

Prudential LTC EvolutionSM Sales Concepts

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Long-Term Care Insurance

- LTC insurance has been available for over 20 years
- It's estimated that approximately only **9%** of those who need and can afford it have purchased it*
- Prudential's vast team of highly-paid Consultants have studied this in depth.
- Their conclusion: *"If only 9% of prospects have purchased it, that means 91% have not."*
- **How do we get LTC insurance to more people who need it?**

*Source: LTCI - Searching for The Value Proposition, Conning & Associates April 2008

Prudential LTC EvolutionSM is Simpler

- **Fewer decision points** in creating plan design
 - Lifetime Maximum (\$100,000 - \$1,000,000)
 - 90 Calendar Day Elimination Period
 - Built-in Benefit Increase Feature/Option (GIF)
 - Fewer Optional Benefits
- **80/20** - coinsurance reimbursement model for most benefits
- **No daily or monthly dollar limit** on benefits - policy automatically keeps pace with inflation's effect on the daily or monthly actual costs of care
- **Lower premiums**
- **Federally tax-qualified policy**

Inflation Protection: A Different Approach

- For traditional LTCi, inflation protection has two parts:
 - A. It increases the DBA by a % (i.e., 5%)
 - B. It increases the balance of the Policy Maximum Amount by a %
- Because Prudential LTC EvolutionSM does not have a dollar limit/DBA, the basic policy keeps up with inflation's effects on the daily costs of care – No option needs to be added; “A” is taken care of

What About 5% Compound Inflation?

- Clients are required to sign an “I reject (the most expensive, pre-funded, richest benefit) Inflation” form when not applying for 5% Compound Inflation
- As an industry we sell 5% Compound to 45% of our (rapidly dwindling) base of LTCi buyers
- A pre-funded, high-priced, 30-year “Service Plan” may be suitable for some people – but many do not buy LTCi at all because of “Sticker Shock”

How much should I buy?

A. Expected cost of Care Method

1. Expected annual cost of care
2. Expected period of time care will last.
 - a) Example. Expected annual cost of care is \$75,000, expected time care will be needed is 4 years, so my expected cost is \$300,000.

How Much Should I Buy?

A. Asset Protection Method.

1. What is the value of my assets I want to protect?
2. Is it just me, or do I have a spouse also?
 - a) Example. My wife and I have \$800,000 of assets we want to protect.
 - b) \$400,000 of benefit with shared care could be a starting point.

Battling the Cost of LTC Insurance

- My clients seem to be balking at the cost of the policy.
 - Most people evaluate the cost of an item based upon the current value.
 - Hard to recognize future value.
 - Present Evolution with a current needs based benefit. Explaining to them how they can buy more as time goes on, and the coverage gets more valuable to them.

Battling the Cost of LTC Insurance

- Let them increase coverage through the use of the GIF feature.
- It is a simple buy as you go plan.
- The client is given the choice to buy more coverage as time goes on, and circumstances change.
- This is a fundamental change in the way we have historically sold LTC insurance. But more in line with all other forms of insurance.

Wrapping an Existing Policy

- My client owns an older LTC insurance policy that:
 - Has a low daily benefit
 - Does not have inflation or enough inflation
 - Has a short benefit period
 - Pays reduced benefits for Home Care
- What should my client do?

Combating Rate Increases

- My client is facing a rate increase. There are a number of options they can take.
 - Reduce the daily benefit
 - Reduce the benefit period
 - Reduce the inflation option
 - Do nothing
- What should my client do?

Super Charging Combination Policies

- I like to sell combo policies. But it does take a lot of premium to get the benefits we need. Also, I am concerned about inflation.
 - Add on a smaller Evolution policy to supercharge the combo policy. Add shared care when appropriate.

80%/20% Co-Insurance

- “I am concerned about my client having to pay 20% of the cost of care in 25 years”.
 - Better to pay 20% than 100%
 - What can you sell them to guarantee more than a 20% co-pay?
 - Are you doing it now?
 - How are you doing it?

80%/20% Co-Insurance

- “My plan pays 100% of the cost of care”.
 - Really? What did you buy?
 - \$160 per day
 - 5 year benefit period
 - 3% compound Inflation
 - Well, if the cost of care is \$200 today and it goes to \$400 per day in 20 years, here is what you will have.
 - \$290 per day benefit, leaving you with an out of pocket cost of \$110 per day. 70%/30% co-insurance.

80%/20% Co-Insurance

- What options do I have?
 - Merge an Evolution policy with a LTC3 policy.
 - ❖ Sample Model - \$200,000 Evolution with \$100 per day 3 year benefit LTC3 policy with no inflation.
 - ❖ Total benefit pool \$309,500.
 - ❖ 100% coverage of covered expenses up to \$500 per day.
 - ❖ 90% coverage of covered expenses up to \$1000 per day.

I Want to Stay at Home at all Costs!

- 24/7 Home Care can be expensive.
- Are you selling your client a daily benefit that is high enough?
 - Evolution solves this problem.
 - No need to buy a super high daily benefit.
 - Economically cover 80% of covered expenses.

Selling LTC Insurance to Younger Clients

- My younger clientele has no interest in talking about LTC insurance.
 - Right, most people do not plan for an event that is perceived to happen in 30 years.
 - Only focus on the current risk.
 - The current medical risk of a chronic illness or disability.
 - The financial risk because there is not enough coverage in their Major Medical Insurance.

Selling LTC Insurance to Younger Clients

- The risk might be small, but so is the cost.
 - What will happen to you families way of life, if you need constant care at home for 1 to 4 years?
 - Who will provide the care? Where will the money come from?
- \$250 - \$350 per year will provide coverage for many of your younger clients.
- Chronic illnesses and disabilities do happen to people ages 35 to 55.

Evolution in a Multi-Life Setting

- Easier to explain
- Less time consuming
- Appeals to younger people
- Can provide for a real base plan
- The cost/benefit analysis is easy for people to see. Ex. Cost of \$32.00 per month, \$100,000 of benefit

Prudential LTC EvolutionSM

The Future of Long-Term Care Insurance!



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