

# Consumer **Study**

Understanding Long-Term Care Buyers



## HEARTS & MINDS



# Getting Into the Hearts and Minds of Long-Term Care Buyers

At Mutual of Omaha, our goal is to help you find the right people to talk to about long-term care insurance – those who are most likely to buy a policy from you.

In an effort to identify the right people, we initiated a research project to get into the hearts and minds of long-term care buyers. We wanted to know who they are, why they buy (and why they don't) and what steps they take to educate themselves before making a buying decision. We also wanted to know how they feel about long-term care insurance, how much they understand about the risks they face and how they prefer to buy.

So we surveyed our own long-term care policyholders as well as people who own policies from other companies. And we conducted focus groups made up of long-term care buyers and non-buyers. This is what we learned.

## Phase One – Minds

The first phase of our research was to get into the minds of actual long-term care policyholders to learn more about who they are. We also wanted to know about the life events that triggered their purchase and the educational process they went through prior to purchasing a policy. We commissioned the MSR Group to conduct a telephone survey with our own policyholders as well as people who owned policies from other companies. From that research, we discovered most people who purchase long-term care insurance share certain similarities. And that allowed us to build a profile you can use to identify the type of people who are inclined to buy.

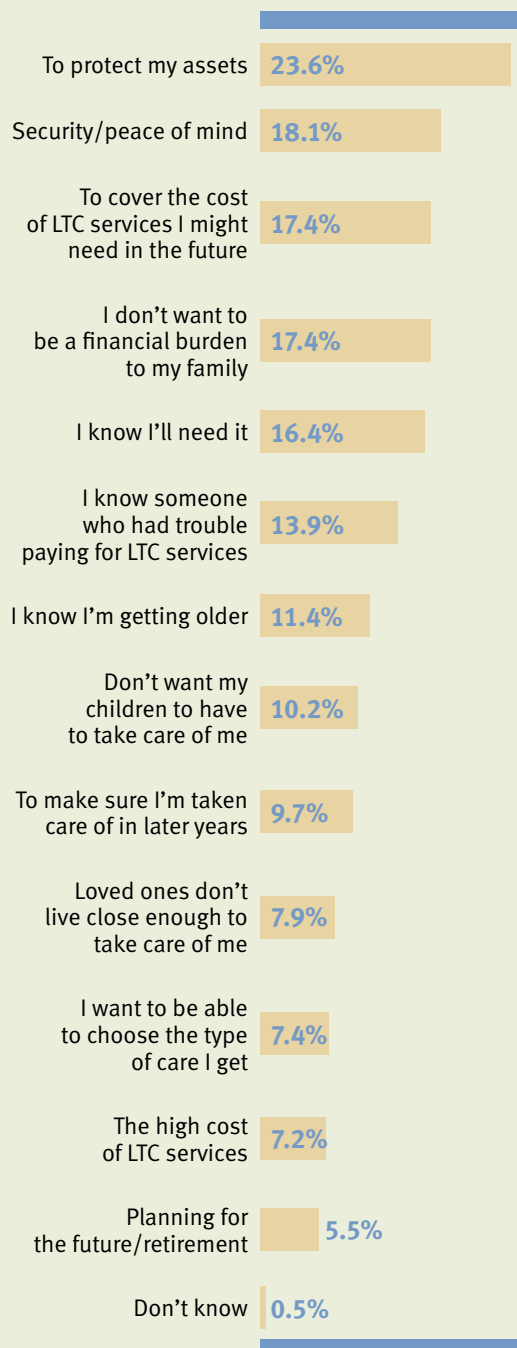
### The typical long-term care buyer

- Female, Caucasian, age 55 to 64
- Married with adult children
- Working in a white-collar profession; not yet retired
- College educated
- Living in a metropolitan area with a population of at least 250,000
- A homeowner with 11 or more years in the current residence
- Affluent; upper middle class with a household income of \$100,000 or more
- A “planner” who is interested in financial issues; owns life insurance and other conservative investment products
- Family oriented
- Exposed to LTC issues; knows someone (a family member or friend) who has needed LTC services
- Research oriented; an online user; self-educated about LTCi
- Generally skeptical and mistrusting of financial advisors and insurance companies

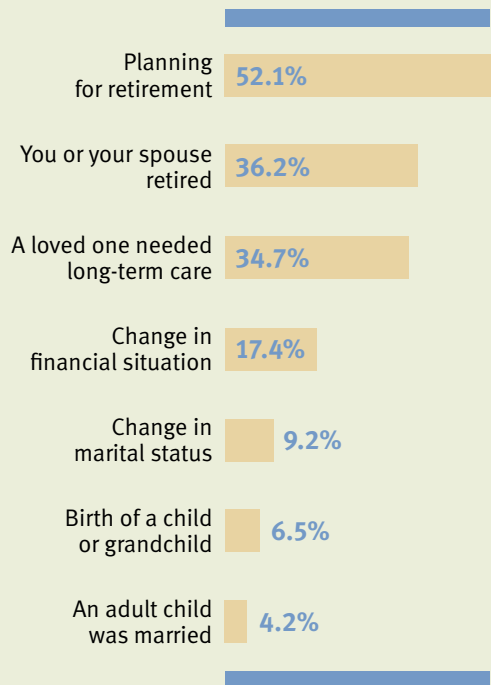
### What this means for you

Armed with this information, you can start looking for people who fit the profile. The easiest place to start is with your existing client base. These folks already know you, trust you and value your recommendations. So they should be receptive to talking with you about long-term care. In addition, the profile will help as you prospect for new clients. Just be on the lookout for individuals or groups of people with these characteristics.

### Primary reason for purchasing long-term care insurance



## Life events that triggered the purchase



## Life events that trigger the buying decision

We wanted to know why people purchased long-term care insurance when they did. What was going on in their lives at the time? Was there an event that triggered a buying decision? We discovered two important reasons people bought their policies when they did – they were either getting ready to retire or they knew someone who had experienced a long-term care situation.

**Retirement** – We found that either planning for retirement or entering retirement was a primary motivator for most people. Those nearing retirement seemed to know it was time to start planning for the future.

*“I was retiring and I felt it was time to do it [purchase long-term care insurance].”*

*Mutual of Omaha Policyholder*

**First-hand Experience** – We also discovered that many people were influenced by a loved one who needed long-term care services. This first-hand experience with a long-term care situation made many people say, “I don’t want that to happen to me.”

*“I’m going through it with my mother right now – trying to pay her bills and make sure her money lasts as long as possible. It [long-term care insurance] just gives me peace of mind to know my kids won’t have to take care of me.”*

*Mutual of Omaha Policyholder*

### What this means for you

Understanding the life events that most often trigger a buying decision will help you recognize people who are facing the same issues. And that will give you the perfect opening to talk with them about planning for their long-term care needs. Focus on how long-term care insurance can help protect retirement assets, preserve independence and provide peace of mind.

52

The percentage of long-term care policyholders who said they have provided care for someone with a chronic illness or disability.



## How people educate themselves

The first step in the buying process is most often a discussion about long-term care insurance among family members or friends. From there, people educate themselves by reading brochures, newspapers and magazines. They also search for information online. Many also turn to an agent, broker or financial advisor for information.

### What this means for you

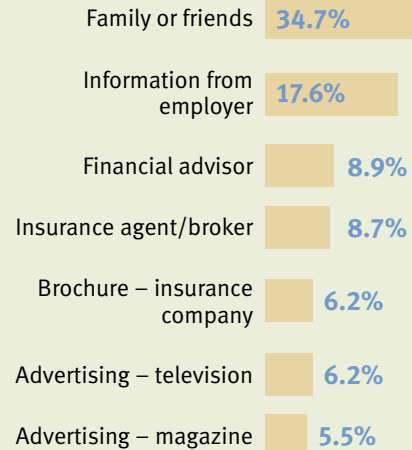
Most people want to make an educated buying decision and they're looking to you to provide the education they need. While many people initiate contact with an agent, there's no need to wait for them to do so. Just knowing that there are people out there eager to learn about long-term care insurance should be motivation enough for you to start making contacts.

**55**

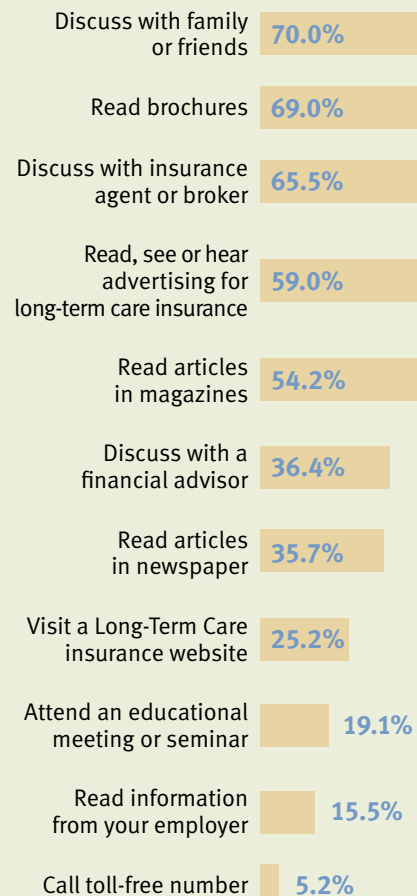
The percentage of people who made the first contact with an agent.



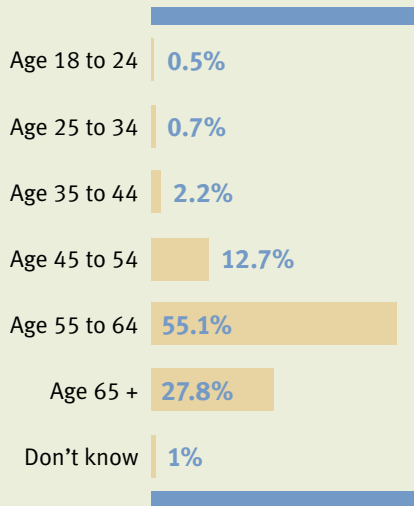
## Where first learned about long-term care insurance



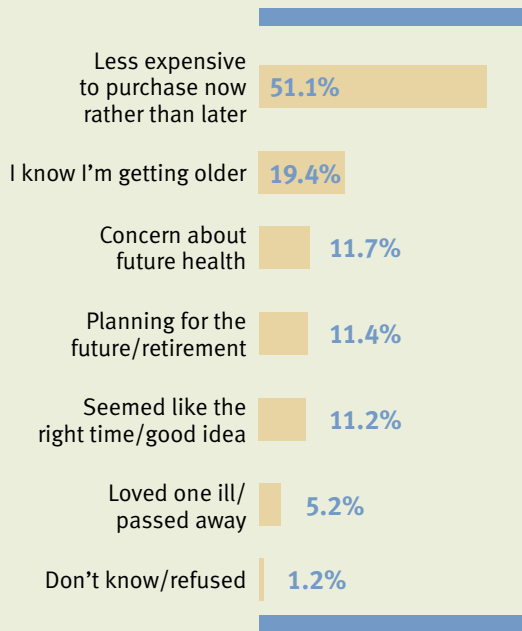
## Education during the purchase process



## Age at purchase



## Reason for purchasing now rather than later



**60**

The average age of a long-term care purchaser.

**70**

The percentage of people who discussed buying long-term care insurance with family members or friends.

## Why they purchased when they did

More than half of the Mutual of Omaha policyholders we surveyed reported they purchased long-term care insurance between the ages of 55 and 65. When asked why they purchased a policy when they did rather than waiting, most people said they were aware that the cost of long-term care insurance increases with age.

*"I knew the sooner I got it, the less expensive it would be."  
Mutual of Omaha Policyholder*

## What this means for you

Knowing that people realize the cost of long-term care insurance is based on age gives you a perfect opening to discuss the cost of waiting. Show them how every year they wait, the cost goes up. Then explain that the longer they wait, the greater the chance their health will change. And if that happens, they may not be able to buy a policy at any cost.



## Phase Two – Hearts

The second phase of our research was to delve into the hearts of long-term care insurance buyers and non-buyers. We wanted to learn about the attitudes and emotions surrounding the decision making process. So we commissioned LIMRA to conduct a series of focus groups that included both long-term care insurance buyers and consumers who matched our profile of likely buyers.

### Dreams, worries and fears

The people we talked to in the second phase of our research shared many of the same aspirations for retirement – relaxation, travel, owning beach or mountain homes, golfing, pursuing hobbies, volunteering and spending time with family and friends. Yet all seemed to recognize there are threats to their retirement dreams. They worry about increasing longevity, a lack of money and declining health. Many also said they fear the social safety nets that helped past generations cope with prolonged illness or injury are disappearing.

*“It seems like a lot of the safety nets out there are unsustainable, so as I get closer to retirement, I wonder if they are going to be there.”*

*LTCi Buyer – Omaha*

### What this means for you

Understanding what keeps people up at night allows you to address their specific concerns. Get them to talk about their dreams for retirement, their worries and their fears. Then show them how a long-term care insurance policy can help protect their retirement dreams. And that should help put the fears to rest.

### Risks and rewards

While most people acknowledge that planning for long-term care is important, they don't have a clear understanding of the risks associated with a long-term care event. Most people can tell a story about a family member or friend who suffered from a long-term illness or disability, but their knowledge tends to be limited to that particular situation. So we presented them with some basic long-term care statistics:

- 1 in 5 households provide long-term care to someone over age 18
- 75 percent of people over age 65 eventually will need long-term care
- The average cost of nursing home care is \$80,650 per year
- The average nursing home stay is 3 years
- 50 percent of people entering a care situation are penniless within one year

They seemed a bit stunned to learn the impact of a long-term care event. On the flip side, they asked to hear real-life stories about how long-term care insurance helps people. Like statistics, they feel testimonials describing the hardships that are eased by a long-term care insurance policy would help them put the product into the proper context.







*“You hear a lot of statistics that are always negative. Ain’t it awful what’s going to happen? I’d like to see the other side – how it [long-term care insurance] takes the burden off of you so you can go forward.”*

*LTCi Buyer – Phoenix*

### **What this means for you**

It’s clear that most people don’t fully understand the risks associated with long-term care. And while industry data (and focus group participants) tell us statistics alone don’t sell, they still may be useful in helping people understand the importance of taking action. The important thing to remember is not to use statistics to scare prospective clients. What they really want to hear are your positive stories about how long-term care insurance protects people from these risks.

### **Education and guidance**

Buyers and non-buyers alike admit they aren’t very knowledgeable about long-term care insurance. Many confuse it with long-term disability insurance. They describe long-term care insurance as having many moving pieces and say they feel lost about how to evaluate what plan or features they should select. One thing that came through loud and clear in our research is that they want someone who can educate and advise them about long-term care issues as opposed to someone who simply wants to sell them a policy. But that doesn’t mean they want to be deluged with policy details and product features. Instead, they want to know how long-term care insurance will solve their problem and be assured they’re making the right decision.

*“I was going to buy a long-term disability policy. But I ended up buying a long-term care policy and it’s because I had someone tell me, “You don’t want to buy long-term disability. What you really want is long-term care.” He had to explain to me over and over and over why I wouldn’t want to replace my income versus getting care.”*

*LTCi Buyer – Phoenix*

### **What this means for you**

This admitted lack of knowledge gives you the perfect opportunity to educate prospective clients. However, education at the time of the sale is not what they’re looking for. Focus group participants suggest there may be neutral venues (think educational seminars) in which a salesperson could present information in a non-threatening way in order to get people thinking about the importance of owning long-term care insurance. Just remember that people are looking for guidance. They’re eager to learn, but they don’t want to be sold.

## Motivation to buy

Focus group participants who own long-term care insurance say they were moved to buy a policy after seeing a friend or relative who experienced a long-term care situation or they simply wanted to avoid entering retirement unprepared. They told us purchasing long-term care insurance allows them to:

- Protect their assets
- Avoid becoming a burden to their family
- Ensure they receive care in a quality facility
- Ensure they have options for care
- Maintain personal dignity and independence
- Have peace of mind

*“My mother had a policy. After my father passed away, every time we went to visit she said, ‘I got this long-term care policy and here it is... it’s in the drawer so you know exactly where it is.’ Every single time! She died without using it, but the peace of mind was well worth every penny she paid for it.”*

*LTCi Buyer – Atlanta*

## What this means for you

Hearing in their own words why people purchase long-term care insurance likely confirms many of the things you already know. And that’s good news. People buy policies to protect their assets and leave a legacy for their kids or to avoid having to rely on family members to care for them. This allows you to focus your educational and sales efforts on these two important issues so you can guide potential buyers to the conclusion that long-term care insurance is their best solution.

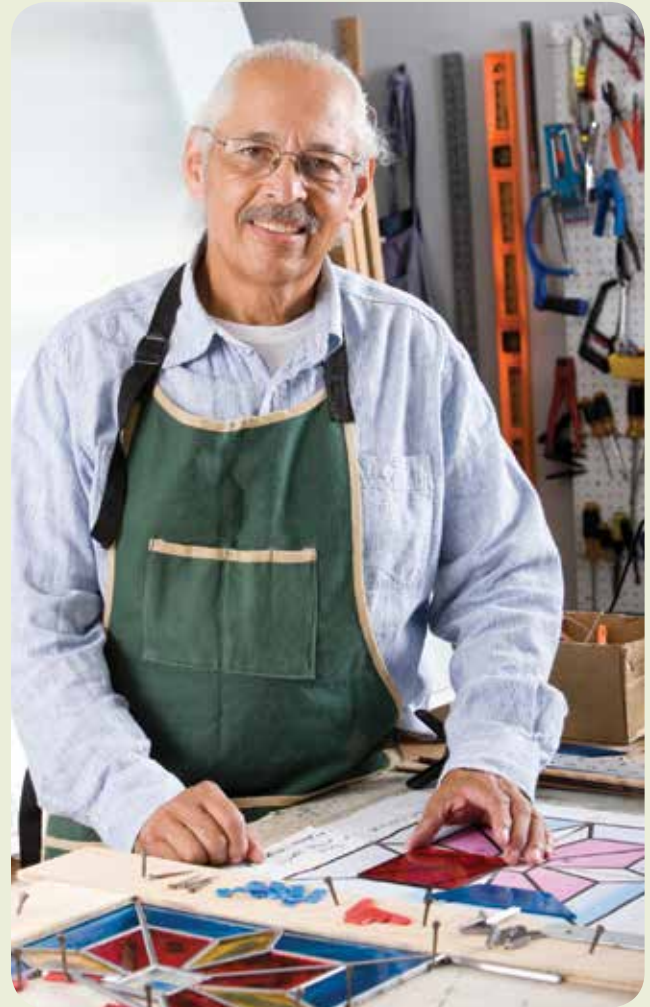
## Lingering questions

While many non-buyers said they find the concept of long-term care insurance appealing, they wonder why no one has approached them about it. They also admit to having many unanswered questions:

- Is it affordable?
- Is it the best way to protect my assets?
- How do I make sense of this complicated product?
- What’s in the fine print?
- When is the best time to buy?
- Will the benefit level be enough when the time comes?
- Am I not already covered?
- What if I never need it?
- Why has no one approached me about it?

*“I’ve never had anybody sit me down like they do with other things and say this is something you should give serious consideration to. There are a lot of other things they give advice on, but I’ve never been approached about this.”*

*LTCi Non-Buyer – Phoenix*







## What this means for you

People are skeptical about long-term care insurance. They don't know much about it, which leaves them with a lot of unanswered questions. At the top of the list is affordability. And that gives you the perfect opening to address the options available to help pay for long-term care services – self-funding, government programs and long-term care insurance. Understanding their concerns allows you to be prepared to answer questions and turn non-buyers into buyers.

## Holding hands

For many, the buying process was lengthy. One participant said it took her a year to reach a decision. People are easily confused by long-term care insurance and they want someone to hold their hand. They want an agent to be able to explain it to them in simple terms and reduce their decision making to a few key questions. And since asset preservation is the primary reason given for owning long-term care insurance, they want to work with someone who has a broad knowledge of wealth management – an agent who understands the financial issues seniors face and can integrate long-term care insurance into their overall financial plan.

*“I found I was putting it off [buying long-term care insurance] because I knew I wanted to do research and it wasn't a decision I wanted to make lightly. My financial planner had been talking to me about it for a long time and she recommended a broker. He went through the same process and it became clear what my options were. I was able to make a decision. But I don't think I could have gone through it alone.”*

*LTCi Buyer – Phoenix*



## What this means for you

Clearly, people value the services of an agent. Purchasing long-term care insurance isn't something they feel they can do on their own. They need your advice and expert guidance. Make yourself more valuable by becoming a senior market expert who understands the issues seniors face. Provide the education they need and explain the product to them in simple terms. And most of all, take your time and be patient. Long-term care is a process – not a one appointment sale.

## One final note

Focus group participants told us they expect the agent advising them to own a policy. Many said they would ask the question, and if the agent didn't own long-term care insurance, they would look for an agent who did.

## About Mutual of Omaha

Mutual of Omaha has been marketing long-term care insurance since 1987, and it remains a core product for us today. As a mutual company, we're not driven by the short-term quarterly results that often characterize publicly-traded companies. Our conservative business philosophy has allowed us to learn, adapt, survive and thrive in an industry that's constantly changing.

*"[I chose to buy a policy from the company I did because] it was the best value for the money and it met our needs. The plan they offered made sense for us. And [the company] is highly rated for financial security and stability."*

*Mutual of Omaha Policyholder*

## About the Research

This report draws results and insights from two research projects conducted on behalf of Mutual of Omaha.

### Long-Term Care Insurance Survey conducted by The MSR Group

Between May 16 and June 13, 2010, The MSR Group conducted a national CATI (Computer Assisted Telephone Interviewing) survey with 403 Mutual of Omaha long-term care insurance policyholders and 385 people who owned long-term care policies from other companies.

### Long-Term Care Focus Groups conducted by LIMRA

During June 2011, LIMRA conducted a series of six focus groups, three with buyers of long-term care insurance and three with consumers who matched the profile of likely buyers. The focus groups were conducted in Atlanta, Omaha and Phoenix.



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“When you turn 50, everyone starts to talk about colonoscopies. So you begin to think, oh, my gosh, maybe I should make the appointment...and you do. Everyone around me who is 50 has taken care of this. So I don’t know...if [long-term care insurance] was pushed, then it would be a topic of conversation at 50-year-old’s birthday parties!”

*LTCi Non-Buyer - Omaha*

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