Alternative Solutions

Beyond Traditional Stand-alone Long Term Care Insurance

Session #02
Monday March 14, 2016
10:45 am – 12:00 pm

16th Annual Intercompany Long Term Care Insurance Conference
Beyond Traditional Stand-Alone Long Term Care Insurance
New Opportunities; New Products

Brian Vestergaard, LifeSecure
Mark Dearsley, Partnership UK
Dave Peters, Medico
• Recognition that traditional stand-alone LTC insurance sales (industrywide) continue to decline year-over-year.

• Recognition that Americans are still exhibiting strong demand for LTC funding solutions.
  ✓ Life/LTC combo sales expected to overtake stand-alone LTC insurance sales in 2015 (# policies) for the first time.
  ✓ Short Term Care sales are up 71% in 2015 (through 3Q).
  ✓ Market introductions of other funding solutions (*to be discussed*)

Source: LIMRA International

Session Number 02: Beyond Traditional LTCI; New Opportunities
Reasons for Industry Sales Decline

Great Recession
- Housing crisis and decreased discretionary spending affected consumers
- Low interest rates and investment returns affected insurers

Fewer Carriers
- Twelve additional carriers exited the LTC insurance market since 2010 (see graph)
- Existing agents require time to re-adjust to new carriers and unfamiliar product offerings

Less Distribution
- Fewer writing agents industry wide
- Limited success attracting new, younger agents

Emergence of Alternative Products
- Example: In 2014, approximately 94,000 Americans purchased Life/LTC combination policies, an alternative long term care financing solution (versus 131,000 individual long term care insurance policies)

Inforce Rate Increases from Top Carriers
- Since 2010, most active carriers have implemented inforce rate increases (some exorbitant)
- Negative media attention as a result of such increases affects whole industry reputation
Reasons for Industry Sales Decline

Strategy Shifts Among Certain Leading Carriers

- Examples: Carrier X plans to restrict LTC sales volumes in certain periods (while awaiting new product and pricing for rollout)
- A number of carriers exited worksite markets over the past few years

Increased New Business Pricing

- Newer pricing assumptions became much more conservative during past few years, increasing new business premiums
- Gender pricing first introduced 2013; many carriers introduced gender pricing in 2014 (female rates dramatically higher)

California Market

- Five leading carriers temporarily exited the California market between 2012–15 while new product and pricing models were filed and awaiting approval
- Most carriers have now successfully re-entered California
Long Term Care Solutions in the UK

Mark Dearsley, Partnership UK
Partnership Assurance Group plc

• Partnership is a specialist provider of financial solutions for people with health/lifestyle conditions

• We aim to offer higher incomes by taking account of people’s health and lifestyle conditions

• We are the UK’s largest provider of financing solutions for people moving on to residential or home care

• We have assessed over 600,000 lives - in “at retirement” and “point of need to care” markets

• Also provide underwritten reverse mortgages

• Partnership is listed on the London Stock Exchange
UK Care Backdrop

- Residential care spend  £15.9bn
- Private Care Homes  247,600 beds (£6.8bn)
- Private Nursing Homes  205,400 beds (£7.5bn)
- Public sector  34,000 beds (£1.6bn)
- Home care  £8.1bn estimated spend – also significant voluntary provision

- Similar demographics and safety net to US

Source: Laing & Buisson Care of Elderly People UK Market Survey 2014/2015
Low Awareness Leads to Poor Preparation

• Reluctant to think about the personal impact of ageing and disability

• Don’t believe they will (or should) have to pay for care
  – Underestimate life expectancy and need for care

• Only 28% of people at retirement age have any form of funding for long term care needs  
  (Financial Capability in the UK 2015)

• However, the assumption that state will provide – NHS lifetime “entitlement” culture is slowly diminishing as more people are now beginning to understand that they may need to fund their own care needs
  
  ▶ Entitlement culture appears greater than in US
Inspection Protection is Low

- As a result, LTCI failed in UK

- At its height, penetration was less than 1% \(^1\)

- The last pre-funded care policy was sold by Partnership in October 2010
  - Less prepared than US citizens (13% insured) \(^2\)

Source:

1. Association of British Insurers
2. LIMRA and Life Happens, "2015 Insurance Barometer Study"
...And the Impact is Far-reaching

Customer
- Being asked to relocate
- Reduced service / shared room
- Asking children for help
- Falling back on state provision

Family
- Care for parent
- Loss of inheritance
- Needing to pay
- Impact on family finances and retirement preparation

Senior Living Facility
- Residents run out of money resulting in:
  - Empty beds
  - Lower yield

Government
- Cost of state provision
• Vast majority of UK population arrives at point-of-need unprepared

• Focus of insurance industry and financial adviser is, therefore, at “point of need” solutions

• The insurance solution of choice is an underwritten single premium immediate needs annuity
Care SPIA in the UK

• SPIA = Single Premium Immediate Annuity
• 2014 UK sales: c. $200m SPE
• Partnership’s average customer:
  – Female
  – Aged 87
  – Premium c. $150,000
  – Average life expectancy – 4 years
• Three providers – Partnership has been the leader since 2005
• Distribution is a mix of focused care specialist and general financial advisors
Extrapolation to the US

Size of US Market

• 4 million in residential home care / 1 million new entrants per year

• Market and other research suggests 35% of 4 million both need and can afford an INA i.e. insufficient income but sufficient assets

• For those over 80 years, average income shortfall is circa $133,000

• Average net worth is circa $275,000 (of which house is circa $135K)

• UK sales of c. $200m – would suggest >$1bn US premium on a simple population multiple

Source: Towers Watson
Distribution opportunity

- All the drivers of LTCI sales - fear of impact on self and family of running out of money
- But fewer barriers at point-of-need
- Easily identifiable target market including
  - Children looking to buy LTCI who see parents going in to care
  - Past declines
- Strong networking opportunity
  - Estate Planning Lawyers, Realtors and other financial professionals
- Resonates with customers, families, care providers and government
- Resonates with LTC and annuity distribution
- Doesn’t cannibalise other products
IncomeAssurance™ Immediate Need Annuity

Preparing for now

IncomeAssurance™ Immediate Need Annuity

Producer Guide

Issued by Genworth Life Insurance Company, Richmond, VA

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2016 Product Launch by Genworth

Session Number 55: Beyond Traditional LTCI; New Opportunities
Thank you

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Short Term Recovery Care Insurance

Dave Peters
Medico
Short Term Care

- Short Term Recovery Care

Short Term Recovery Care insurance provides coverage for temporary confinement situations, less than one year, due to illness or injury, in a facility such as a skilled nursing home, home health care, assisted living facility or hospice.

Market penetration may still be small, but overall sales are up 71% in 2015 compared to a 22% decrease for Individual Long-Term Care Insurance through the 3rd Quarter of 2015.

- Cost of Care

The cost of medical care is expensive. While your clients may never require long-term confinement in a skilled nursing facility, the impact of even a short-term stay for recuperation or rehabilitation can have a damaging effect on their finances.

Remember: Almost half of all LTC insurance claims are 1 year or less!
Short Term Care

• Offerings

What are Insurers Offering: of 9 Insurers Surveyed:

- Skilled Nursing Home: 7
- Home Health Care Service: 8
- Assisted Living: 6
- Adult Day Care: 5

* National Advisory Center for Short Term Care

• Benefit Periods

What Benefit Period are Insurers Offering: of 9 Insurers Surveyed:

- 30 Day: 8.3%
- 60 Day: 8.3%
- 90 Day: 50.0%
- 150-200 Days: 83.3%
- 210-270 Days: 33.3%
- 360 Days: 91.7%

* CSG Actuarial
• More people are searching for a solution to the high cost of care
• Health reform passed but included no long-term care benefit (CLASS)
• Fewer Long Term Care Insurance Carriers
• Underwriting standards getting tighter
• LTC Insurance cost at an all-time high
• Healthcare costs are rising
• Average earnings are stagnant

Long-Term Care Insurance is the ideal product for clients that can afford and qualify for the product.

BUT…

Long Term Care Insurance may not be the solution in these situations:
- LTCi premium sticker shock
- Have disqualifying health impairments
- Health issues causing high premiums
- Objects to Tax-Qualified LTCi requirements
- Doesn’t feel the need for long benefit period
- Want to fill in the gap of LTCi elimination period
Short Term Care

• Anticipate a Decline

Instead of waiting for a decline and then switching gears, explain from the beginning … there is a Plan B Option worth considering or even applying for now. At least if the client is declined, you can say “we might want to consider the alternative option I talked about.”

• Review Declines

“Individuals are declined because the insurance company feels they pose a higher risk of needing costly care …. You’d like to share an option that has less restrictive health underwriting … and is addressing more LTC needs. Applications have just a few YES --- NO questions … let’s see if you may qualify for this.”

• Examples: Who Can Get Short Term Care

Diabetes with high blood pressure
Diabetes with arthritis
Muscular skeletal issues with pain medication
Osteoarthritis
• It’s not an “either/or” question. Talk to customers about STRC to cover their financial risk
  
  • Fact: Majority of LTCi policies have a 90 day elimination period
  • Fact: Majority of LTCi policies are tax qualified and require a need expected to last 90 days (“90 day certification”) to collect benefits
  • Fact: Average cost of a 90 day stay in a Skilled Nursing Facility is $19,170
  • Fact: Average cost of 90 days of Home Health Care is $10,866

• Fill the gap with Short Term Recovery Care

Example of Monthly Premium Cost:
($150 per day, 120 day benefit, 0 day elimination)

• 55 year old: $22.06
• 60 year old: $28.71
• 65 year old: $44.19
• 70 year old: $63.26
Who is Buying STC vs LTC?

**STCi**
77% are age 65 or older

**LTCi**
18% are age 65 or older

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Average Short Term Care Client

Gender
- 63% Female
- 37% Male

Elimination Period
- 62% 0 Days
- 34% 15 Days
- 5% 30 Days

Benefit Period
- 71% 360 Days
- 22% 120 Days
- 7% 240 Days

Daily Benefit Amount
- 48% $100-$149
- 28% $150-$199
- 24% $200-$300

Average client is: Female over the age of 65: 0 Day Elimination, 360 Day Benefit Period, $100-$200 Daily Benefit Amount

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## Decline Rates: STCi vs. LTCi

<table>
<thead>
<tr>
<th>Age</th>
<th>LTCi Decline Rate</th>
<th>STCi Decline Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 50</td>
<td>12%</td>
<td>18%</td>
</tr>
<tr>
<td>Age 50-59</td>
<td>17%</td>
<td>25%</td>
</tr>
<tr>
<td>Age 60-69</td>
<td>26%</td>
<td>18%</td>
</tr>
<tr>
<td>Age 70-79</td>
<td>45%</td>
<td>21%</td>
</tr>
</tbody>
</table>

Source: AALTCI 2014 LTCi Buyer Study

Medico Insurance Company
Simplified Underwriting

12 Simple Yes/No Questions
Personal Health Interview (PHI)
Prescription Drug Screen

Notes:
No Cognitive Interview
No Medical Records
No Medical Exams
No Face-to-Face Interviews
Average Underwriting turn-around time 7 days
## Cost (Unisex Rates)

<table>
<thead>
<tr>
<th>$150 Day Benefit, 0 Day Elimination Period, Monthly Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Age 55</strong></td>
</tr>
<tr>
<td>120 Days = $22.05</td>
</tr>
<tr>
<td>240 Days = $33.59</td>
</tr>
<tr>
<td>360 Days = $46.47</td>
</tr>
<tr>
<td><strong>Age 65</strong></td>
</tr>
<tr>
<td>120 Days = $44.17</td>
</tr>
<tr>
<td>240 Days = $73.41</td>
</tr>
<tr>
<td>360 Days = $101.82</td>
</tr>
</tbody>
</table>
Summary

• More people are searching for a solution to the high cost of care
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• Fewer Long Term Care Insurance Carriers
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• LTC Insurance cost at an all-time high
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– Want to fill in the gap of LTCi elimination period
SHORT TERM RECOVERY CARE INSURANCE

For more information contact
Dave Peters
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An Alternative to Traditional Home Care Insurance
Presented by Brian Vestergaard based on content provided by True Freedom
An Alternative to Traditional Home Care Insurance
What is True Freedom?

True Freedom is a membership plan – based on service contracts for in-home care.

This is not an insurance product.
TWO CHOICES OF HOME CARE

**AGENCY** Hours – Non-medical home care provided by a licensed & bonded **Network Agency** for up to 5 hours a day / 5 days a week, **Monday – Friday between 9AM and 5PM**. Service assists with meals, dressing, laundry, bathing, toileting, mobility and more.

**ANYTIME** Hours – This option gives the member the freedom to choose a trusted friend or neighbor (not living in the same home) to provide companion care. **ANYTIME service is available any day of the week and during any/all hours, including overnight and 24/7 live-in care.**
Advantages

**EASE OF USE** – Either *Agency* or *Anytime* home care service is dispatched directly from customer care coordinators by making one toll-free phone call.

Service in most cases begins within 24 hours (contractually within 72 hours). No claim forms, deductibles or doctor reports.

**REJUVENATION** – Once a member has exhausted all of the initial hours in their plan, benefits are **fully restored in 90 days**. The “Lifetime Membership Hours” equal **10X the initial hours of your chosen plan**.
Plan options vary by service hours, lifetime membership hours and cost.
BRONZE PLAN

150 Initial Home Care Service Hours
1,500 Lifetime Membership Hours
$95 Monthly / $1,140 Annually

*($30,000 Current Lifetime Retail Value)

* Retail value is based on the 2015 average of $20.00 per hour.

SILVER PLAN

300 Initial Home Care Service Hours
3,000 Lifetime Membership Hours
$175 Monthly / $2,100 Annually

*($60,000 Current Lifetime Retail Value)

* Retail value is based on the 2015 average of $20.00 per hour.
GOLD PLAN

600 Initial Home Care Service Hours
6,000 Lifetime Membership Hours
$295 Monthly / $3,540 Annually

*(($120,000 Current Lifetime Retail Value))

* Retail value is based on the 2015 average of $20.00 per hour.

PLATINUM PLAN

1,000 Initial Home Care Service Hours
10,000 Lifetime Membership Hours
$475 Monthly / $5,700 Annually

*$($200,000 Current Lifetime Retail Value)

* Retail value is based on the 2015 average of $20.00 per hour.
HOURS – Because the consumers is purchasing access to “HOURS” instead of “Dollars Per Day,” the value of the hours in their selected plan automatically increases with the cost of home care over time.
Advantages - Summary

- No Health Questions
- No Claim Forms
- No Deductible
- No Co-Pays
- No Age Limits
- Convenient Enrollment
- Field Issue Contract
- No Health Triggers
VALUE – The price of each plan decreases 10% each year for the first 4 YEARS when no Home Care Service is utilized.

From year five and beyond, the membership price will remain at the 40% discounted rate until homecare assistance is requested.

Additional discounts based on annual memberships and dual spouse enrollments.
TARGET MARKETS

Prospective members are seniors who are currently maintaining the daily needs and activities of their lives, but are concerned about their future aging process, declining health, having assistance when needed and with living independently at home for as long as possible.

- Ages 65 – 90 (Average age of buyer = 74)
- Individuals with no home care plan
- Previously rejected for LTC insurance
- Not eligible for traditional coverage because of ongoing health conditions
- Aging Medicare Supplement client
- Existing LTC insurance policy owners without a home health care benefit or with lengthy elimination periods
Enrollment Requirements

• Individuals cannot be currently in need of or currently receiving home care assistance

• Individuals cannot be in a nursing home
Go To:  www.TrueFreedomHomeCare.com
• Thanks for your attention and participation.
• We aim to please!
• So please give us your quick feedback!