

# Long Term Care - The Realities, Hurdles & Opportunities

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*of America*

# Highlights

- Industry sales down again in '08 (projected -9%) for 2008 after decreasing in '06 and '07.
- Tremendous opportunity in the “LTC marketplace” with proper consumer education
  - Starting to see more employers offer group LTC plans in the workplace but slow growth and will take a number of years – especially in today’s economic environment.
  - State partnership programs continue to grow.
  - Must redefine “LTC marketplace” to include stand-alone and life/LTC and annuity/LTC combo products.
    - Confusing to traditional life and annuity producers.
    - Partnering with unbiased producers extremely important.

# Agenda

- Long Term Care Realities
  - Consumer Need
  - Company Pricing/Reputation
- LTC Hurdles
- LTC Opportunities
  - New Products

# Long Term Care Realities

- ┌ Market Drivers
  - ┌ Sandwich generation
  - Life expectancy
  - Aging of America (38MM over 65)
  - High probability of need (70% over 65 will need some care)
  - Government programs do not cover LTC
    - Private Room - \$75k/year
    - HHA - \$25/hour
  - Consumer choice

# Long Term Care Realities

- ▣ Carrier solvency and contract pricing has been an issue.
  - ▣ Companies exiting marketplace or just going out of business
    - ▣ Penn Treaty – out of business
    - ▣ Consec – moved policies to another trust
  - ▣ Fear of more price increases
    - ▣ Prudential asking for 22% increase for 30,000 policies ('98-'04)
    - ▣ MetLife requesting 18% increase for some policies sold from '98-'06
    - ▣ Genworth, John Hancock asking for increases too
  - ▣ Overall credibility

# LTC Hurdles – Why Aren't More Buying?

- Not viewed as a necessity such as auto or property/casualty insurance
- "My spouse will take care of me."
- "Our kids will take care of us."
  - Mobile population
  - Two income families
- "It's too expensive."
- "The government will provide."
  - If they do, there will be no choice
- "I'm wealthy enough, I'll self-insure."
- "Why should I pay for something for which I may never get a benefit?"

# LTC Opportunities

- LTC pricing becoming more stable.
  - “Bare bones” products being offered for price sensitivity
- LTC Partnership Programs Increasing Awareness of stand-alone LTC.
- Pension Protection Act of 2006 provides tax-free benefits paid from ANNUITIES beginning 1/1/10 and no 1099 distribution forms.
- Life Insurance with LTC benefits selling briskly for those insurable.
  - New products appeal to advisors because there is no application (“ticket”) and very streamlined underwriting.

# *Living Care<sup>®</sup> Annuity Sales Solution*

*A single premium deferred annuity that pays long-term care benefits of up to 3X the annuity*

## The right answers about taxation and self-funding for long-term care

### Taxation – now and after 2009

There are monthly charges deducted from the Living Care<sup>®</sup> Annuity to pay for the long-term care rider. The rider provides clients up to 3X their annuity value (based on value at time of first claim) when long-term care benefits are needed.

Now through December 31, 2009, monthly charges for the rider are considered to be withdrawals

### How this plan beats “self-funding” for long-term care expenses

Let your clients know that repositioning assets to Live outperform a self-funded plan using a CD...in terms and funds available for LTC expenses.

#### LIVING CARE<sup>®</sup> ANNUITY

65 year old male, \$100,000 initial premium. Assumed on July 1, 2008, 28% marginal tax bracket, and the interest rate of 3% is credited in all years.

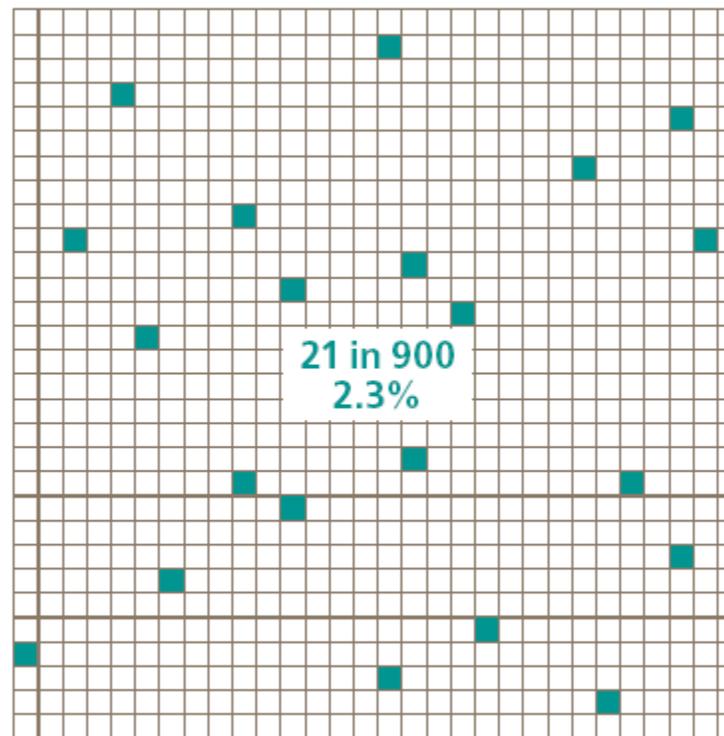
Tax Year	End of Tax Year Account Value	Funds Available for LTC	T



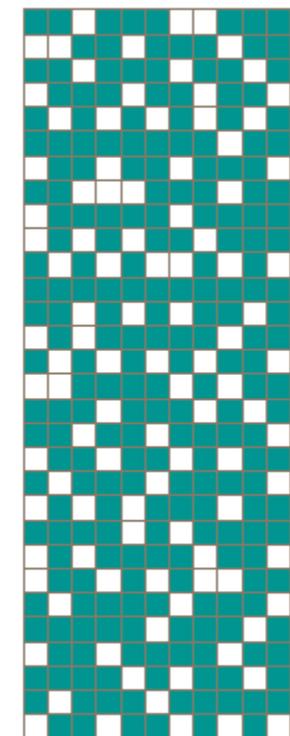
Odds are calculated using statistics from public sources that are deemed to be reliable.

- <sup>1</sup> Fatality Analysis Reporting System, [www-fars.nhtsa.dot.gov](http://www-fars.nhtsa.dot.gov). October 13, 2008.
- <sup>2</sup> National Transportation Statistics, Bureau of Transportation Statistics, [www.bts.gov](http://www.bts.gov). October 13, 2008.
- <sup>3</sup> U.S. Fire Administration, [www.usfa.dhs.gov](http://www.usfa.dhs.gov). October 13, 2008
- <sup>4</sup> U.S. Census Bureau, [www.census.gov](http://www.census.gov). October 13, 2008.
- <sup>5</sup> National Center for Health Statistics, Centers for Disease Control, [www.cdc.gov/nchs](http://www.cdc.gov/nchs). October 13, 2008
- <sup>6</sup> U.S. Department of Health & Human Services, National Clearinghouse for LTC Information, [www.longtermcare.gov](http://www.longtermcare.gov). March 26, 2008.

### Odds of being admitted to a critical care unit<sup>4,5</sup>



### Odds of needin



# Questions?