

Pricing Power of Prudential LTC EvolutionSM

Fred Sherman, CLU, ChFC
Regional Sales Manager

Software

www.csaltc.com/prudentialpage.html

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***

80% of Actual Expenses – No Daily Dollar Limit

- Used for whatever and whenever covered services are needed
- No discussion needed on “Cost of *Nursing Home Care*”
- CLIENT CHOOSES at Claim Time:
 - Type and expense of service
 - Frequency (hours per day) of service
- It doesn't matter how much inflation has increased the cost of that service
- This takes the guesswork out of the DBA/MBA decision at time of application

Prudential LTC EvolutionSM and LTC Partnerships

- As of 01/2012: available in AL, AR, AZ, CO, CT, DC, DE, GA, IA, ID, IL, IN, KS, LA, ME, MI, MN, MO, MS, MT, NC, ND, NE, NH, NJ, NM, NV, NY, OH, OK, OR, PA, RI, SC, SD, TN, UT, WA, WI, WV, WY
- **Partnership–qualified w/GIF for all ages including under age 60 in AL, AR, AZ, CO, GA, IA, KS, LA, ME, MN, MO, ND, NE, NJ, NV, OH, OK, OR, SC, SD, RI, TN, WI, WY**
- Will roll out subsequently in states as the product and marketing material are approved

LTC EvolutionSM Premium Rating

- Lifetime Pay Only
- New Business rates will be re-priced each year on a “go-forward basis” to reflect increased cost of benefits/care
- Geographic Rating
 - Multiple area rate tables based on cost of care throughout the US
 - Areas with higher cost of care will have higher rates
 - Majority of states have one area rate table
 - Premium variations exist in four states: CA, NJ, NY, and PA

The Pricing Power of Evolution

Age 45, partner discount, standard rate, zone 2, 2012

Benefit	Price	Incremental Increase
\$100,000	\$394.61	N/A
\$200,000	\$616.48	\$221.87
\$300,000	\$807.91	\$191.43
\$400,000	\$972.04	\$164.13
\$500,000	\$1,125.76	\$153.72
\$600,000	\$1,246.35	\$120.59
\$700,000	\$1,376.90	\$130.55
\$800,000	\$1,468.46	\$91.56
\$900,000	\$1,575.40	\$106.94
\$1,000,000	\$1,673.21	\$97.81

The Pricing Power of Evolution

Age 55, partner discount, standard rate, zone 2, 2012

Benefit	Price	Incremental Increase
\$100,000	\$633.56	N/A
\$200,000	\$1,005.56	\$372.00
\$300,000	\$1,296.06	\$290.50
\$400,000	\$1,568.35	\$272.29
\$500,000	\$1,752.55	\$184.20
\$600,000	\$1,951.67	\$199.12
\$700,000	\$2,092.79	\$141.12
\$800,000	\$2,253.03	\$160.24
\$900,000	\$2,370.37	\$117.34
\$1,000,000	\$2,503.46	\$133.09

Built-in Guaranteed Increase Feature (GIF)

- Built-in Feature – no additional Premium at time of application
- Lock in insurability today – “buy up” later
- Every fifth policy anniversary, Policy Lifetime Maximum is increased by **25%** of Original Life time Maximum up to Insured’s 76th birthday
- No medical underwriting – Additional increment rated at attained age

Why use the Guaranteed Increase Feature (GIF)

- It makes more sense to “Buy as You Go”, if
 - Insurability is not an issue
 - Cost is managed
- No one wants to “prepay for a future increase that they may or may not get.”
- The fact is initial cost is an issue
- The cost of automatic inflation options continue to rise.
- ***New Compensation*** is paid on increases

The Pricing Power of GIF

- Each increase rated at attained age
- Each increase rated at incremental increase over previous policy limit
- Each increase is rated based on current calendar year
- Although price goes up based upon attained age and calendar year, cost is offset by reduced bundled pricing

Buy as you Go, with GIF

Age 45, preferred rate, partner discount,

Policy Limit \$400,000

Premium \$826.23

Average Premium Per \$100,000 = 206.56

The Pricing Power of GIF

Age 45, preferred rate, partner discount, \$400,000,
initial premium = \$826.23

Age	Benefit	Average Premium Per \$100,000	Premium Increase Per \$100,000
45	\$400,000	\$206.56	N/A
50	\$500,000	\$207.58	\$211.67
55	\$600,000	\$220.36	\$284.25
60	\$700,000	\$228.80	\$279.47
65	\$800,000	\$244.88	\$357.49
70	\$900,000	\$317.34	\$896.95

Buy as you Go, with GIF

Age 55, standard rate, partner discount,

Policy Limit \$400,000

Premium \$1,568.35

Average Premium Per \$100,000 = \$392.09

The Pricing Power of GIF

Age 55, standard rate, partner discount, \$400,000,
initial premium = \$1,568.35

Age	Benefit	Average Premium Per \$100,000	Premium Increase Per \$100,000
55	\$400,000	\$392.09	N/A
60	\$500,000	\$394.06	\$401.94
65	\$600,000	\$392.20	\$382.95
70	\$700,000	\$422.71	\$605.77
75	\$800,000	\$479.39	\$876.15

Key Takeaways with GIF

- ✓ **Lower initial premium**
- ✓ **Guaranteed policy increases**
- ✓ **Average cost per \$1,000 of benefit remains low**
- ✓ **Pricing is not like traditional LTC**
- ✓ **Most people would rather pay as they go and retain flexibility**
- ✓ **www.csaltc.com/prudentialpage.html**



Prudential LTC EvolutionSM long-term care insurance policy is issued by The Prudential Insurance Company of America, 751 Broad Street, Newark, NJ 07102 (800 732-0416). This coverage contains benefits, exclusions, limitations, eligibility requirements and specific terms and provisions under which the insurance coverage may be continued in force or discontinued. Prudential is authorized to conduct business in all U.S. states and the District of Columbia. Product availability varies by state. Coverage is issued under policy number GRP 114018; however, policy numbers may vary by state.