

Marketing

Combating Commoditization: Re-Storing the Value Proposition

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ILTCI

15th Annual Intercompany Long Term Care Insurance Conference

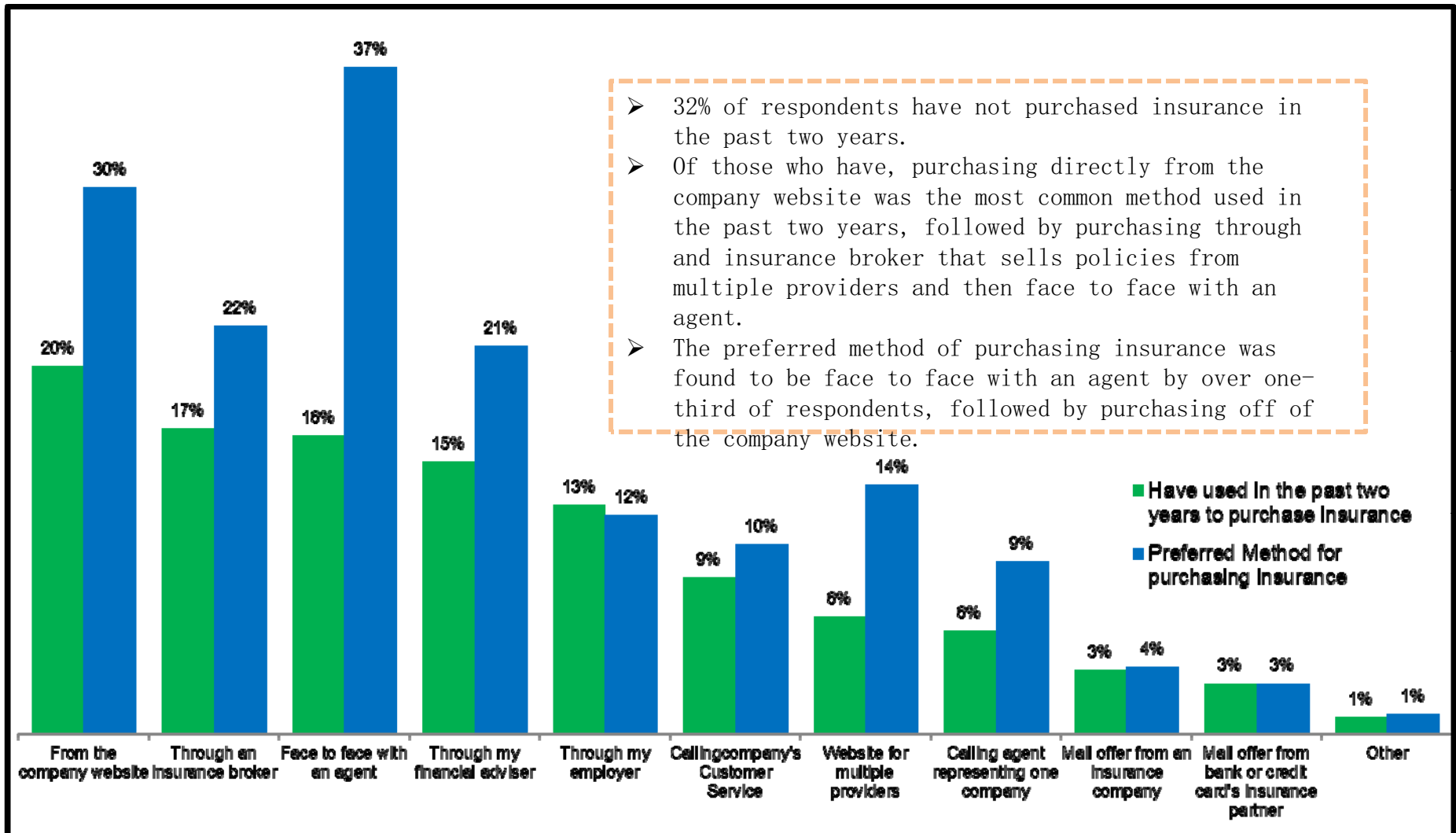
Goals for Today's Session



Goals:

- Take a Look at Commoditization of the LTC Sales Process. Is price the only factor?
- View from the Carrier and Distribution Perspective
- Lessons Learned from the Life Insurance Industry

Insurance Purchase Methods

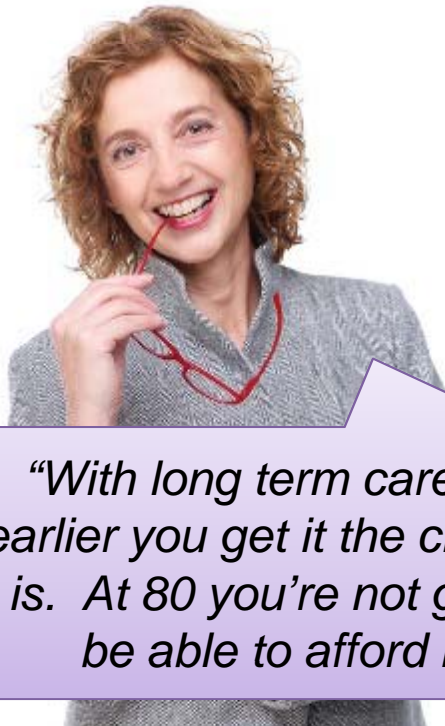


Information Source Evaluation



Resource Name	Used in General	Help Narrow Down to Final Decision	Most Valuable in Making Final Decision
<i>Recommendation from a financial adviser</i>	56%	50%	32%
<i>Information from an insurance agent</i>	56%	40%	13%
<i>Recommendations from friends and family</i>	46%	35%	10%
<i>Other online sources</i>	25%	20%	10%
<i>Company websites</i>	43%	33%	9%
<i>Information from my employer</i>	35%	26%	5%
<i>Recommendation from an accountant</i>	19%	19%	4%
<i>Articles in financial magazines</i>	27%	15%	3%
<i>Books on finance or insurance</i>	17%	10%	3%
<i>Through materials you received in the mail</i>	21%	11%	2%
<i>Information from my coworkers</i>	15%	12%	1%
<i>TV shows on money and finance</i>	12%	7%	1%
<i>Newspaper articles</i>	17%	9%	1%
<i>Online social media (blogs or social networking sites)</i>	9%	5%	0%
<i>Advertising on TV</i>	5%	3%	0%
<i>Advertising in newspapers or magazines</i>	4%	2%	0%
<i>Mobile/Smart Phone/Tablet Applications</i>	3%	2%	0%

Intermediary Role – Long Term Care



“With long term care, the earlier you get it the cheaper it is. At 80 you’re not going to be able to afford it.”

Offer It Early

- Make them mindful of it
- Explain cost benefit at younger age

Research/ Information

- Those who want it, want peace of mind
- More likely to care about stability of company—they’ll use this insurance themselves

Options, but Recommendation

- The details matter more
- Give options, but make your opinion clear

Marketing

A Carrier View

Noel DeVries
Mutual of Omaha



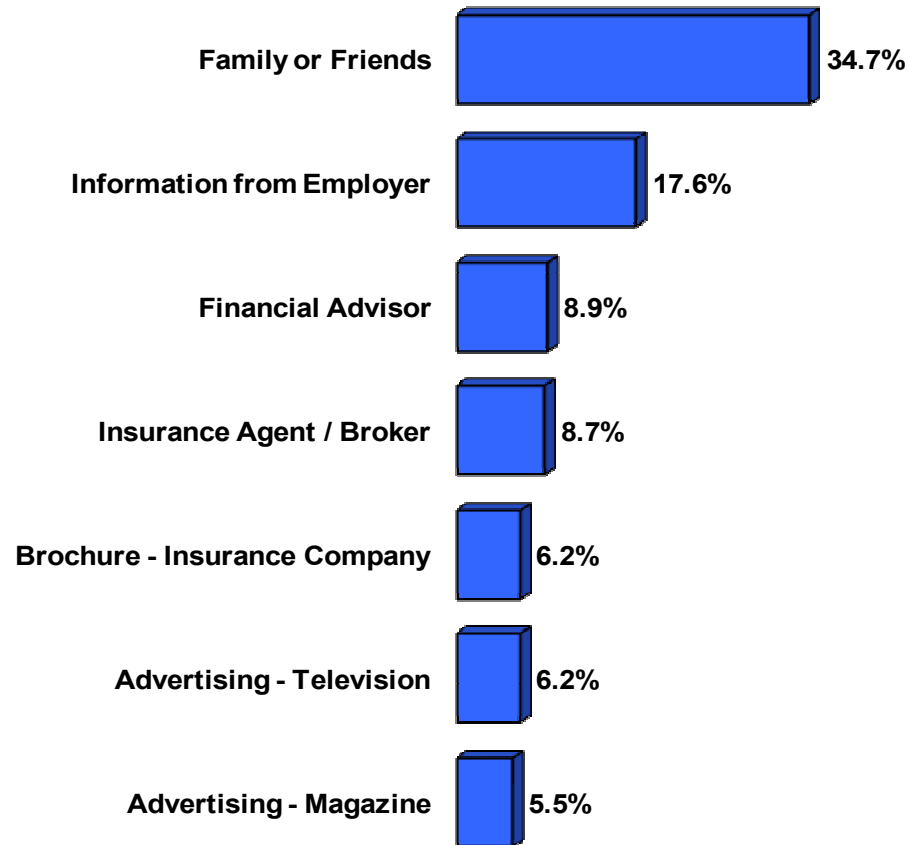
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“I would have to say marketing that is very educational might be of interest to me. I don’t want a hard sell or someone yelling at me, but if the marketing piece can really teach me something I would be potentially willing to listen.”

- Roger W, 69

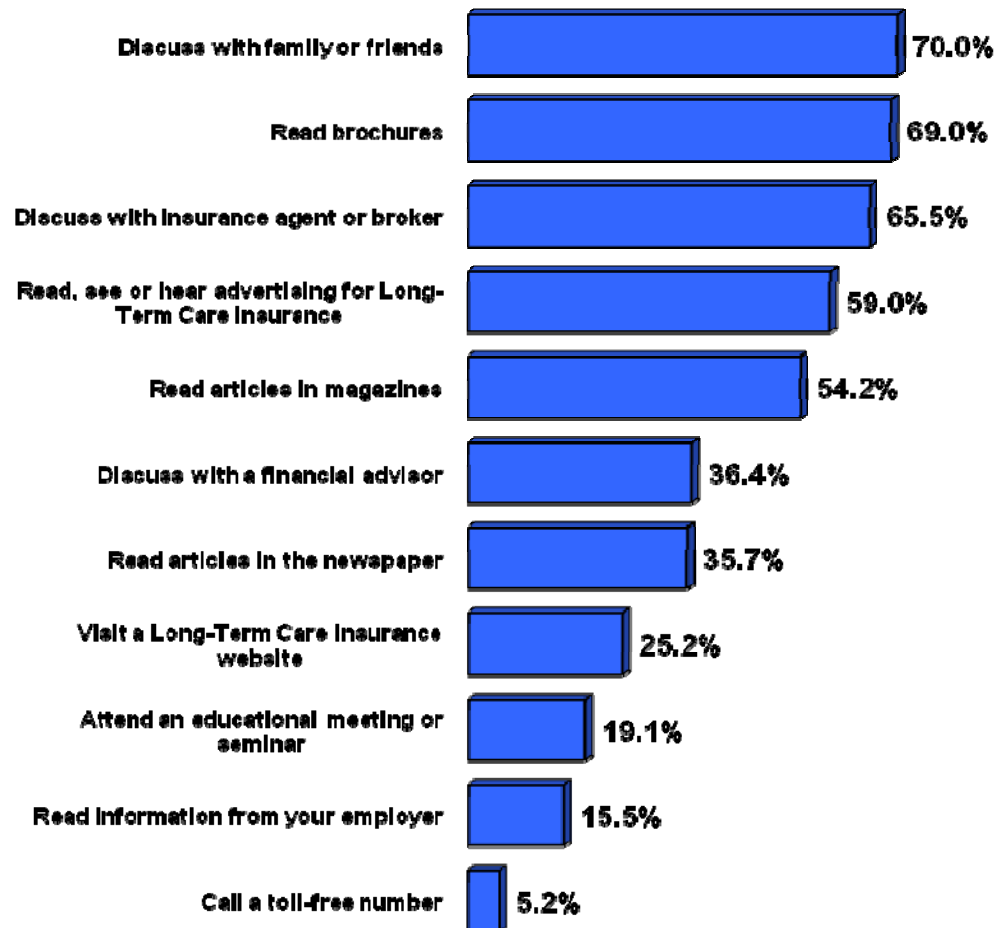
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Where did you first learn about Long-Term Care insurance? [Total Mention]



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Tell me whether or not you did each of these things while you were considering purchasing Long-Term Care insurance? [% Yes]

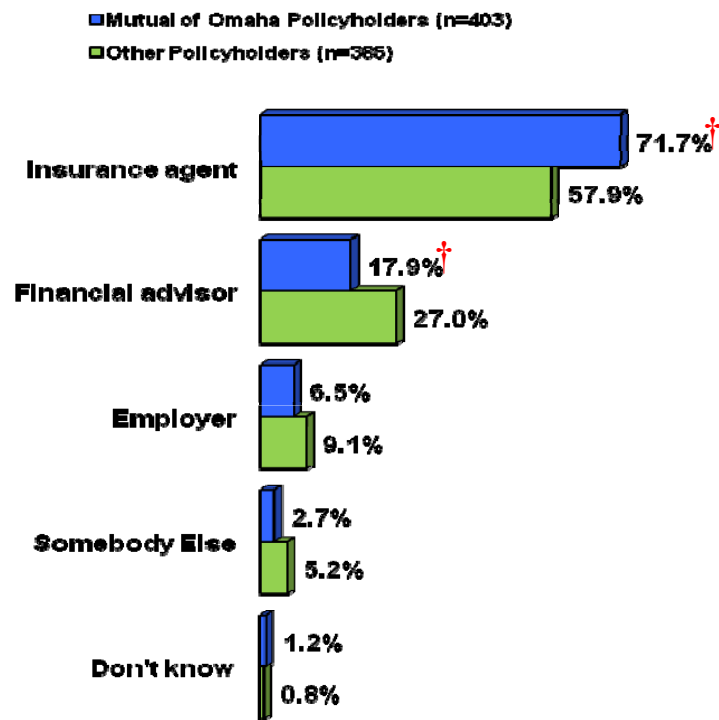


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Method of Purchase

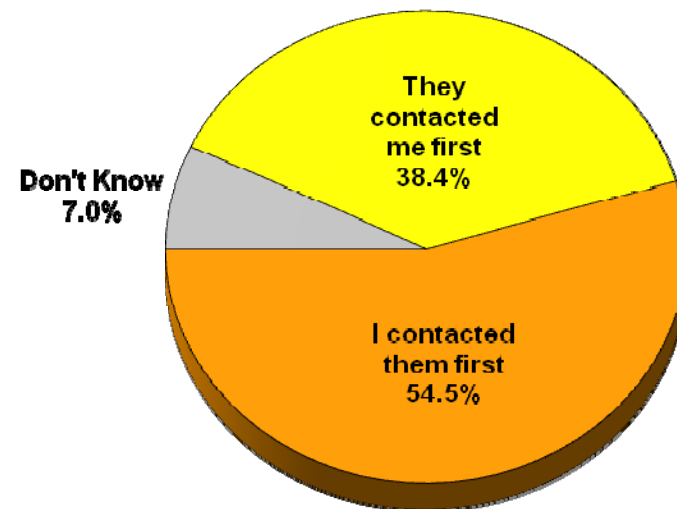


Through whom did you purchase your policy?



Did you contact that person first, or did they contact you first?

Mutual of Omaha Policyholders (n=398)



About seven out of ten Mutual of Omaha policyholders report that they purchased their policy through an insurance agent.

55% report that they contacted the person they purchased the policy from first.

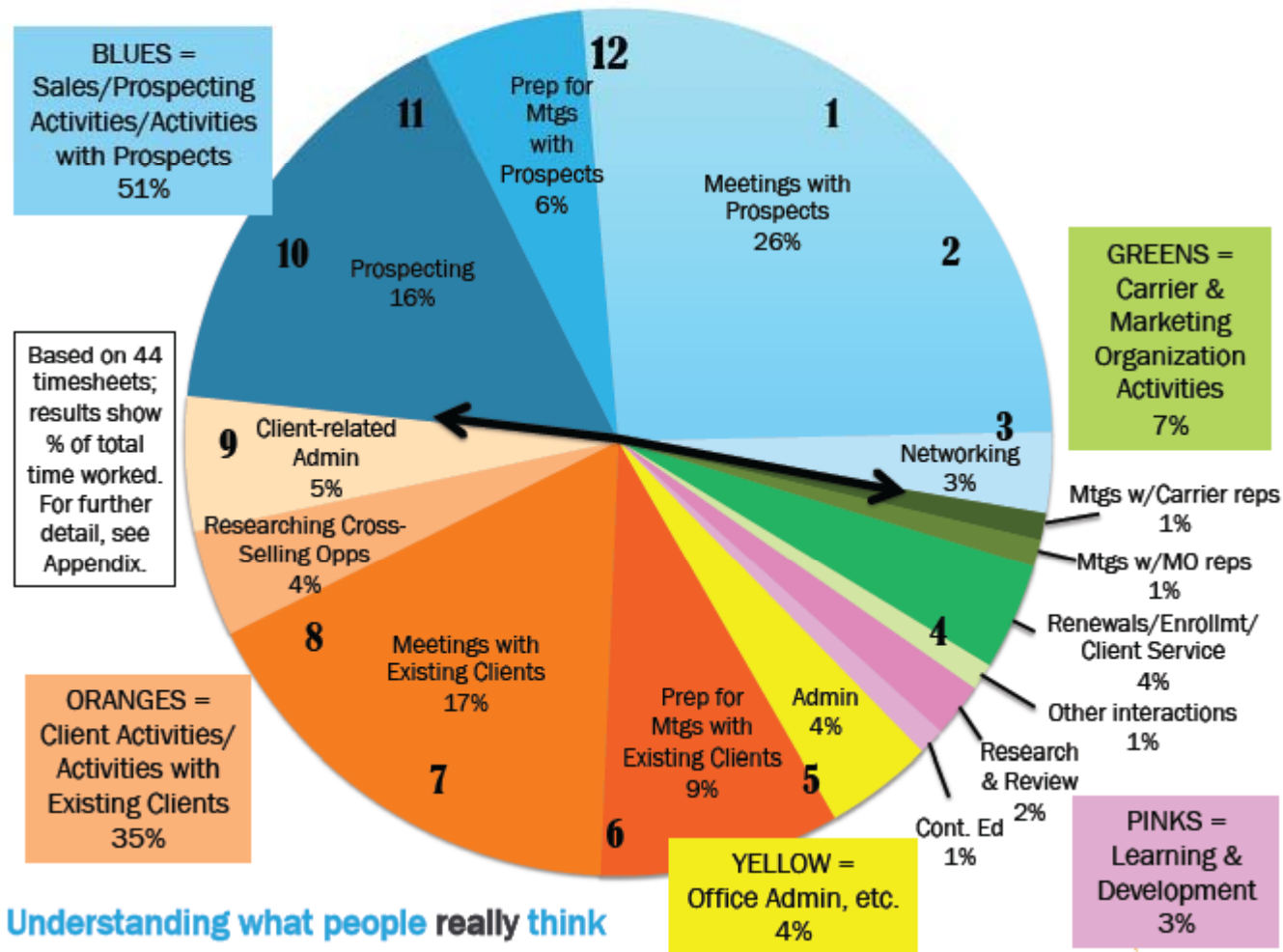
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What Matters?



Consumers are willing to spend more when they understand the long-term value

How do you spend your time?



Understanding what people really think

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SALES
& MARKETING
PROCESS

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With You Every Step of the Way



1. Find people to talk to
2. Uncover the problem
3. Provide the solution
4. Complete the application
5. Deliver the policy

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Step 1: Find People

Target the Right Buyer

- Female, Caucasian
- Age 55 to 64
- College educated
- Working in white-collar profession, not retired yet
- Living in a metropolitan area
- A homeowner with 11+ years in current residence
- Affluent; upper middle class with a household income of \$100,000 or more
- A planner
- Family oriented
- Familiar with LTC issues
- Research oriented

Find Clients

- Current clients
- Centers of influence
- Civic organizations
- Associations
- Referrals

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Marketing Materials



*Connecting You
to What
Matters Most*

[PROSPECT NAME]
[PROSPECT ADDRESS]
[CITY] [STATE] [ZIP]

Have You Thought About it?

As you get older, there's a chance you'll need help with life's daily activities. If that should happen, what's your biggest concern...ensuring you won't have to rely on your family...staying in your home as long as possible...protecting your retirement nest egg?

The need for long-term care has the potential to impact the connections to all the things you hold dear.

- **Your family** – The connections you have with family members may be impacted when a spouse or child must take on the role of caregiver
- **Your home** – The connection you have to your home may dissolve when you can no longer manage there by yourself
- **Your nest egg** – The connection to your nest egg may be weakened when the assets you worked a lifetime to accumulate must be used to pay for long-term care services

How to Stay Connected

A long-term care insurance policy can help keep connections strong. As part of your overall plan for retirement, it may help you pay for a portion of the care you need, reducing the amount you would have to pay out-of-pocket for long-term care services. And that means you may be able to strengthen your connections to family, home and nest egg by:

- Supplementing the help you receive from family members with professional caregiving services
- Getting the long-term care services you need in the comfort of your own home
- Protecting your retirement assets from being depleted by supplementing your out-of-pocket costs with the benefits of a long-term care insurance policy

Contact me today to learn how adding a long-term care insurance policy to your retirement plan can help strengthen your connection to the things that matter most.

[Agent name]
[Agent phone number]
[Agent email address]
[Agent license number]

Long-term care insurance is underwritten by Mutual of Omaha Insurance Company, Mutual of Omaha Plaza, Omaha, NE 68175, 1-800-775-6000. Policy form: LTC13 (or state equivalent). This policy has exclusions, limitations, reductions and terms under which the policy may be continued in force or discontinued. For costs and complete details of coverage, call your agent or write to the company.

This is a solicitation of insurance. An insurance agent may contact you by telephone to provide additional information.

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You Understand the Need

If you're like most people, you know purchasing a long-term care insurance policy may be a good idea. It may allow you to avoid relying on your family help, preserve your ability to remain at home so you can avoid going to a nursing home, and protect your retirement nest egg from the high cost of long-term care services.

Yet with everything going on in your life, purchasing a long-term care insurance policy may not be a priority.

A Good Reason to Buy Now

The cost of a long-term care insurance policy is based on your age when you purchase a policy. That means the younger you are, the less expensive it will be. See how waiting to purchase long-term care insurance may increase your premium.

Age at time of purchase	50	55	60	65
Annual premium	\$525	\$609	\$751	\$1,091

Long-term care premium example is based on rates for a male purchasing a MutualCare® Secure Solution policy with a \$3,000 monthly benefit, \$108,000 policy limit, 36-month benefit period and 90-day elimination period.

The Real Cost of Waiting

No one knows what the future holds. It's possible you could receive a health diagnosis tomorrow that makes you ineligible for coverage. If you wait until your health fails, you may not be able to purchase a long-term care insurance policy at any price. Paying the entire bill for long-term care services is the real cost of waiting.

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An Important Consideration:

The decision to purchase a long-term care insurance policy is one that shouldn't wait.

Purchasing a policy while you're young and in good health ensures you get the coverage you need at the most affordable price.

I'll be happy to tell you more.

- [Agent/producer name]
- [Agent/producer phone number]
- [Agent/producer email address]
- [Agent/producer license number]

➤ According to a recent study, 70 percent of people aged 65 will need long-term care services at some point in their lives. That's why it's important to have a plan in place for long-term care. A Shopper's National Association survey in Kansas City

Two Reasons to Buy Now

There may be reasons you want to receive benefits from your insurance policy without waiting to be eligible for long-term care services.

Mutual of Omaha offers long-term care insurance policies that give you the flexibility you prefer.



costs and complete details of coverage, call your agent/producer or write to the company.

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Step 2: Uncover the Problem

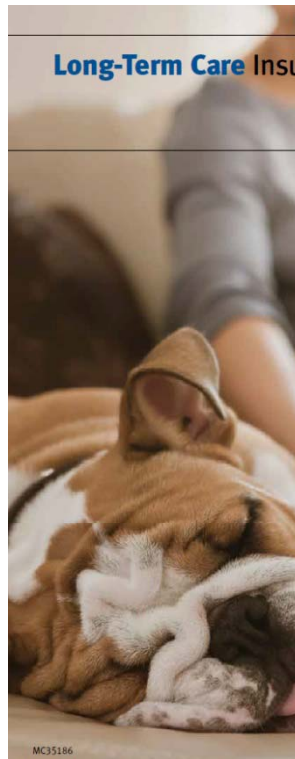


- Family
- Ability to stay at home
- Retirement Nest Egg



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Marketing Materials



Long-Term Care Insurance

Your Home

It's Where You Plan to Stay



As you get older, there's a good chance you may a little help with life's everyday activities – things you'd always been able to do for yourself. No one in your family would step in to help. But what if you don't live close enough to stop in every day? Or can't miss work to take you to get groceries or to doctor's appointment? You love your home and to continue living independently as long as you can. And you certainly don't want to have to go to a nursing home. *Right?*

Staying in Your Home...Where You Want

If you're like most people, you may think long-term care means a nursing home. In fact, there are a variety of long-term care services that may actually help keep you out of a nursing home by allowing you to receive the care you need in the comfort of your own home. So if home is where you plan to stay, it's important to be prepared for the day when you can no longer manage there on your own. You need to know where you can count on for help, where you might go to get professional home care services and how you will pay for that care. And while home care is less expensive than a nursing home, it can still be costly. Based on national average costs, you might expect to pay \$39,936 per year for a home health aide.*

*Source: Mutual of Omaha's Cost-of-Care Survey conducted by Univita, 2012

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MC35188

Your Nest Egg

You've Got Big Retirement Plans



You've worked hard to build a comfortable nest egg. You've made plans for all the things you want to do when you retire. And while you know there's a chance you may need a little help someday doing things you always did for yourself, you don't want to have to spend all your hard-earned savings on long-term care services. You certainly don't want to spend down the bulk of your assets just to qualify for long-term care provided by Medicaid. *Right?*

Help at What Cost?

There are a variety of long-term care services available these days. You can get the care you need in your home, in an assisted living facility or in a nursing home. No matter how you look at it, long-term care services can be expensive. So it takes careful planning to ensure you have the funds available when you need them. Based on national average costs, here's what you may need to pay:

- \$39,936 per year for a home health aide
- \$38,011 per year for a one-bedroom unit in an assisted living facility
- \$80,650 per year for a semi-private room in a nursing home

*Source: Mutual of Omaha's Cost-of-Care Survey conducted by Univita, 2012

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MC35189

Your Family

They Mean the World to You



You love spending time with your family and cherish the close relationships you share. You know they would do anything for you...including stepping in to help if you had trouble with life's everyday activities. But taking on the role of caregiver isn't as easy as it might seem. After all, your spouse may be working or may not be physically able to take care of you. And your kids have busy lives, complete with family and work obligations of their own. Besides, the last thing you want is to rely on your family for help. *Right?*

When You Need a Caregiver

As people age, it's not uncommon to need help with activities like shopping, meal preparation, housework and laundry. Some people need help managing money or taking medications properly. Others need help with personal services, like bathing, dressing or using the bathroom. Have you thought about who might be able to help you? You know your family cares about you...but do you want them to have to care for you?

There are a variety of professional services available to provide the help you may need someday. Many are available so you don't even have to leave your home. But it can be costly. Based on national average costs, you might expect to pay \$154 per day for a home health aide. That could add up to nearly \$37,000 per year.*

*Source: Mutual of Omaha's Cost-of-Care Survey conducted by Univita, 2012

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The cost of long-term care services differs greatly depending on where you live. Your Mutual of Omaha insurance agent can show you the average costs in your area.

Reality Check

If you need help someday:

- Will you be able to stay in your home?
- Do family members live close enough to stop in frequently?
- Would you be able to move in with one of your children?
- Do you have funds available to hire professional home care services?

Keeping Connections Strong

A long-term care insurance policy may help your family connections remain strong. It provides benefits for covered long-term care services. And that means you'll be able to supplement the help you receive from family members with professional caregiving services.

*Connecting You
to What
Matters Most*

[Agent name]

[Agent phone number]

[Agent email address]

[Agent license number]

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Step 3: Solution



- Help clients understand they have a problem
- Educate them
- Focus on helping provide a solution
- Help them make the right decision

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Connecting You

to What Matters Most



Whether it's your family, your home or your retirement nest egg, a long-term care insurance policy from Mutual of Omaha Insurance Company may be the solution to keeping connections strong by providing benefits to help you pay for long-term care services.

1. How Long-Term Care Insurance Works

A long-term care insurance policy is designed to help you pay for the long-term care services you need by providing benefits to cover a portion of the cost.

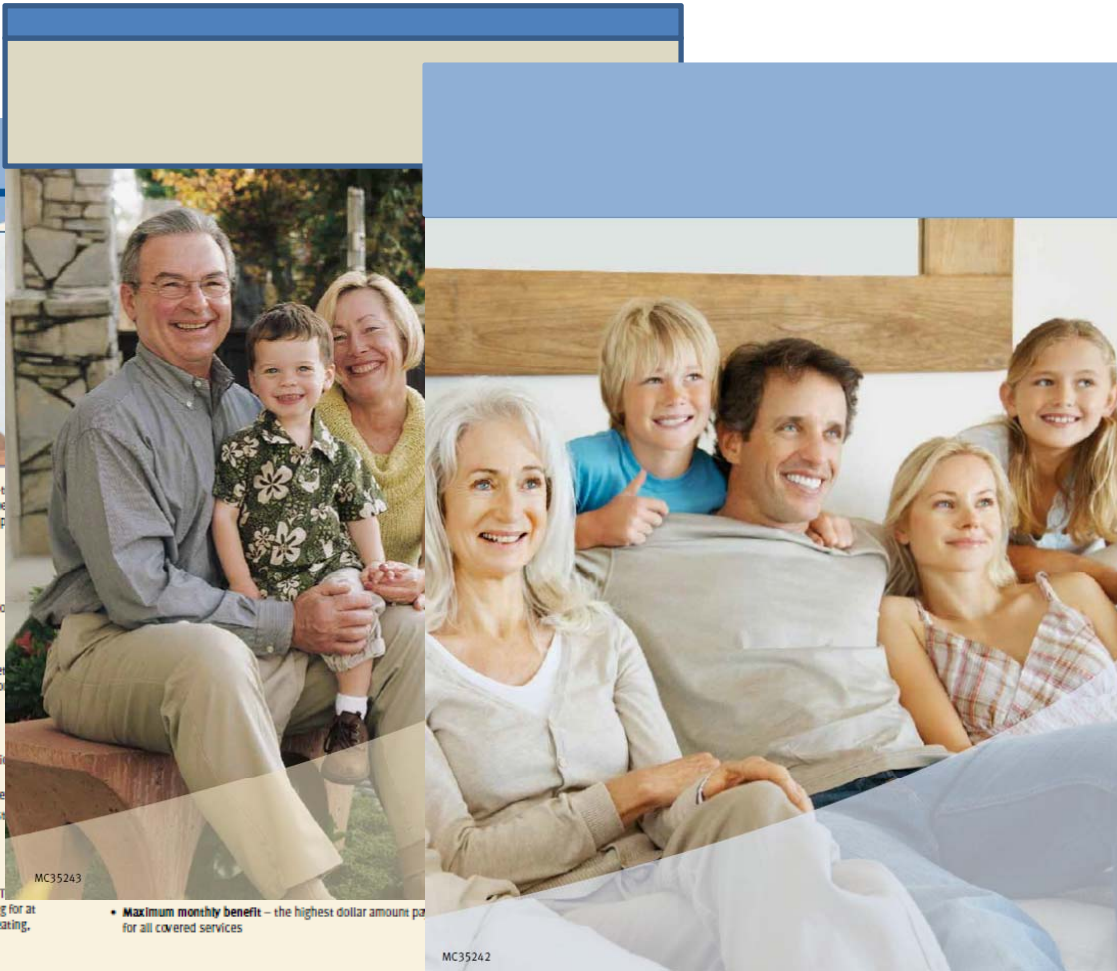
Covered Services

Our long-term care insurance policies cover services provided in a variety of settings. Since many people prefer to get the care they need at home, our policies are designed to help you remain there for as long as possible. Covered services include:

- Personal care services to assist you with everyday activities
 - Homemaker services to help with grocery shopping, meal preparation and housekeeping
 - Professional services of a registered nurse, home health aide or the like
- Should you need more care, our policies also provide benefits for assisted living, nursing home and hospice care.

Eligibility to Receive Benefits

You're eligible to receive policy benefits when a licensed health-care practitioner submits a plan of care that certifies you are chronically ill. This means you need help with at least two of the six activities of daily living for at least 90 consecutive days. These activities include bathing, dressing, eating,



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Understand What Matters



Consumer **Study**

Understanding Long-Term Care Buyers



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Lessons from the Life Insurance Industry

Claire Durand
Transamerica



15th Annual Intercompany Long Term Care Insurance Conference

Commoditization Realities



Producer–Client Conversation



**I can get you the
lowest price.**



Commoditization Realities



Producer–Client Conversation



(My value to you is that I can get you the lowest price.)



Commoditization Realities



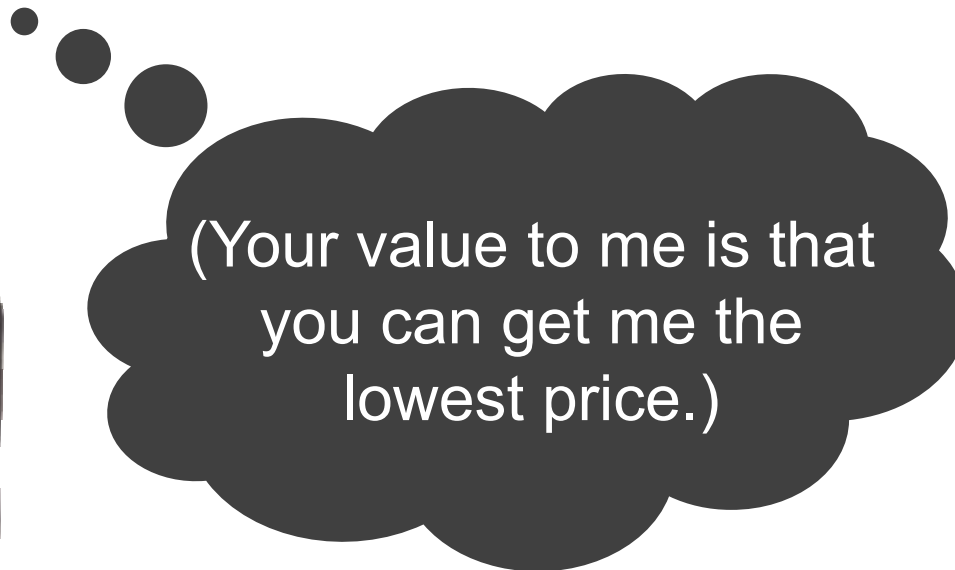
Producer–GA Conversation



I promised the lowest price, so get me the lowest price.



Producer–GA Conversation



Commoditization Realities



pull out the spreadsheet

1573,25	3802,67	38,7	100,2	60160,40	23244,23	19741,12
3244,23	21693,11	36,1	93,3	25147,70	23323,90	9449,73
3323,90	19741,12	78,5	84,6	33638,57	9695,90	13627,52
9695,90	9449,73	28,1	97,5	25595,70	12033,75	8430,96
2033,75	13627,52	53,2	113,2	14960,97	8871,50	21233,20
8871,50	8430,96	56,4	95,0	31231,22	24707,45	11650,29
24707,45	21233,20	68,0	85,9	12592,03	12793,01	10858,35
12793,01	11650,29	92,5	91,1	13071,40	11996,10	13933,04
11996,10	10858,35	83,1	90,5	33638,57	9695,90	14330,57
9695,90	13933,04	41,4	143,7	25595,70	12033,75	14728,10
12033,75	14330,57	56,0	119,1	14960,97	8871,50	15125,63
8871,50	14728,10	98,4	166,0	31231,22	24707,45	15523,17
24707,45	15125,63	48,4	61,2	12593,03	12793,01	15920,70
12793,01	15523,17	123,3	121,3	13071,40	11996,10	16318,23
11996,10	15920,70	121,8	132,7	33638,57	9695,90	16715,76
9695,90	16318,23	48,5	188,3	25595,70	12033,75	17113,29
12033,75	16715,76	65,3	189,9	14960,97	8871,50	17510,83
8871,50	17113,29	114,2	192,9	31231,22	24707,45	17908,36
24707,45	17510,83	55,1	197,0	12593,03	12793,01	18305,89
12793,01	17908,36	12,2	162,0	13071,40	11996,10	18703,42
11996,10	18305,89	10,0	224,3	33638,57	9695,90	19100,95
9695,90	18703,42	5,6	82,1	25595,70	12033,75	19498,49
9695,90	19100,95	56,8	162,0	14960,97	8871,50	19896,02
12033,75	19498,49	76,2	224,3	31231,22	24707,45	20293,55
7	8871,50	19896,02	133,0	12593,03	12793,01	20691,08
2	24707,45	20293,55	65,0	161,7	11996,10	21088,62
3	12793,01	20691,08	1,3	75,5	9695,90	21486,15
0	11996,10	21088,62	1,3	21,6	33638,57	21883,68
7	9695,90	21486,15	6,9	4,4	25595,70	22281,21
7	8871,50	21883,68	16,3	9,2	14960,97	22678,74
2	24707,45	22281,21	1,3	9,2	31231,22	23076,28
13	12793,01	22678,74	180,1	17,4	13071,40	23473,81
10	11996,10	23076,28	176,5	192,4	33638,57	23871,34
57	9695,90	23473,81	69,8	242,1	14960,97	24268,87
97	8871,50	23871,34	159,6	269,1	31231,22	24666,40
22	24707,45	24268,87	77,7	98,2	12595,03	25063,94
03	12793,01	24666,40	195,9	192,8	13071,40	25461,47
40	11996,10	25063,94	191,7	208,9	33638,57	25859,00
57	9695,90	25461,47	75,7	262,6	14960,97	26256,53
97	8871,50	25859,00	172,8	291,5	31231,22	26654,07
22	24707,45	26256,53	84,1	106,3	12596,03	27051,60
03	12793,01	26654,07	211,6	208,3	13071,40	27449,13
40	11996,10	27051,60	207,0	225,5	33638,57	27846,66
57	9695,90	27449,13	81,6	283,1	14960,97	28244,19
97	8871,50	27846,66	186,1	313,9	31231,22	28641,73
22	24707,45	28244,19	90,4	114,3	12597,03	29039,26
03	12793,01	28641,73	227,4	223,9	13071,40	29436,79
40	11996,10	29039,26	222,2	242,1	33638,57	29834,32
57	9695,90	29436,79	87,5	303,6	14960,97	30231,85
97	8871,50	29834,32	228,2	248,7	31231,22	30629,39
22	24707,45	30231,85	311,8	311,8	12592,03	31026,92

NOT
ALWAYS

LOWEST
PRICE \neq **RIGHT**
PRODUCT

Let's **talk** about **value**,
and **adding** value.

Value = relative worth, utility, or importance
(Merriam Webster)

When clients think of you, do they see the added value that you bring to them?

Do they think you add value?

Aren't you **tired** of it being
all about price?

Isn't it **more** than just the
lowest priced product?

What do consumers want?



Teaching them something
they didn't know

Showing them a new way
of looking at something

Getting consumers to take action



Financial Education

**Address
Budget
Constraints**

**College
Savings**

Calculators

Retirement

**Financial Planning
Strategies**

**Mobile
Technology**

Marketing

The View from the Distribution Perspective

Tom Riekse, Jr.
LTCI Partners, LLC



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Old value proposition – Standalone LTC BGA



- Sales and marketing training
- Multiple carrier offerings
- Comparative proposal service
- Underwriting expertise
- Facilitate application process and remove pain points



Plan design was easy!



- Pick the nursing home cost in the clients area
- Compare using with compound inflation and 5 year benefit
- Choose the least expensive product

The benefits of commoditization for buyers



- HIPAA standardized benefit triggers
- Mandatory 5% compound offers meant you could compare products
- Not concerned about underpriced products
- Carrier marketing materials bragged of no rate increase history

Occasional Advisors didn't help

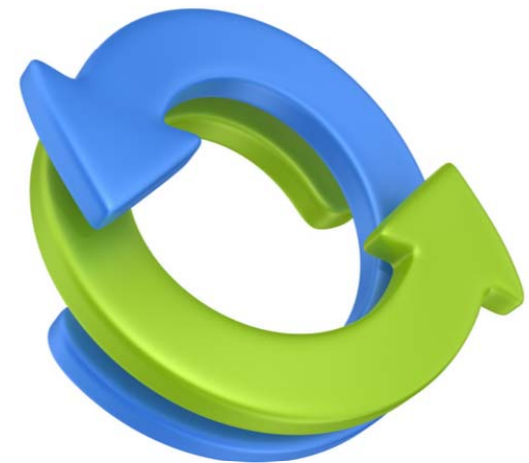


- Wanted spreadsheets – analytical approach
- Didn't seem concerned about underpriced products – trusted assumptions
- Didn't differentiate between benefits
 - Calendar vs. Service Day
 - Reimbursement vs. Cash vs. Indemnity

Trapped in a Cycle



- Carrier offers new products/features with forward thinking plan designs and risk – sharing pricing
- Product training ignored by occasional advisors
- Pricing eventually forces carrier to offer higher priced version of same old thing
- Fire sale deadline drives sales



The result



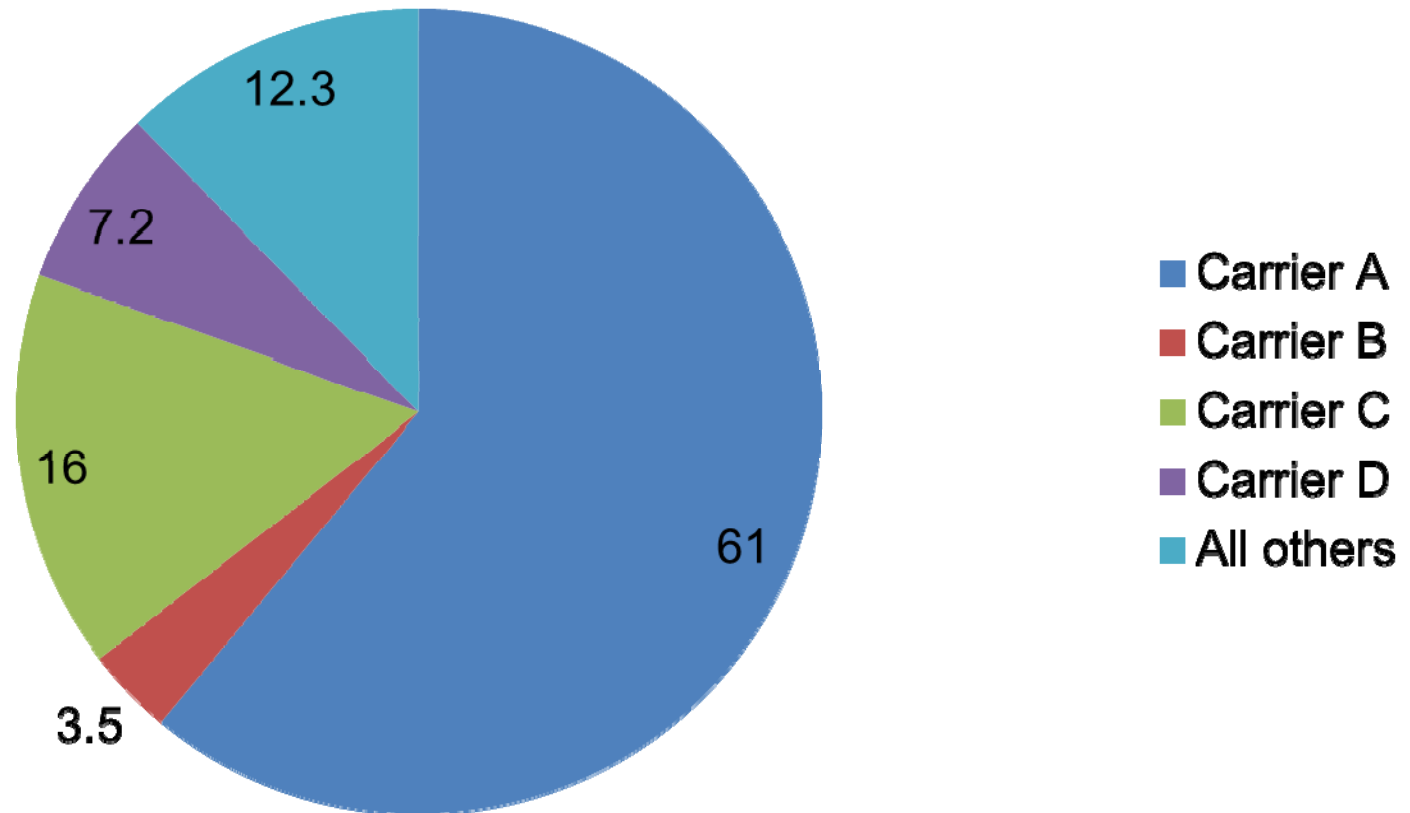
- New carriers couldn't enter market
- Big sales are lower price points compounded impact for inforce adjustments later
- No one happy



Lowest priced 3% compound couple



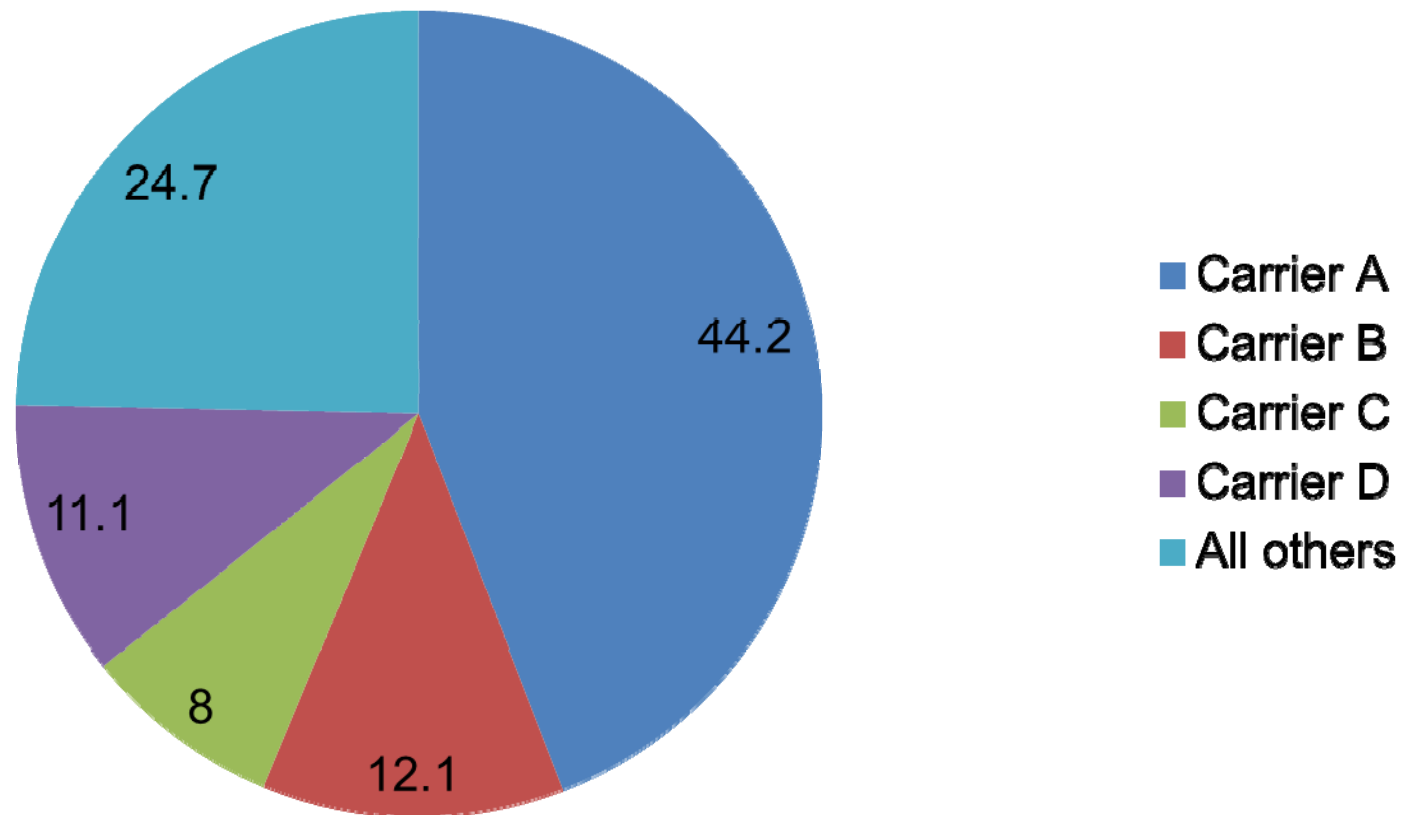
% of Business – 2013



Less sale – but better balance of carriers



% of Business – 2014



What needs to change?



- Government and regulatory changes
- Carrier changes
- Distributor changes

Distributor Government wish list



- Remove inflation requirements
- Allow for qualified money withdrawals for premiums
- Higher interest rates
- Planning awareness



Distributor Carrier wish list



- Some type of premium certainty
- Basic middle market coverage that can be compared online
- Break down internal walls between Life and LTC areas
- Products for older healthier clients

Now What? The new BGA value proposition



- Help navigate between types of policies – standalone, linked, annuities/ltc, life with riders
- Less sales training, more assistance
- Fit premium into client budget
- Validate advisor and consumer choice

- Group and employer plans
- Discounted affinity and association – people like discount off of any price
- Point of Sale assistance
 - Can be “virtual”
 - Efforts to team FA with specialist
 - Quote to paid ratio increased 5x

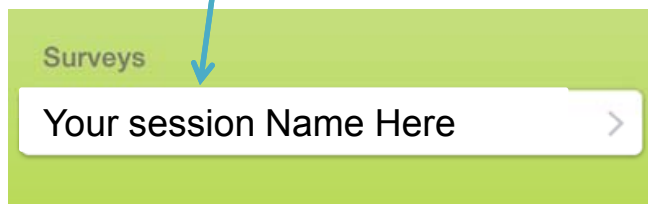
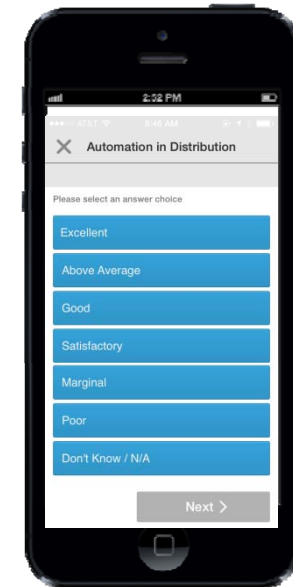
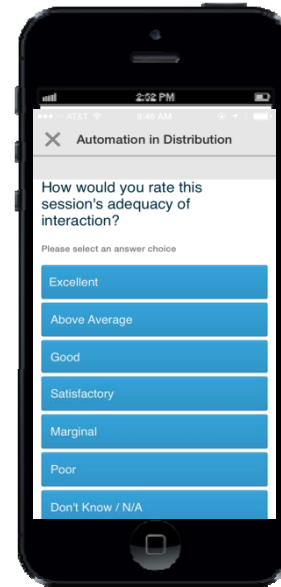
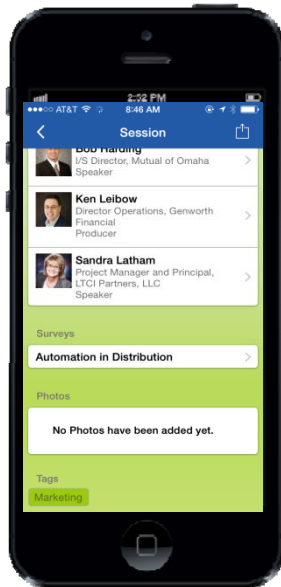
Don't forget to fill out the survey



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