

Marketing & Distribution

What's New in Combo Products Marketing

Targeting a Broader Market



18th Annual Intercompany Long Term Care Insurance Conference

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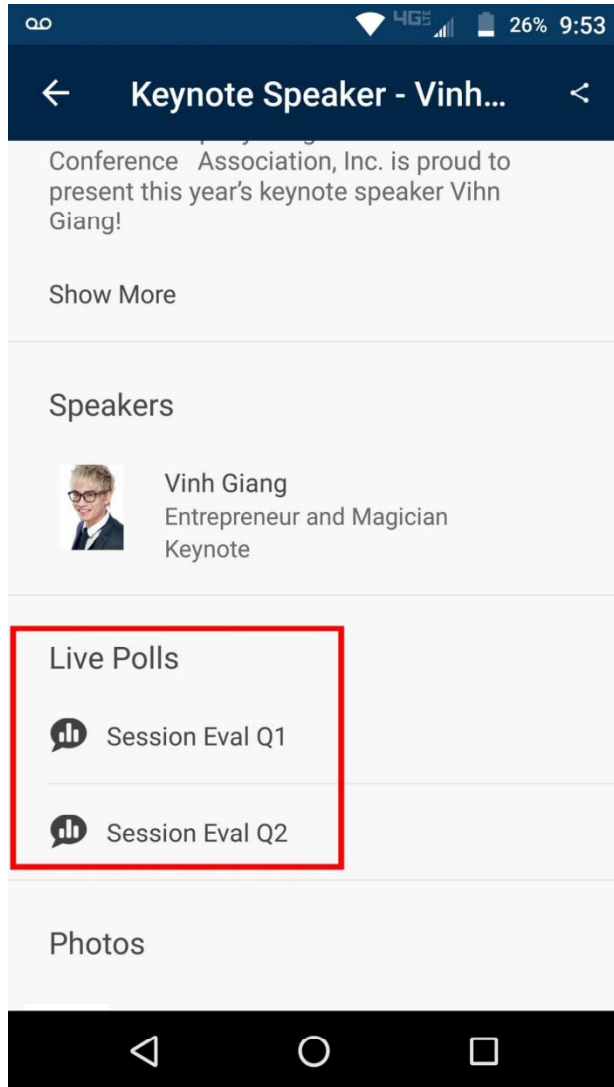
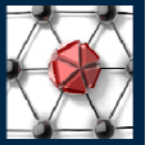
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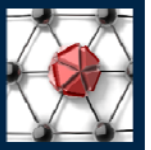


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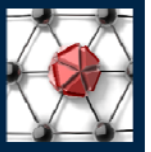
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Panel

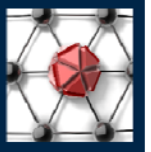


- Moderator: Linda Chow, FSA, MAAA, Ernst & Young
- Ryan Bivins, Pacific Life
- Marc Glickman, FSA, MAAA, LTCP LifeCare Assurance
- Ron Hagelman, CLTC, CSA, LTCP Ice Floe Consulting
- Alex Ritter, CLU, FLMI, LTCP, Baird

Objectives

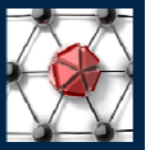


- Define the middle market and mass affluent segments and explore the opportunities they present
- Discuss how we can leverage product features and marketing concepts to make combo products accessible and appealing to these segments
- Explore how to reconcile the sales process with the realities of these segments (i.e. reframing goals for coverage)



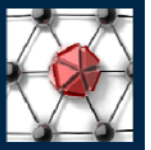
- Substantial growth in combo products
- However, this growth has been narrow in scope
- There is a significant opportunity for even broader growth if we go down-market

What is the Opportunity?



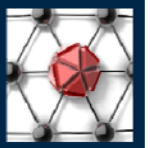
- Expand our reach beyond the high net-worth and affluent client by focusing on the “mass affluent” and “middle market”
- We have tools available to us to effectively sell to these segments – we just need to know how to effectively leverage them
- We are barely scraping the surface of our immediate addressable market, let alone our total addressable market

Defining the Opportunity



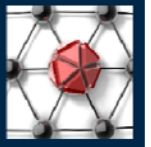
- “Middle Market” and “Mass Affluent”
- Asset-Based products with Income-Based premiums
- Substantial growth within reach with minor changes to distribution, marketing, and sales processes

Defining the Opportunity



- Middle Market
 - Household Income
 - 40th to 70th percentile
 - \$45k to \$100k
 - Net Worth
 - 40th to 70th percentile
 - \$50k to 300k
- Mass Affluent
 - Household Income
 - 70th to 85th percentile
 - \$100k to \$150k
 - Net Worth
 - 70th to 85th percentile
 - \$300k to \$800k

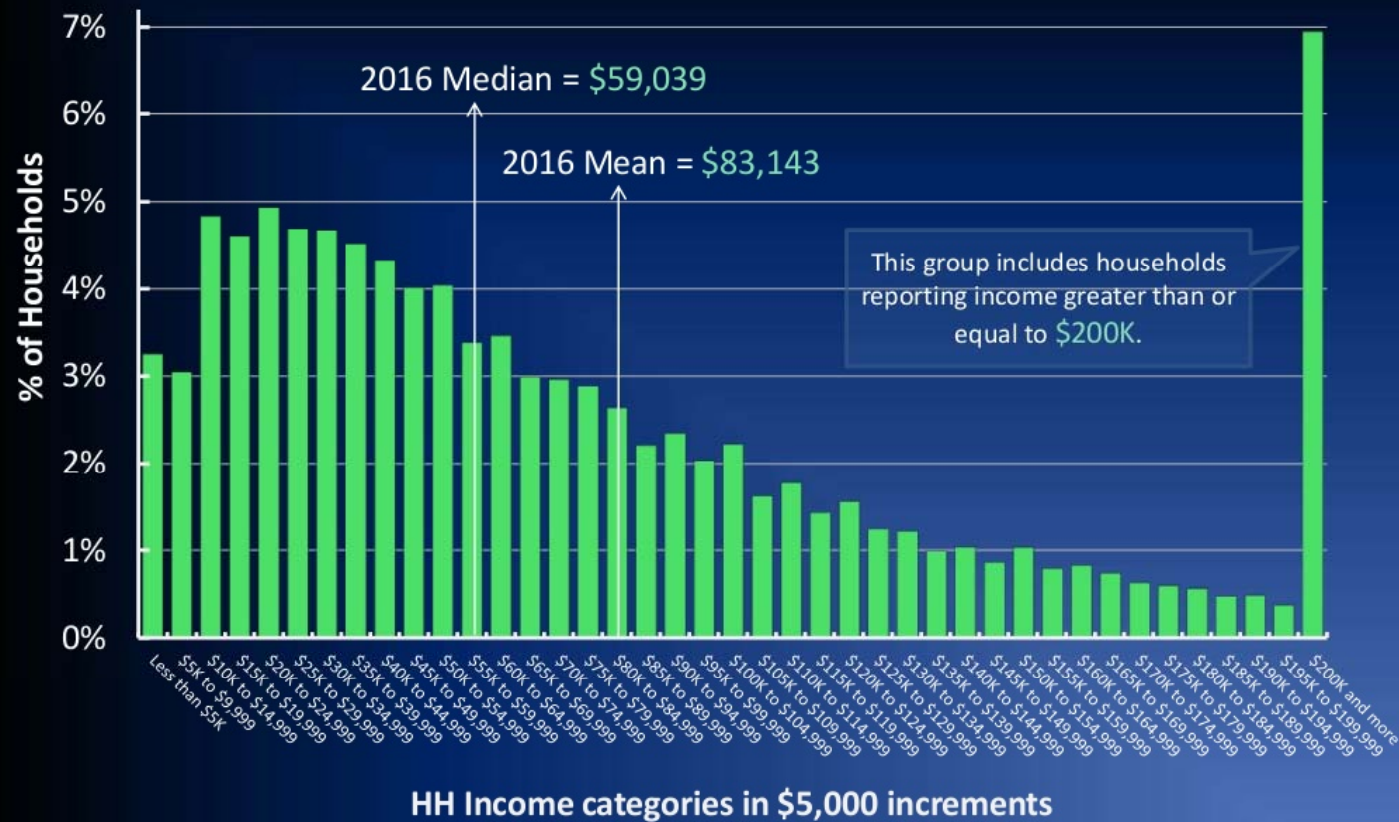
Comparing with our Current Target Markets



- Affluent
 - Household Income
 - 85th to 97th percentile
 - \$150k to \$275k
 - Net Worth
 - 85th to 93rd percentile
 - \$50k to 250k
- High Net Worth
 - Household Income
 - 97th to 99th percentile
 - \$275k to \$500k
 - Net Worth
 - 93rd to 97th percentile
 - \$2 to \$5 million



Distribution of U.S. Household Income Total Money Income in 2016



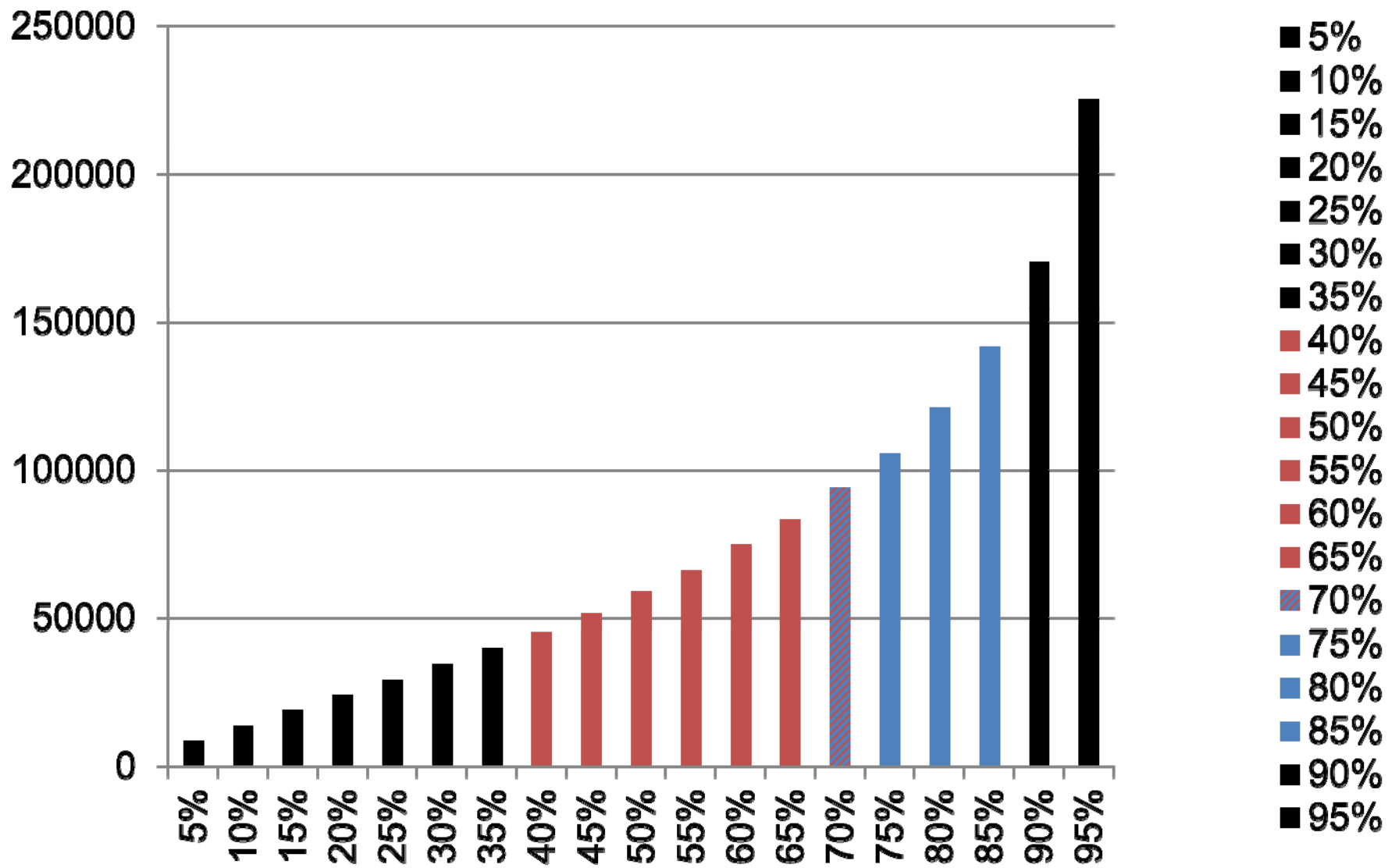
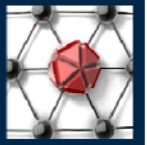
Source: U.S. Census Bureau, Current Population Survey, 2017 Annual Social and Economic Supplement & FRBSF Calculations



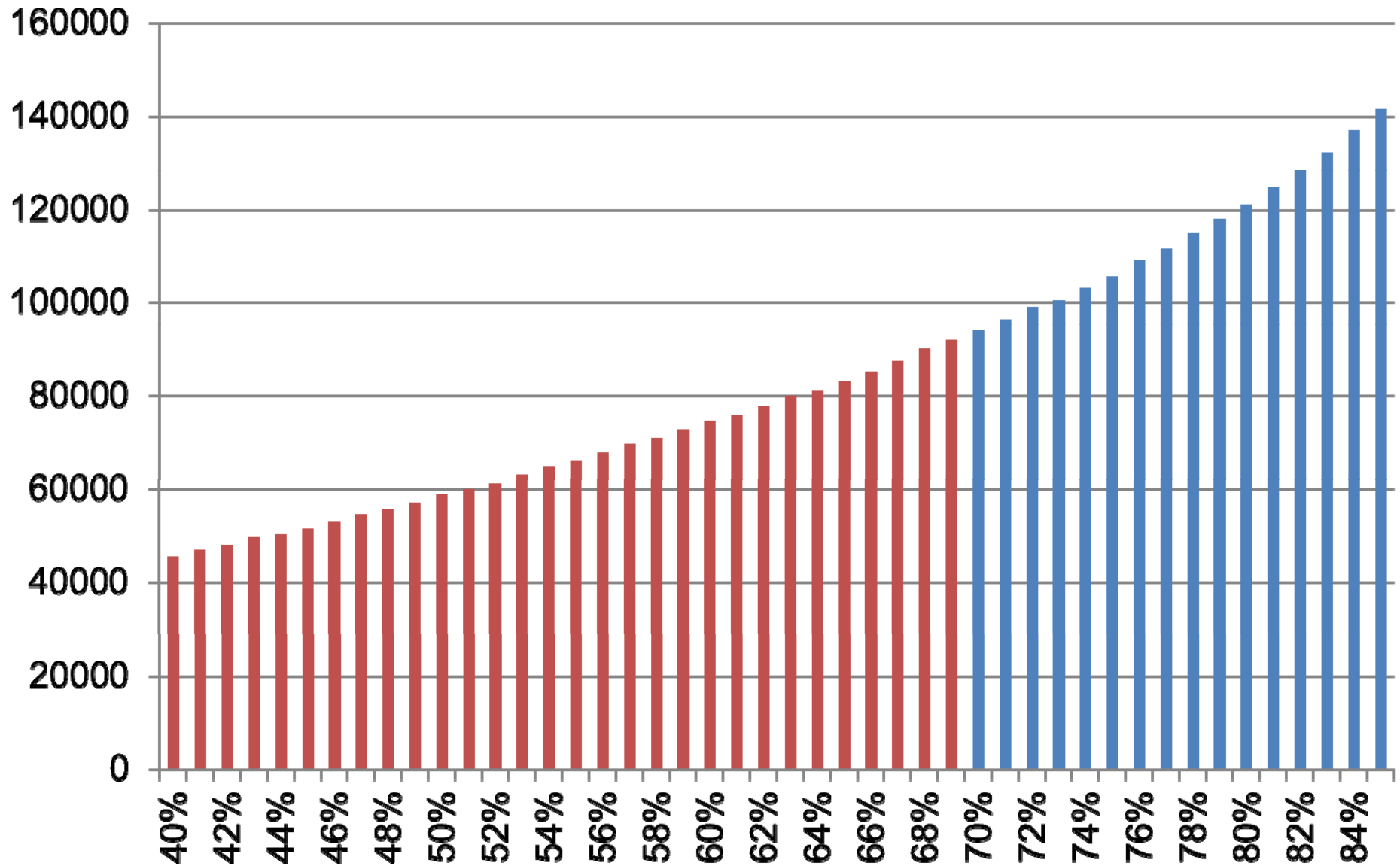
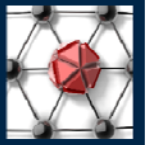
www.frbsf.org/education/teacher-resources/datapost

FRBSF Education & Outreach

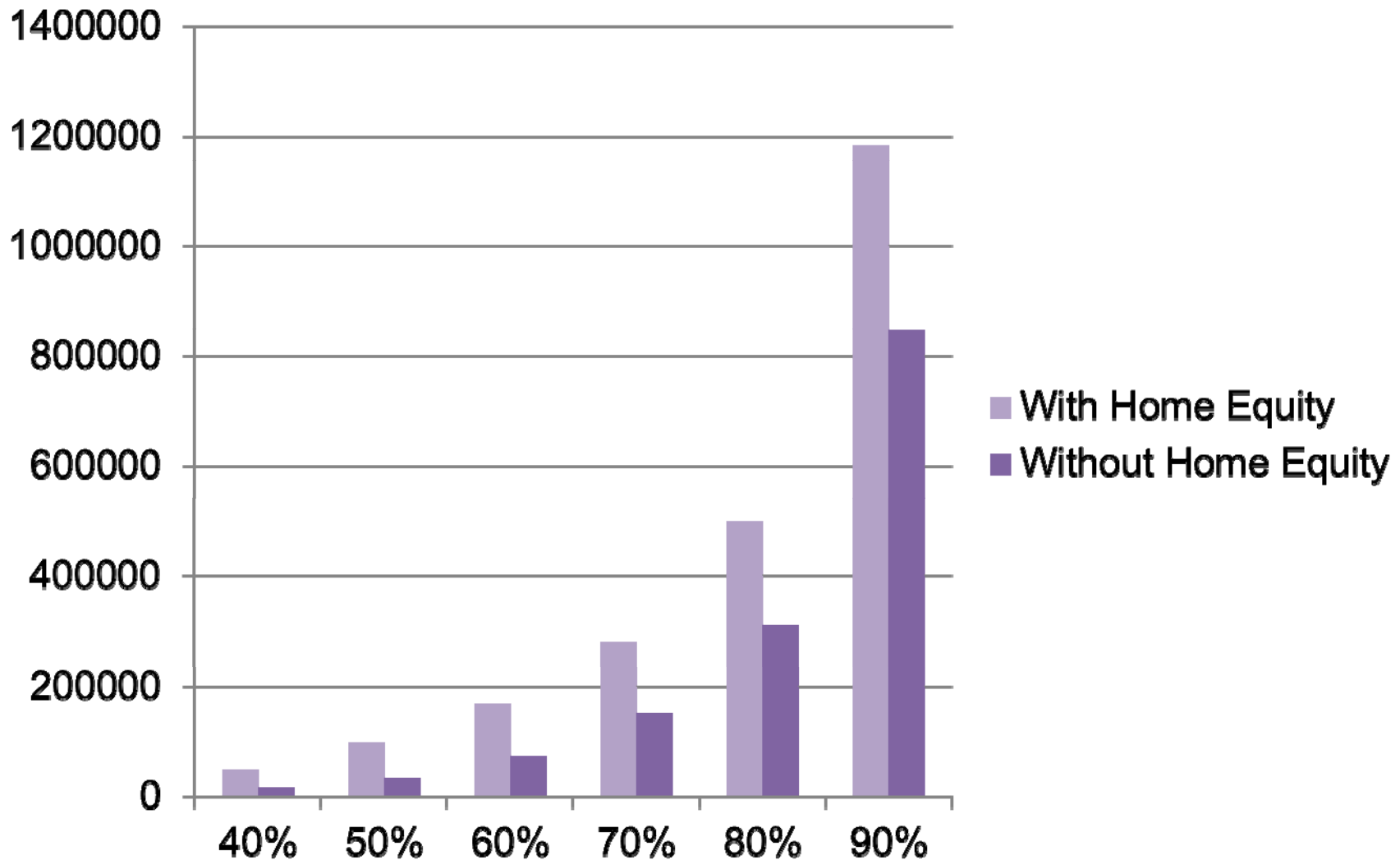
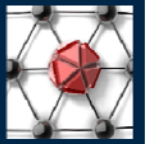
Household Income by Segment



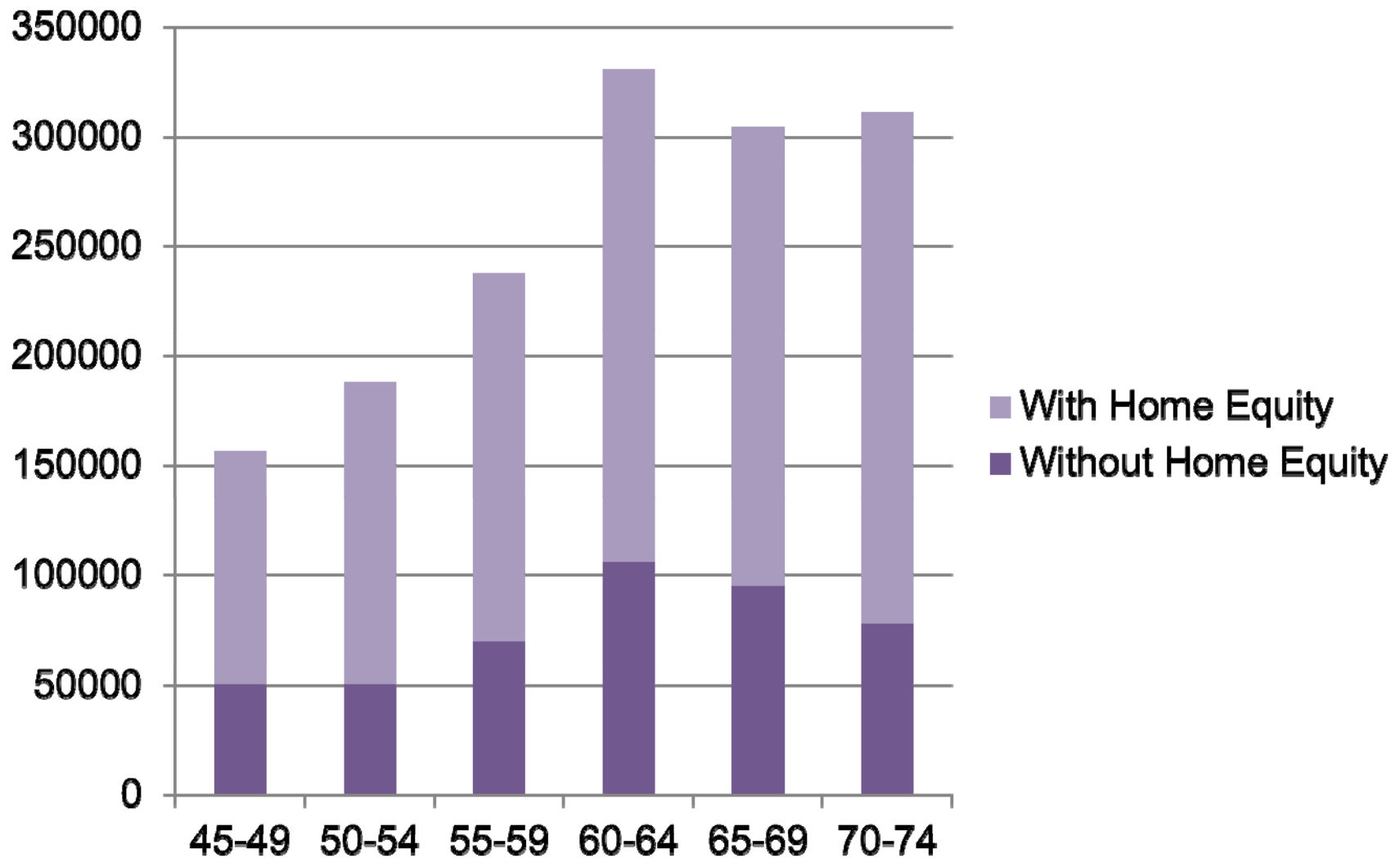
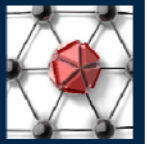
Middle Market and Mass Affluent Income

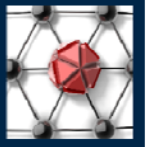


Median Household Net Worth by Percentile



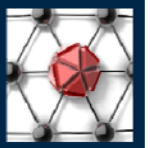
Median Household Net Worth by Age Band



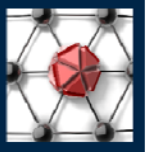


Multi-Pay is a tool we can leverage to reach a broader market with obvious benefits

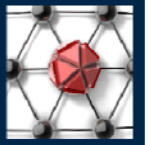
- Address the Need Earlier
 - Makes LTC planning accessible to younger clients
 - Lower rates, better underwriting outcomes
- Utilizes income, not assets
 - Sell to clients during peak earning years
 - Fully fund prior to retirement
 - Less intimidating premiums



- The key is to educate producers on how to find LTC opportunities in their book of business
- Sales profile of a single pay case versus a multi-pay case
 - Sales strategies for single premium have been pervasive – multi-pay not so much
 - Reframe the producer’s notion of what a “typical case” looks like



- Having Effective Conversations with Advisors
 - Articulate and reinforce the need
 - Reframe expectations of ideal client
 - How to approach conversation
 - Highlight the necessity of LTC planning through a financial plan



What Do You Think Is The Biggest Consumer Objection...

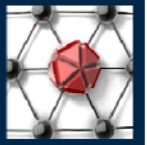
LTCi is too expensive

I've heard negative things about LTCi

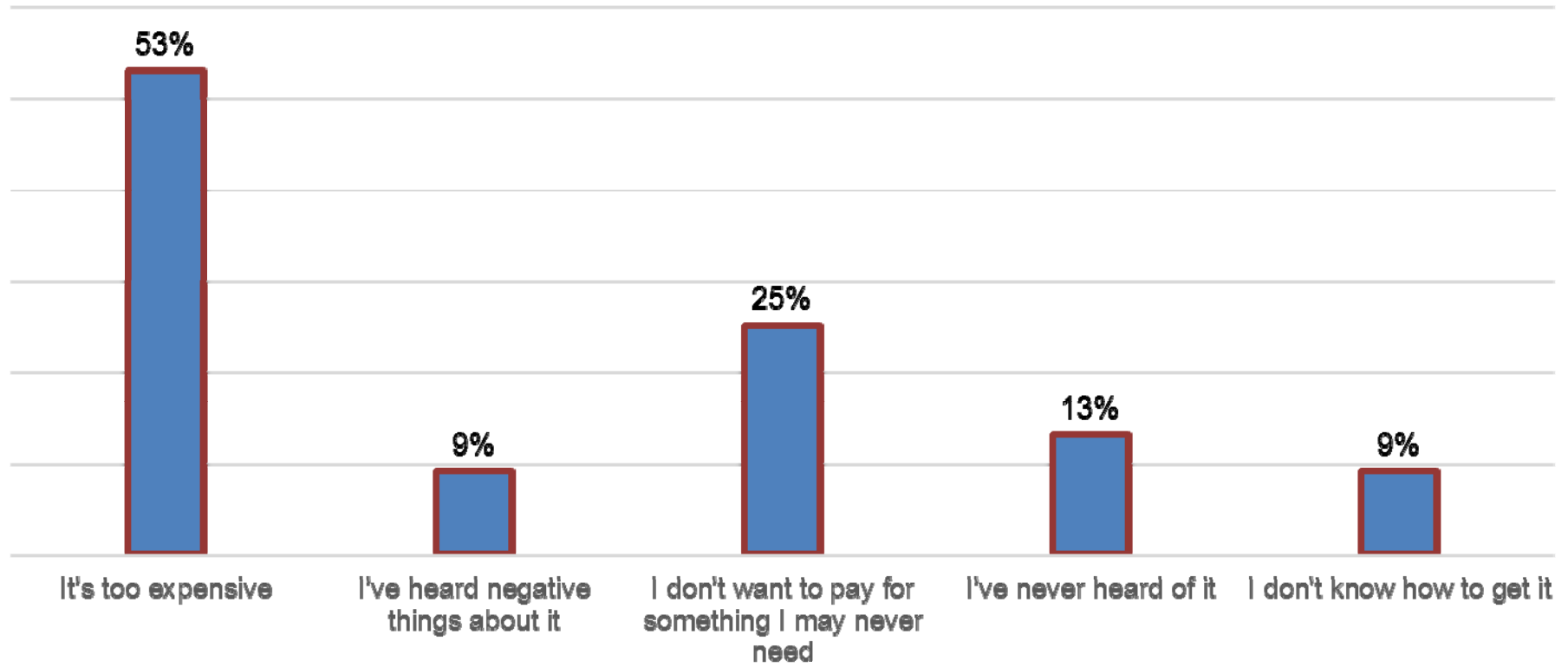
I don't know how to get it

Don't want to pay for something I may never need

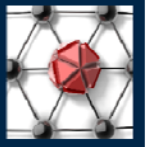
I've never heard of LTCi



Consumer Objections



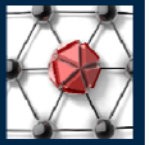
Harris Poll, August 2017



What Makes Reverse Combo Compelling?

- Traditional LTCi + Rider
- 100% return of premium (death) / 80% cash (surrender)
- Remove use it or lose it and mitigate rate increase concerns
- Leverage strengths of traditional LTCi in combination with the concepts that make combo products appealing to reach broader market
 - Affordable premiums
 - Flexible designs (any payment period, COLA, shared benefits)
 - Health insurance tax deductibility
 - 1035 exchange capable
 - Partnership qualified with COLA

Reverse Combo

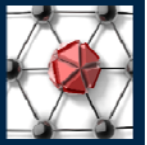


Age 55 Couple
LTCi Benefit Pools at Age 85

Affordable.....Affluent

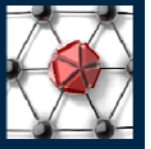
\$50/Mo ???	\$3,300/Yr Good	\$5,400/Yr Better	\$7,600/Yr Best
\$73,000	\$850,000	\$1,700,000	\$3,000,000
\$50/day	\$100/day	\$150/day	\$200+/day
2 Yr BP	3 Yr BP	4 Yr BP	5 Yr BP
0% (or 3% Comp)	3% Comp	3% Comp	3% Comp
100% ROP	100% ROP	100% ROP	100% ROP
80% Cash Surrender	80% Cash Surrender	80% Cash Surrender	80% Cash Surrender

**A LTCi plan can provide the family:
Time / Care Coordination / Tax-Free Benefits / Piece of mind
Best Plan Possible vs. Best Possible Plan**



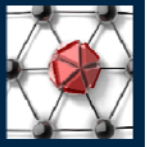
Funding Source

- Understanding client's "balance sheet"
- Assets or Income
- Meet budget expectations



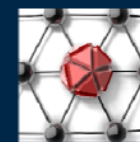
Starting the conversation with *'Target Budget'*

- Finding an “Anchor Plan”
 - Anchor becomes the starter plan
 - What do you pay for “insurance?” (Life, Auto, Home, DI)
 - Generally \$1k-\$2k
 - DI approach: 2%-5% of income to protect asset
 - 401k “match” approach
 - Quote monthly
 - Start with lifetime premium before showing 10-pay



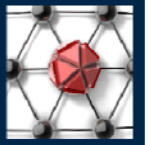
Middle Market is Not Middle Ground

“Contraiwise” continued Tweedledee, ‘If it was so. It might be and if it was so, it would be; but as it isn’t, it ain’t. That’s Logic.’”



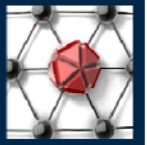
We Missed the Whole Side of the Barn!

- Virtually all our initial assumptions about the nature of long term care risk have proven to be glaringly incorrect.
- In the beginning we thought it was just a Medicare look alike common everyday individual health product. We were wrong on every account.
- We thought it would lapse generously and predictably like all it's former genetic relatives. Instead it became the most "beloved" A&H product of all time.
- We measured the size of the problem as we always did through the myopic vision of catastrophic risk. The truth is the great and vast majority of LTC claims are financially manageable.



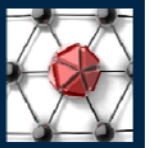
We Missed the Whole Side of the Barn!

- The most basic question; “How much is enough?” simply backfired and continues to isolate solutions to only the most affluent members of our society.
- The real question should have been;” How little is enough to preserve private pay status?” The question should have been phrased and the solution styled to protect our most egalitarian principles of freedom of choice and dignity of care!
- Insurance funded family caregivers and assisted living facilities with dog walking services have nothing to do with insurance.



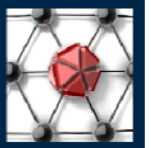
Our Future Must be Defined by our Failures

- 8 Million have bought some form of Chronic Illness Insurance
- 54 Million did not!
- 83% of all paid claims would have been covered by “Access” to \$100,000
- Very few of the total benefit dollars sold have been used for claims!



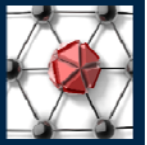
Our Future Must be Defined by our Failures

- Sales have been basically FLAT for 15 years with about 500,000 folks purchasing some form of protection each year
- Onerous rate increases have contaminated the entire sales environment
- As new premiums rise we have created our own inverse rate sales spiral rapidly reducing the ranks of those who can afford to leverage the “entire risk”



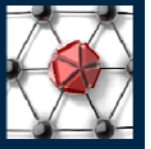
Middle Class Products Inherit a Vacuum!

- Two new market directions fueled by past failures lead to better Middle Class access to sales:
 - “Point of Need “ leads to the Adult Children
 - Rigid stand alone Underwriting leads to mild Impaired Risk



Creative Combo products can now directly addresses the greatest consumer obstacles to past sales:

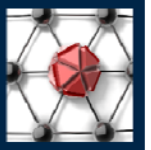
- “Use it or lose it” is gone as someone will always get something with Combo products
- Premium is cut dramatically as the purpose of the sale changes from replacing the risk with insurance to merely adding supplemental coverage to remain a private pay patient
- Premium and benefit levels can be defined and guaranteed
- Potential “Universal Acceptance” allows the Group/Multi-Life market to return



How do we sell distribution on the value of going down market?

How do we get producers (and distributors) to see the value in small wins in their book of business?

Cultivating Infrastructure in Distribution

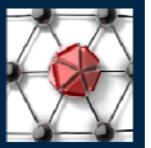


We need to develop economies of scale to pursue smaller cases in these segments.

Most middle market consumers interact with financial services through the worksite, banks/credit unions, and P&C agencies.

What approaches can we take to address these channels?

Reinventing the Sales Conversation

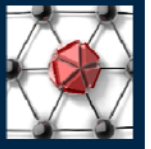


How can distribution change the sales conversation to be more effective at appealing to a broader market?

What can data tell us about coverage?

How does appropriate coverage for these segments differ from what we sell to our current target markets?

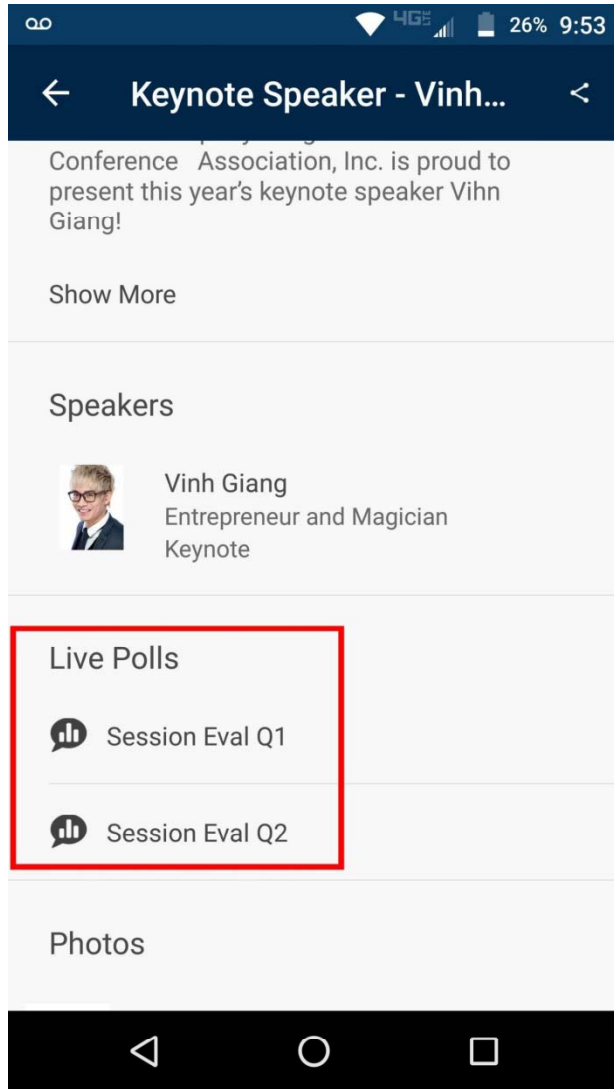
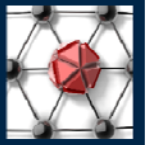
Developing a Marketing Plan



If a marketing agency wants to target these segments, but don't know where to start, what advice would you give them?

What does a marketing plan look like?

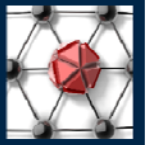
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