

Prudential Long-Term Care Insurance

# Rate Action Field Toolkit

General Information for Distribution Partners



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## Overview

Prudential began marketing its first individual long-term care insurance policy, Prudential Long Term Care<sup>SM</sup> Insurance or “ILTC1” (GRP 98176, GRP 98177, GRP 98178, et. al) in late 1998. This product was sold through June 2004. We are currently marketing our third-generation individual long-term care insurance product, LTC3<sup>SM</sup> and will be launching an additional individual product in 2009.

After careful review of the experience of the ILTC1 book of business, we have determined that a rate increase is necessary.

We began filing this rate increase with the states in November 2008 and anticipate the first increases to be in effect no earlier than October 2009. The actual rate increase that is implemented may vary by state, depending upon regulatory action. This action does not impact any other individual or group long-term care insurance product from Prudential.

### Key Information:

- We plan to seek an overall average increase of 22%.
  - We are seeking an increase of 28% on policies with the Cash Benefit Rider
  - We are seeking an increase of 18% on policies without the Cash Benefit Rider
  - The rate increase that is implemented may vary by state; this will be determined based on regulatory action on the filing
- State filings for these increases commenced in November 2008.
- The first rate increases will become effective no earlier than October 2009 and will be implemented over the following 12 months as states act on the filings.
- Once a state has acted on our filing, if there is to be a rate increase, we will establish a rate increase effective date for that state. The new, increased rates will become effective in that state on each policy’s first modal premium due date on or after that state’s rate increase effective date.

- We intend to communicate with our ILTC1 policyholders in several ways. Shortly after states act on our filings, we will send impacted customers a First Notice letter making them aware of the percentage rate increase and when it will become effective. Thereafter, not less than 60 days prior to the effective date of their increase, we will send a second Detailed Notice letter that includes an explanation of various options available to reduce the impact of the increase. We will also invite policyholders to call a dedicated customer service line that will be available to assist with any questions or concerns related to the increase.

We understand that this premium increase may be financially difficult for some of our policyholders to absorb. To help meet policyholders' needs, the plan change options we will be providing to reduce the impact of the rate increase will include several specific changes customized for each policyholder so they will know how each election will reduce the impact of the premium increase. We will also explain that they may elect multiple options in order to achieve their desired premium and benefit levels. We will also provide a dedicated customer service line, staffed by representatives trained on issues relating to the premium increases and the options available, to assist policyholders to help customers with these options and to address any questions that arise.

Prudential is committed to this product line and to the long-term success of this business. This action is necessary to help ensure the appropriate funding of anticipated ILTC1 claims.

In our efforts to provide our distribution partners and our policyholders with the highest possible level of service and support, we felt it was important to notify you about this rate action as early as possible and we will continue to keep you informed as more information becomes available.

We have tried to keep these increases as low as reasonably possible in the hope of minimizing the impact on our policyholders and will continue to monitor the performance of this block of business after this rate action. However, it is possible that, as we continue to regularly review the experience of these ILTC1 policies, another increase may be needed in the future.

*\* 90 days for policies sold in the state of Maine*

## Prudential Long-Term Care Insurance Rate Increase Summary

### Summary

After careful analysis of experience, Prudential Long-Term Care has determined that a rate increase is necessary for our individual long-term care insurance product (ILTC1, including Prudential Long Term Care<sup>SM</sup> Insurance, GRP 98176, GRP 98177, GRP 98178, et. al), which is our first-generation product. We began filing this rate increase with the states in November 2008 and anticipate the first increases to be in effect no earlier than October 2009. The actual rate increase that is implemented may vary by state, depending upon regulatory action. This action does not impact any other individual or group long-term care insurance product from Prudential.

### Policies Affected

Prudential Long Term Care<sup>SM</sup> Insurance (GRP 98176, GRP 98177, GRP 98178, et. al)

### Premium Increase

The overall average increase requested will be 22%:

- 28%, for policies with the Cash Benefit Rider
- 18%, for reimbursement policies without the Cash Benefit Rider

The actual rate increase implemented may vary by state, depending on regulatory action.

## Policyholder Options

Policyholders will have several options available.

1. Maintain the current policy and benefits by paying the new premium.
2. Reduce benefits to lower premium by:
  - Decreasing the Lifetime Maximum benefit
  - Decreasing the Daily Maximum benefit
  - Increasing the Benefit Waiting Period
  - Removing the optional Cash Benefit Rider, if applicable
  - Combination of the above options
  - Other options
3. Policyholders whose coverage includes the Shortened Benefit Period, Non-Forfeiture Benefit Rider and who decide to stop paying premiums may elect to continue coverage, with a reduced Lifetime Maximum.
4. Some insureds may be able to exercise a contingent non-forfeiture option so they can change their policy to paid-up status with a shortened benefit period.

## Customer Service

A dedicated customer service unit will be established to handle policyholder questions and benefit changes. The customer service center can be reached at 877-214-6583 and is available Monday through Friday between the hours of 8am and 8pm, ET.

## Timeline for Rate Increase Action

What follows is the anticipated timeline for the implementation of the Prudential Long Term Care<sup>SM</sup> Insurance or “ILTC1” (GRP 98176, GRP 98177, GRP 98178, et. al) rate increase action.

|                     |   |
|---------------------|---|
| November 2008       | — Begin rate increase filing with the states  |
| Starting March 2009 | — Field Notices mailed reminding producers that increases are coming in and that policyholders will start receiving First Notices   |
|                     | — First Notices mailed to policyholders with policies issued in states that have already been acted upon; to continue periodically thereafter as additional take action   |
|                     | — Dedicated Call Center open  |
| Starting July 2009  | — Detailed Notice letters mailed to impacted policyholders with policies issued in states that have already acted on our filings. These letters will be mailed at least 60 days prior to the effective date of each policy’s increase |
| October 2009        | — First rate increases become effective   |
| Ongoing             | — Additional states will be rolled-out as we hear from states   |

## Timeline for Policyholders:

1. State acts on rate increase filing
2. State’s increase effective date established by Prudential, but no earlier than October 1, 2009. Rate increase becomes effective on each policy’s first modal premium due date (Monthly, Quarterly, Bi-Annual and Annual) on or after state’s increase effective date
3. Policyholder First Notice letter sent shortly after regulatory action
4. Detailed Notice letter, including benefit reduction options, mailed at least 60 days prior to the effective date of each policy’s increase
5. If on direct billing, policyholder receives premium due notice with new premium

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## Frequently Asked Questions (FAQ)

**Question:** Why is Prudential raising long-term care insurance premium rates on the ILTC1 product?

**Answer:** After careful review and analysis of the ILTC1 experience, we have determined that the ILTC1 policies need a rate increase. As has been the case for many other long-term care insurers, some of Prudential's pricing assumptions, although based on the best information then available, were later demonstrated to be inconsistent with actual experience. This has been particularly true of policy lapse rates. A rate increase is needed to help ensure that future premiums, in combination with existing reserves will be adequate to fund anticipated claims.

**Question:** Will Prudential raise premiums on this policy again?

**Answer:** We have tried to keep these increases as low as reasonably possible in the hope of minimizing the impact on our policyholders and will continue to monitor the performance of this block of business after this rate action. However, it is possible that, as we continue to regularly review the experience of these ILTC1 policies, another increase may be needed in the future.

**Question:** Will Prudential raise premiums on other individual or group long-term care insurance policies?

**Answer:** Prudential continually monitors and analyzes the experience of all of its group and individual long-term care insurance business. At this point in time, we have determined that only this block of ILTC1 business requires a rate increase.

**Question:** When will this rate increase become effective?

**Answer:** The rate increase must be filed and acted upon by the insurance department in each state. Once an insurance department has acted on our filing, Prudential will determine a rate increase effective date for that state. This date will be no earlier than October 1, 2009. Prudential will provide policyholders with notice shortly after states act on our filings and will also communicate with them at least 60 days prior to the implementation of their rate increase. The increase will become effective on the first modal premium due date on or after the state's rate increase effective date.

**Question:** Can my client change his/her premium payment mode to delay the rate increase?

**Answer:** If your client requests a change to his/her premium mode and his/her policy has not yet been rerated in our system at the time the request is received, this change may or may not result in a delay to the rate increase effective date (depends on timing of when the request is received and processed). On the other hand, if such a request is received after the policy has been rerated in our system but prior to the actual effective date of the rate increase, the change in premium mode will not take effect until after the rate increase effective date. As a standard practice, we strongly recommend that you do not advise your clients to change their premium mode for purposes of delaying the rate increase since there is no certainty that a delay in the rate increase will occur on a specific policy due to these timing issues.

**Question:** Who is impacted by this action?

**Answer:** All policyholders who purchased the Prudential Long Term Care<sup>SM</sup> Insurance or “ILTC1” (GRP 98176, GRP 98177, GRP 98178, et. al) series of products, which were sold between 1998 and 2004. This represents approximately 30,000 policyholders.

**Question:** Will commissions be paid on the new, increased, premium?

**Answer:** No first-year or renewal commissions will be paid on the increased premium.

**Question:** What allows you to raise premiums on this policy?

**Answer:** Each policy describes Prudential’s right to increase the premium it charges for the insurance. Generally, this can be found in both the “Renewability” provision and the “Changes in Premiums” provision.

**Question:** How much is the rate increase?

**Answer:** The overall average increase we are requesting is approximately 22%. The requested increase for policies with the Cash Benefit Rider is 28% and the requested increase for reimbursement policies without the Cash Benefit Rider is 18%. The rate increase that is implemented may vary by state, depending on how the regulators’ act on our filings.

**Question:** What is the timeline for the rate increase?

**Answer:** Prudential began filing the rate increase with the states in November 2008. We anticipate that no earlier than October 2009 we will implement the increase on a rolling state-by-state basis when and where states act on our filings. A field communication will precede a notice to the policyholder. Prudential will provide policyholders with notice shortly after states act on our filings and will also communicate with them at least 60 days prior to the implementation of the rate increase. Our expectation is that the first rate increases will become effective no earlier than October 2009 and will be implemented over the following 12 months as state's act on our filings.

**Question:** What options do my clients have?

**Answer:** Your clients may keep the policy that they have with all of its current product features by paying the new premium rate. If your client would like to explore options to reduce or eliminate the impact of the premium increase, s/he may choose to decrease policy benefits (Lifetime Maximum, Daily Maximum), increase the Benefit Waiting Period, or remove an optional cash benefit or other rider. A dedicated customer service line has been established to handle policyholder questions, requests for benefit changes, and discuss other available options to help reduce premiums. The dedicated customer service line, 1-877-214-6583, is available Monday through Friday between the hours of 8am and 8pm, ET.

**Question:** What role do I play in this action?

**Answer:** Policyholders will be provided with the toll-free telephone number to our dedicated customer service line to discuss their options with a trained specialist. The dedicated customer service line, 1-877-214-6583, is available Monday through Friday between the hours of 8am and 8pm, ET. The customer service specialist can also effect any policy changes your client would like to make. This center is also available to answer your questions regarding the rate increase action. You have been provided with the rate increase tool-kit so that you are able to address any questions your clients might have. However, you should always feel free to refer your clients to the dedicated customer service line, and to call that line yourself for assistance.

**Question:** Who should my client call with questions?

**Answer:** Your client may call the dedicated customer service line at 1-877-214-6583 between the hours of 8am and 8pm, ET, Monday through Friday.

**Question:** What will happen to the premiums of policyholders on claim?

**Answer:** Policyholders who are currently on claim and therefore not paying premiums under the Waiver of Premium provision in their policy will not be immediately impacted by this rate increase. Should the policyholder cease to be on claim, the rate increase will be effective on their next modal premium due date.

**Question:** My client purchased the Shortened Benefit Period Non-Forfeiture Rider. What options are available?

**Answer:** Policyholders whose coverage includes the Shortened Benefit Period Non-Forfeiture Rider may keep the policy that they have with all of its current product features by paying the new premium rate. Those policyholders who have this Rider and who decide to stop paying premiums may elect to continue coverage, but with a reduced Lifetime Maximum as provided in the Rider.

**Question:** Can my client replace their coverage with Prudential's LTC3<sup>SM</sup> policy?

**Answer:** Policyholders can make a request to apply for coverage under LTC3 and, once approved, terminate their current "ILTC1" policy. This would require applying for coverage that is rated at attained age (i.e., the individual's current age) and satisfying evidence of insurability requirements. It should be noted that premiums under a new policy will likely be significantly higher than premiums under an existing ILTC1 policy (even after factoring in the rate increase).

## Why Prudential...

### Prudential – Rock Solid<sup>SM</sup> Strength

The Prudential Insurance Company of America traces its roots to the Prudential Friendly Society, founded by John Fairfield Dryden in Newark, New Jersey, in 1875. Today, with more than 130 years in business, Prudential Financial, Inc., a multinational financial services leader, has over 40,000 employees worldwide. The company has operations in the United States, Asia, Europe, and Latin America. With a focus on helping approximately 50 million individual and institutional customers grow and protect their wealth, Prudential’s well-known Rock symbol is an icon of strength, expertise and innovation that has stood the test of time.

Prudential has always prided itself on its commitment to its customers, and with that steadfast focus, has understood that honesty, integrity, and trust form the cornerstone of each and every one of its relationships. As a matter of routine, Prudential dedicates itself to this way of doing business.

The company’s strength and financial soundness are recognized by the leading financial services ratings agencies.<sup>1</sup>

| A.M. Best | Standard and Poor’s | Moody’s | Fitch Ratings |
|-----------|---------------------|---------|---------------|
| A+        | AA-                 | Aa3     | A+            |

And, Prudential was rated No.4 in FORTUNE® Magazine's 2009 World's Most Admired Companies ranking of the Insurance: Life and Health category.

## **Relevance**

Throughout our long history, we have listened, anticipated and responded to the financial needs of our customers.

## **Expertise**

We have more than 130 years of experience in offering and managing a broad range of financial solutions that address the needs of people and businesses in the US and abroad.

## **Strength**

Our financial stability and operational discipline, and ethical standards assure our customers about our company's commitment to grow and protect their wealth, giving them financial prosperity, security and peace of mind now and for the future.

## **Customer Focus**

We place our customers and their needs in the forefront while developing and managing their financial solutions.

*1. Insurance Claims Paying Ratings as of February 26, 2009*



The Prudential  
Insurance Company  
*of America*

## Long-Term Care Insurance

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