

Long Term Care - The Realities, Hurdles & Opportunities

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B R O K E R A G E

R · E · S · O · U · R · C · E · S

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
 - ▣ Conseco – 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[®] 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[®] 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

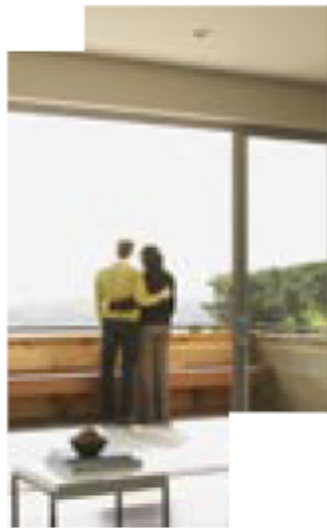
How this plan beats “self-funding” for long-term care expenses

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[®] 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

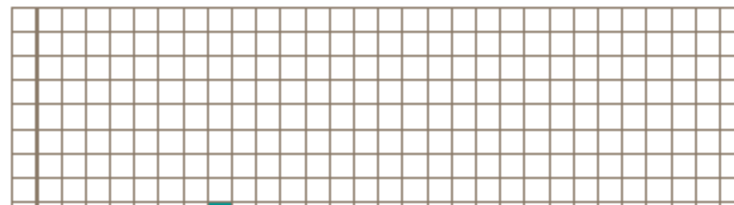


Your clients are insured, right?

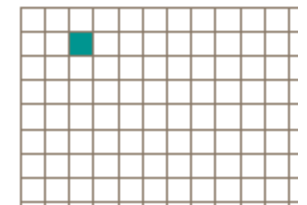
Your clients routinely insure against potential adverse chance of requiring some type of long-term care is m

Tell them about the risks:

Odds of having a car accident^{1,2}



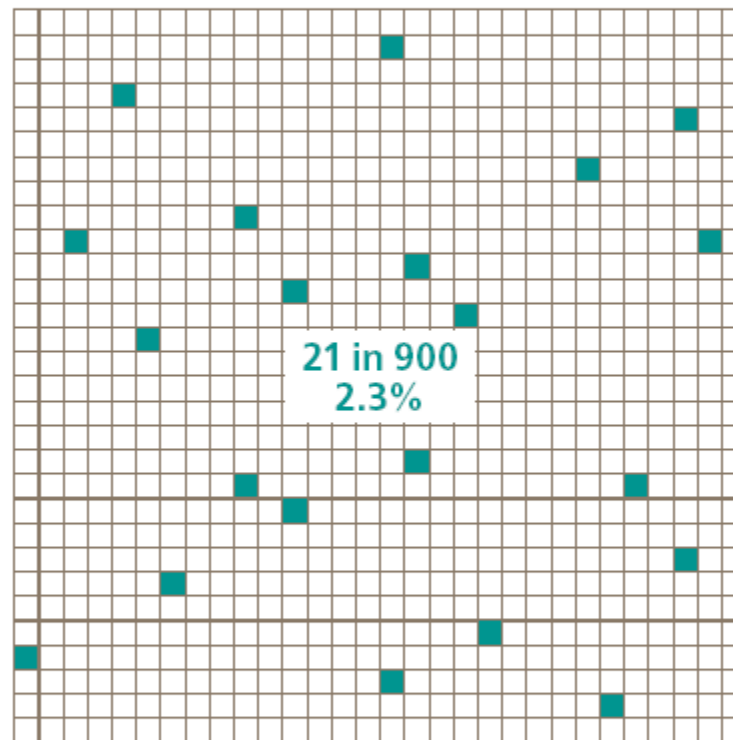
Odds of having



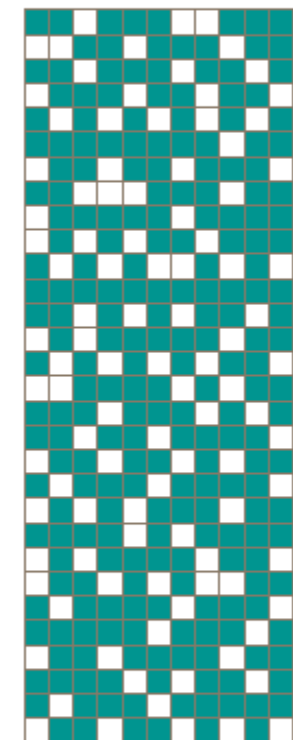
Odds are calculated using statistics from public sources that are deemed to be reliable.

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

Odds of being admitted to a critical care unit^{4,5}



Odds of needir



Questions?