

Getting in the minds of LTCl customers

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LTCI Research Overview

Situation overview

Market dynamics


- 2013/14: lowest LTCI sales in ~20 years, fewest lives covered
- Carriers exiting LTCI business
- Consumers are worried about carriers being “there when needed”

Consumer dynamics

- Purchased by more “affluent” consumers, partially driven by costs
- Strong personal experience triggers
- Demand strength and opportunity size larger with younger, less affluent consumers
- Main concerns: cost and complexity

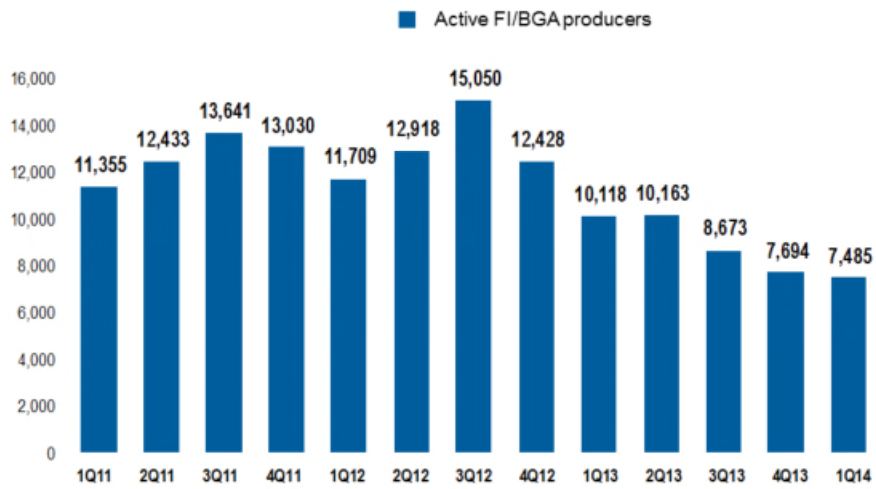
2013 U.S. Census Data; 2014 Flex Appeal Research Study

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Decreasing LTCi producers



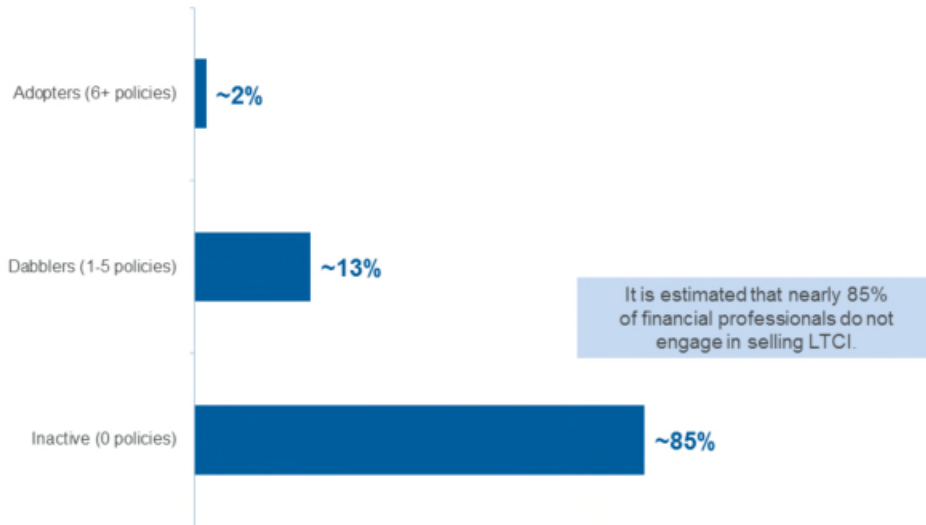
Genworth Sales Distribution Data, 2011-2014

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Decreasing LTCI producers



Genworth Sales Distribution Data, 2011-2014

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Why don't producers sell LTCI?

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Sound familiar?

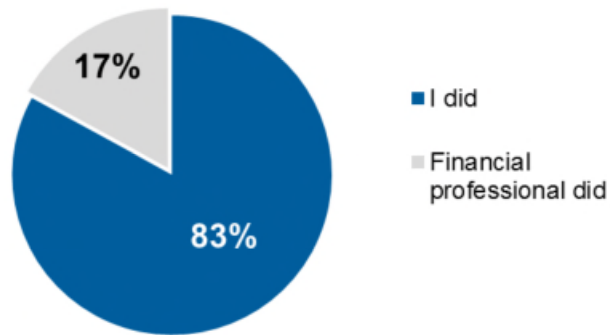
Critical illness coverage
Eventually the government will cover LTCI Don't have time for CEs Media is critical
Products are too complicated Carriers keep dropping out of market
I refer my clients to a specialist for LTCI
Clients don't like that they have to "use it or lose it" **Rate hikes**
Too expensive for my clients
Product changes are too much to keep current with
Too much time and effort to engage clients when they might not qualify
My clients are too young
My clients self insure

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Consumers are asking for it


83% of policyholders said that they initiated the conversation about LTCI with a financial professional, rather than the other way around.

Who initiated the LTCI conversation?



2012 LTCI New Concept Consumer Research Study

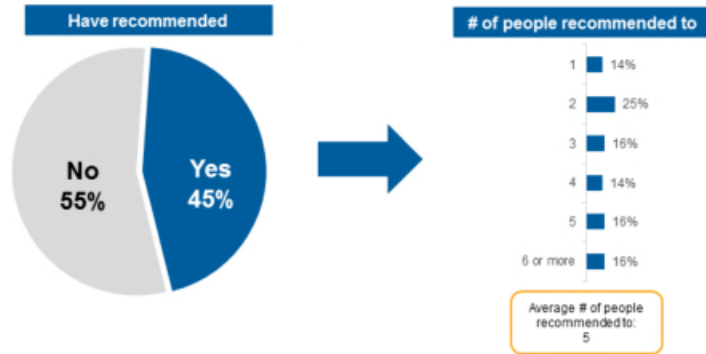
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Clients can be your best advocates

Just under one-half of LTCI purchasers have recommended LTCI to others.

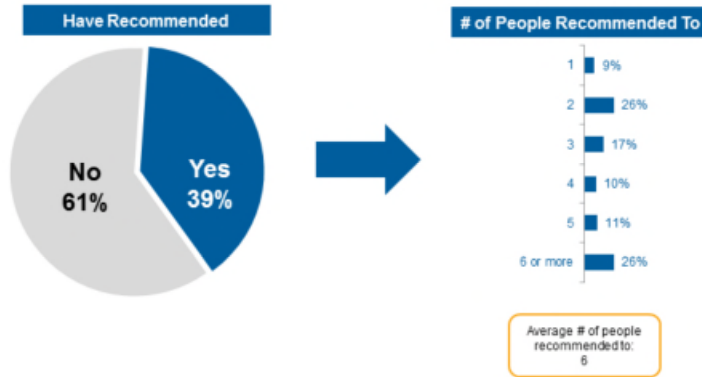


Base = Total Respondents(n=227) Base = Likely To Recommend LTCI (n=161) Base = Detractors (n=66) Base = Have Recommended LTCI (n=102)
Q51. Have you recommended Long Term Care Insurance to friends, family, or co-workers?
Q52. To how many different people have you recommended Long Term Care Insurance?

2012 LTCI Purchasers

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Claimants can be your best advocates



Base = Total Respondents(n=393) Base = Have Recommended LTCI (n=154)

9. Lastly, have you recommended Genworth to a friend or family member?

9a) Thank you for that recommendation. Approximately how many people have you recommended Genworth's products and services to?

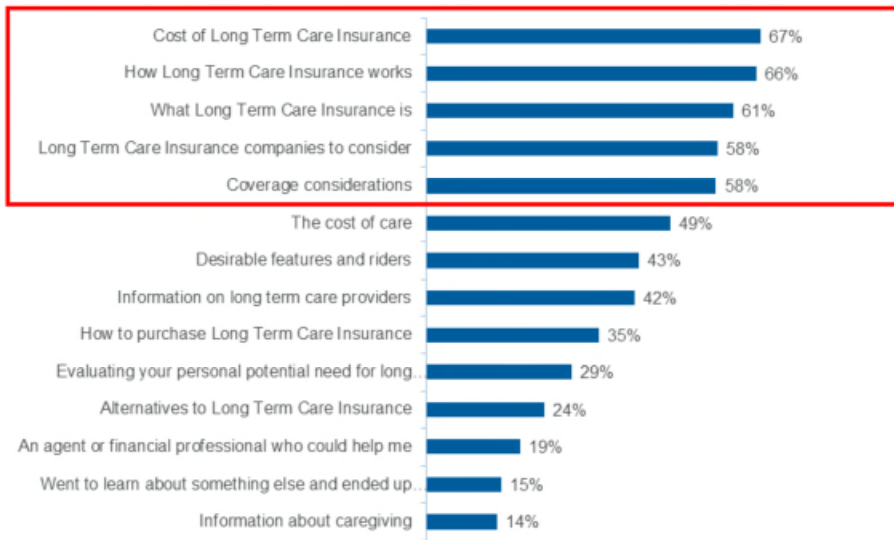
2014 LTCI Claims Study

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What do consumers really want to know?



Base = Went Online to Learn More (n=127)

2013 LTCI Retail Consumer Online Study

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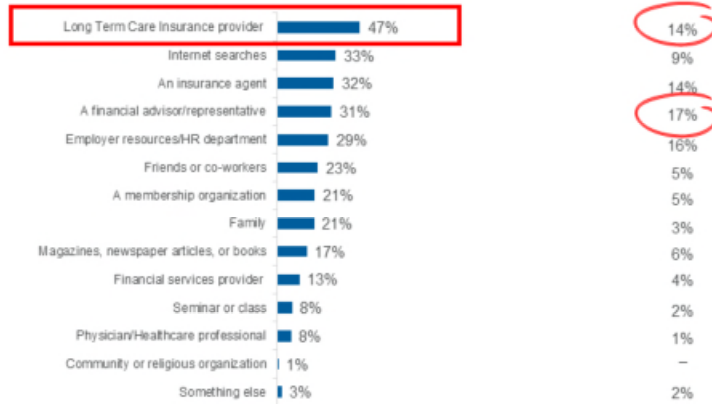
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Consumers seek info from carriers, go online, and reach out to financial pros

When engaged in learning about long term care insurance, what sources did you turn to for gathering information or knowledge?

Please rank order these sources according to their relative value to your understanding.



Base = Total Respondents (n=227)

2012 LTCI Purchasers Study

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About the research

Objective

Test the most effective way to sell Privileged Choice® Flex 3 to prospects, gain consumer feedback on packaging and price sensitivity

Methodology

Online study using dials to indicate how motivational the sales approach was moment by moment.

Participants

800 LTCI prospects

Process

Respondents were asked how likely they were to purchase:

- Before the study took place
- Opening presentation
- Sales pitch presentation
- Pricing presentation

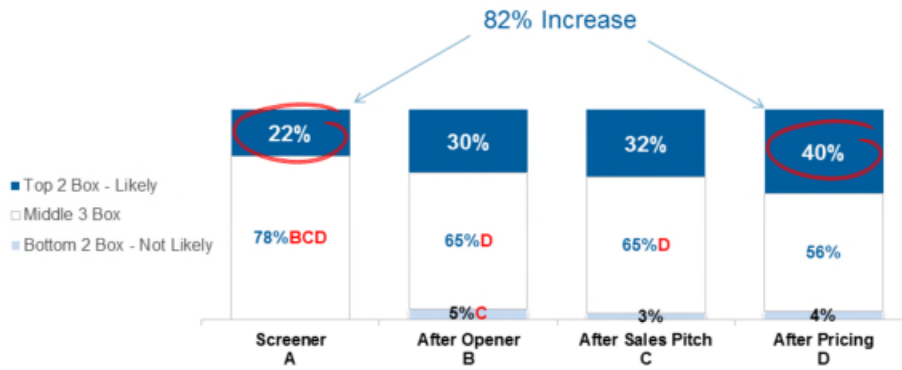


Options	A	B	C
Initial Coverage	\$100,000	\$200,000	\$300,000
Inflation Protection	3%	3%	3%
Coverage in 35 years	\$281,386	\$562,772	\$844,159
Annual Premium	\$743	\$1,486	\$1,767

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Package pricing increases interest

Likelihood to purchase LTCI went up as consumers were better educated and when seeing how "affordable" the LTCI packages were.



2014 Flex Appeal Research Study

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LTCI packaging discussion

Situation overview

Lower price and simplicity can dramatically expand the market opportunity

Testing "FlexFitSM" packaging with target consumer groups demonstrated that interest in an LTCI solution ~doubles due to (1) delight of affordability and (2) simplicity of sales process

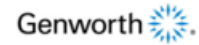
Targets segment price sensitivity shows that current pricing levels opens ~7% of the total market (\$2,600)
 •\$1,800 range opens ~40%, \$1,200 opens ~75%

	Total	15-24 years	25-29 years	30-34 years	35-39 years	40-44 years	45-49 years	50-54 years	55-59 years	60-64 years	65-69 years	70-74 years	75+ years
	122,459	6,314	9,251	10,767	10,116	11,218	11,533	12,535	12,217	10,585	8,932	6,417	12,575
<\$25K	30,204	Rest of population – 71MM											
\$25K-\$50K	29,728												
\$50K-\$75K	21,418												
\$75K-\$100K	14,284												
\$100K-\$150K	15,249												
\$150K-\$200K	6,116												
>\$200K	5,460												

High potential new target – less affluent, younger, more interested in buying than traditional target (66% more likely) – 39MM

Traditional target – 12MM "Saturated"

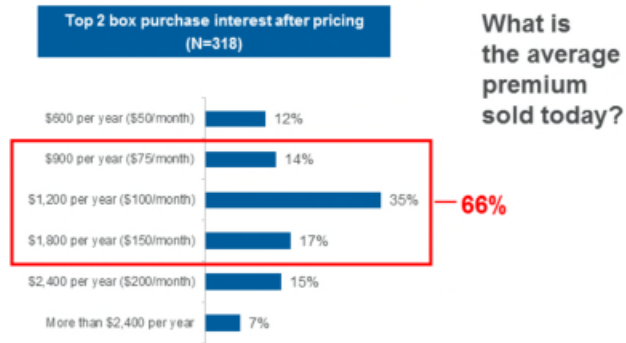
2013 U.S. Census Data; 2014 Flex Appeal Research Study



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Lower premium expands the market

Two-thirds of interested consumers want to pay between \$900 and \$1,800 per year. The proportion of consumers willing to pay different premium amounts is similar across household income levels.



Base = 318, Consumers Indicating Top Two Box Likelihood to Purchase LTCI
Q18_V. What is the maximum amount you would consider paying for your Long Term Care Insurance coverage?
2014 Flex Appeal Research Study

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100% coverage is not the only option

Consumers are more comfortable sharing a portion of the risk.
And many producers are no longer recommending 100% coverage.

Example consumer quotes

"I felt that the additional coverage would be provided by our assets and I don't know if I'm going to need long-term care. I'm willing to give up some, but not everything." (Buyer)

"I'd probably use the lower payment and set more aside just in case you do need to supplement it." (Prospect)

"We'll see what the premiums are and then we'll have to weigh the cost of premiums and then sort of roll the dice if we can insure for it or buy a lesser amount and self-insure the difference." (Shopper)

Example producer quotes

"They can at least get some coverage in place and have it based on their current health, maybe get a preferred risk class, which is going to be a better rate, and that way have something in place that they can increase in the future."
(Retail agent)

"They can buy the amount of coverage that will pay for the cost of caring for them. Or to keep the cost of coverage down, we can have a discussion about how much you think you can realistically afford to pay out, disposable income in retirement and still meet your other obligations. Then insure for the difference. And 99% of the time, that's what they opt for."
(Individual producer)

<100%

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Case Study 1 – Kathy and Michael



Basic Coverage

- 6Years of Shared Care: \$288,000 total* (with extra \$132k spousal reserve pool)
- Monthly benefit: \$4000
- Annual Premium: \$1,412 individual or \$2,824 for both

- Both 55 years old and in good health
- 3% inflation protection option
- Shared Care Rider Included
- 1st Day Home Care Rider Included

*Genworth 2014 Cost of Care Survey, conducted by CareScout®
April 2014. CareScout is a Genworth company.

This is a hypothetical example for illustrative purposes only

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To illustrate this point, consider this hypothetical example. Let's look at Kathy and Michael. They are both 50 and in good health. After reviewing the underwriting guide, I am quoting them the Preferred underwriting category.

Michael has Alzheimer's in his family history and wants to be certain he could afford care in a facility if needed. Kathy and Michael live in an area where the cost of care is high, so they want to maximize their coverage to protect their assets. They are mostly interested in having the right amount of coverage to cover all or most of their LTC expenses.

A private room in a nursing facility for 3 years would cost them about \$263,000 each. To cover this cost, Kathy and Michael would need a \$7,500 monthly benefit each with a 3-year benefit period. Their individual annual premiums would be almost \$1,800, and the combined premium would be around \$3,600 for both.

Case Study 2– Stacking Policies



- Both 52years old and in good health
- Preferred underwriting category
- 3% inflation protection option
- Shared Care Rider Included

- 4 Years of Care: \$192,000
- Monthly benefit: \$4000
- Premium: \$69 per month

- TLC @ 60 Yrs old
- \$50,000 Premium Single Premium
- \$100,000 Death Benefit
- \$300,000 LTC Benefit

This is a hypothetical example for illustrative purposes only

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Here's another hypothetical example. In this scenario, let's assume Stacey and John are budget-conscious and have a limited amount of money they can spend on long term care insurance. They would prefer to receive LTC care at home if possible and want to insure for that possibility.

A Home Health Aide for 3 years costs about \$135,000. Each of them would need a \$3,800 monthly benefit with a 3-year benefit period to cover this expense. Their individual annual premiums would be around \$900 or about \$1,800 for both.

So what we see here is that for half the price of a policy that would provide enough benefits to pay for most nursing home expenses, Stacey and John could purchase enough coverage to receive care in their home. Of course, it's wonderful if they want more benefits and can afford the associated premium. But if they don't want to or can't spend this kind of money, they can still get meaningful coverage at a more affordable price.