Alternative Solutions

Beyond Traditional Stand-alone Long Term Care Insurance

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



Alternative Solutions

Beyond Traditional Stand-Alone Long Term Care Insurance New Opportunities; New Products

Brian Vestergaard, LifeSecure Mark Dearsley, Partnership UK Dave Peters, Medico



16th Annual Intercompany Long Term Care Insurance Conference

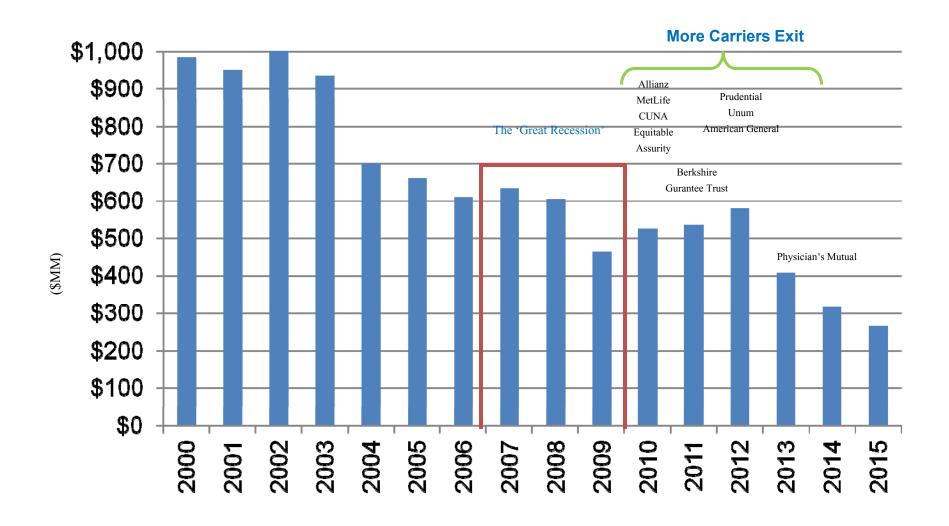
BEYOND TRADITIONAL STAND-ALONE LTC INSURANCE – NEW OPPORTUNTIES; NEW PRODUCTS



- 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)

LTCi Industry Sales Trends: 2000 – 2015





Source: LIMRA International

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

BEYOND TRADITIONAL STAND-ALONE LTC INSURANCE – NEW OPPORTUNTIES; NEW PRODUCTS



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 significantvoluntary 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

Insurance Protection is Low



- As a result, LTCI failed in UK
- At its height, penetration was less than 1%
- The last pre-funded care policy was sold by Partnership in October 2010
- Less prepared than US citizens (13% insured)

Source: ¹ Association of British Insurers

² LIMRA and Life Happens, "2015 Insurance Barometer Study"

...And the Impact is Far-reaching



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

Customer



- Residents run out of money resulting in:
 - Empty beds
 - · Lower yield

Senior Living Facility



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

Family



Cost of state provision

Government



Current Position in the UK



- Vast majority of UK population arrives at pointof-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

Extrapolation to the US (continued)



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

2016 Product Launch by Genworth



Immediate Need Annuity | IncomeAssurance Series

IncomeAssurance™ Immediate Need Annuity

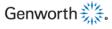
Preparing for now





IncomeAssurance™ Immediate Need Annuity

Producer Guide



Issued by
Genworth Life Insurance Company, Richmond, VA

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Conclusion



Thank you

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Alternative Solutions

Short Term Recovery Care Insurance

Dave Peters
Medico





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!



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



Planning

- 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 <u>not</u> 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





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



Planning

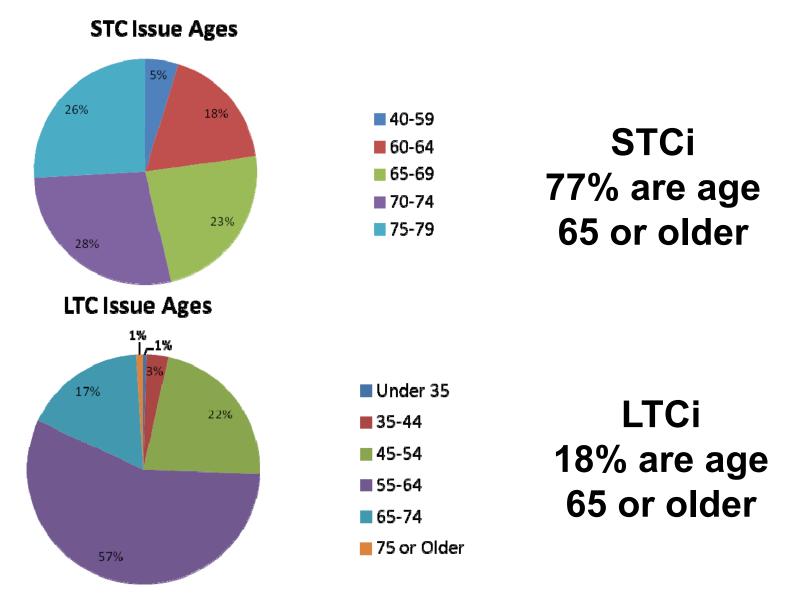
- It's not an "either/or" question. Talk to customers about STRC to cover their financial risk
 - Fact: Majority of LTCi policies have a 90 day elimination period
 - Fact: Majority of LTCi policies are tax qualified and require a need expected to last 90 days ("90 day certification") to collect benefits
 - 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?

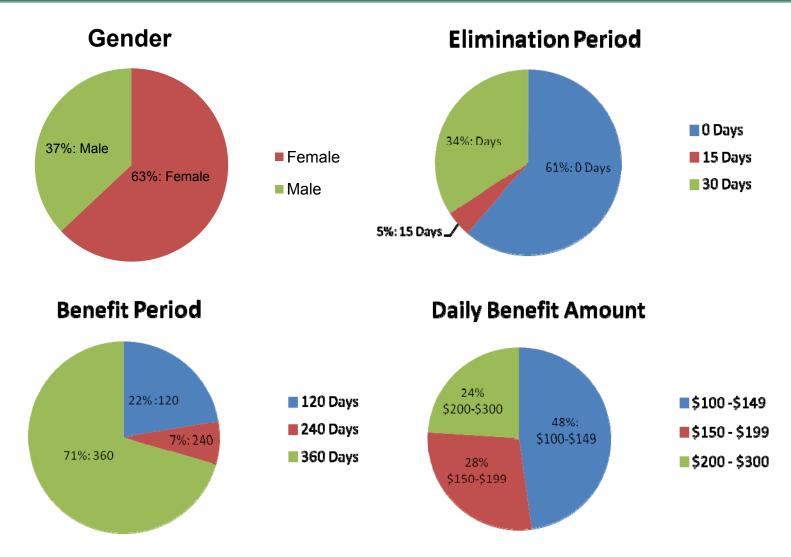




ILTCI

Average Short Term Care Client





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

Decline Rates: STCi vs. LTCi



Age	LTCi Decline Rate	STCi Decline Rate
Under 50	12%	18%
Age 50-59	17%	25%
Age 60-69	26%	18%
Age 70-79	45%	21%
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)



\$150 Day Benefit, 0 Day Elimination Period, Monthly Rates

Age 55		Age 60
	120 Days = \$22.05	120 Days = \$28.70
	240 Days = \$33.59	240 Days = \$46.64
	360 Days = \$46.47	360 Days = \$64.99
Age 65		Age 70
	120 Days = \$44.17	120 Days = \$63.24
	240 Days = \$73.41	240 Days = \$111.31
	360 Days = \$101.82	360 Days = \$151.46

Summary



- More people are searching for a solution to the high cost of care
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SHORT TERM RECOVERY CARE INSURANCE





Alternative Solutions

An Alternative to Traditional Home Care Insurance

Presented by Brian Vestergaard based on content provided by

True Freedom







PREMIER PLANS



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



<u>AGENCY</u> 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**.



Four Plan Options



- **❖** PLATINUM
- GOLD
- **SILVER**
- ***** BRONZE

Plan options vary by service hours, lifetime membership hours and cost.



BRONZE PLAN

150 Initial Home Care Service Hours1,500 Lifetime Membership Hours\$95 Monthly / \$1,140 Annually*(\$30,000 Current Lifetime Retail Value)

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.

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GOLD PLAN

600 Initial Home Care Service Hours6,000 Lifetime Membership Hours\$295 Monthly / \$3,540 Annually*(\$120,000 Current Lifetime Retail Value)

PLATINUM PLAN

1,000 Initial Home Care Service Hours10,000 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.

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Advantage of Using "Hours"



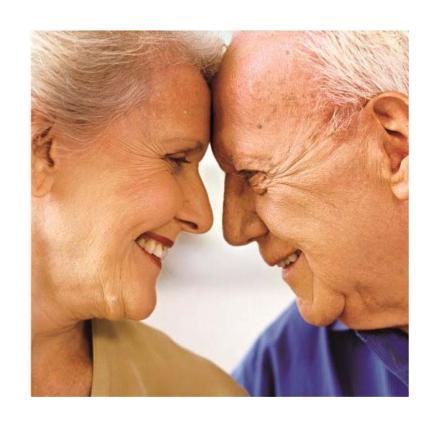
HOURS – Because the consumers is purchasing access to "HOURS" instead of "Dollars Per Day," the value of the hours in their selected plan automatically increases with the cost of home care over time.



Advantages - Summary



- No Health Questions
- No Claim Forms
- No Deductible
- No Co-Pays
- No Age Limits
- Convenient Enrollment
- Field Issue Contract
- No Health Triggers



Pricing Provisions



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

BEFORE YOU GO......



- Thanks for your attention and participation.
- We aim to please!
- So please give us your quick feedback!