

Prudential LTC EvolutionSM Sales Strategies

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June 29th, 2010**

Objectives

- Learn about the benefits of Prudential LTC EvolutionSM – to you and your prospects/clients
- Learn about the key features of Prudential LTC EvolutionSM that make the product unique
- Gain an understanding of the main differences between Prudential LTC EvolutionSM and LTC3SM in order to discuss the right products with each prospect/client
- Gain insight into how best to position Prudential LTC EvolutionSM with your prospects/clients as a key component of their financial portfolio

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*
- Producers have been challenged to explain it and sell it
- Maybe LTCi has lost its way as a product
- Maybe it needs to get back to being ***Health Insurance***

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

Prudential LTC EvolutionSM

**Long-Term Care Insurance for the
Future – That your Clients can afford
Today!**

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Availability and Rollout

- As of 5/2010: available in AL, AR, CT, DC, DE, GA, IA, IL, IN, KS, LA, ME, MI, MS, ND, NE, NH, NM, NY, OH, OK, RI, SC, SD, UT, WA, WV, WY
- Partnership-qualified w/GIF for all ages (including under age 60) in AL, AR, GA, IA, KS, MO, ND, NE, OH, OK, RI, SC, SD, WY
- Will roll out subsequently in states as the product and marketing material are approved

Prudential Has Found a Better Solution: *Prudential LTC Evolution*SM

- More affordable premiums
- Comprehensive coverage that is easy to explain, sell, and buy
- Alternative to (not replacement for) traditional-model LTCi products like LTC3SM

Prudential LTC Evolution's GIF "Fits" Today's Economy

What We Don't Know

- Will the economy improve?
- When will the economy improve?
- When will my personal financial situation (cash flow) improve?
- What will be left of my "Retirement Nest Egg"?

What Are Your Clients *Willing* to Do?

- Lock in health/insurability and issue age premium rates TODAY
- Keep today's premiums affordable (cash flow)
- Preserve lifestyle and assets
- Have options for future benefit increases when the client **knows** what their personal financial situation is
- “Cadillac or nothing” mindset is becoming less applicable to all consumer purchases

What is Simpler about Prudential LTC EvolutionSM ?

- ***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***

No Dollar Limit on Daily or Monthly Benefits

- Traditional LTCi policies have a Daily Benefit Amount (DBA) or (for more premium) a Monthly Benefit (MBA)
- These are ***Dollar Limits*** on the benefits the policy will pay for any day/month care is received
- Clients must guess at time of application what amount of DBA/MBA will be adequate in the future
- To save premium, most clients choose a DBA that is 80% or less of the average Daily Cost of Care in their area

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80/20 Co-Insurance vs. DBA

- Average DBA for a traditional-model ILTCi policy sold in 2007 was \$150*
- Average 2007 daily cost of a semi-private room in a Nursing Home (NH) was \$189 (79%); for a private NH room the cost was \$213 (70%).*
- On average a traditional model ILTCi policy sold in 2007 had a DBA that covered 70%-79% of the daily cost of NH care*
- Whether they realize it or not, agents and clients are co-insuring

* Source: 2007 ILTC Broker's World ILTCi Survey & 2007 AALTCI Sourcebook for LTC

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

Key Built-in Features

- Starter Benefit
- Home Support Services Benefit
- Guaranteed Increase Feature (GIF)

Starter Benefit

- **Cash Benefit of \$1,500/month as soon as benefit eligibility is established**
- Cash can be used for any purpose
- Can be paid while satisfying Calendar Day Elimination Period
- Only available during first 12 cumulative months that a Chronic Illness or Disability exists
- If Policy Lifetime Maximum is exhausted in less than 12 months, Starter Benefit may be paid for the remainder of the 12 month period (24 months in certain states)

Starter Benefit: Example #1

- Insured is certified as “Chronically III” (needs help with 2 of 6 ADLs) due to stroke on June 1
- **June 1-June 30** – In hospital then cared for by spouse at home; 30 days of Calendar Day EP satisfied; Starter Benefit of \$1,500 Cash paid
- **August 29** – 90 Calendar Day EP satisfied; three monthly payments of \$1,500 each have been made.
- **After August 29**
 - Premiums waived as long as Chronically III
 - Insured can choose either to submit bills for Covered Services and receive Reimbursement Benefits at 80% *or*
 - Continue to receive \$1,500/mo. Starter Benefit until May 31 of following year

Starter Benefit: Example #2

- Insured has \$300k Max and is certified as “Chronically Ill” (needs help with 2 of 6 ADLs) due to stroke on June 1
- **June 1-August 29** – In hospital then cared for by spouse at home; 90 Calendar Day EP satisfied; total Starter Benefit of \$4,500 Cash paid
- **August 30-December 31** – Incurs \$369,395 of expenses for covered services; total of \$300k in benefits paid; Policy “maxes out”
- **January 1-May 31** – \$1,500/mo. Starter Benefit as Cash Benefit (total \$7,500) paid out for remainder of first 12 months on claim

Home Support Services Benefit

- **Pays 100% of Actual Eligible Charges up to \$10,000 Home Support Services Lifetime Maximum**
- Can be used during the Calendar Day Elimination Period
- Claims against Home Support Services reduce the Policy Lifetime Maximum
- Provides benefits for:
 - Assistive Devices
 - Durable Medical Equipment not covered by Medicare
 - Caregiver Training
 - Home Modifications
 - Emergency Medical Response System
 - Transportation Services
 - Private Care Consultant not affiliated with Prudential

Optional Riders

- Additional inflation protection: 3% and 5% Automatic Compound Increase Options
- Non-Forfeiture Option
- Shared Care Option (Allows up to \$2M in combined benefits for a couple!)

Shared Care Option

- Shared Care Partner can access benefits under the other Shared Care Partner's policy once his/her own Policy Lifetime Maximum is exhausted
- If one Shared Care Partner dies before exhausting his/her own Lifetime Maximum, the remaining Lifetime Maximum is "inherited" by the surviving Shared Care Partner at no extra premium
- If one Shared Care Partner's Lifetime Maximum is exhausted by the other Shared Care Partner, he/she can purchase a new policy at attained age up to 50% of the original Policy Lifetime Maximum (with a minimum of \$100,000 and a maximum of \$300,000) on a Guaranteed Issue basis if age 90 or younger

Shared Care Option - Considerations

- Must purchase a policy and this rider together at policy inception
- Both Shared Care Partners must have the rider and designate each other as the Shared Care Partner
- Both Shared Care Partners must have and maintain identical Policy Benefits, including optional riders and premium payment options
- Premium Factors range from 35% (younger age/\$100k) to 5% (higher age/\$1M)
Example: Age 55 @ \$500k = 24%

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

Prudential LTC EvolutionSM w/ GIF vs. Std. Model LTC Inflation

Daily/Monthly Benefit - Inflation Protection

	Prudential LTC Evolution SM (Base Policy)	Std Model policy \$150 DBA No Inflation
Year 1: Cost of Care = \$5000 per month	Plan pays \$4000	Plan pays \$4500
Year 5: Cost of Care = \$7000 per month	Plan pays \$5600	Plan pays \$4500
Year 10: Cost of Care = \$9000 per month	Plan pays \$7200	Plan Pays \$4500

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 – producers will be paid first year commissions on these increases
- Can be upgraded to any automatic inflation option on a one-time, guaranteed-issue basis at attained age premiums on a policy anniversary (ages 75 and younger)
- No medical underwriting – Additional increment rated at attained age
- Starter Benefit inflates by \$375 increments
- Home Support increases by \$2,500 increments
- Not available with 3% and 5% Automatic Compound Inflation Protection Riders

Prudential LTC EvolutionSM w/GIF

Lifetime Maximum Benefits – Inflation Protection

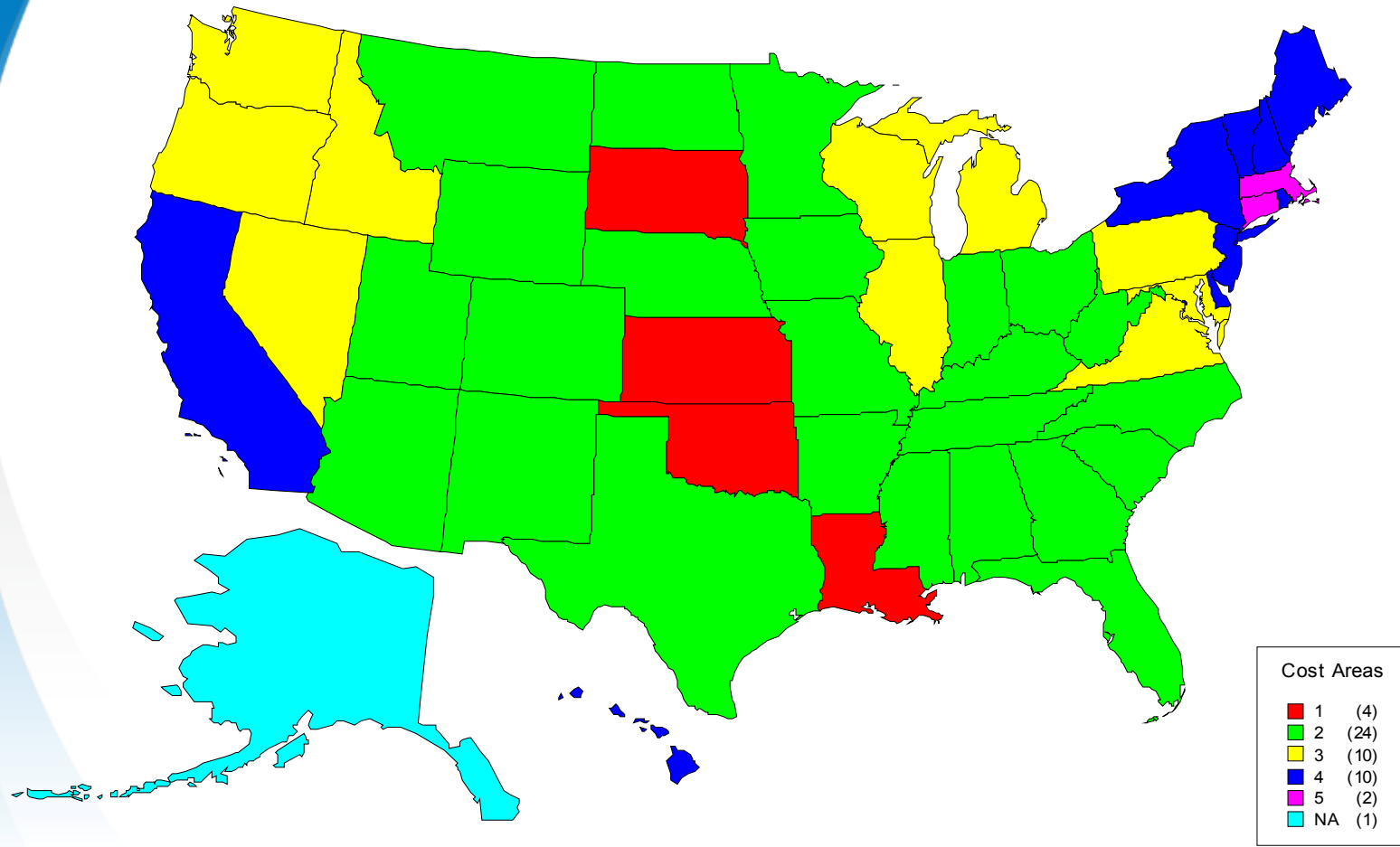
	Prudential LTC Evolution SM	Annual Premium Example (Issue Age 55, Preferred, 2-Spouse Discount, Area 2)
Policy Year 1: Lifetime Max = \$300,000	Plan pays up to \$300,000	\$1055
Policy Year 5: Lifetime Max = \$375,000 (GIF = \$75,000)	Plan pays up to \$375,000	\$1252
Policy Year 20: Lifetime Max = \$600,000 (GIF = \$75,000 X 4 increases)	Plan pays up to \$600,000	\$2589

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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

Prudential LTC EvolutionSM Cost Areas



NOTE: Premium variations exist in CA, NJ, NY, and PA.

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Premium “Sweet Spot”

- **“Sweet Spot”** – Prudential LTC EvolutionSM with built-in GIF will be less expensive than most “Traditional Model” LTCi policies with 3% or 5% Compound Inflation
- Prudential LTC EvolutionSM with 3% or 5% Automatic Compound Increase Option will be more expensive than most “Traditional Model” LTC policies with 3% or 5% Compound Inflation protection

Premium Examples - Prudential LTC EvolutionSM

Product	Prudential LTC Evolution SM	Prudential LTC Evolution SM	Prudential LTC Evolution SM
Daily Benefit Amount	80% of Expense Incurred - No Daily \$ Limit	80% of Expense Incurred - No Daily \$ Limit	80% of Expense Incurred - No Daily \$ Limit
Lifetime Maximum	\$300,000	\$600,000	\$1MM w/Shared Care Rider
Increase to Policy Lifetime Maximum	GIF	GIF	GIF
Region 1			
Age 55	\$1,035	\$1,481	\$2,155
Region 2			
Age 55	\$1,070	\$1,584	\$2,374
Region 3			
Age 55	\$1,143	\$1,718	\$2,752
Region 4			
Age 55	\$1,201	\$1,873	\$3,098
Region 5			
Age 55	\$1,272	\$2,035	\$3,630

All quotes are for Preferred, 2-Spouse Discount, Annual Mode, Calendar Year 2010.

State Variations May Apply

LTC EvolutionSM Discounts¹

- Spouse/Partner Discount²
 - 15%: one Spouse/Partner applies and policy is issued
 - 30%: both Spouses/Partners apply and both policies issued
- Affiliation Discounts³ – offset by commission reduction
 - **Producer's Discount: 5%**
 - Loyalty Discount: 5%
 - Association Discount: 5%

¹No cap on discounts unless restricted by state law.

²Available discount may vary by state.

³Not all affiliation discounts are available in all states. Maximum of one affiliation discount may be applied to a policy.

Employer Sponsored Plan (ESP)

- Program Highlights:
 - 5% discount for employees, Spouses/Partners, and family members
 - Groups of 2-6: full underwriting
 - Groups of 7+: employees and Spouses/Partners – eligible for simplified underwriting (up to \$500,000 Lifetime Maximum)*, family members – full underwriting
- Considerations:
 - Case must be pre-approved by Prudential's Multi-Life team
 - Not available in all states
 - May not be used in combination with any other Association/Affiliation or ESP discounts
 - Compensation reduction applies
- **Prudential LTC EvolutionSM and LTC3SM may be offered in the same ESP case**

*Restrictions apply.

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When to Consider Prudential LTC EvolutionSM

- When you or the Producer with whom you are working is unfamiliar or uncomfortable explaining all the moving parts of a “standard-model” LTCi policy
- When the client only has a short time to meet
- When the client needs to lock in health insurability and (lower) issue age rates for the basic policy due to his/her personal current financial situation

When Prudential LTC EvolutionSM is Right for Your Clients

- The client is willing to take on more risk for a lower premium
- The client wants to protect a certain amount of assets
- An employer wants to offer an easy to understand plan to employees
- The client is looking for an affordable way to address inflation's effects on daily and monthly care costs

When LTC3SM is Right for Your Clients

- Cash is important to the client
- Restoration of Benefits built-in feature is important to the client
- The client wants a Calendar Day Elimination Period that is shorter or longer than 90 days
- Payment for ineligible charges (i.e., care by a Spouse) is desired
- The client wants the policy premiums to be paid up by a specific age
- The client may be looking to receive benefits outside of the U.S.
- The client resides in a National Partnership state where 5% Compound Inflation is the only way for client to get a Partnership policy

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Summary

- Easier to understand, buy, and sell
- Fewer decisions at time of Application
- 80/20 Coinsurance – no daily/monthly \$ limit on Benefits
- Built-in protection against inflation's effects on the daily/monthly costs of care in the basic policy
- Starter Benefit/Home Support Services Benefit
- GIF
- Available for Worksite or Association sales
- Sold as an alternative to Prudential LTC3SM

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The Future of Long-Term Care Insurance!



Prudential LTC EvolutionSM long-term care insurance policy is issued by The Prudential Insurance Company of America, 751 Broad Street, Newark, NJ 07102 . GRP 114018

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