



Marketing LTCl in the Current Environment

A Carrier Perspective

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THE ELEVENTH ANNUAL INTERCOMPANY LONG TERM CARE INSURANCE CONFERENCE

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Questions about the LTCi Industry/Product

- Producer/consumer confidence shaken
 - In-force rate increases: Will they ever end?
 - Product pricing refreshes: Affordability an issue?
 - How strong is your commitment to the business?
 - How can the LTC industry bolster confidence?
- C-Suite concerns
 - “What do they know that we don’t know?”
- Regulator skepticism
 - Have the NAIC Model rate stability standards failed?





Explanation for Industry Struggles

- Product experience worse than initially expected
 - Low lapse rates
 - Longer life expectancies
 - Low interest rate environment
 - Higher than expected claims costs
- Early underwriting not as effective as current standards/tools
 - Mild cognitive impairment screens
 - Pharmacy search; MIB
 - Multi-life underwriting concessions more controlled
- “Drag” of older, legacy business
 - Need to actively monitor experience and re-price



Explanation for Industry Struggles

- Difficulty in securing regulatory approval of rate increases
 - May not be able to bring legacy business to target profitability
 - Recent survey shows 94% of filings that have had a final disposition received full or partial approval and average approval was 78% of requested increase*
- High capital requirements
 - More efficient uses of capital available
- Despite more credible experience data, uncertainty about future experience still exists

* 2010 Long Term Care Rate Management Survey – Gen Re/Milliman



Fire **SALE** !

- Transition to higher, “refreshed” new business rates needs to be managed carefully
- Timing of announcement of refresh filing
- Withdraw existing product until “refreshed” product/pricing approval?
- Post state approval, time allowed for continued use of un-refreshed rates
- Sales contests/incentives/bonus programs



Product Re-Design Opportunities

- Industry disruption is an opportunity for greater conservatism in product design, pricing, and underwriting
 - Greater pricing power for those still in the market
 - Will producers/consumers focus less on low price and loose underwriting?
 - Parallels regulatory paradigm shift from minimum loss ratio requirements to rate stability standards



Product Re-Design Opportunities

- 5% Automatic Compound Inflation becoming unaffordable
- Proliferation of alternative lower cost inflation protection options
 - Guaranteed Purchase Option
 - 2%, 3% 4% compound; 5% simple
 - Indexed (CPI)
 - “uncapped” inflation protection with co-insurance and fixed LMB
- High risk options limited, eliminated, or priced very high
 - Cash benefits
 - Unlimited lifetime maximum
 - Multi-life underwriting concessions
- Potential alternatives to traditional product design
 - Hybrid or Linked products
 - Coinsurance/risk sharing
 - Managed care



Potential Impact of CLASS



- Program details still under development
- Issues related to supplementing CLASS benefits
 - Cash vs. reimbursement
 - Benefit trigger differences
 - Potential size of supplemental market
- Heightened public awareness of LTC risk and LTCi
- Can CLASS compete effectively with private LTCi?
 - Medical underwriting
 - Lower premiums
 - More comprehensive benefits



Marketing LTC Insurance in the Current Environment

A Consumer Perspective

Laura Vail Wooster, CLTC
Vice President, Marketing
John Hancock

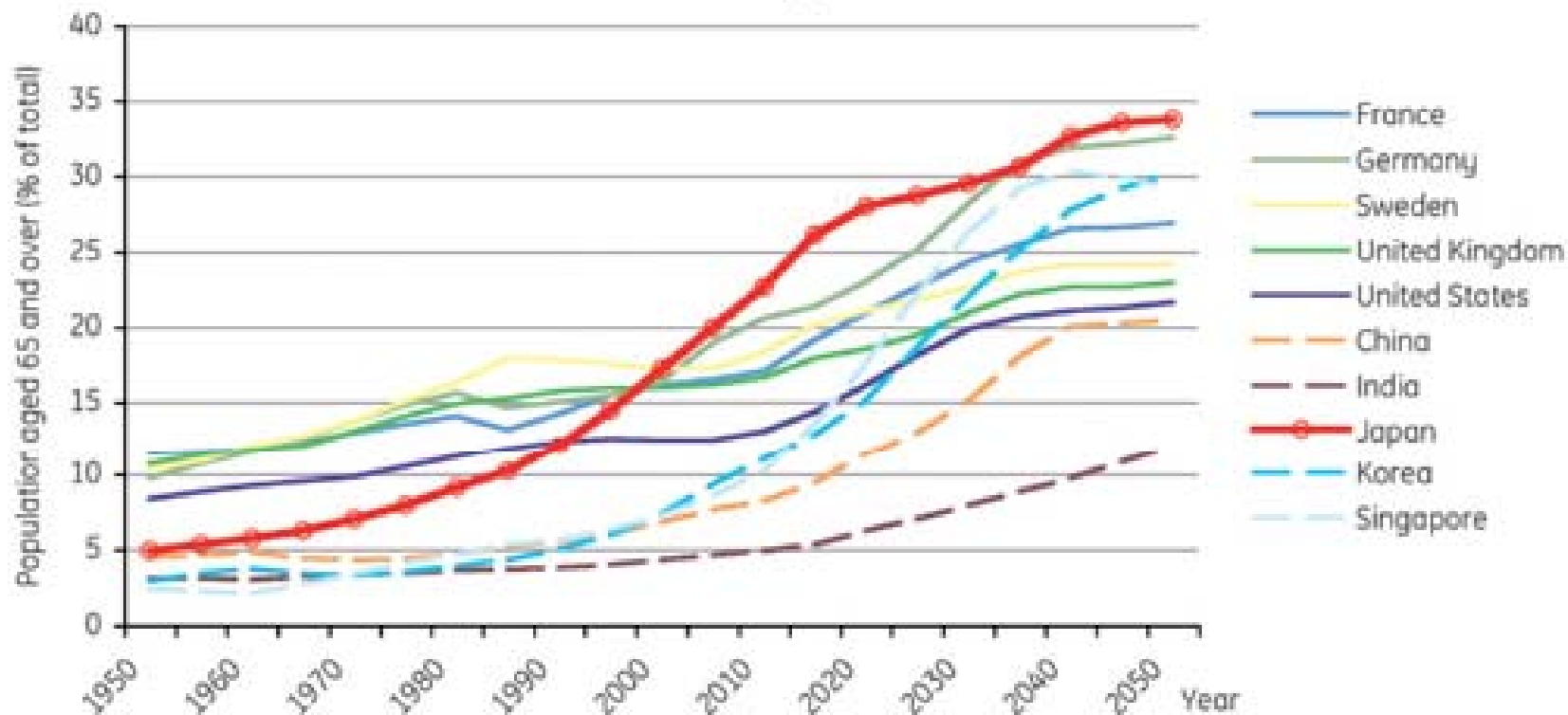
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The world is aging

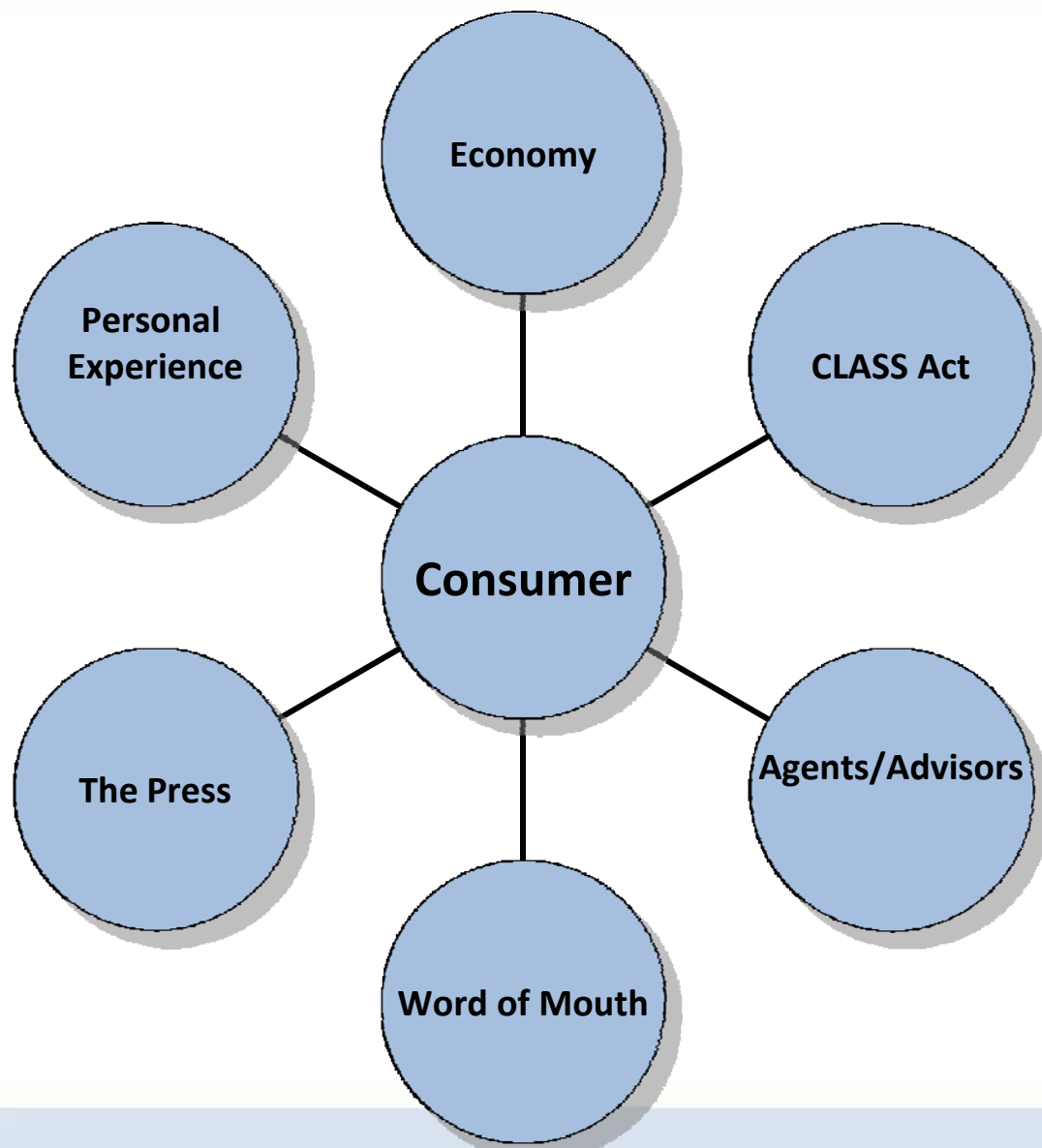
Pace of ageing by country (1950-2050): growth in the proportion of the elderly population (65 & over) in total population



SOURCE: GE Reports (www.gereports.com)



Influencers on Consumers





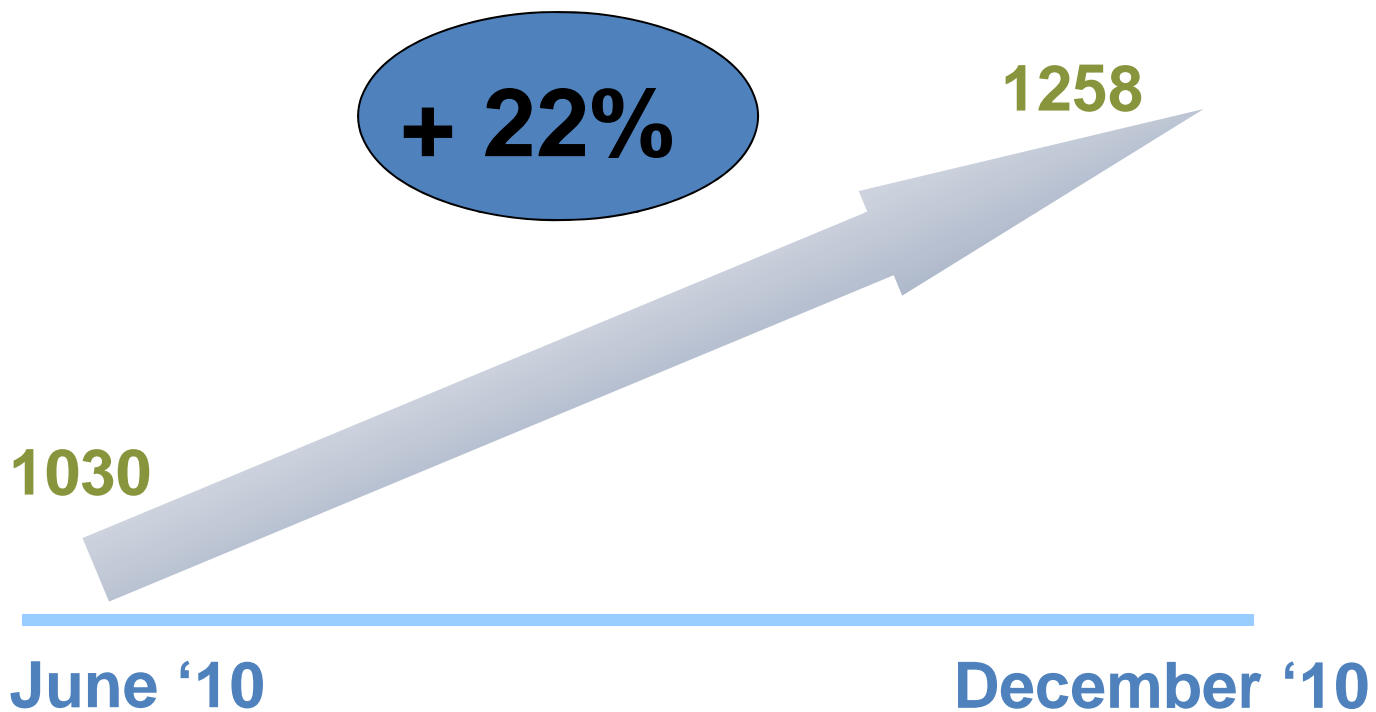
The Economy

Despite the national 9% unemployment rate,

Optimism appears to be
returning in 2011



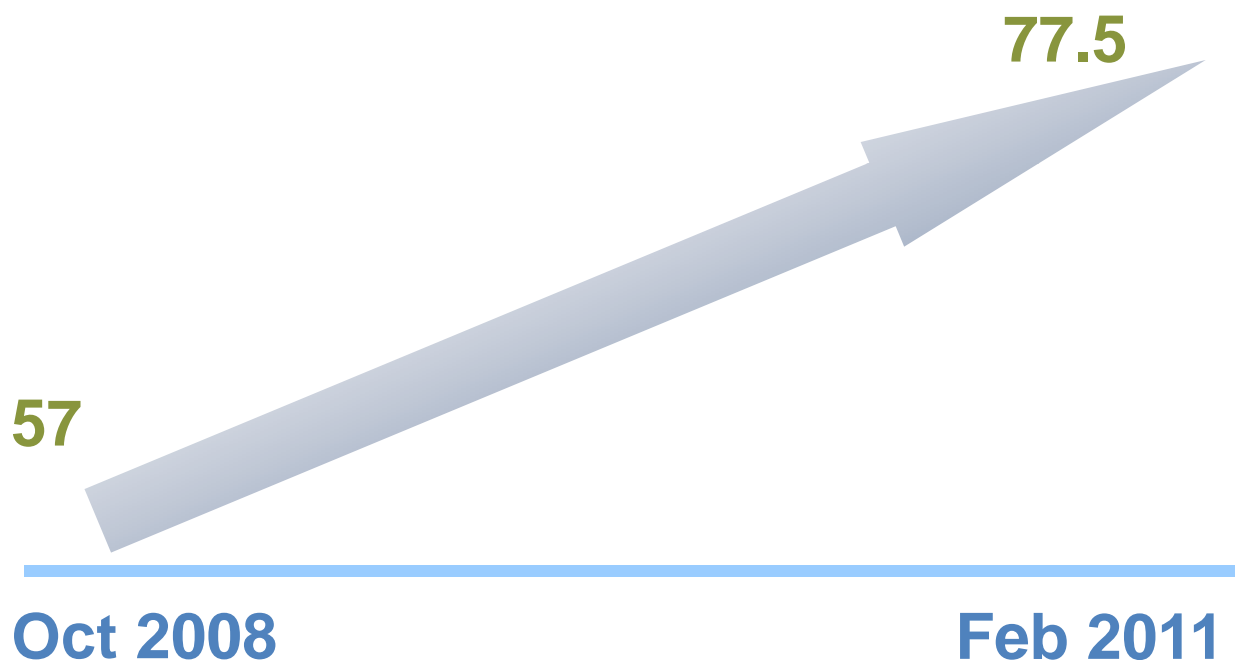
S&P 500





Consumer Confidence Index

At Highest Level in 3 years

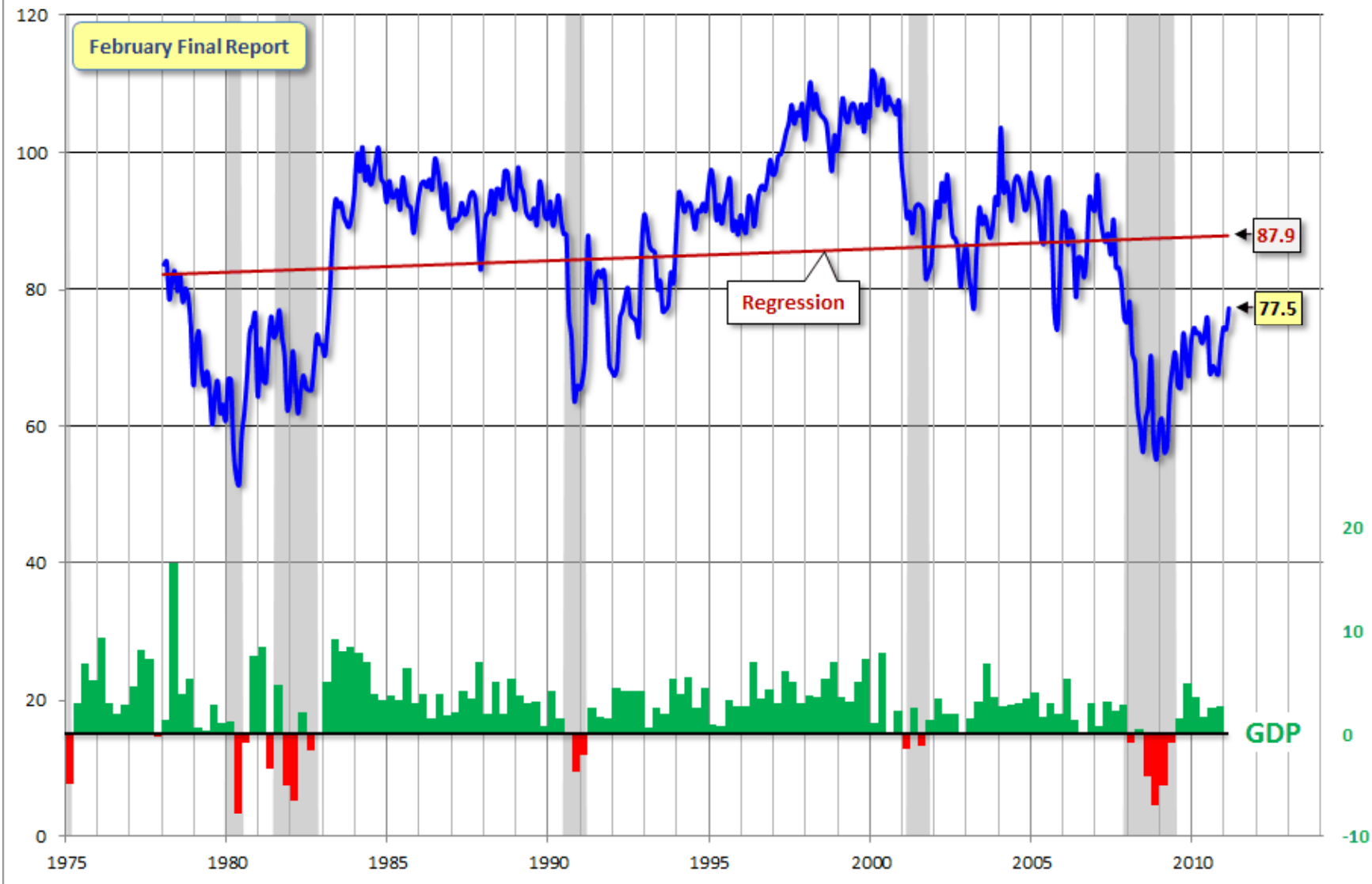


SOURCE: Univ of Michigan Consumer Sentiment Index

SOURCE: Conference Board Consumer Research Center

University of Michigan Consumer Sentiment Index GDP and Recessions

dshort.com
February 2011





The Press – Recent Headlines

Consumer Press/Mass Media

- *Is the Market for Private LTC Insurance in Danger?*

States News Service, Feb 2011

- *Preparing for Long-term care: Any good options?*

TIME/CNN, Feb 2011

- *The Latest Long-Term Care Snafu*

Wall Street Journal, Jan 2011

- *Metlife Steps Back from the LTC Market*

Wall Street Journal, November 2011

- *When a Safety Net is Yanked Away*

NY Times, November 2011



The Press – Recent Headlines

Personal Finance

- *Health crises strike all of us, eventually*

LA Times, Feb 2011

- *Planning for LTC is Essential*

Press & Sun Bulletin, Jan 2011

- *Long-Term Care Rate Hikes Loom*

Kiplingers, Jan 2011

- *Protection down the road; Cost of coverage rising, but it's still a good deal*

Chicago Sun-Times, 15 November 2010

- *Don't spend all your life savings paying for nursing home costs*

Times Record News, Feb 2011



Agents/Advisors on LTC

Trends

- The number of agencies and brokers has been declining since 2007
 - 675k in 2007 to 630k in 2010 (Source: Conning Report)
- Many distributors are retiring in next 10 years creating a shortage
- Agent influence continues to be critical – ‘Agent Recommendation’ is one of the top reasons why a person buys a certain policy
- Whether or not a person considers LTCI is heavily dependent on whether they have an advisor/agent



The CLASS Act

- What Is Known About The CLASS ACT?
 - Employers
 - Employed consumers
- When Will It Begin to Impact Their Decision-Making Process?



2010 CLASS Act Survey

- John Hancock engaged Matthew Greenwald & Associates, Inc. to conduct a survey of 300 employers and 300 consumers in order to assess knowledge and perceptions of the CLASS Act.
- Methodology
 - Conducted online interviews (15 minutes)
 - Consumers had to be actively employed
 - Employers must have at least 10 employees with an average annual salary of at least \$25,000

Representative
sampling of
employers of
all sizes:

10-19 employees

20-99 employees

100-499 employees

500+ employees



2010 CLASS Act Survey

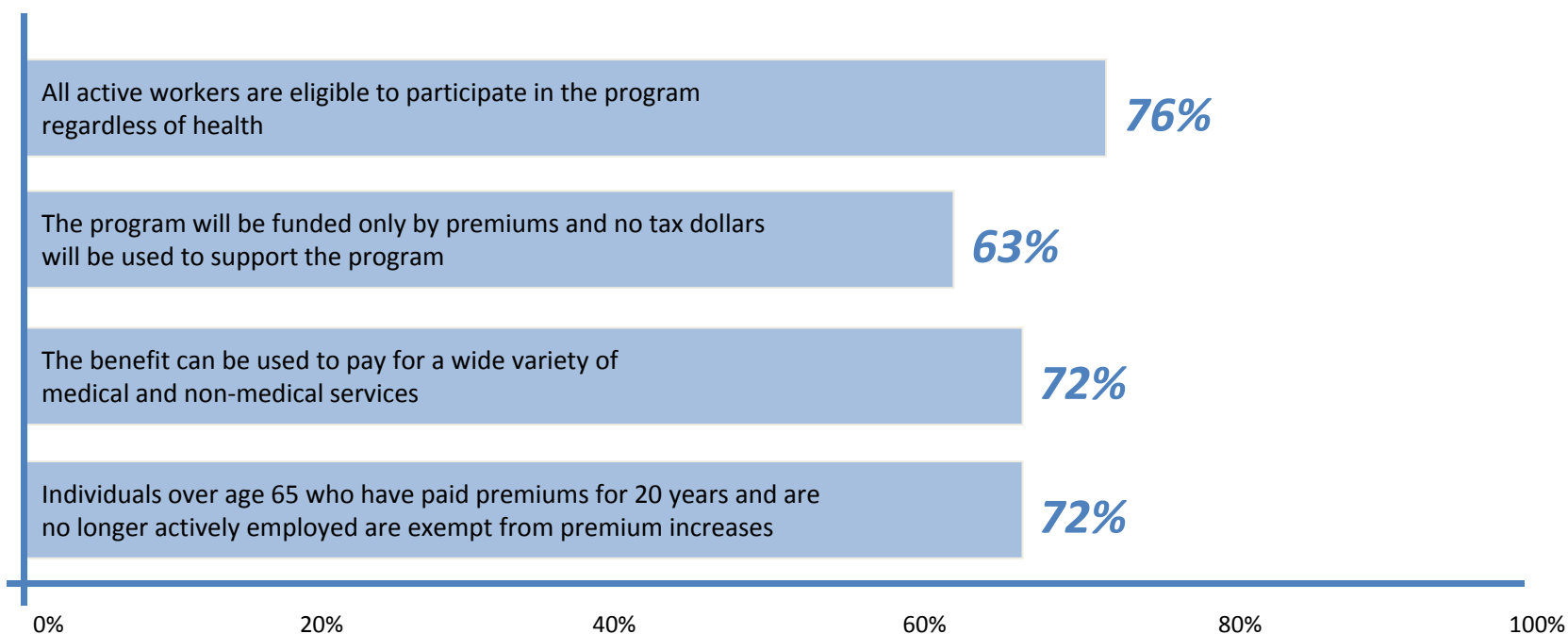
- For employers, awareness decreases with size
 - 84% of employers with fewer than 20 employees had not heard of the CLASS Act, compared with 40% of large employers
- For consumers, lack of awareness is more widespread
 - 92% of consumers had not heard of the CLASS Act

We expect awareness will rise over the next two years as CLASS Act program rules are established and the final plan design is announced.



Key Findings: CLASS Act Perceptions

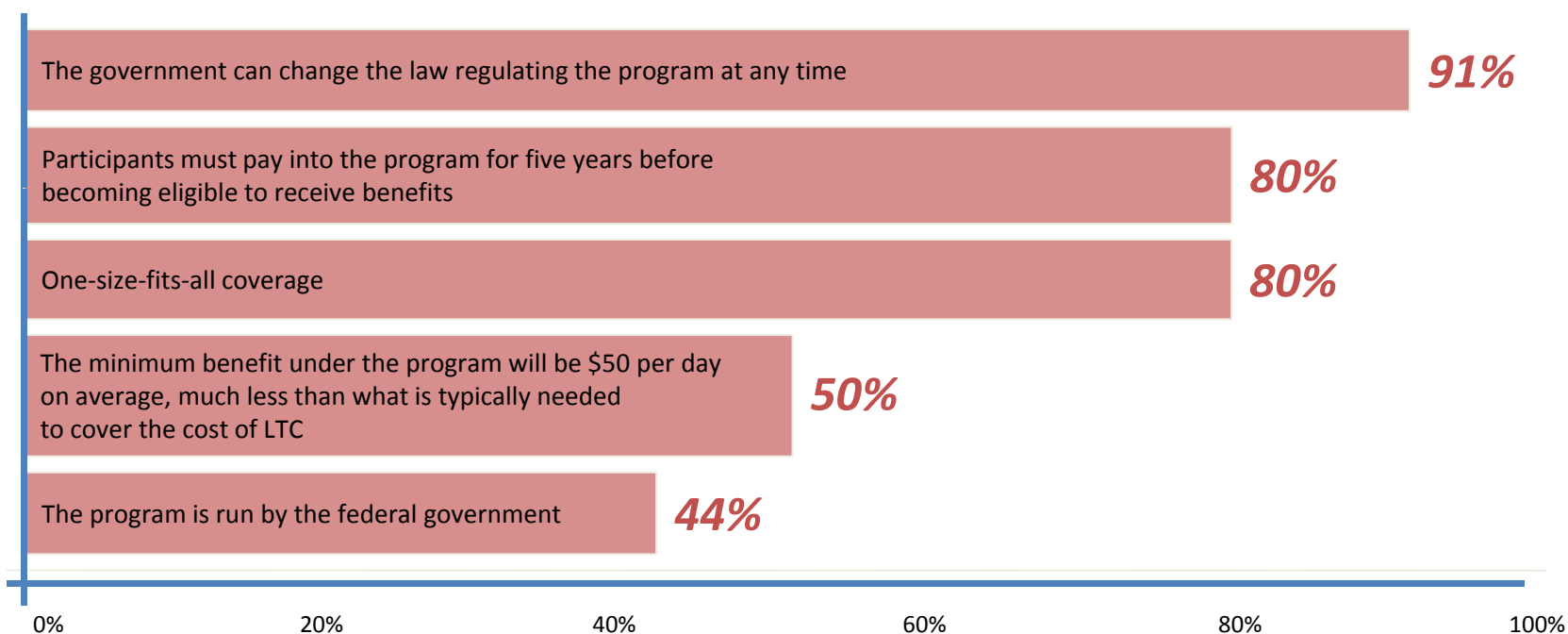
CLASS Act provisions viewed *positively* by consumers:





Key Findings: CLASS Act Perceptions

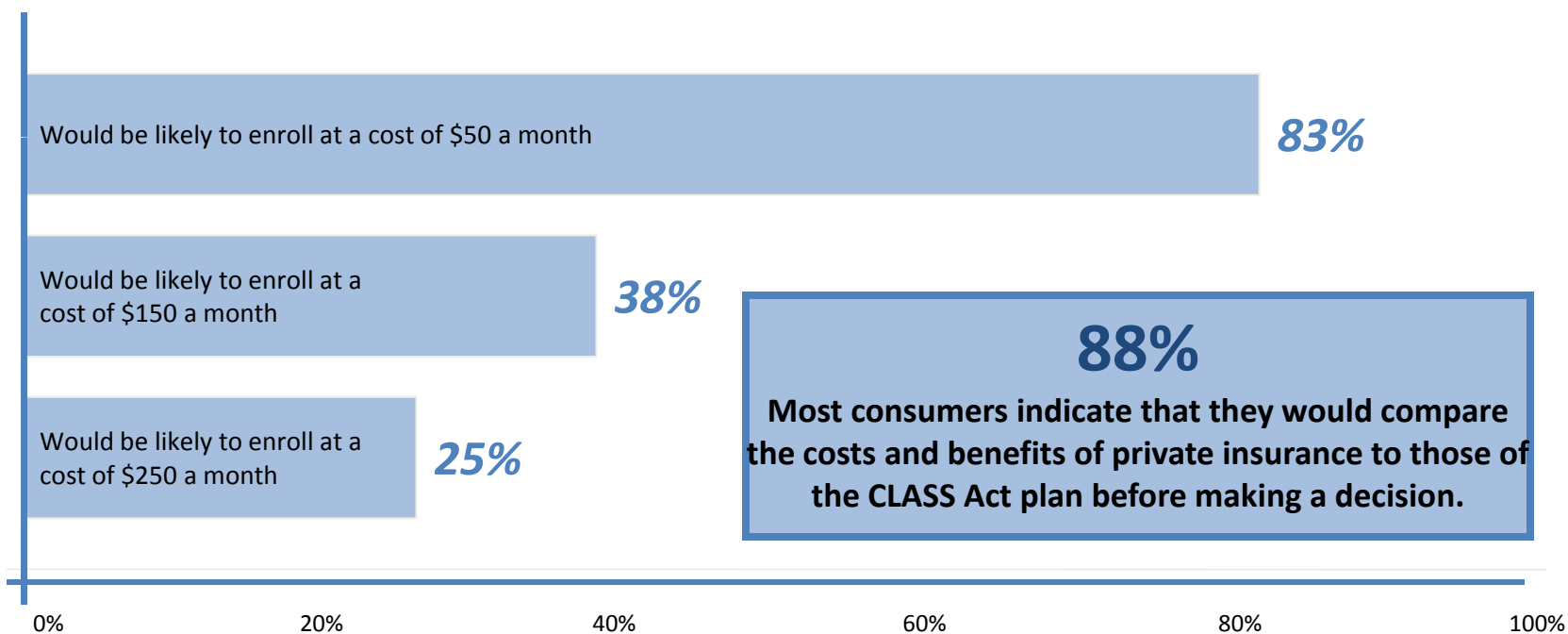
CLASS Act provisions viewed *negatively* by consumers:





Key Findings: Cost Is an Issue

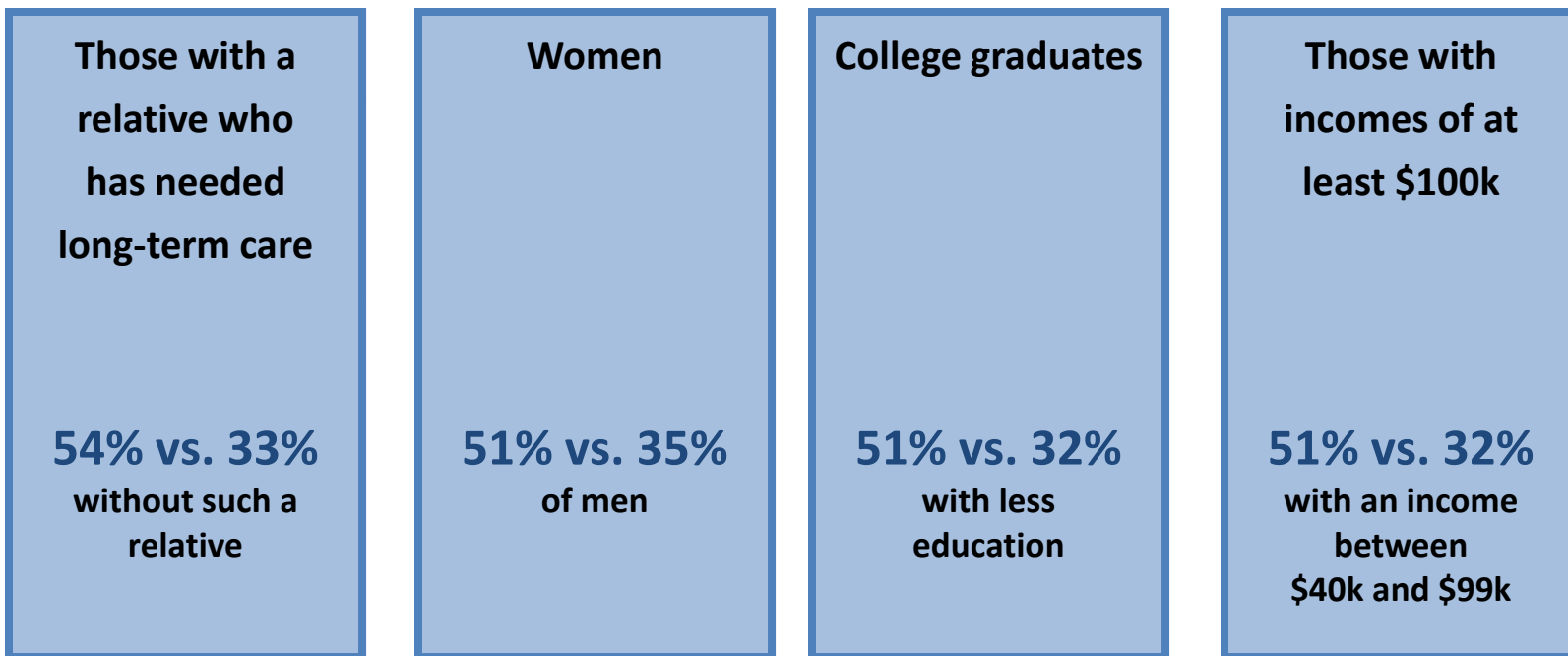
Willingness of consumers to enroll in CLASS is strongly linked to cost





More Likely Buyers

Consumers who are more likely to have considered purchasing long-term care insurance include:



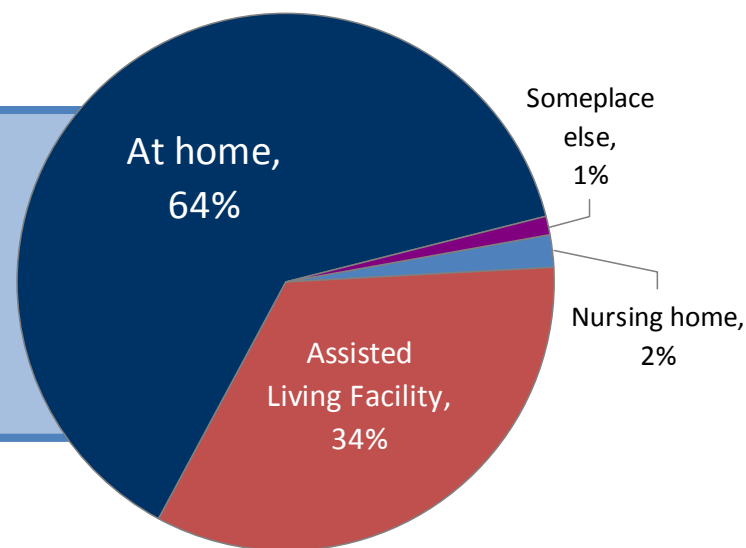
SOURCE: John Hancock 2010 Survey on the CLASS Act



Personal Experience

- Almost half of consumers (47%) report that a close relative has needed long-term care for 30 days or longer
- Over half of consumers (53%) believe that they themselves may need care someday

Should they ever need long-term care, consumers are almost twice as likely to prefer receiving it at home (64%) to receiving it in an assisted living facility (34%), the next most popular option. Only 2% preferred the option of a nursing home.





Personal Experience

New York Life 2010 Survey of Baby Boomers

- Explored relationship between Baby Boomers' propensity to buy LTCI and their parents needing care
- The Disconnect
 - Boomers understand the consequences of being unprepared by watching their parents
 - But most have not yet bought LTC insurance (91%)



A Tipping Point for LTC?

- As people age, more will have a personal experience with LTC
 - # of people 65+ will increase from 7% to 14% of overall population in 30 years*
 - Conversely, target market for LTCL (ages 50-64) will begin to shrink starting in 2020*
- What are they hearing by word of mouth?
 - About the benefits of owning LTC insurance
 - About the inforce rate increases
 - Facebook, Twitter, Email...make the social messages move faster than ever
- **Will the GOOD messages about LTC insurance overcome the BAD?**

* SOURCE: Conning Report on LTC Insurance, 2010. US Census Bureau



A Tipping Point for LTC?

- How many of you have been asked by a family member or friend about LTC insurance in the past year?
- How many of you have seen an increase in the questions coming from friends and family about LTC insurance?



Consumer Perceptions - Other factors

- **COST of LTCI**
 - #1 reason why a person does not buy
 - Nearly 90% of consumers who believe they or a spouse will need care are concerned about paying for care
 - **2010 Retirement Confidence Survey** conducted by the Employee Benefit Research Institute shows workers and retirees are more concerned than ever about paying for LTC expenses in retirement
- **COSTS CONTINUE TO GO UP**
 - Low interest rate environment has led to frequent product re-pricings
 - Average premiums up about 20% from 5 years ago
- **HEALTH INSURANCE COSTS RISING YEARLY**
 - making it harder for consumers to afford to pay for LTCI
- **MOTIVATION IS LACKING**
 - Vast majority of people are aware of LTC costs, but 83% have no plans to buy LTC insurance. (2009 JH survey)



So what?

- Industry is suffering a loss of faith among some skeptics as it 'restructures'
- Reputational damage among rate-increased policyholders
- Consumer awareness is up, but motivation is still lacking
- Shortage of investment advisors recommending LTC presents a road-block to growth

BUT

- Optimism among consumers is growing as the economy improves
- Aging demographics are undeniable – the older people get, the more they will hear about the need for LTC
- Press coverage raises awareness
- There are signs that educational efforts (Own Your Future) help to offset consumer denial/despondency
- CLASS Act will raise awareness
- There will always be a segment of consumers seeking a viable solution to the LTC problem



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Distribution Perspective: View from the Trenches

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Active Bombardment Continues

- The Psychological Impact of Fragile Futures
- Contraction as a State of Mind
- Group and Multi Life Sales must continue in World of Shrinking Payrolls
- Individual Sales become marginalized as Non Essential
- Voluntary Sales are more frequently the only option available



Signs of Hope

- LTCI means bigger more stable commissions
- Alternate Distribution is Awakening: Health Agents, P&C Small Group opportunities and Small Benefit Houses
- Partnership-Still a Wild Card but a Mandatory Conversation
- NAIC/Partnership Training is a Transforming experience-creating a double edged liability
- 101g ADBR sales are LTCI ! There is no escape.



For every action there is an equal reaction

- Pressure is being applied to smaller agencies to maintain sufficient in-house expertise creating additional opportunities for LTCI Specialist.(BGA and Agent)
- Combo products demand Financial Planning Expertise. One thing leads to another.
- Every Sale is now a Milking Stool.



In 2009 -54% of All Sales had an Affinity Discount

- Multi Life is on Fire
- Multi Life is labor intensive
- The apparent simplicity of List Billing is Illusive.
- Multiple Carriers are mandatory. Too many moving parts.
- You cannot chase Wild Geese
- Direct “Home Office” Sales Assistance can provide dramatic differences
- Sales Follow Up becomes the Holy Grail of Sales Success



Turmoil Above and Beyond

- Adverse Industry Distractions-Rate Adjustments, Carrier Exits.
- Underwriting Criteria remains in a State of Flux
- Chaos from Certification
- The Class Act is the pairing knife of Damocles



Why the Battle still Rages

- Demographics is Destiny
- The Problem Grows and the Solution remains the same.
- We have two remaining audiences: 1) Educated with money to protect probably Touched by an Angel
2) Multi Life delivering less benefit to more insureds .
- External Forces create Sales driven by Benefit Competition, Fiduciary Responsibilities, Caregiving productivity , Taxes and Underwriting.
- Consumer demand remains the majority of Sales



The Elephant in the Room cannot be moved !

- The risk grows and the knowledge of the Elephant expands
- The answer remains the Same. Accept your own responsibility Spread the risk and leverage the outcome. Insurance is the **ONLY** option !



Questions?