

From Main Street to Wall Street

***An Insider's View of Opinions Shaping The
World of Long-Term Care Insurance***

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Agenda

7:30am -- 8:15am	Registration and buffet breakfast
8:15am -- 9:10am	One-hour CE with Barry Fisher*
9:10am -- 9:55am	LifeSecure LTCi
9:55am -- 10:10am	Break
10:10am -- 10:55am	FlexCare from MedAmerica LTCi
10:55am -- 11:15am	Life & Disability Insurance Made Easy
11:15am -- 12:00pm	Transamerica LTCi



THANK YOU

Today's Conversation

- ▶ **Reality and opportunity**
 - *Operating in reality = EMPOWERMENT*
- ▶ **THE ELEPHANTS in the room**
- ▶ **Pressure on the insurance industry**
 - *Long-term care and Life*
- ▶ **What are consumers thinking and worried about?**
- ▶ **Looking out on the horizon what can we expect?**
- ▶ **Multi-life (small group) long-term care insurance**
 - *A most powerful tool!*

Elephants In The Room

Taxmageddon

Public
Debt

Entitlements

Election

0% Interest



Euro
Breakdown

Demographic
Shifts

Public & Private
Pensions

ObamaCare

Shrinking World of LTCi

Friday, March 9, 2012 12:04 PM New York 60° 60° 17°

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Countdown to a Tax Hike

Should You Wade With a Windfall?

WEEKEND INVESTOR | March 9, 2012, 9:46 a.m. ET

Long-Term Care: What Now?

Article Stock Quotes Comments (71)



Prudential Financial plans to guttake applications as of March 30 for individual long-term-care policies.

Interest rates. The insurer plans to continue offering group long-term-care coverage through employers.

People typically buy long-term-care coverage in their 50s or early 60s and often pay premiums for 20 or 30 years before making a claim. Insurers build reserves for paying those claims through investment income, mainly from high-quality bonds.

Now, with such bonds offering low yields and aging policyholders making more claims, insurers are halting sales, asking state regulators for permission to raise rates for existing policyholders, or both.

What You Get

Long-term-care benefits based on a \$150 daily benefit, three-year benefit period, discounts for good health and being married, and 3% compound inflation protection.

Premiums collected for policies sold in 2011 increased 4% from 2010, even as the number of buyers dropped 2% to 230,000, according to LIMRA. Coverage costs about \$2,250 a year on average for a 35-year-old couple or \$4,660 a year for a 65-year-old couple, according to the American Association for Long-Term Care Insurance.

▶ CNA

▶ Lincoln Benefit

▶ Allianz

▶ Guardian

▶ Minnesota Mutual

▶ MetLife

▶ CUNA

▶ UNUM

▶ Prudential

▶ American General

All Gone!

Leading LTCi Actuary

- ▶ Look for more carriers to exit traditional market
- ▶ Expect more in-force rate increases
 - *Insurance commissioners are not happy*
 - *Expect more rate stabilization efforts nationally*
 - *More upward pressure on new business premiums*
- ▶ Non-traditional product growth
 - *Simple acceleration riders*
 - *TLC/MoneyGuard type plans*
- ▶ Interest rate environment is stalling annuity hybrids

Society of Actuaries

“Risk is Opportunity”

National Conversation on Long-Term Care Financing

- ▶ **Products with less benefits**
 - *Co-pays, cheaper inflation options, fewer ancillary benefits*
 - Regulators are resistant to this
- ▶ **Paying for independent providers and family**
 - *California has always led the way in this area*
 - Many states still require various levels of licensing, certification
- ▶ **Genetic testing**
 - *Genworth will ask family history with new products*
- ▶ **Public/private partnerships**
 - *CLASS may be dead but many still think the government has an important role*

Our Opportunity

AS WELL AS YOUR CLIENTS!

In the foreseeable future, the traditional LTCi products we sell *today* will:

- ▶ **NEVER BE LESS EXPENSIVE IN REAL TERMS**
- ▶ **WILL INHERITANTLY BECOME MORE VALUABLE**
- ▶ **UNDERWRITING WILL NEVER BE BETTER**

Your clients are not getting any younger or healthier!

Unique to LTCi?

“The Canary In The Coal Mine”



“The problem with LTCi is that it’s an A&H product that is reserved for like life insurance.”

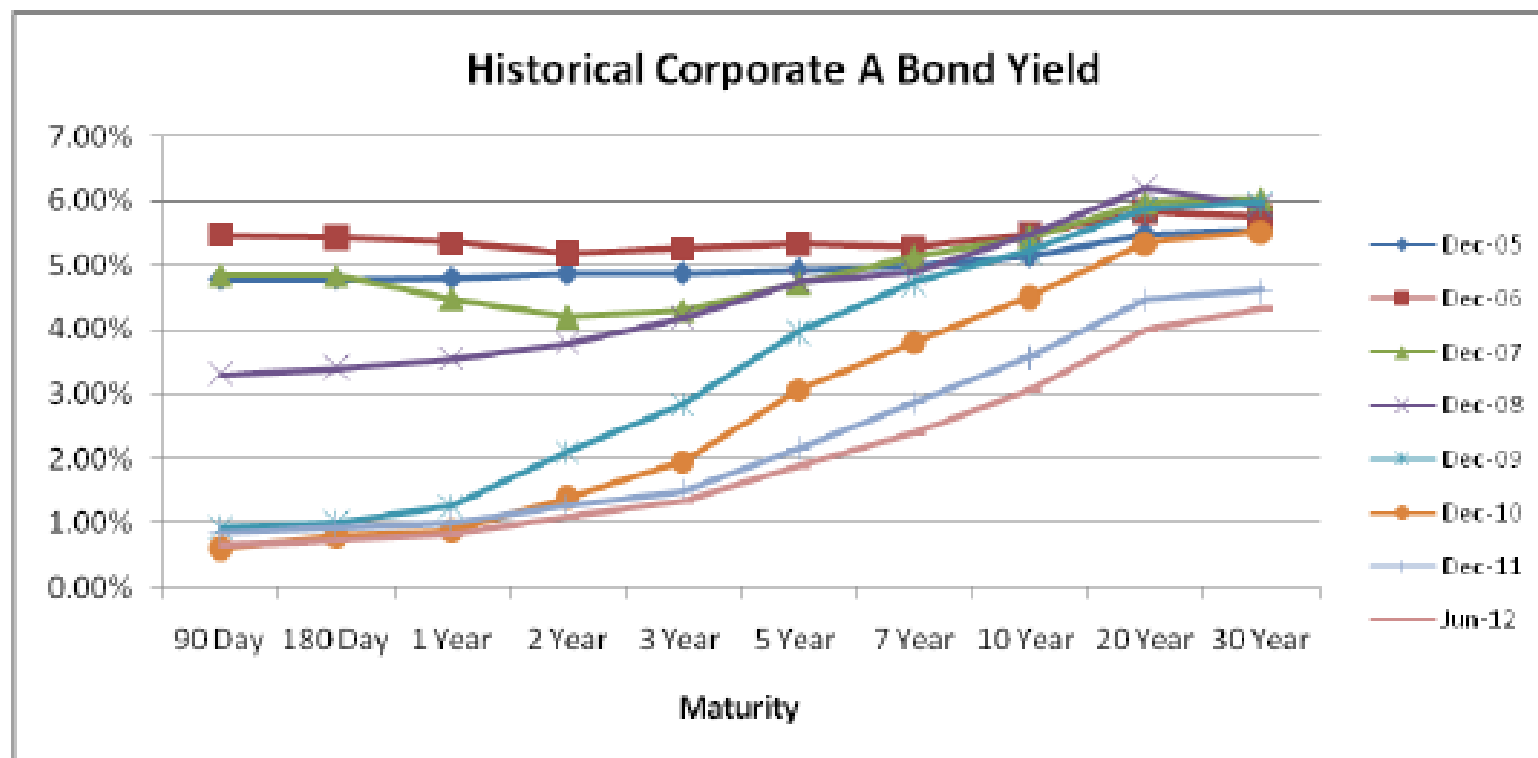
Carrier Gov’t Affairs Insider

The Heat Is On Term Life Insurance

Here, the Carriers Can't Leave But

- ▶ Term life pricing follows LTCi lead
 - *Premium increases are now ongoing in term life*
- ▶ Higher rates
 - *No one wants to be the cheapest*
- ▶ Tougher underwriting
- ▶ Product withdrawals
- ▶ Driven by “the investment environment ... today's yields ... investment returns critical to pricing”
 - *Frank Gencarelli, SVP Sales & Marketing*
 - Legal & General (Banner Life)

THE PICTURE TELLS THE STORY: INVESTMENT YIELD HISTORY



This chart shows investment yield curves. They show yields on corporate bonds, selling at par. On the left are yields for the shortest investments. To the right are yields on the longest, 20 and 30 year investments. Though yields at the short end of the curve have been low for some time, the more recent fall in longer-duration yields is an indication of diminished confidence by the market that rates will rise.

Many experts describe the current interest rate environment as the most challenging they've ever faced, and the future interest rate environment as the most uncertain. Though most believe interest rates will eventually rise, no one knows when, and there are forces (such as Operation Twist) external to the natural market keeping them down. Surely, no one can guarantee today's prices through a "Japan scenario."

Impact on Main Street

Marc Faber, PhD Economics
Gloom, Boom, Doom Financial Newsletter

- ▶ **Money on deposit experiences negative interest rates in real terms**
 - *Low interest rates adjusted for cost-of-living increases*
 - *Driven by the Federal Reserve's artificially low interest rates*
- ▶ **Promised government retiree benefits unlikely (in real terms) due to rapid growth in 65+ population**
 - *Look at European demographics (birth rates)*
- ▶ **State & private pension funds are seriously underfunded**
 - *In 2011 the underfunded levels of S & P 500 companies' defined pensions reached and epic \$354.7 billion*
 - *Total unfunded liabilities for private & public estimated between \$1 and \$2 trillion*



Just 40% Expect to Get Full Social Security Benefits

46% Think Their Pay Will Be The Same A Year From Now

Just 16% See A Better Future for Today's Children

Rasmussen Consumer Index

54% Say The Economy Is Getting Worse



Consumer Mindset – 55+

Retirement 3.0 Sun Financial Group

- ▶ Many have not recovered from recession
- ▶ Plan to work “in some manner” five more years
 - *Age 64 Vs. Age 69*
- ▶ Expect less government help
- ▶ Financial peace of mind 6x more important than accumulating wealth
 - *Protecting assets is 5x more important than higher returns*
- ▶ 49% expect to provide financial help to families
- ▶ Top longevity worries
 - *73% -- Serious health problems*
 - *59% -- Being a burden on family*
 - *49% -- Running out of money to live comfortably*

**LTCi Can
Mitigate These
Concerns**

Consumer Mindset – 55+

Retirement 3.0 Sun Financial Group

- ▶ People seek financial solutions that won't lose value and can help their money go the distance
- ▶ The “ideal” retirement investments or insurance
 - 65% -- *Guaranteed not to lose value*
 - 60% -- *Protects income from market loss*
 - 60% -- *Covers the cost of long-term care*
- ▶ The “ideal” financial advisor
 - 77% -- *Speaks in terms client understands*
 - 75% -- *Listens and understands what's important to client*
 - 72% -- *Protects client from major risk*
- ▶ Planners Vs. Deniers (my terms)
 - *Ageless Explorers*
 - *Cautiously Contents*
 - *Lives for Todays*
 - *Worried Strugglers*

Consumers are Concerned

AgeWave.com & Genworth Financial 2010

- ▶ People are over five times more worried about being a burden on their family than dying
- ▶ *Uninsured medical expenses are the top financial worry among men and women age 55+*
- ▶ Almost two-thirds of people will actually need some long term care, such as home care, assisted living, or nursing home care, after they reach age 65, but only 35% of people believe they will need such care
- ▶ *People rank Alzheimer's as their single greatest fear among disabling diseases in later life*
- ▶ People greatly underestimate the financial, social, and lifestyle impact of caregiving responsibilities
- ▶ *When someone needs long term care, a wide circle of primary caregivers, secondary caregivers, other family, friends, and community members often provide the care and are impacted by the responsibilities*
- ▶ When asked what is most worrisome about being burdens on their family, people told us they are most concerned about protecting their families from the financial pressures of providing for their long term care.

Position LTCi as A Stealth Asset



**Long-Term Care Planning
Is Part of The Calculus of
Retirement Planning**

Options Do Exist

The Gold Standard For A Few

- ▶ *Lifetime benefits*
- ▶ *Pegged to current cost of care*
- ▶ *5% compound inflation protection*
- ▶ *Short elimination periods*
- ▶ *Limited pays*

Something is Better Than Nothing For Many

- ▶ *Don't let the perfect be the enemy of the good*
 - Affordability trumps the perfect
- ▶ *Variety of policies purchased over a lifetime*
 - Traditional & linked
- ▶ *Some level of employer sponsorship*
 - Tax deductible premiums
 - Discounts
 - Underwriting concessions
 - Portable

CONSOLIDATION & REBIRTH

Opportunity Exits
Even In
Tough Times

More Expensive, Fewer Choices Tougher Underwriting

- ▶ Genworth (temporary commission reduction)
- ▶ John Hancock
- ▶ MassMutual
- ▶ Mutual of Omaha (Not CA!)
- ▶ Transamerica
- ▶ LifeSecure
- ▶ MedAmerica (Simplicity & FlexCare)
- ▶ Linked Product Choices
 - *Genworth, Lincoln Financial, Nationwide, AGLA*

Maximize Leverage for Affordability

- ▶ **Alternative inflation options**
 - *Simple Vs. Compound*
 - *3% Vs. 5% Vs. CPI*
 - *Future purchase options*
- ▶ **Share Care Benefits**
 - *Third pool is preferable*
- ▶ **Long-term care planning is a process**
 - *May include multiple policies of different types purchased over time*
- ▶ **Insure the front-end of the claim first**
 - *Key on current cost-of-care*
 - *Provide affordable base coverage*
 - *Include benefits that provide for future flexibility*

Employer Market is Your Best Access Point

- ▶ Tax deductible premiums
- ▶ Tax-free benefits
- ▶ Employer sponsored discounts
- ▶ Simplified or Modified Guaranteed Issue Underwriting
- ▶ Individual policies allows limitless possibilities for plan design
 - *"Gold standard" for owners*
 - *Modest but meaningful benefits for key employees*
 - *Starter plans in place for rank-in-file employees*
- ▶ Employer premium sponsorship is critical
 - *Voluntary is a very difficult sale*

Reasons Why 'Er Should Consider

- ▶ **Good for owners**
 - *For owners of closely-held business "The Need Is Greed"*
 - Tax deductible premiums, tax-free benefits
- ▶ **Simplified underwriting eliminates underwriting guesswork**
- ▶ **Offset to changes/reductions in health care plans**
 - *Key employee retention*
 - *Small cost for a big impact benefit*
- ▶ **Helps employees cope with looming caregiver issues**
 - *Employee/caregivers cost employers BIG TIME!*
 - Absenteeism, interruptions, employee replacement
 - *Problem is bigger for smaller employers*
 - *With aging workforce caregiving for spouses increases*

Why Individual LTCi

- ▶ There is no meaningful *true group* market for long-term care insurance
 - *No UNUM*
 - *No Prudential*
 - *No John Hancock*
 - *No CNA (?)*
 - *Genworth requires minimum 500 lives – very selective*
- ▶ We call it multi-life
 - *You can call it small group if you'd like*
- ▶ Three lives is all you need to get started
 - *The more the merrier – more options for all*
- ▶ Fully vested, individual first year and renewal commissions

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WHAT IS YOUR COMPANY'S UNIQUE COMPETITIVE ADVANTAGE?