

Marketing

Repositioning LTCI Towards the Middle Market Consumer

A New Paradigm



ILTCI

15th Annual Intercompany Long Term Care Insurance Conference

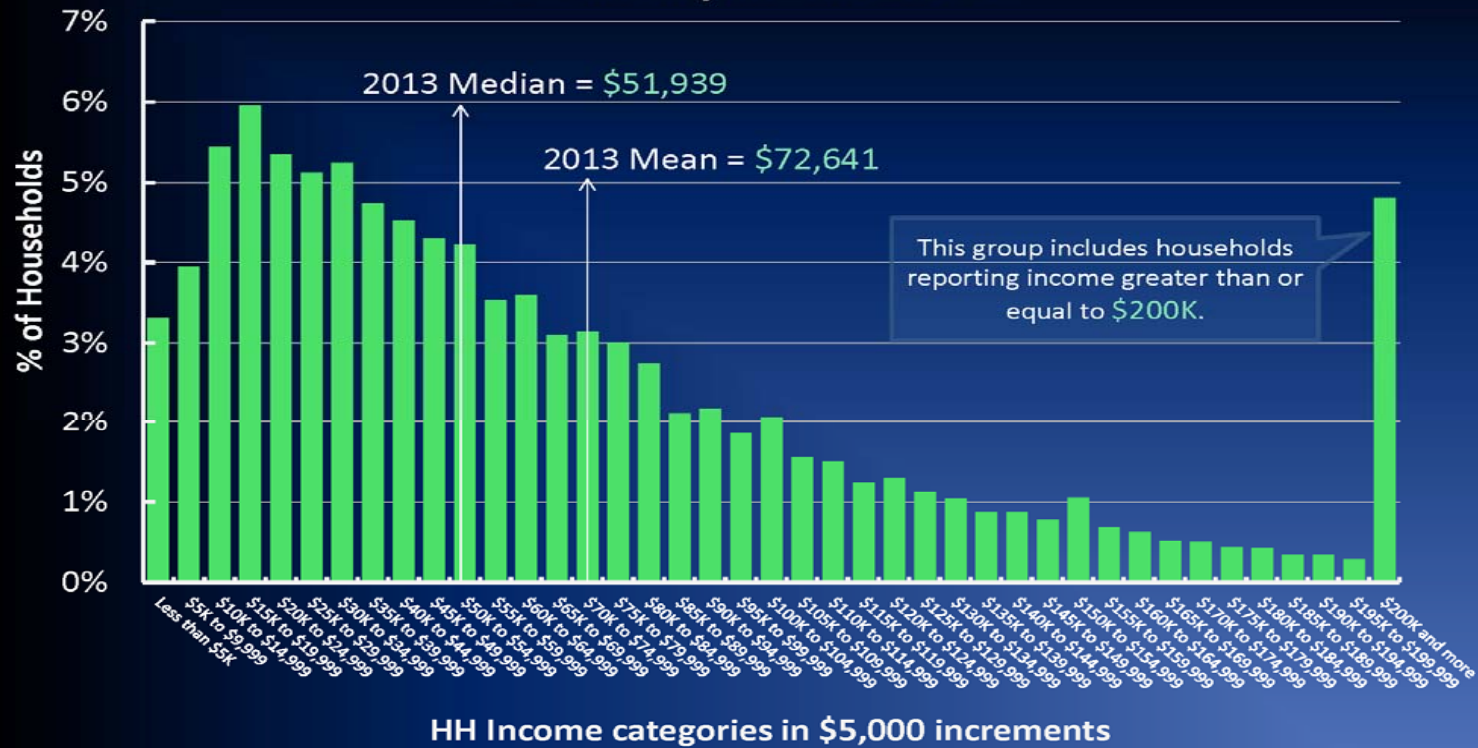
Introduction of Speakers



- Richard Hicks – Vice President - Marketing, Transamerica Long Term Care
- Joel Mier – Vice President of Product & Services Marketing, Genworth
- Alex Ritter – LTCI Sales Director, Art Jetter and Company
- Brian Vestergaard – Vice President, Product and Marketing, LifeSecure

What is the Middle Market and why does it matter to the LTCl industry?

Distribution of U.S. Household Income Total Money Income in 2013



Source: U.S. Census Bureau, Current Population Survey, 2014 Annual Social and Economic Supplement & FRBSF Calculations



DATAPOST

<http://www.frbsf.org/education/teacher-resources/datapost>

FRBSF Economic Education Group

- Salaries, net-worth slow to rise
- Increased cost for both necessities and discretionary items
- Falling behind on retirement savings
- Generally underinsured
- Uncertain about their financial future, yet optimistic outlook overall

St. Louis Federal Reserve Data, Pew Research Center, LIMRA

- Key life events occur later
- Debt
- Financial planning priorities
- Discretionary spending priorities
- Interaction with financial services industry
- Demographic shifts

Federal Reserve Bulletin, September 2014 vol. 100, no. 4

Where does LTCl fit in?

Does Price Matter?

Where's The Middle Market Disconnect?

90% of older Americans *don't* have long term care insurance,
&
THEY STILL GET BY, AND HAVE GOTTEN BY FOR GENERATIONS!

**So, remind me why I
need this type of
insurance?**



Andrew Melnyk, Harsh Sharma, "Who Will Pay for Our Long Term Care?", Sept. 15, 2014

Current Buyers of LTC Insurance




77% have incomes > \$50,000

57% have incomes > \$75,000

71% are college graduates

79% have liquid assets of > \$100,000



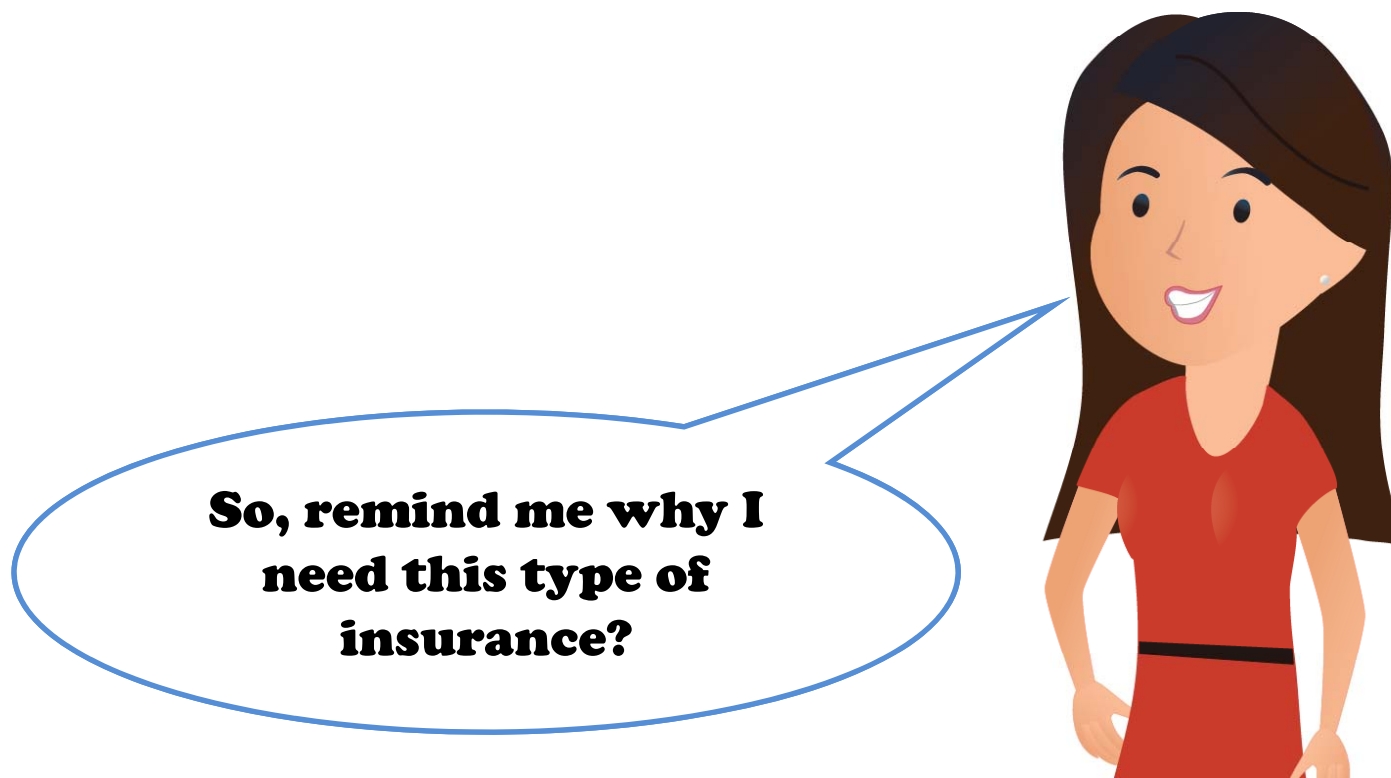
*(Not exactly
the broad
Middle Market)*

AHIP, "Who Buys Long Term Care Insurance in 2010-11?" (20-year study), 2012

The Disconnect...



~~90%~~ ^{95%} Middle Market of older Americans *don't* have long term care insurance,
&
THEY STILL GET BY, AND HAVE GOTTEN BY FOR GENERATIONS!



But, How Are Folks Getting By?



1. Informal care networks (unpaid)

- Spouse
- Sons / Daughters
- Friends
- Other volunteers

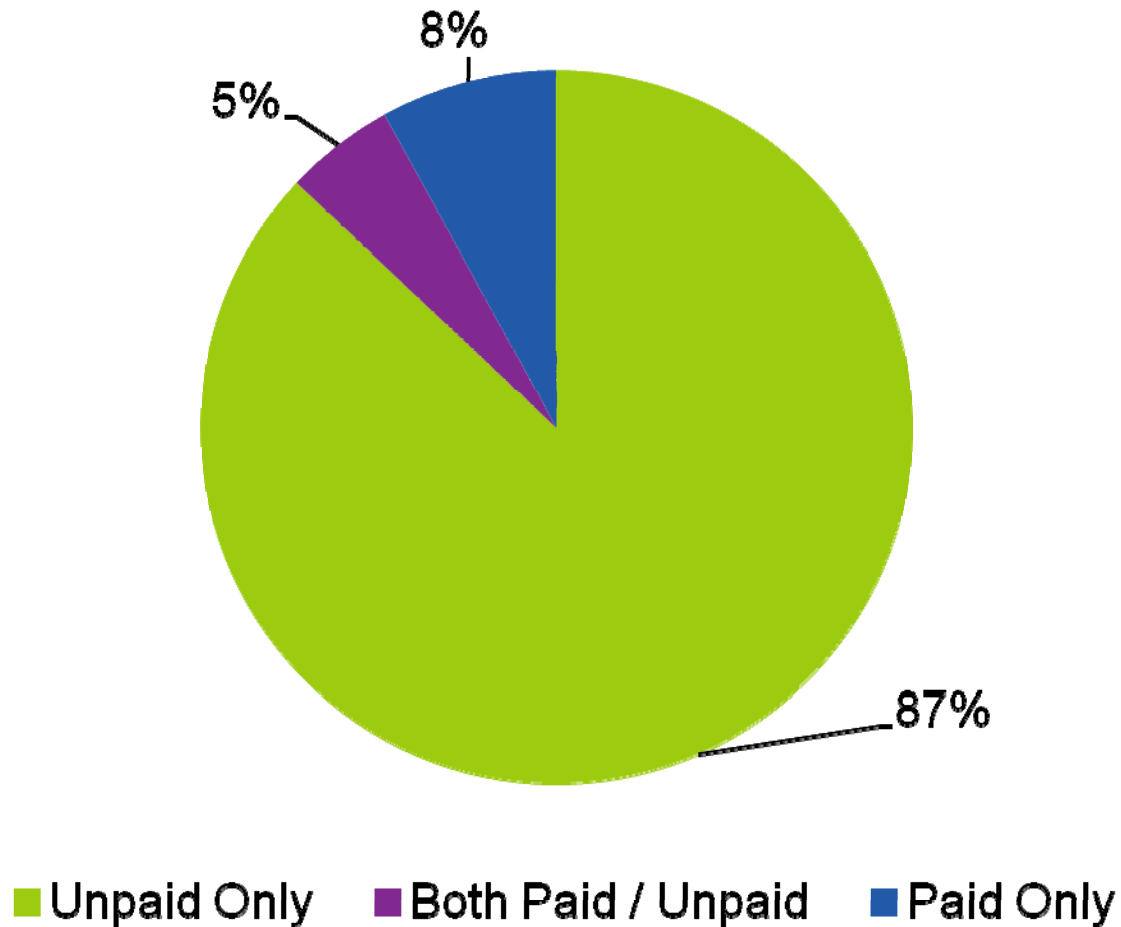
2. Medicaid

3. Out-of-pocket

Unpaid Help as Primary Source



Community-based LTC Services



9/10^{ths}

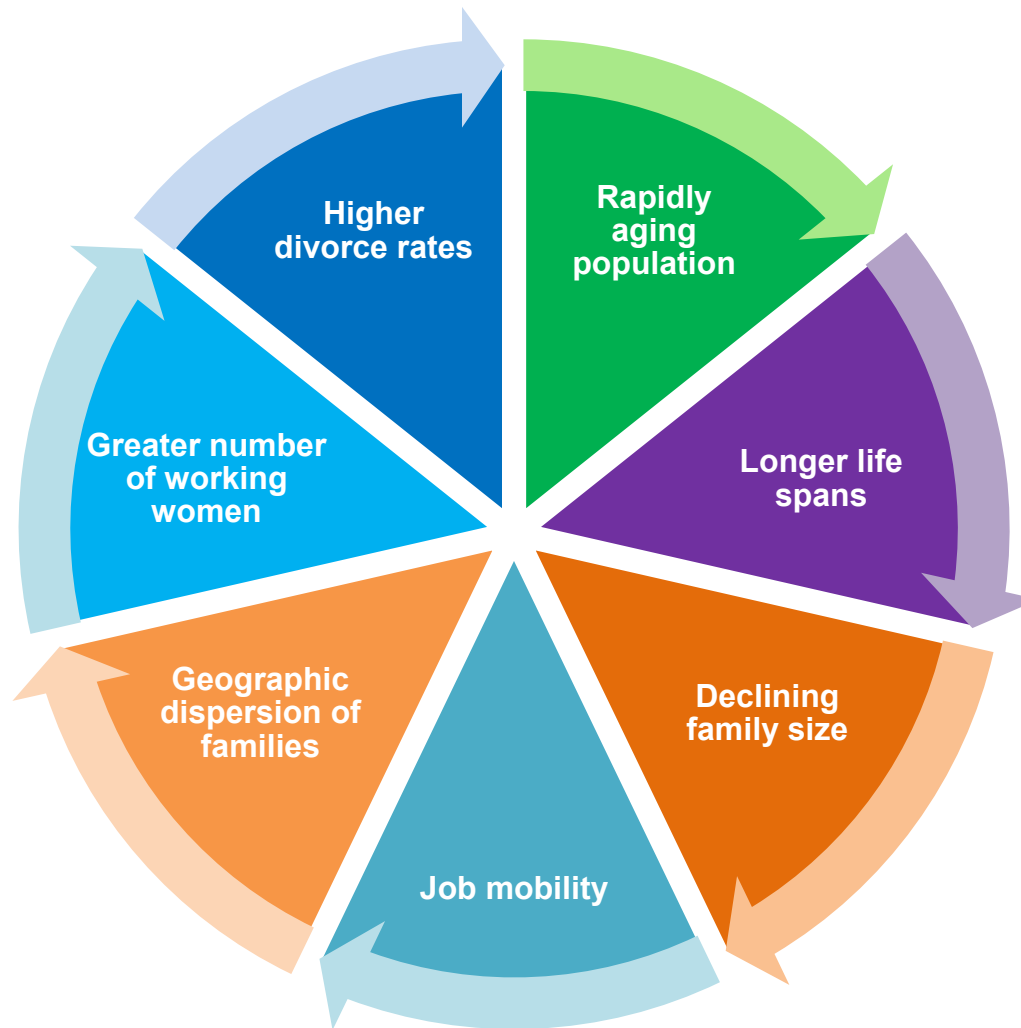
of the community-dwelling LTC population relies on a family member, relative, friend or other volunteer as the primary source of help with daily activities.

Kaye, Harrington, LaPlante, "Long Term Care: Who Gets It, Who Provides It, Who Pays and How Much?", Jan 2010

Consequences of 'Getting By'...



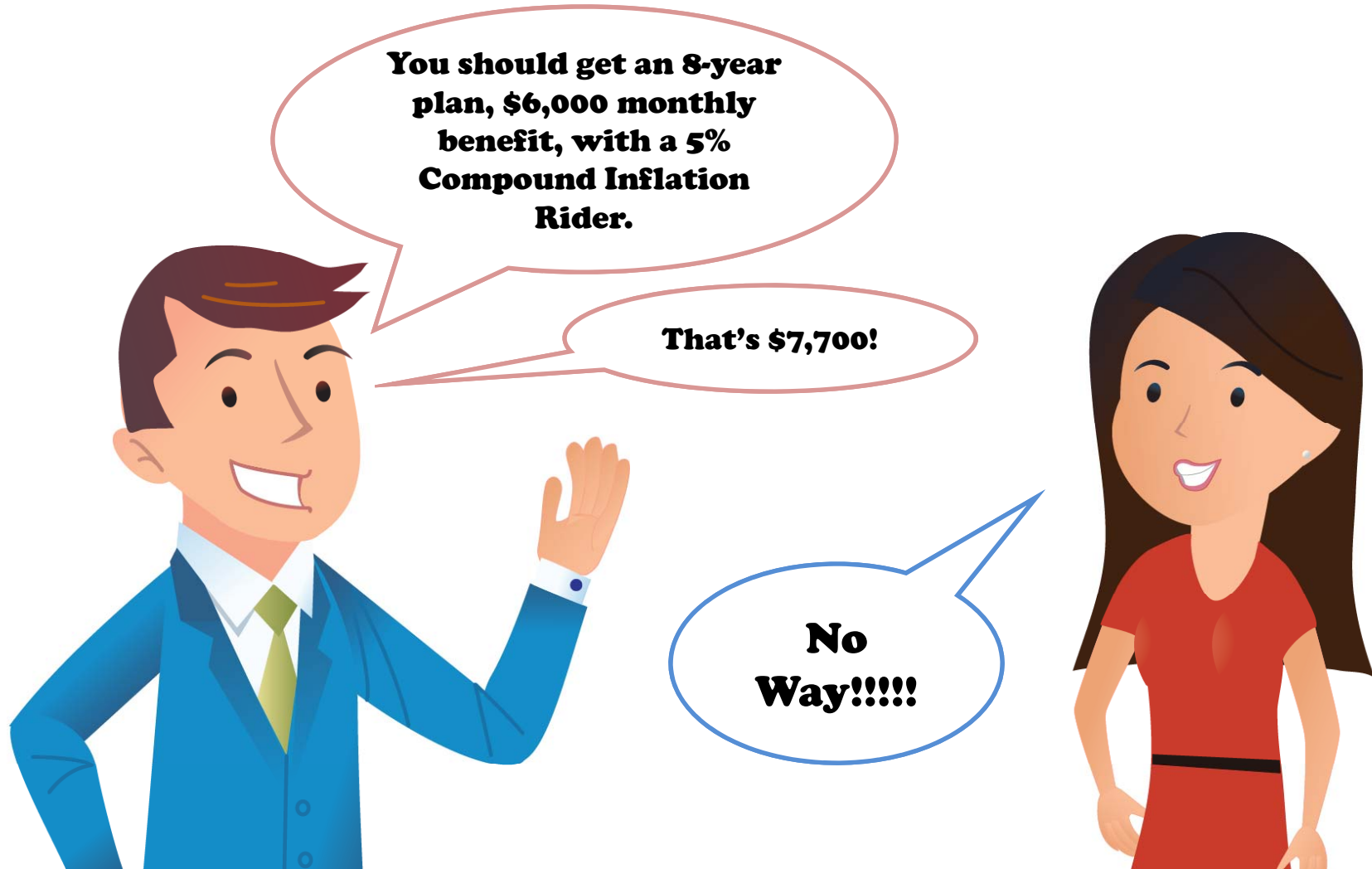
Is 'Getting By' Becoming Less Viable?



So...Consider New Ways To Approach a LTC Insurance Discussion with a Middle Market Prospect



OLD WAY



Consider the “something is better than nothing” approach.

Solutions to *Supplement* Other Resources



4-Year College Education

Cost: \$100,000

Resources Available:

- Savings
- Loans
- Grants
- Scholarships

If I can't save \$100,000 for college costs, should I save \$0? Of course, not. I will save what I can to *supplement* the other resources available.

LTC Support and Services

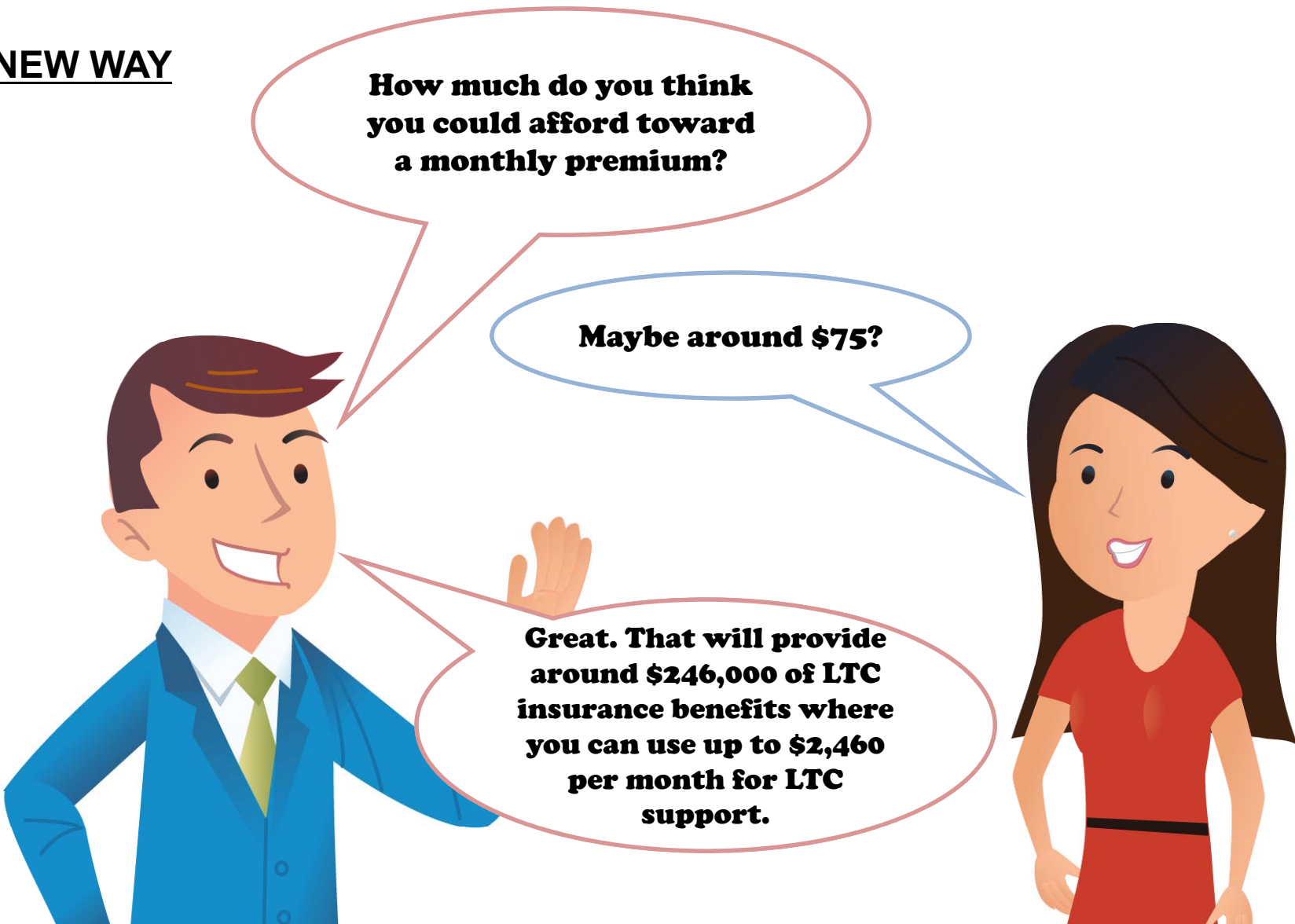
Est. Exposure: \$300,000

Resources Available:

- Savings
- Assets
- Family
- Friends
- LTC Insurance
- Medicaid

If I can't afford a \$300,000 LTC insurance policy, should I insure \$0? Of course, not. I should consider the amount of insurance I can afford to *supplement* the other resources available.

NEW WAY

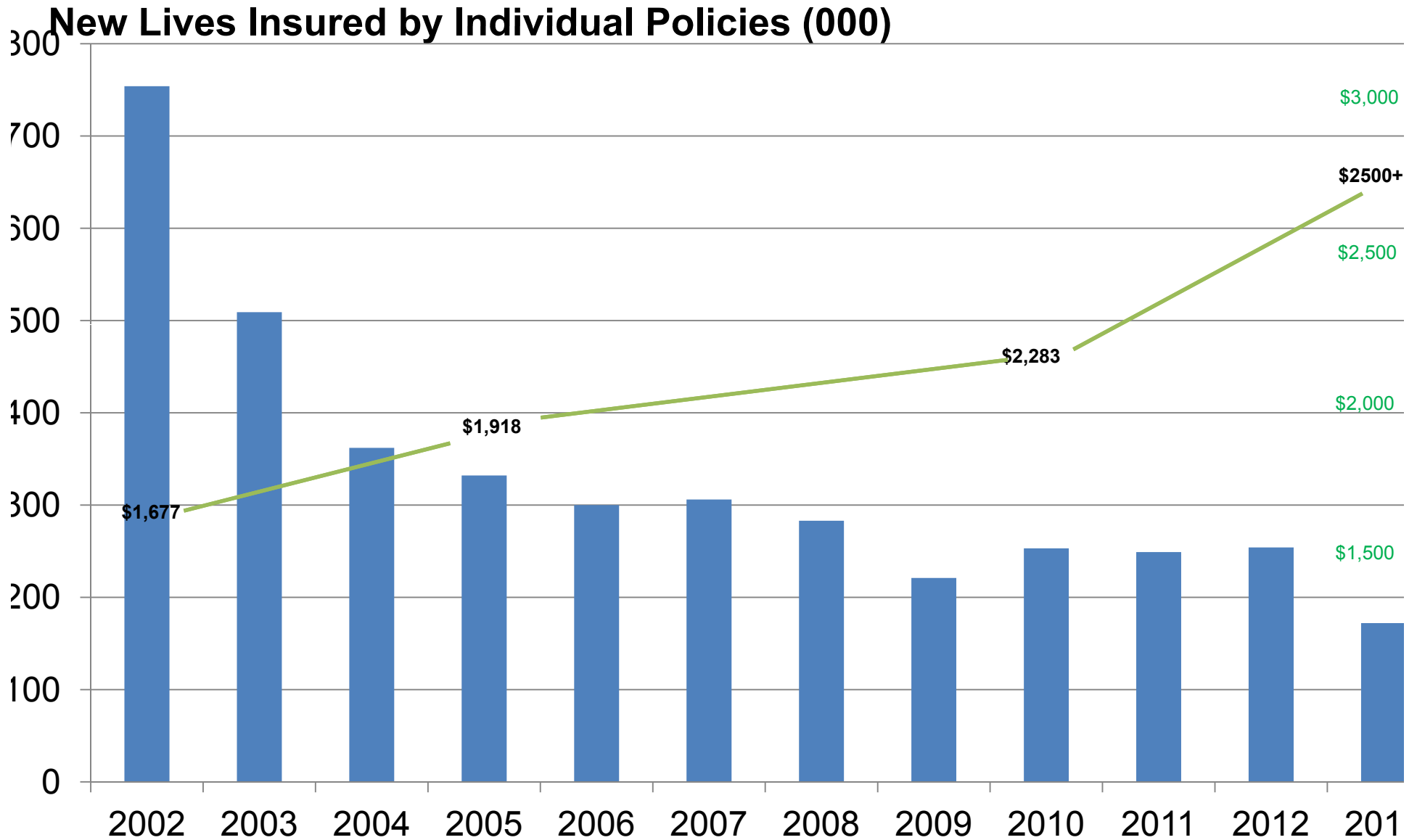


How much do you think you could afford toward a monthly premium?

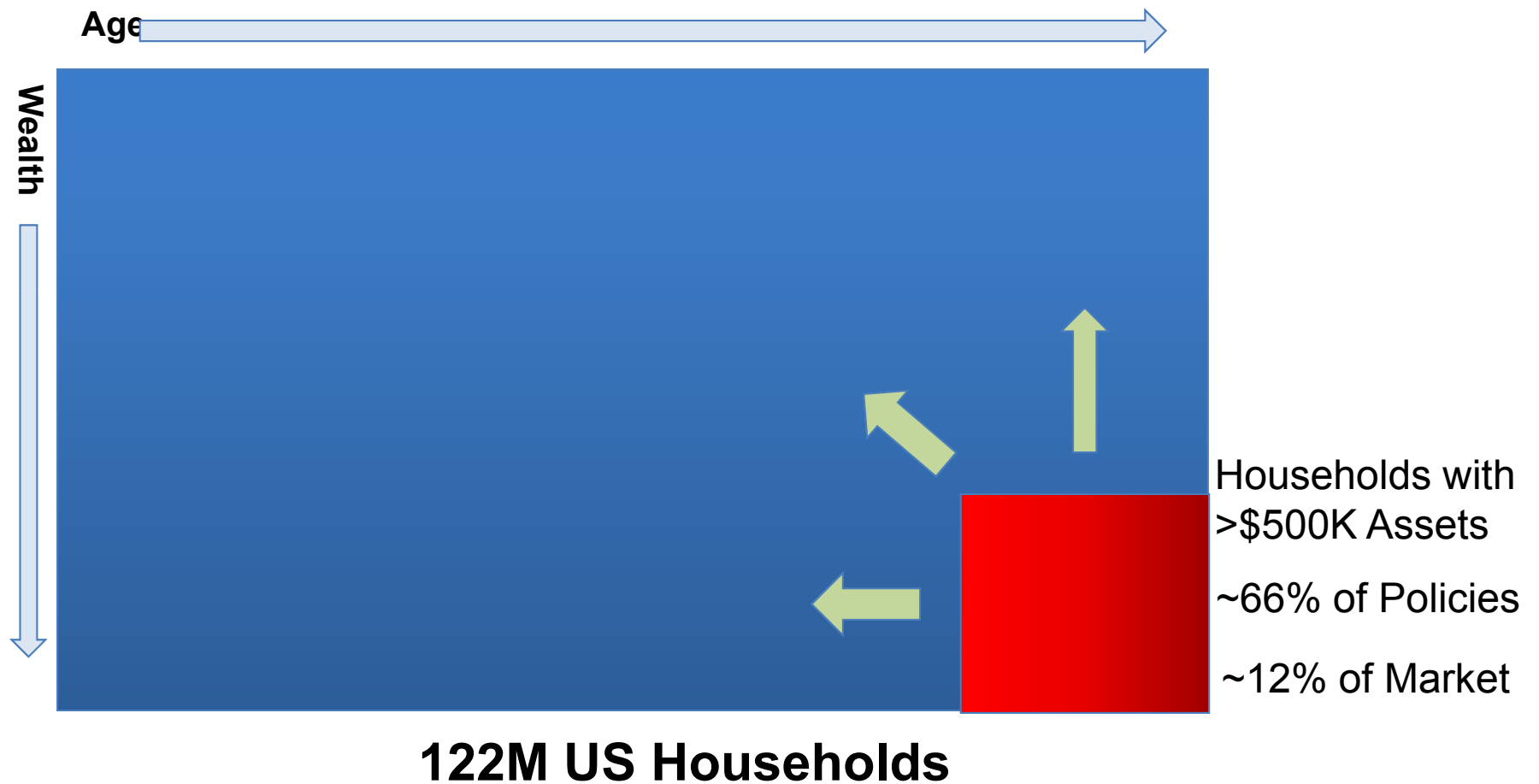
Maybe around \$75?

Great. That will provide around \$246,000 of LTC insurance benefits where you can use up to \$2,460 per month for LTC support.

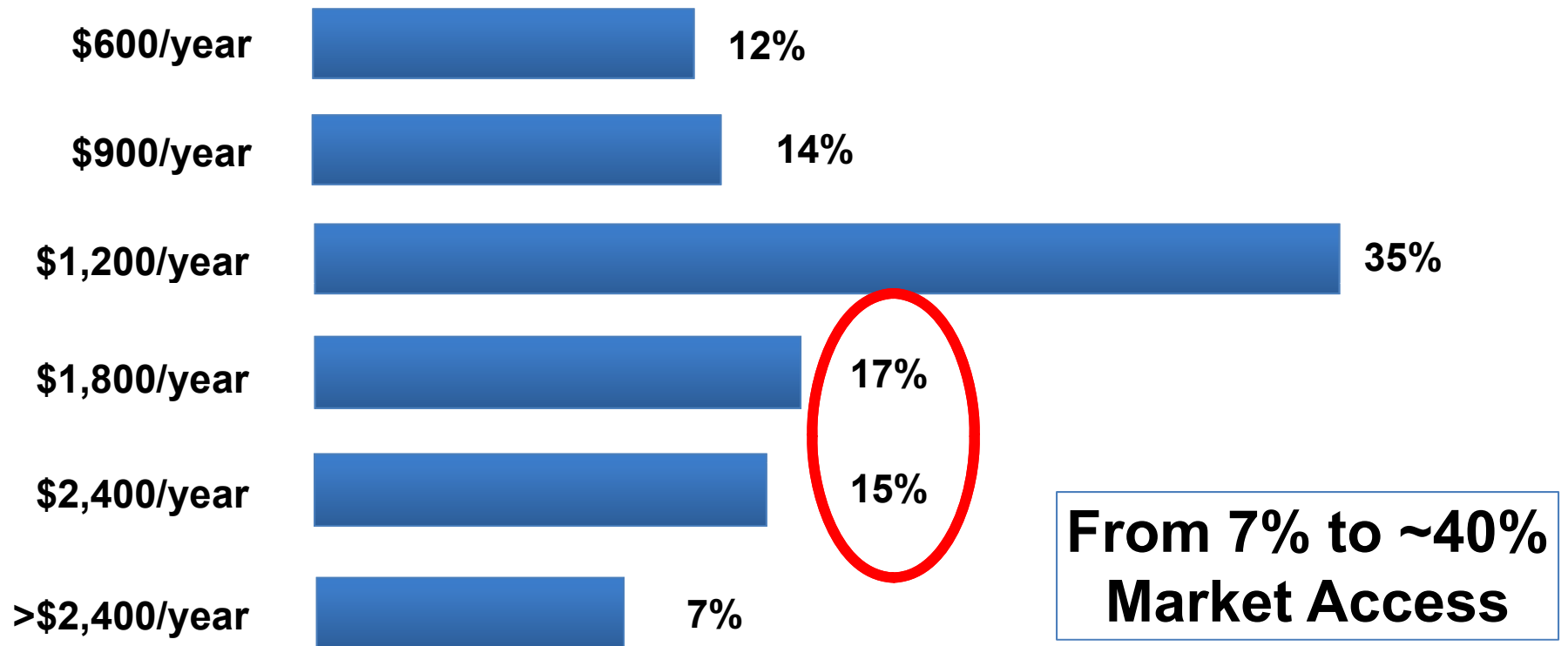
Industry History



Consumer Context



Affordability Opens the Market



Source: Genworth Consumer Insights Team

Q18_V. What is the maximum amount you would consider paying for your Long Term Care Insurance coverage?

Affordable Value... Today



Healthy married couple, age 55, Dallas, TX

Monthly Max.- \$4,200
Benefit Multiplier- 36 months
Elimination Period- 90 days
Inflation- 3% compound
Shared Coverage

Initial coverage- \$151,000
(\$302,000 combined)

Age 82 coverage- \$335,000
(\$671,000 combined)

\$1,800/year

Marketing

Long Term Care for the Middle Market



15th Annual Intercompany Long Term Care Insurance Conference

- LTCi is too expensive for the middle market.
- Middle market consumers aren't thinking about LTC and aren't concerned about it.
- LTCi is an asset protection product that isn't applicable to the middle market.
- Men are not likely buyers of LTCi.

Middle Market Buyers

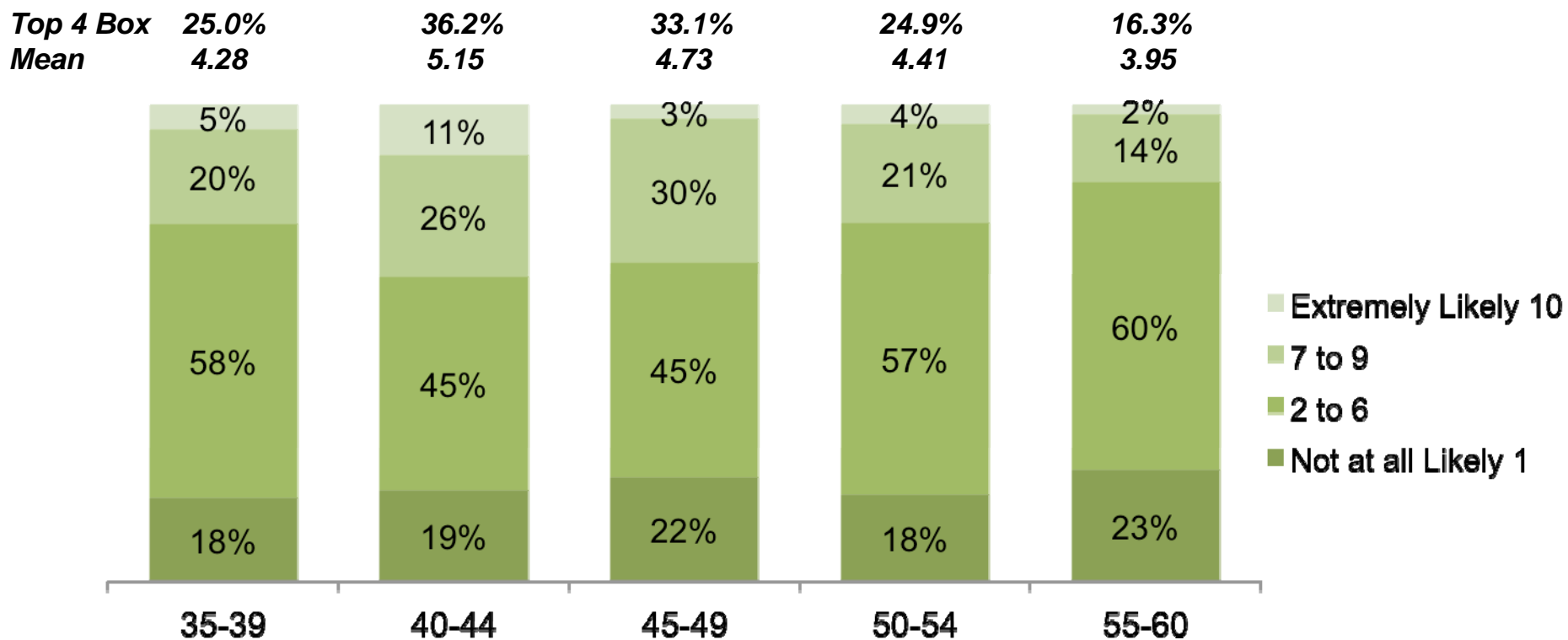


- Middle market consumers are defined as those households earning between \$35,000 and \$75,000 annually¹
- Prime market ages 35-60
- This represents a large opportunity with more than 21 million potential consumers²

¹Transamerica Life Insurance Company, LTC and Middle Market survey 2013

²www.census.gov/population/age/data/2012

Purchase Intent by Age Group



*Transamerica Life Insurance Company, LTC and Middle Market survey 2013

- When presented with a long term care plan that meets the needs for protection, addresses budget concerns and provides a good value, the middle market consumers will purchase LTCi
- For many in the middle market their primary asset is their home. A Partnership qualified plan can help protect their assets from the spend-down requirements of Medicare.

¹Transamerica Life Insurance Company, LTC and Middle Market survey 2013

- Despite having a strong need for LTC, middle market consumers are not currently being targeted by either agents or LTCi companies, who wrongly assume:
 - Life insurance is their only need
 - There's not a strong business case to justify the effort
 - The sale is too complicated
- Middle market consumers can help us increase the size of the LTCi marketplace, traditionally considered a small market.

Product Solutions

Marketing

Distribution

Key Takeaways



- The Middle Market is a huge, untapped opportunity.
- We can't expect to succeed with the Middle Market by maintaining the status quo.
- We must create a new paradigm with current products, marketing, and distribution.
- We have the tools to tap into this market today – we just need to leverage them.

Any Questions or Other Ideas?

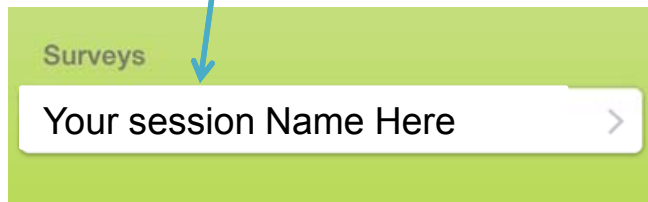
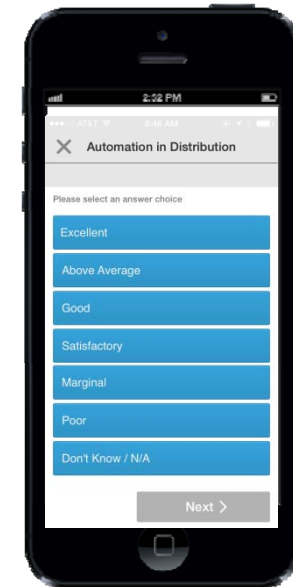
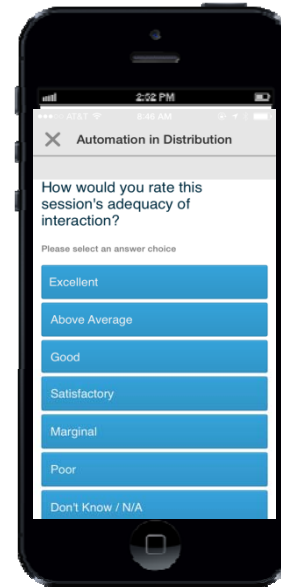
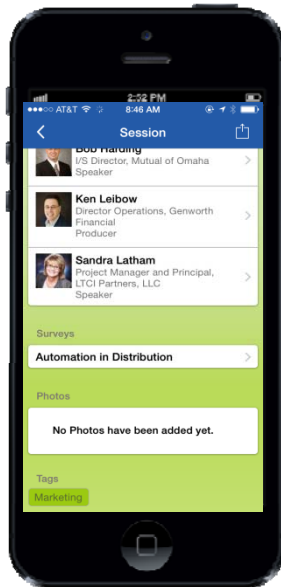
Don't forget to fill out the survey



1st you must have download the ILTCI Mobile App
- Go to your app store; search ILTCI. It's free.



1. Find the session
2. Scroll to the bottom
3. Tap on the session name below the survey



Tap on the answer you wish to submit

Click Next