medicare eligibles. The program is also conducting three webinars with information on the Annual Open Season enrollment, including one specifically for insurance brokers and agents.

Ms. Ierley also provided handouts used by the Senior Medicare Patrol (SMP) anti-fraud part of the program. These include: What is Medicare Fraud, Medical Identity Theft, Home Health Fraud, What is a Medicare Summary Notice, Medicare Advantage Plans, and Health Care Reform Anti-Fraud Provisions.

Division Updates

Deputy Commissioner Peg Brown provided the Council with copies of the 2010 Annual Report on Complaints Against Insurers. Commissioner Riesberg reported that the Division had updated or promulgated the following regulations:

- Regulation 5-2-16, Disclosure Requirements for Private Passenger Automobile Policies
- Regulations 4-2-34, Section Names and the Placement of Those Sections in Policy Forms by Health Carriers
- Regulation 4-2-35, Required Information for Carriers to Provide on Explanation of Benefits Forms
- Regulation 4-2-36, Prescreening Questionnaire for Individual Health Benefit Plans
- Regulation 4-2-37, Required Information for Carriers to Obtain on All Full-Length Applications for Individual Health Benefit Plans

Ms. Brown passed out the application form for the NAIC 2012 Funded Consumer Liaison Program and said applications were due to the NAIC by October 31, 2011.

Ms. Brown asked John Riedel as a prospective Council to introduce himself and give some background as to his interest in serving on the Council. Mr. Reidel introduced himself and discussed his work with the Conifer Area Council and the Mountain Resource Center on health care needs in Front Range mountain communities.

Council Operations

Commissioner Riesberg thanked the Council members for their participation and said that he would discuss with the Council how it functions at the next Council meeting. Among the issues he said he would like to talk about are ensuring the diversity of the Council both in issue focus and geographic representation, and the role of staff and the Division in the Council's operations and functions.

Adjournment

The Council adjourned at 1:30 p.m. noting that the next meeting of the Council would be November 16, 2011.

Consumer Insurance Council Roster – 2011

Chair

Betty Lehman

550 S. Wadsworth #100
Lakewood, CO 80226

Representing: Autism Society of Colorado

Members

Jean C. Jones

2421 S. Krameria St.
Denver, CO 80222

Representing: Girl Scouts of Colorado, Inc.

Lynn Leader

7600 E. Orchard Road, Suite 130-S
Greenwood Village, CO 80111

*Representing: National Association of
Computer Consultants Businesses*

Denise de Percin

1536 Wynkoop St #101
Denver, CO 80202

*Representing: Colorado Consumer Health
Initiative*

Kelly Stahlman

6192 S. Aberdeen Street
Littleton, CO 80120

Representing: The Arc of Arapahoe/Douglas

Jean Nofles

303 East Seventeenth Avenue
Denver, CO 80203

Representing: AARP

Deanna Ames

8801 Lipan St.
Thornton, CO 80260

*Representing: Society of Human Resource
Management*

Flora Rodriguez Russel

6800 W. Ellsworth Ave.
Lakewood, CO 80226

*Representing: Colorado Organization for
Latina Opportunity and Reproductive
Rights; LARASA*

Christy Blakely

450 Lincoln Street, Suite 100
Denver, CO 80203

Representing: Family Voices

Linda Romer Todd

685 Crestridge Drive
Grand Junction, CO 81506

Representing: Club 20

Chris Crigler

P.O. Box 18974
Denver, CO 80218

*Representing: Community Associations
Institute*

John Riedel

11065 McDonald Avenue
Conifer, CO 80433

*Representing: Conifer Area Council;
Mountain Resource Center*

Council Staff

Peg Brown, Esq.

Deputy Commissioner of Consumer Affairs

Colorado Division of Insurance

1560 Broadway, Suite 850

Denver, CO 80202

303-894-7501

Peg.brown@dora.state.co.us

10-1-133. Consumer insurance council - creation - advisory body - appointment of members - meetings - consumers' choice award - repeal.

- (1) There is hereby created in the division the consumer insurance council, also referred to in this part 1 as the "council". The council shall be an advisory body to the commissioner concerning matters of interest to the public. Nothing in this section shall divest the commissioner of his or her authority to regulate the business of insurance.
- (2) The council shall consist of up to fifteen members, all of whom shall represent consumer organizations. To the greatest extent possible, the council shall reflect the geographic diversity of the state and seek representation from each congressional district. Insurance producers, insurance industry representatives, and actively practicing health care providers are not eligible for membership on the council. Members of the council shall be appointed by the commissioner and shall serve two-year terms with a maximum of three consecutive terms. Members shall serve without compensation; except that members who reside outside of the Denver metropolitan area may be reimbursed for mileage to attend meetings in Denver. The council shall act by consensus.
- (3) The council shall meet no more than eight times per year. All meetings of the council shall be open to the public. General meetings of the council shall be held at the office of the division. The council may meet in other locations of the state as agreed upon by the council. Notwithstanding any provision of subsection (2) of this section to the contrary, if the council meets in a location outside of the Denver metropolitan area, members of the council may be reimbursed for mileage to attend the meeting. A council member may request a special meeting. Requests for special meetings shall be made to the chair of the council. All members of the council may request topics of discussion for the council. Members of the council may participate in meetings via telephonic communications.
- (4) Three or more unexcused absences of a member of the council shall be grounds for the removal of the member. The chair of the council, in consultation with the commissioner, shall determine whether a member with three or more unexcused absences shall continue service on the council. If a member is removed, the commissioner shall appoint a new member to serve the remaining portion of the two-year term.
- (5) (a) The council shall elect a chair from its membership. The chair shall serve a one-year term and may be elected to another one-year term.
- (b) The council shall elect a vice-chair from its membership. The vice-chair shall serve in the absence of the chair. The vice-chair shall serve a one-year term and may be elected to another one-year term.
- (5.5) The council may issue an annual consumers' choice award to a health insurance carrier that has achieved the lowest rates, highest benefits ratio, and lowest complaint ratio for each line of insurance. In choosing the carrier to receive the award, the council may also consider carrier-provided consumer education, the extent of collaboration with the community to meet the needs of the people the carrier serves, health care transparency, health care innovation, the extent of consumer choice regarding health care plans, and other relevant consumer-related choices as determined by the council.
- (6) This section is repealed, effective July 1, 2018; except that, prior to its repeal, the council shall be reviewed pursuant to section 2-3-1203, C.R.S.

Source:L. 2008: Entire section added, p. 158, § 1, effective July 1; (5.5) added, p. 2255, § 8, effective

July 1. **L. 2009:** (5.5) and (6) amended, (SB 09-292), ch. 369, p. 1940, § 9, effective August 5.

Cross references: In 2008, subsection (5.5) was enacted by the "Fair Accountable Insurance Rates Act". For the short title and the legislative declaration, see sections 1 and 2 of chapter 439, Session Laws of Colorado 2008.

Division of Insurance

1560 Broadway, Suite 850
Denver, CO 80202
Email: Insurance@dora.state.co.us

Telephone: 303.894.7499
Toll-Free: 800-930-3745 (outside Denver)
Fax: 303-894-7455
Website: www.dora.state.co.us/insurance

The **Division of Insurance**, created by §10-1-103, C.R.S., has regulatory responsibility for traditional insurance entities, including automobile, homeowners, life, health and workers' compensation insurers, and health maintenance organizations (HMO's), pre-need funeral companies, bail bond entities, fraternal benefit societies, and captive insurers.

The **Commissioner of Insurance** is appointed by the Governor to oversee the Division, regulate the insurance industry and protect consumers.

The Division has three advisory commissions that are established by statute, the Consumer Insurance Council, the Mandated Health Benefits Commission and the Workers Compensation Appeals Board.

The **Consumer Insurance Council** was established in the Division of Insurance in 2001, a council that met quarterly to obtain consumer feedback on the Division of Insurance regulations and initiatives. Since it began, the council served "at the pleasure" of successive Commissioners, but without any statutory authority. In 2008, the council was codified in statute §10-1-133, C.R.S., which supports the Department of Regulatory Agencies' focus on increased consumer access to the regulatory process.

The Council provides insights from a consumers' perspective on regulations and initiatives developed by the Division of Insurance and acts in an advisory capacity to the Commissioner and Division of Insurance. Council members represent grassroots organizations interested in insurance issues. Insurance producers, industry representatives and actively practicing health care providers are not eligible to sit on the Consumer Insurance Council.

Also established by statute, the **Workers Compensation Appeals Board** hears grievances brought by employers against insurers (and Pinnacle Assurance, a quasi-governmental agency that provides workers compensation) concerning the calculation of experience modification factors and classification assignment decisions. Although workers compensation claims (and disputes about them) are handled by the Colorado Department of Labor and Employment, the Appeals Board is established by statute in the Division of Insurance to address issues of job classification and calculation of experience modification factors used by insurers to calculate WC premiums for employers.

The Division of Insurance is also served by several voluntary boards and commissions:

- The **Bail Bond Advisory Committee** renders advisory decisions to the Division in matters involving complaints and helps ensure that bail bonding agents properly report and pay premium tax. The committee also reviews all rules regarding the regulation of bail bonding agents and makes recommendations to the Commissioner regarding the implementation of such rules.
- The **Title Insurance Advisory Council** was established in 2004. The council is made up of representatives from the title insurance industry and the Division of Insurance. The council meets to discuss title insurance issues, share information with the Division of Insurance and discuss Colorado insurance laws and federal Real Estate Settlement Procedures Act (RESPA) rules.
- The **Producer Advisory Council** was established to provide licensed producer's perspective on producer and client issues and problems involving the insurance industry. The mission of the council is to discuss and share information on insurance issues. The Council provides insights and feedback from the producer's prospective on regulations and initiatives involving producers, their clients and the insurance industry.

Operating Principles

Consumer Insurance Council

The Consumer Insurance Council was formed by the Division of Insurance in 2001. The mission of the Council is to discuss and share information on insurance issues. The Council provides insights from a consumer's perspective on regulations and initiatives developed by the Division of Insurance and acts in an advisory capacity to the Commissioner and Division of Insurance.

1. Members of the Council are chosen by the Council from applications submitted to the Division of Insurance. Council members are volunteers.
2. Council members are consumers who are or represent grassroots organizations interested in insurance issues. Insurance producers, industry representatives and actively practicing health care providers are not eligible to sit on the Council.
3. Council members serve two year terms and may serve up to three terms.
4. The Council shall set its membership quotient, not to exceed 15 members. Vacancies occurring on the Council shall be filled by the Council.
5. The Council acts by consensus.
6. The Council will meet between four and eight times a year. Generally meetings are held at the Colorado Division of Insurance, though on occasion the Council may meet in other locations including other parts of the state.
7. Council members may request a special meeting of the Council by request to the Chairperson of the Council. Council members may request a topic to be included on the Council's agenda by request to the Chairperson of the Council.
8. Council members who reside outside the Denver metropolitan area may receive mileage for attendance at Council meetings in Denver. Other Council members may receive mileage for attendance at Council meetings held outside the Denver area. All mileage reimbursements will be in accordance with the policies and procedures of the Department of Regulatory Agencies.
9. Conference call-in capability will be provided for Council members to attend a meeting upon prior notice to the Division of Insurance staff assigned as liaison to the Council.
10. Council members with two unexcused absences will be contacted by the Council chairperson about their continuation of service on the Council. Council

members who have three or more unexcused absences in a year may be removed from the Council.

11. Council members may have an alternate member from their organization who can participate in Council meeting under the proxy of the primary Council member. Such alternate members shall be previously designated by notice to the Chairperson of the Council.
12. The Council shall elect a Chairperson from its membership. The Chairperson shall serve as chair for one year and may be elected to another one year term as chair.
13. The Council shall elect a Vice Chairperson from its membership. The Vice Chairperson will serve in the absence of the chairperson. The Vice Chairperson shall serve in such position for one year and may be elected to another one year term.
14. The agenda for Council meetings will be developed by the Division of Insurance liaison to the Council in consultation with the Chairperson of the Council.
15. The Council shall keep Minutes of its meetings.
16. Council meetings shall be open to the public.
17. The roster of Council members, Agendas and Minutes of Council meetings, and other materials shall be posted on the Division of Insurance website.

Asset-based LTC insurance attracts buyers

But some advisers express concern about the products' limits

By **Darla Mercado**

June 28, 2009

Although financial advisers have been leery of life insurance with long term care benefits, the products appear to be generating interest among consumers trying to insure against multiple risks and search for a place to store assets, according to a new study.

Buyers of asset-based LTC insurance — life insurance with an LTC rider — are shelling out more for their coverage, with average single premiums for these policies hitting \$70,975 last year, according to sales data from 5,014 policies collected by the American Association for Long-Term Care Insurance of Westlake Village, Calif. In 2007, the average single premium paid for such policies was \$68,300.

The association's study also noted that purchasers of asset-based LTC policies were almost equally divided among age groups, with 49% belonging to buyers under 65 and 51% belonging to those over that age.

By comparison, buyers of traditional LTC tended to skew younger, with 84% of those individuals under 65, according to the association.


Additionally, 49.7% of the policies had a base life insurance face amount between \$100,001 and \$200,000, while 30% had a face value between \$50,001 and \$100,000, according to the data.

Although the face value may be on the low side, buyers generally have access to a much larger payout if they become unable to perform at least two activities of daily living. Often, the coverage for the LTC is distributed through an accelerated-death-benefit rider.

But there are limits on how the products can be used. For instance, the policy's face value may not be large enough for the payment through the rider, or the client may require a lot of care, leaving behind very little for heirs in the way of a death benefit.

Depending on the policy, a total policy value normally comprises two buckets, one for long term care and one for life insurance, so the full value of the policy isn't necessarily the same

InvestmentNews Reprints

 This copy is for your personal, non-commercial use only. To order presentation-ready copies for distribution to your colleagues, clients or customers, use the Reprints tool or the Reprints link at the top or bottom of any article, respectively.

- [View reprint options](#)
- [Order a reprint article now](#)

as the total value of life coverage. Rather, it is a reflection of the maximum benefit consumers can receive from both buckets combined, said Frederick A. Fisher, a manager of new business at Ostrofe Financial Consultants Inc. The Grass Valley, Calif.-based firm manages \$160 million.

Advisers also have been skeptical of the complexity involved in combining two planning purposes in one product. "I don't like to mix functions, because it becomes so hard to compare apples to apples," John Sullivan, an adviser with World Equity Group Inc. in Arlington Heights, Ill., which manages \$1 billion, wrote in an e-mail.

However, those who advocate the use of the product say that it is an easier way to get clients talking about LTC coverage when they see traditional policies as a "use it or lose it" proposition.

"It's not a difficult product, and it's simple enough to understand and explain," said Jesse Slome, executive director of the association. "If you don't qualify for care, you have the coverage, and it's not a loss of your money."

Advisers who have recommended asset-based LTC insurance have found other uses for the product. For instance, the product provides a place for clients to use idle cash that isn't necessary to cover day-to-day expenses, said Mr. Fisher, who has recommended a combination of universal life insurance with an accelerated death benefit.

"It's a good way to leverage that money, and you can use it as long term care coverage or life insurance," he said. "You're not adding another expense but reallocating to another asset."

Mr. Fisher noted that an individual can put money into such a policy and let it earn interest, but a withdrawal could be treated as a taxable event.

Also, the asset-based LTC insurance likely will cost more than a stand-alone life or LTC policy, while maintaining similar underwriting standards, he said. Someone who can qualify for LTC insurance but is only marginal on the life insurance side may not be cleared to use a product that serves both functions.

Because the products pay out when clients' activities of daily living have been compromised or when they need nursing home care, advisers said that they need to draft additional plans.

Not all companies offer home care coverage through riders, noted Bob Straka, president and owner of GrandView Financial Group, a Birmingham, Ala.-based firm with less than \$100 million under management.

He gave an example of an affluent client with \$300,000 in certificates of deposit. Using \$50,000, the client could purchase a life insurance product with an LTC rider and get coverage. If a need for acute care arises and it isn't covered by the rider, "then that's what the other \$250,000 is for," Mr. Straka added.

Still, if a client needs additional LTC coverage and can afford it, it may make more sense to buy an individual policy.

Proponents anticipate greater acceptance of the LTC product if advisers become accustomed to recommending it. "When there's a health qualification, you have to ask questions that an investment person wouldn't normally ask," Mr. Slome said.

E-mail Darla Mercado at dmercado@investmentnews.com.



Discover the firm ranked:
"Highest in Independent Advisor Satisfaction among Financial Investment Firms"
See the difference



COMMONWEALTH *financial network*
commonwealth.com

Reproductions and distribution of the above news story are strictly prohibited. To order reprints and/or request permission to use the article in full or partial format please contact our Reprint Sales Manager at (732) 723-0569.