



After the LTCi Think Tank

Session 7

Monday, March 7, 2011

Steve Schoonveld
Sara Teppema
Amy Pahl
Roger Loomis

THE ELEVENTH ANNUAL INTERCOMPANY LONG TERM CARE INSURANCE CONFERENCE

ILTCi



Polling Question 1

Which Long-Term Care insurance product have you purchased?

- A) An individual Long-Term Care insurance product
- B) A group Long-Term Care insurance product
- C) A linked-benefit rider attached to a Life Insurance product
- D) A linked-benefit rider attached to an Annuity product
- E) I have not purchased an insurance product



Polling Question 2

Which industry track are you most associate with?

- A) Actuarial
- B) Claims
- C) Compliance
- D) Marketing
- E) Operations
- F) Public Policy & Providers
- G) Underwriting
- H) Other

ENERGIZING
the Industry



THE ELEVENTH ANNUAL INTERCOMPANY LONG TERM CARE INSURANCE CONFERENCE



ILTCI



Consumers

Consumer's sing:

"What a drag it is getting old" RS

"I'll get by with a little help from my friends" B

But 6% says:

I Still Haven't Found What I Am Looking For U2

That Don't Impress Me Much ST

When they do buy, they ask:

"Will you still need me, will you still feed me,
when I'm 64" B



Distribution Ditties

Puzzled by Consumer Reaction:

"There must be some misunderstanding"

G

Sung to Carriers:

Don't You Forget About Me

SM

With respect to Combination products

"Got to get you in to my life"

B



LTCi Industry Classic Hits

30+ years of:

Stormy Weather

JL

High Hopes

FS

Sung by those that dabble in LTCi:

Shot In the Dark

OO

Pleas of:

"I Want You To Want Me!"

CT

"The waiting is the hardest part"

TP

Rate increases, claim denials, shrinking
distribution:

Slip Sliding Away

PS



From Hope to Change

“If you build it, they will come”





Objectives of the LTCi Think Tank

1. Brainstorming session to propose growth solutions
2. Discussion on how the industry may influence LTC Public Policy
3. Open forum to allow for various industry viewpoints
4. Stronger understanding of Consumers and their hesitancy to purchase LTCi



Segmenting the Middle Market

Total Middle Market Households: 32,209 (Ages 45 to 74; \$50k to \$1,000k Net Worth; 25th to 85th percentile of all households)

Six segments profile the “Middle Mass” households:

- Total “Middle Mass” Households: 26,841 (25th to 75th percentile of all households) **Six segments profile the “Middle Affluent” households:**

- Total “Middle Affluent” Households: 5,368 (75th to 85th percentile of all households)



“Middle Mass” Segments

55 to 64 year-olds

	<i>Married (#1)</i>	<i>Single Female(#2)</i>	<i>Single Male(#3)</i>
# households	5.2 Million	2.5 Million	1.4 Million
Avg. Income	\$75,000	\$28,000	\$41,000
Assets	\$348,000	\$111,000	\$125,000

65 to 74 year-olds

	<i>Married (#4)</i>	<i>Single Female(#5)</i>	<i>Single Male(#6)</i>
# households	3 Million	1.9 Million	0.9 Million
Avg. Income	\$45,000	\$18,000	\$25,000
Assets	\$285,000	\$130,000	\$130,000



“Middle Affluent” Segments

55 to 64 year-olds

	<i>Married (#1)</i>	<i>Single Female(#2)</i>	<i>Single Male(#3)</i>
# households	1.0 Million	0.5 Million	0.3 Million
Avg. Income	\$132,000	\$58,000	\$79,000
Assets	\$1,300,000	\$415,000	\$465,000

65 to 74 year-olds

	<i>Married (#4)</i>	<i>Single Female(#5)</i>	<i>Single Male(#6)</i>
# households	0.6 Million	0.4 Million	0.2 Million
Avg. Income	\$93,000	\$43,000	\$54,000
Assets	\$1,100,000	\$480,000	\$490,000



4 Household Segments

"Middle Mass" Market

55 to 64 year-olds

# households	9,100,000	51%
Avg. Income	\$56,857	
Assets net of home	\$74,575	

65 to 74 year-olds

# households	5,800,000	32%
Avg. Income	\$33,052	
Assets net of home	\$63,052	

"Middle Affluent" Market

55 to 64 year-olds

# households	1,800,000	10%
Avg. Income	\$102,611	
Assets net of home	\$274,500	

65 to 74 year-olds

# households	1,200,000	7%
Avg. Income	\$69,833	
Assets net of home	\$237,500	

1. What risks do they face?

2. What LTC financing solution is available?



Polling Question 3

Of the following options, which is the **primary** solution to **effectively** meet the risk and financing needs of this Middle Mass market segment?

55 to 64 year-olds

# households	9,100,000
Avg. Income	\$56,857
Assets net of home	\$74,575

- A) a standalone Long-Term Care insurance product
- B) a combination or linked-benefit rider
- C) Medicaid
- D) self-funding
- E) a solution is not available



Polling Question 4

Of the following options, which is the **primary** solution to **effectively** meet the risk and financing needs of this Middle Mass market segment?

65 to 74 year-olds

# households	5,800,000
Avg. Income	\$33,052
Assets net of home	\$63,052

- A) a standalone Long-Term Care insurance product
- B) a combination or linked-benefit rider
- C) Medicaid
- D) self-funding
- E) a solution is not available



Polling Question 5

Of the following options, which is the **primary** solution to **effectively** meet the risk and financing needs of this Middle Affluent market segment?

55 to 64 year-olds

# households	1,800,000
Avg. Income	\$102,611
Assets net of home	\$274,500

- A) a standalone Long-Term Care insurance product
- B) a combination or linked-benefit rider
- C) Medicaid
- D) self-funding
- E) a solution is not available



Polling Question 6

Of the following options, which is the **primary** solution to **effectively** meet the risk and financing needs of this Middle Affluent market segment?

65 to 74 year-olds

# households	1,200,000
Avg. Income	\$69,833
Assets net of home	\$237,500

- A) a standalone Long-Term Care insurance product
- B) a combination or linked-benefit rider
- C) Medicaid
- D) self-funding
- E) a solution is not available



Results

Middle Mass 55-64:

Middle Affluent 55-64:

Middle Mass 65-74:

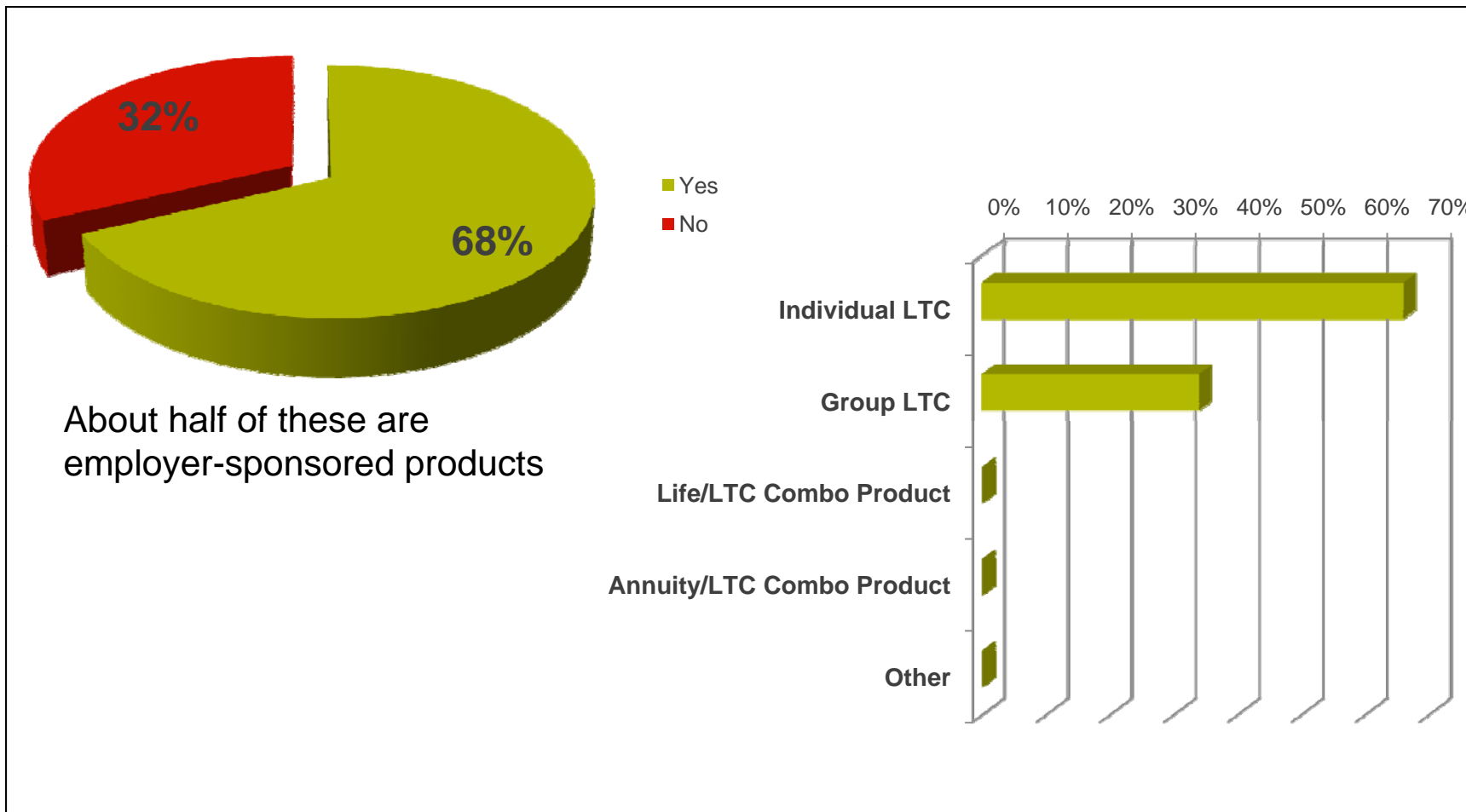
Middle Affluent 65-74:



Think Tank Participants Survey Results



Do you own a LTC Policy?





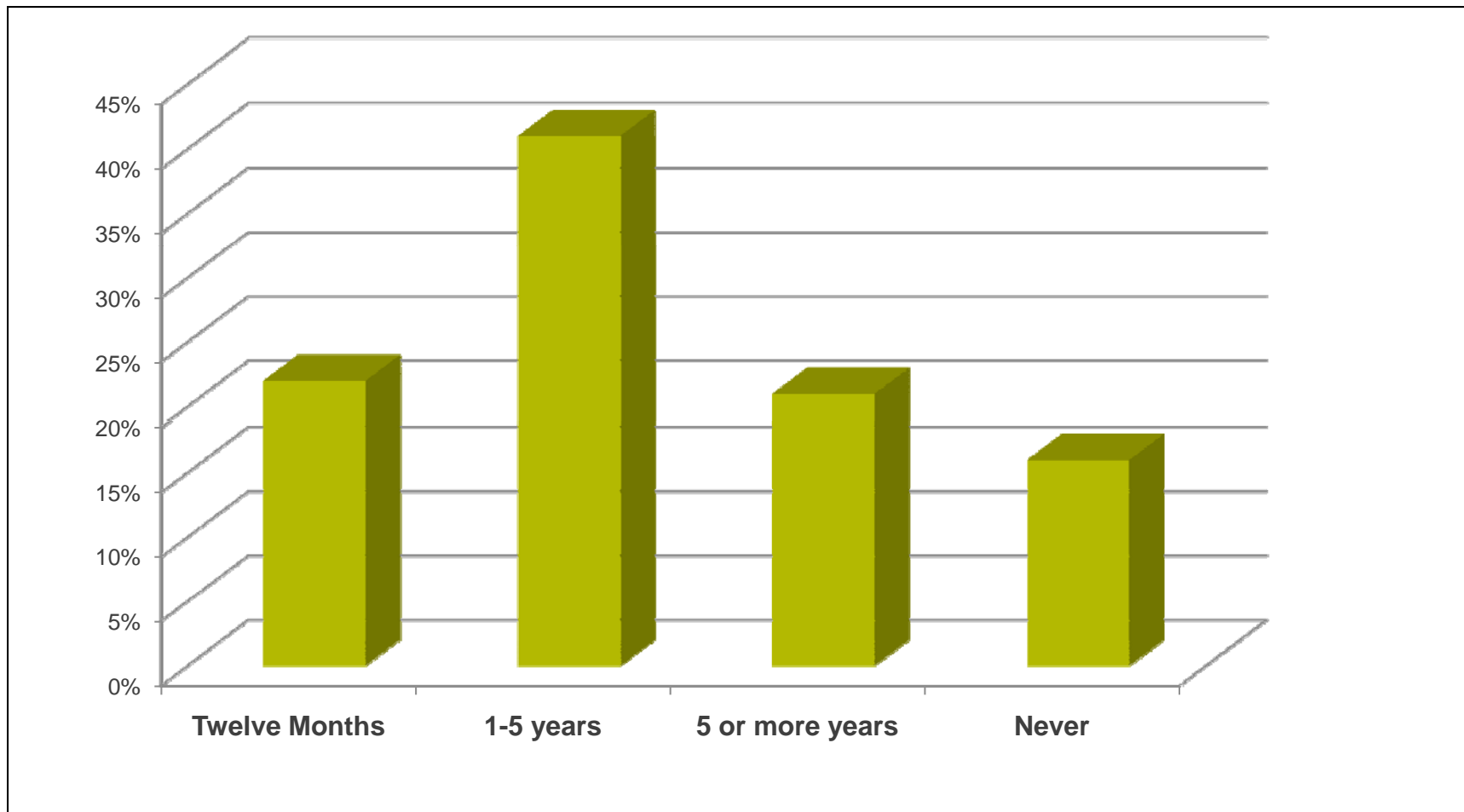
Survey says...

Current ILTCi products:

1. Satisfactorily address consumer need
Neutral
2. Are viable from a *carrier's* perspective
Neutral
3. Are viable from a *producer's* perspective
Neutral

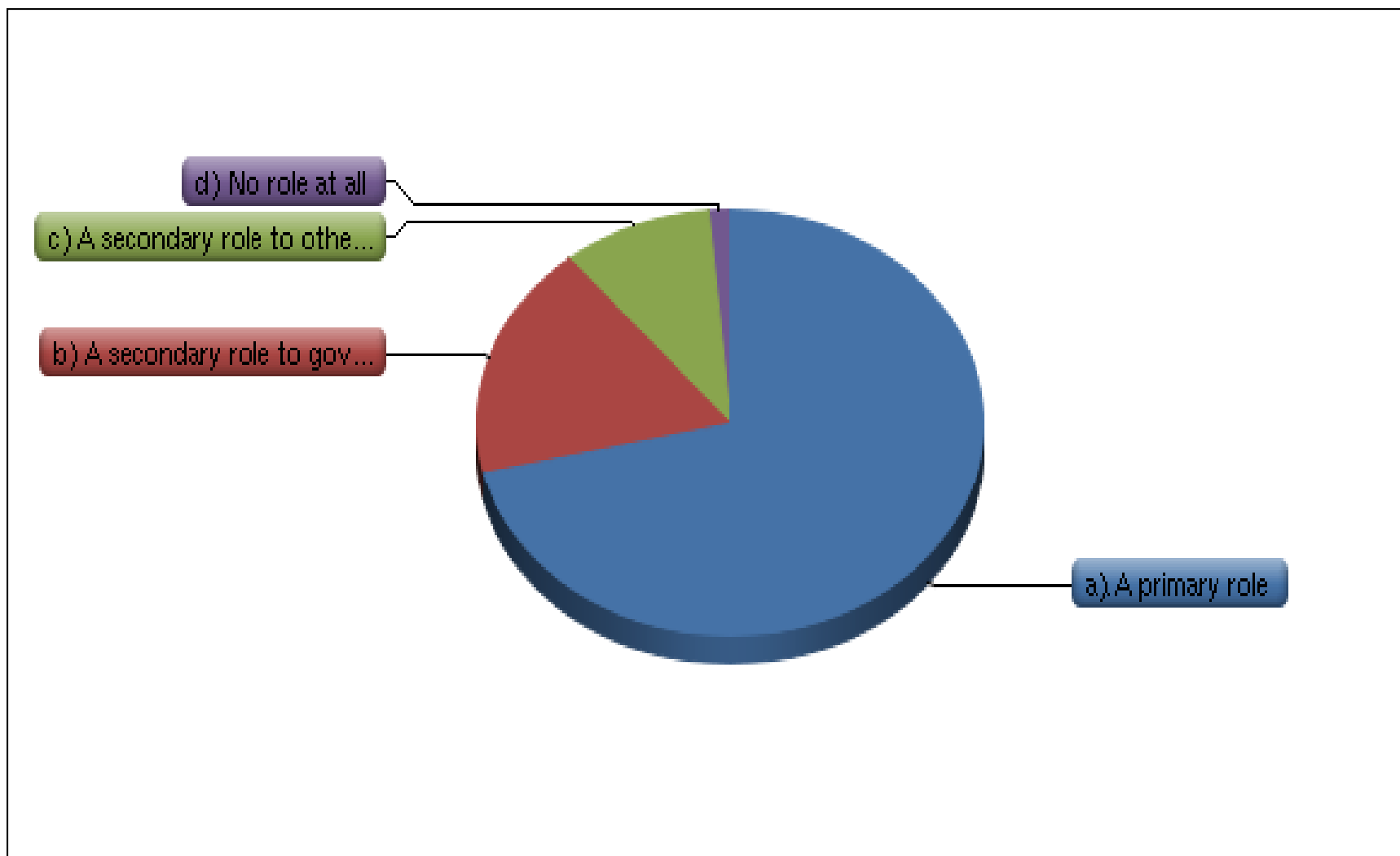


A bill containing some form of US Federal government-provided LTCi is likely to be passed in the next...





What role should LTCi play in addressing the nation's LTC financing issues?





Polling Question 7

Which of the following is the most significant obstacle to selling new policies?

- A) Perceived consumer responsibility
- B) Price / affordability
- C) Industry history
- D) Distribution system
- E) Benefit design
- F) Other



Think Tank Survey says...

A primary obstacle in selling new policies is:

1. Perceived Consumer Responsibility **Agree**
2. Price **Agree**
3. Industry History **Neutral**
4. Distribution System **Neutral**
5. Benefit Design **Neutral**



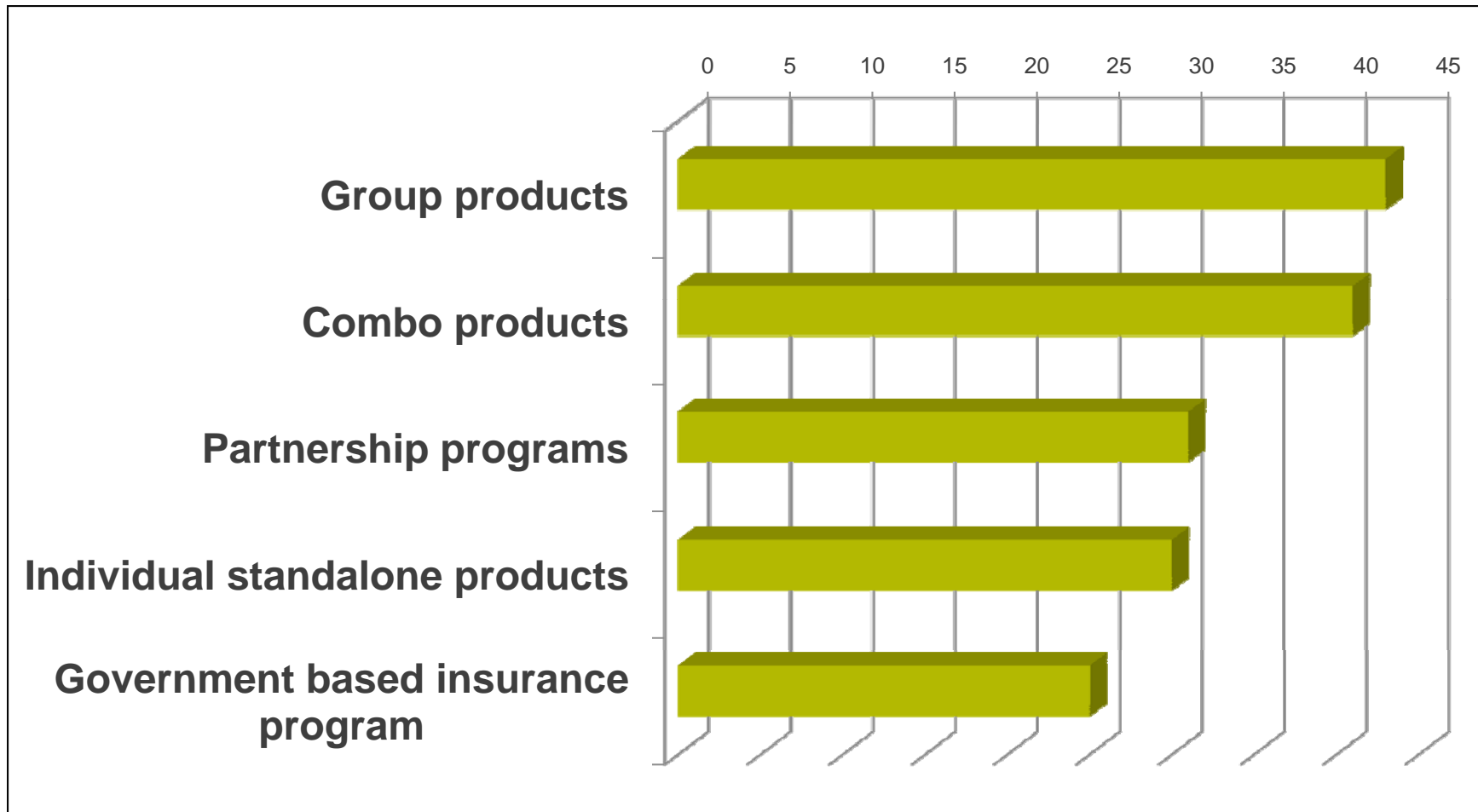
Polling Question 8

Which of the following will be an important driver of LTCi growth over the next 5 years?

- A) Group products
- B) Combination riders
- C) Partnership products
- D) Individual standalone products
- E) A federal government based program
- F) None of the above / other



Important drivers of LTCi growth over the next 5 years





Open Forum



Workshop Discussions – Industry Issues & Concerns



Polling Question 9

Of the following, what is your primary concern?

- A. The lack of consumer understanding of the LTC financing risk.
- B. The limited LTC insurance market with fewer carrier participants
- C. The affordability of product offerings for a majority of consumers.
- D. The uncertainty of the CLASS Act program.
- E. Increased regulation and oversight.
- F. The decline and aging of the LTC sales force.
- G. The lack of significant Partnership program participation
- H. The external perception of carriers as viewed in the press and by regulators.

Please respond from an aggregate industry point of view versus your specific company or firm challenges.



Discussion Topics - Concerns

1. PRODUCT BASED

- Product design / operational issues / financial performance
- Affordability/price/value

2. THE MARKET ENVIRONMENT

- Product regulation / government intervention (CLASS)
- Broadening the market

3. PUBLIC PERCEPTION

- Awareness / education / public perception of private market

4. DISTRIBUTION

- New approaches / diminishing # of producers



Think Tank Identified: Top Challenges to Market

1. Limited consumer understanding of the LTC financing risk. A call for effective education and awareness programs.
2. Limited LTC insurance market – few carrier participants and limited product offerings.
3. Lack of simpler and more flexible products and an affordable price to meet the wide range of consumer needs.
4. Limited means to demonstrate product value and affordability.
5. Increased regulation and oversight. Inflexible product regulation.
6. The CLASS Act potential challenge/opportunity and uncertainty.



Proposed Action Items



Discussion Topics – Action Items

1. PRODUCT BASED

- Product design / operational issues / financial performance
- Affordability/price/value

2. THE MARKET ENVIRONMENT

- Product regulation / government intervention (CLASS)
- Broadening the market

3. PUBLIC PERCEPTION

- Awareness / education / public perception of private market

4. DISTRIBUTION

- New approaches / diminishing # of producers



Think Tank Solutions Offered

1. **PRODUCT BASED**
 - Develop products that are accepted by each consumer segment
 - Simple, short & fat products for the middle market
 - Work towards less constrictive regulation
 - Several product-related initiatives were offered
2. **THE MARKET ENVIRONMENT**
 - Increase consumer education and motivation to address their LTC risks – role of SOA?
 - Federal Charter?
 - An LTCi branding initiative
3. **PUBLIC PERCEPTION**
 - Public awareness is the major issue – pursue testimonials – positive outcomes messaging
 - Change the view from Nursing Home insurance towards a comprehensive concept of the product
 - Product value demonstration is needed
4. **DISTRIBUTION**
 - Embrace technology
 - Diversify the producer and customer bases
 - Understand the demographics
 - Simplify the sales process



Think Tank Developed Potential Actions: External to Industry

- Revisit the NAIC Model Act to enable product innovation that can expand the market solutions for additional consumers.
- Encourage the Federal Charter option.
- Create a “Partnership Light” program.
- Create Medicare Plan E or L.
- Create a national reciprocal Partnership program.
- Lobby for awareness.
- Encourage mandatory training of producers on LTCI product lines.
- Address provider issues.
- Restore regulator confidence in the product.
- Provide an industry promoted solution to the public safety net, Medicaid, program.



Think Tank Developed Potential Actions: Internal to Industry

- Promote third-party thought leadership.
- Develop products that are simple and affordable.
- Increase distribution.
- Engage a spokesperson or mascot.
- Work on the industry trust issue.
- Increase the number of carriers selling LTCI.
- Sponsor research.
- Show the value proposition.
- Sell LTCI to fill the gaps under the CLASS Act.
- Create a nonprofit LTC information and data company (similar to MIB)
- Provide cheaper training.



Polling Question 10

Rank, in order of priority, the following identified Think Tank initiatives based on the ability of the initiative to increase the Long-Term Care financing solutions for consumers.

- A) A
- B) A
- C) A
- D) A
- E) I



Closing Comments



SOCIETY OF ACTUARIES



Report: Long-Term Care Think Tank Session: "LTCi: From Hope to Change"

March 17, 2010 | Sheraton New Orleans Hotel



<http://www.soa.org/files/pdf/ltc-2010-think-tank.pdf>