



Long Term Care Industry Update

Nathan Sanow, President

- Long Term Care Risks
- Long Term Care Insurance Pricing
- Long Term Care Carrier Update
- WA Payroll Tax
- Questions & Answers

Who is MasterCare?

For the past **32 years** all we have done are Long Term Care Solutions

Top 3 LTC distributors in the US

We represent **leading carriers** on the market

Recognized for **industry innovations**



LTC Risk

Risk for LTC

- **52%** age 65 will require LTC paid services
 - 23% will need care > 1 year
 - 9% will need care 1-2 years
 - 10% will need care 2-5 years
 - 6% need care 5+ years
- **\$140,000** per person
 - Average out of pocket cost for those requiring paid LTC services
- **\$72,000** per person
 - Average out of pocket costs



Washington Avg Cost of Care

- Home Health Aide
 - \$72,372 - 2020
 - \$128,760 – 2040
- Assisted Living Center
 - \$69,000 – 2020
 - \$124,620 – 2040
- Nursing Home, Private Room
 - \$131,400– 2020
 - \$237,324 – 2040





SOA 2016 Study
LTC Pricing

Assumptions

- Lapse Rates
- Claims Incidence and Cost
- Investment Return Rate
- Administrative Cost



2000 Assumptions

- ~ 400,000 life years of experience
- 31% Variation of Claims Assumption
- 5.1% Claims Risk Margin
- 2.8% Lapse Rate Assumption
- 10% Internal Rate of Return
- 6.4% Investment Return Assumption
- 6.66% Avg. 10-Year T-Bill Yield

2014 Assumptions

- ~28 million life years of experience
- 9% Variation of Claims Assumption
- 11.3% Claims Risk Margin
- 0.7% Lapse Rate Assumption
- 25% Internal Rate of Return
- 4.6% Investment Return Assumption
- 2.86% Avg. 10-Year T-Bill Yield



Year 2000

40% Prob. of Rate Increase
34% Avg. Rate Increase

Year 2014

10% Prob. of Rate Increase
10% Avg. Rate Increase



What is your LTC plan?

- Self Insure
 - Family\Friends
 - Medicaid
 - Have adequate self-funding
- Insure Risk
 - Traditional LTC
 - Hybrid LTC
 - Fully\Partially cover





LTC
Products

aetna[®]

John Hancock[®]
INSURANCE

••• MassMutual

 **Northwestern
Mutual**[®]

LifeSecure[®]

 **TRANSAMERICA**[®]

Genworth [®]

 **Mutual of Omaha**[®]

MetLife

CNA

MEDAmerica

An Excellus Company


ONEAMERICA[®]

 **Prudential
Financial**

 **Lincoln**
Financial Group[®]

unum[®]

**NEW
YORK
LIFE**



- **Least Expensive product to cover LTC risk**
- **Flexible LTC coverage including paid up options**
- **Like Term life a use it or lose it option**
- **Rates are not guaranteed**



- **Life insurance and LTC coverage combined**
- **Live, Quit or Die you are covered**
- **Much more expensive than traditional LTC**
- **Rates are guaranteed**





LTC Carriers



Mutual of Omaha

- Finished **#1 in individual LTC** premium sales with \$42 million
- Conservative **mutual company**, claims and customer centric culture
- Most **talented leadership and management** team in LTC market
- **Competitive** in product, premium and underwriting
- Focused on **growing** their block of business
- Simple and most effective **e-application** in market
- LTC is their most profitable product and want as much as possible



National Guardian[®]
Life Insurance Company

- AM Best: **A- Rated** (Excellent)
- Founded in 1909, **Mutualized in 1936**
- Offers **Traditional LTC Insurance** Product
- **Lifetime** Duration Benefits
- **Single and Ten Premium Payment** Plans
- Very **Stringent Underwriting**
- **Contract strength** and **agent compensation** not competitive



- AM Best: **A+ Rated** (Superior)
- Established in 2004
- Offers **Most Flexible Hybrid** Product on market
- **Joint Life** Policy
- **Single to Lifetime Premium Payment** Plans
- MasterCare sales grown from \$1 million in 2014 to \$17 million in 2016
- **Whole Life Insurance + LTC Rider**



- AM Best: **A+ Rated** (Superior)
- Established in 1905
- **Single to 10 Pay Premium Payment** Plans
- Solid long term hybrid plan and carrier
- Universal Life Insurance + LTC Rider
- No deductible for coverage

- AM Best: **A+ Rated** (Superior)
- Established in 1929
- Industry only Indemnity paid LTC contract
- New carrier in the **Hybrid** market but slowing growing
- **Single to Lifetime Pay Premium Payment** Plans
- Universal Life Insurance + LTC Rider
- One of the only Indemnity contracts providing LTC services

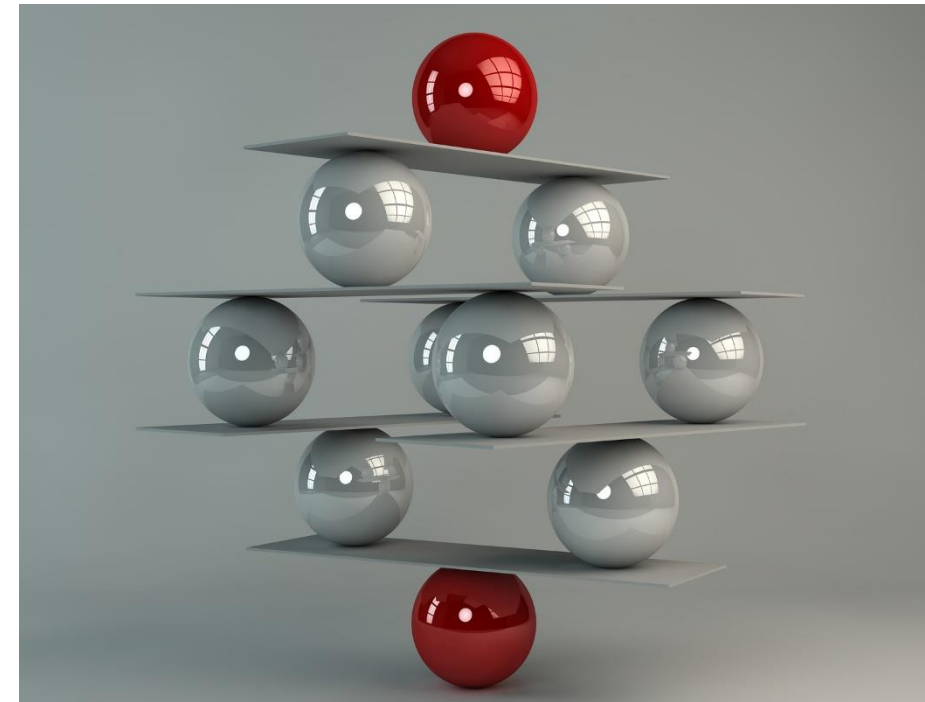


Nationwide[®]
is on your side



Washington
LTC Tax

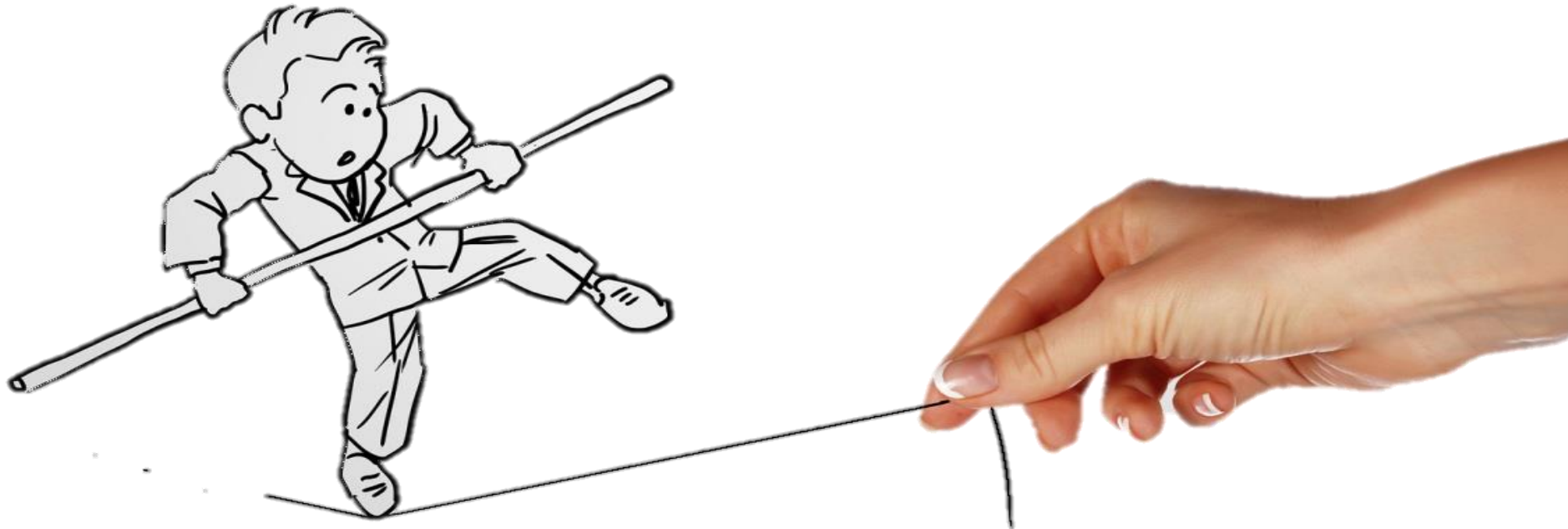
- .58% Payroll Tax begins 1/1/22 for all wages and remuneration, uncapped
- LTC policies inforce PRIOR to July 2019 allow employee to be exempt
- Self Employed have the option to opt in or out and election is final
- Benefit is up to \$36,500 per year max beginning 1/1/25



- Covered person must work 500+hrs\yr and who pay premiums for 3 of last 6 years
- Covered person must need help with 3 of 6 ADL's (activity of daily living)
- Reimbursement for services at Medicaid-comparable rates
- Available to WA Residents only who live and receive care in WA
- Benefits can increase no greater than Washington Consumer Price Index



- Due to WA Joint Resolution 8212 NO vote, LTC fund is already projected to be underfunded
- .58% payroll tax can be adjusted by legislature during annual review period





Questions