

Key Findings

2009 SMALL BUSINESS SURVEY ON LONG-TERM CARE



Objectives and methodology

As a long-time leader in group long-term care (LTC) insurance, John Hancock has worked to meet the needs of all types and sizes of employers. While we are pleased to be the carrier of choice for many members of the Fortune 500, we also believe it is critically important to understand and serve the 5.9 million¹ employers that comprise the small business market. For that reason, John Hancock sponsored a survey conducted by Mathew Greenwald & Associates in May 2009, to learn more about the perceptions and attitudes of decision-makers at small businesses across the country toward LTC insurance.

Study objectives

- Learn why businesses do or do not offer LTC insurance coverage in their benefits packages.
- Determine the extent to which decision-makers understand the advantages of offering LTC insurance coverage to businesses and their employees.
- Understand which attributes of LTC insurance coverage are most important to benefits decision-makers.
- Find out what motivates businesses to offer LTC insurance coverage.
- Assess the level of concern employers think their employees have about long-term care issues.

Research design

- A total of 502 telephone interviews were conducted by Mathew Greenwald & Associates with key benefits decision-makers at companies with 10 to 1,000 employees:
 - 102 interviews with companies of 10 to 19 employees
 - 149 interviews with companies of 20 to 99 employees
 - 151 interviews with companies of 100 to 499 employees
 - 100 interviews with companies of 500 to 1,000 employees
- The data was weighted by company size to reflect the actual distribution of firms with 10 to 1,000 employees.
- Respondents were top decision-makers for the types of employee benefits their company offers; one in three was an owner or president of their company.
- The margin of error at the 95% confidence level for the overall sample of companies in this study (n=502) is approximately ± 4.4 percentage points.

1. U.S. Department of Commerce, Bureau of Census, Statistics of U.S. Businesses. Published in 2008 by the U.S. Small Business Administration, Office of Advocacy.

Survey highlights

The survey revealed that the small business market stands to gain from further education about long-term care and the benefits LTC insurance can provide to employers and employees. A summary of survey highlights follows:

EMPLOYERS RECOGNIZE EMPLOYEE ANXIETY ABOUT LONG-TERM CARE

There is a moderately high level of perceived employee anxiety about long-term care issues among small employers. Over half of benefits decision-makers believe their employees are concerned about being able to afford long-term care and needing that kind of care for themselves or other family members.

- While the largest share of benefits decision-makers thinks their employees are worried about being financially secure in retirement (84%), 63% believe their employees are concerned about not being able to afford the cost of long-term care for themselves or other family members.
- Just over half (54%) think that employees are concerned about needing long-term care for themselves or their spouses in the future.
- Perceived employee concern about the affordability of long-term care is higher in the largest companies (500-1,000 employees) than in the companies with only 10–19 employees (72% vs. 58%).
- Nearly two-thirds (64%) of benefits decision-makers estimate that at least a quarter of their workforce will need long-term care at some point in their lives. However, only a small share (15% overall) think that three-quarters or more of their employees will eventually need long-term care.
- Employers are beginning to feel the detrimental effects of long-term care in the workplace. Overall, one in four (26%) reports that their company has been negatively impacted in terms of productivity loss or increased absences because employees are dealing with long-term care issues. The likelihood of the company being negatively impacted increases as company size increases, up to 54% for companies with 500–1,000 employees.

EMPLOYERS LACK IN-DEPTH KNOWLEDGE OF LTC INSURANCE

There is a general lack of knowledge about LTC insurance benefits offered through the worksite, as well as about many of its specific features and benefits.

- Overall, just under half (48%) of those surveyed feel knowledgeable about LTC insurance worksite coverage. Not surprisingly, those in companies offering LTC insurance are twice as likely as those in companies not offering the benefit to say they feel knowledgeable (82% vs. 40%).
- Awareness levels are low for LTC insurance features such as portability of the coverage (40%) and carve-out options for select groups of key employees (33%).
- Even the LTC insurance feature that employers are most often aware of — the company's tax deductibility of employer-paid LTC insurance premiums — is known to only about half (52%) of employers.
- There is a significant knowledge gap between employers offering LTC insurance benefits and those who do not when it comes to knowing that LTC insurance premiums paid by the employer are not considered income for the employee (67% vs. 48%) and that LTC insurance coverage is portable (66% vs. 34%).
- Over six in ten (63%) say one reason for not offering LTC insurance coverage is their perception of a lack of interest in the benefit among their employees, even though the same percentage report that employees are concerned about the ability to fund their future long-term care needs.

EMPLOYERS NEED INFORMATION ABOUT LTC INSURANCE IMPLEMENTATION AND COST

Benefits decision-makers are not as well-informed as they should be about two important aspects of LTC insurance as an employee benefit: the ease of offering coverage and the low cost of implementing it.

- Most employers think that the administrative time and effort involved in introducing LTC insurance coverage is similar to that of LTD (40% think each of these benefits is very or somewhat burdensome to implement.) This puts the administrative burden of LTC insurance below that of health insurance or a 401(k) plan, but higher than that of group life insurance.
- Benefits decision-makers in firms not offering LTC insurance coverage are almost twice as likely as their counterparts in firms offering LTC insurance coverage to view implementation as burdensome (45% vs. 24%).
- Ease of implementation is one of the most important issues that companies would have if they were to add LTC insurance to their benefits program, with 57% saying that ease of implementation is extremely or very important.
- Perceptions about the cost of implementing a LTC insurance coverage is a leading deterrent for not offering coverage, with two-thirds (66%) saying it is an important reason they do not offer the benefit.

KEY REASONS TO OFFER LTC INSURANCE

Among companies that offer LTC insurance coverage, there is little differentiation in the importance of various factors in their decision to add the benefit, suggesting it may be a cumulative decision process, rather than a single issue that drives adoption of LTC insurance coverage.

- Over four in ten say each of four reasons were important in their decision to add LTC insurance, including:
 - attraction and retention of key employees (47%)
 - tax advantages to the business or business owner (43%)
 - employee demand (43%)
 - exposure to first-hand experiences dealing with LTC issues (42%)
- The importance of LTC insurance's tax advantages to a business tends to decrease as company size increases.
- Seven in ten employers (70%) think that being able to deduct employer-paid premiums for LTC insurance is a compelling feature. About six in ten believe the following features are compelling:
 - being able to provide advice, support, and discounts to caregivers (63%)
 - not treating employer-paid LTC insurance premiums as income for the employee (63%)
 - LTC insurance's portability (61%)

PERCEIVED VALUE OF LTCI BY PROSPECTIVE COMPANIES

Benefits decision-makers in companies not currently offering LTC insurance find a number of reasons for adding LTC insurance compelling. Exposure to personal experiences with self, family, or friends needing long-term care is the reason that resonates most strongly with these employers (64% say it is a compelling reason to add LTC insurance to their benefits package).

- Prospective companies also think that employees expressing a desire for the benefit (62%) and the ability of LTC insurance coverage to provide tax advantages to the business and business owner (56%) are compelling reasons. Employee demand for LTC insurance is more likely to impact a benefits decision-maker's propensity to add LTC insurance as the size of the company increases.
- Close to half (46%) of the respondents report that the ability to attract and retain key employees by offering LTC insurance would be a compelling reason to add the benefit.

OPPORTUNITY FOR SALES AND EDUCATION

Another reason that many employers do not offer LTC insurance may be because the industry has not made it a priority — over half (57%) of companies not offering LTC insurance have never been approached by their benefits broker or personal financial advisor about offering the benefit.

- Compared to companies with 500 to 1,000 employees, smaller companies (10–19 employees) are far less likely to have been contacted about LTC insurance (63% vs. 33%).
- There is receptivity to using financial professionals to gain more knowledge about LTC insurance — more than half (53%) would first turn to their benefits broker for more information about LTC insurance coverage and another 25% would go to their personal agent/advisor.
- Those who have been approached by a financial professional about LTC insurance are far more likely to be aware of its various features and benefits.

About John Hancock Long-Term Care Insurance

John Hancock is one of the largest providers of LTC insurance overall, with more than 1 million LTC insurance clients and \$1.5 billion of in-force LTC insurance premium.² The company holds \$9.4 billion in LTC insurance reserves for future claims and has paid \$2.2 billion in LTCI claims.² Having entered the retail LTC insurance market in 1987, John Hancock is one of the largest carriers of individual coverage in the country.³ John Hancock began selling group LTC insurance in 1988 and today is the largest provider of employer-sponsored group LTC insurance in the U.S.⁴ More information about long-term care issues and insurance products can be found at www.johnhancockLTC.com.

2. Based on John Hancock internal data as of 12/31/08. Total includes individual and group long-term care insurance and 50% of the Federal Long Term Care Insurance Program.

3. LIMRA International, U.S. Individual Long-Term Care Insurance Sales Survey, Fourth Quarter YTD 2008.

4. LIMRA International, U. S. Group Long-Term Care Insurance Sales Survey, Fourth Quarter YTD 2008.

Long-term care insurance is underwritten by John Hancock Life Insurance Company, Boston, MA 02117 and in New York by John Hancock Life & Health Insurance Company, Boston, MA 02117.