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Backstage With Universal Life and Long-Term Care: Rock-Solid Stability



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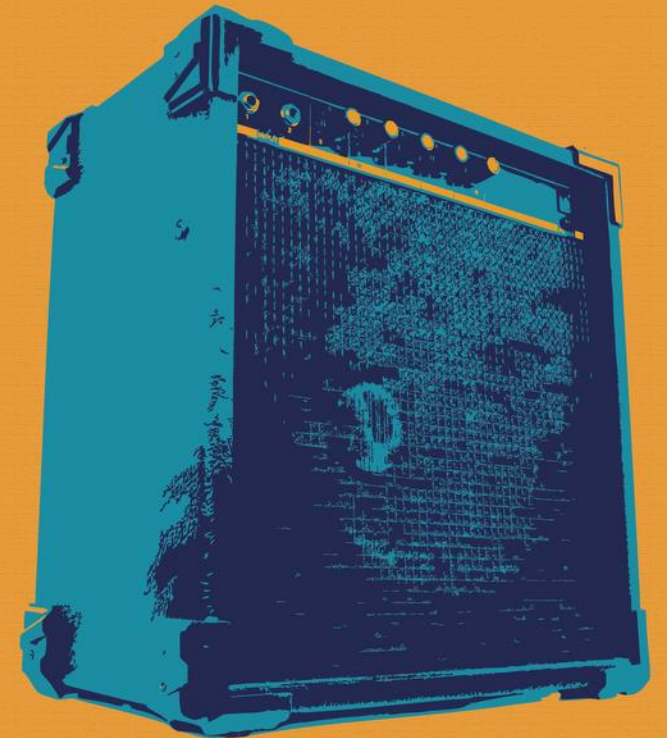
Agenda

1. The History of Stand-Alone Long-Term Care
2. Universal Life:
 - a. The Basics
 - b. The Highlights
 - c. Credited Interest Rate Changes
3. Trustmark Life + Care[®]
4. Key Takeaways



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The History of Stand-Alone Long-Term Care



- Ability Re
- Aetna
- Allianz
- American Family Mutual Insurance Company
- American Fidelity Assurance Company
- CNA
- Consec
- CUNA Mutual
- Employers Reassurance Corp
- Equitable
- Great American Financial
- Guardian—Berkshire
- Hannover Life Reassurance Company of America
- Humana Insurance/Kanawha
- John Hancock Group LTC Insurance
- Mass Mutual
- MetLife
- Munich Re
- Nationwide Financial
- Penn Treaty
- Physicians Mutual Insurance Company
- Principal Financial Group
- Prudential
- RiverSource Life Insurance Company
- Southern Farm Bureau Life
- Standard Life and Accident Insurance Company
- Teachers Protective Mutual Life
- Transamerica
- Union Labor life Insurance Company
- UNUM

What do these companies have in common?



- Ability Re
- Aetna
- Allianz
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- American Fidelity Assurance Company
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How many of these companies are still selling long-term care?



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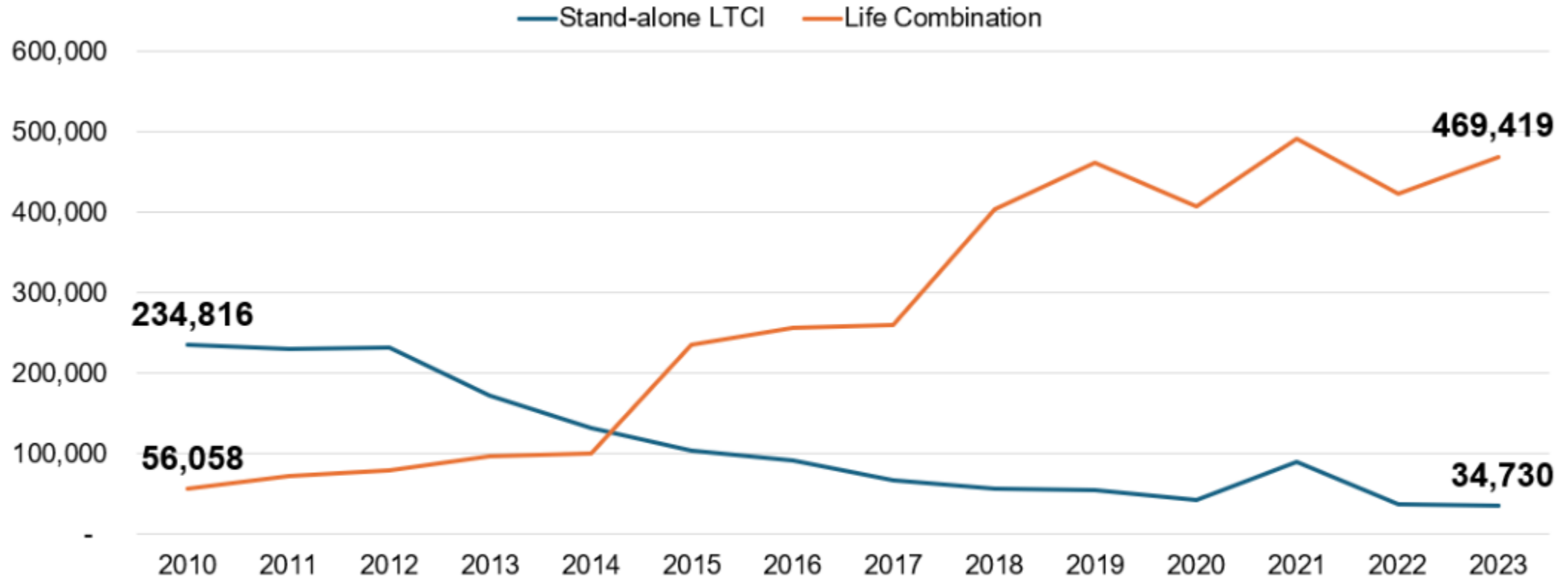
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None of them!



Consumers Increasingly Turn to Life Insurance Combination Products to Cover Long-Term Care Costs

Policy Sales 2010-2024



Sources: LTCI and Combination Sales Estimates, LIMRA.



History of Stand-Alone LTC

Rate Increases / Policy Changes

	ASSUMPTION
Claim Costs	Typical claims last 2-3 years
Lapses	5% annual lapse rates
Investment Returns	7-8% return
Mortality	Prevailing mortality
Level Rates	No rate increase expected

History of Stand-Alone LTC

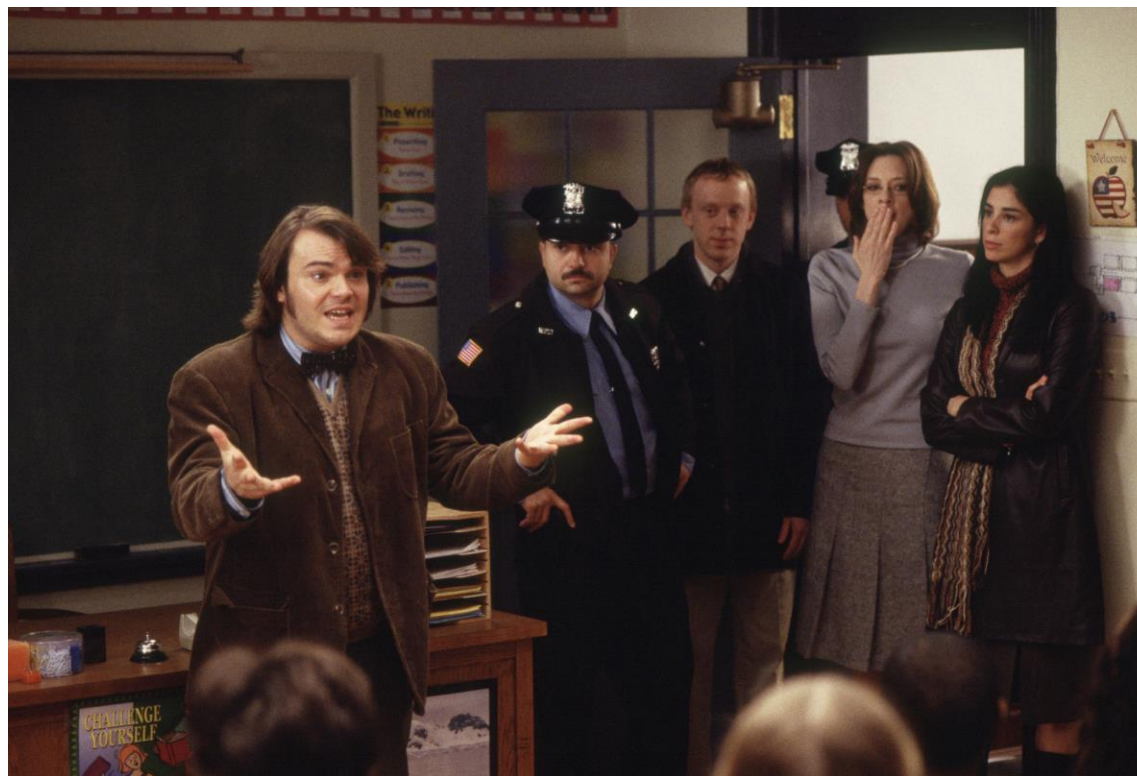
Rate Increases / Policy Changes

	ASSUMPTION	REALITY
Claim Costs	Typical claims last 2-3 years	Claims can last 7-10 years
Lapses	5% annual lapse rates	1% annual lapse rates
Investment Returns	7-8% return	3-5% return
Mortality	Prevailing mortality	Improving mortality
Level Rates	No rate increase expected	Large rate increases

History of Stand-Alone LTC

Rate Increases / Policy Changes

- More than 3500+ approved rate increases nationwide
- Average single increase requested was 78% / Average approved increase was 37%
- Average cumulative (multi-year) approved increase was 112%
- In lieu of rate increases, they can reduce inforce benefits:
 - Reduction of daily benefit
 - Decrease in benefit period payable
 - Increase to the elimination period



Most Recent Stand-Alone LTC Changes

UNUM No Longer Supporting Long-Term Care

- UNUM notifying existing customers that no new policies will be issued as of 2/1/26*
- In some cases, existing policies are seeing a multiple year increase — according to UNUM Q3 Earnings report there are another \$523m in planned rate increases
- Example:
 - A broker recently shared a letter to a client advising that UNUM would be implementing a 30% increase to existing policies for 1/1/26
 - Another showed an 18.5% increase for 1/1/27 for a compounded total of 54% in a 12-month span



**UNUM had previously stopped taking new clients, but had been allowing new hires at existing clients to continue to get coverage*



Universal Life

The Basics

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Hybrid Life Insurance / LTC Products

	ASSUMPTION	STAND-ALONE LTC REALITY
Claim Costs	Typical claims last 2-3 years	Claims can last 7-10 years
Lapses	5% annual lapse rates	1% annual lapse rates
Investment Returns	7-8% return	3-5% return
Mortality	Prevailing mortality	Improving mortality
Rates	No rate increase expected	Large rate increases

Hybrid Life Insurance / LTC Products

	ASSUMPTION	STAND-ALONE LTC REALITY	HYBRID LTC REALITY
Claim Costs	Typical claims last 2-3 years	Claims can last 7-10 years	Payout limited to face amount (2 years)
Lapses	5% annual lapse rates	1% annual lapse rates	Follows worksite rates
Investment Returns	7-8% return	3-5% return	Flexible rate
Mortality	Prevailing mortality	Improving mortality	Hedged with life risk
Rates	No rate increase expected	Large rate increases	Stable rates

Universal Life: The Basics

Certain Elements Are Non-Guaranteed

- Interest rate
- Cost of Insurance (COI)
- Expenses

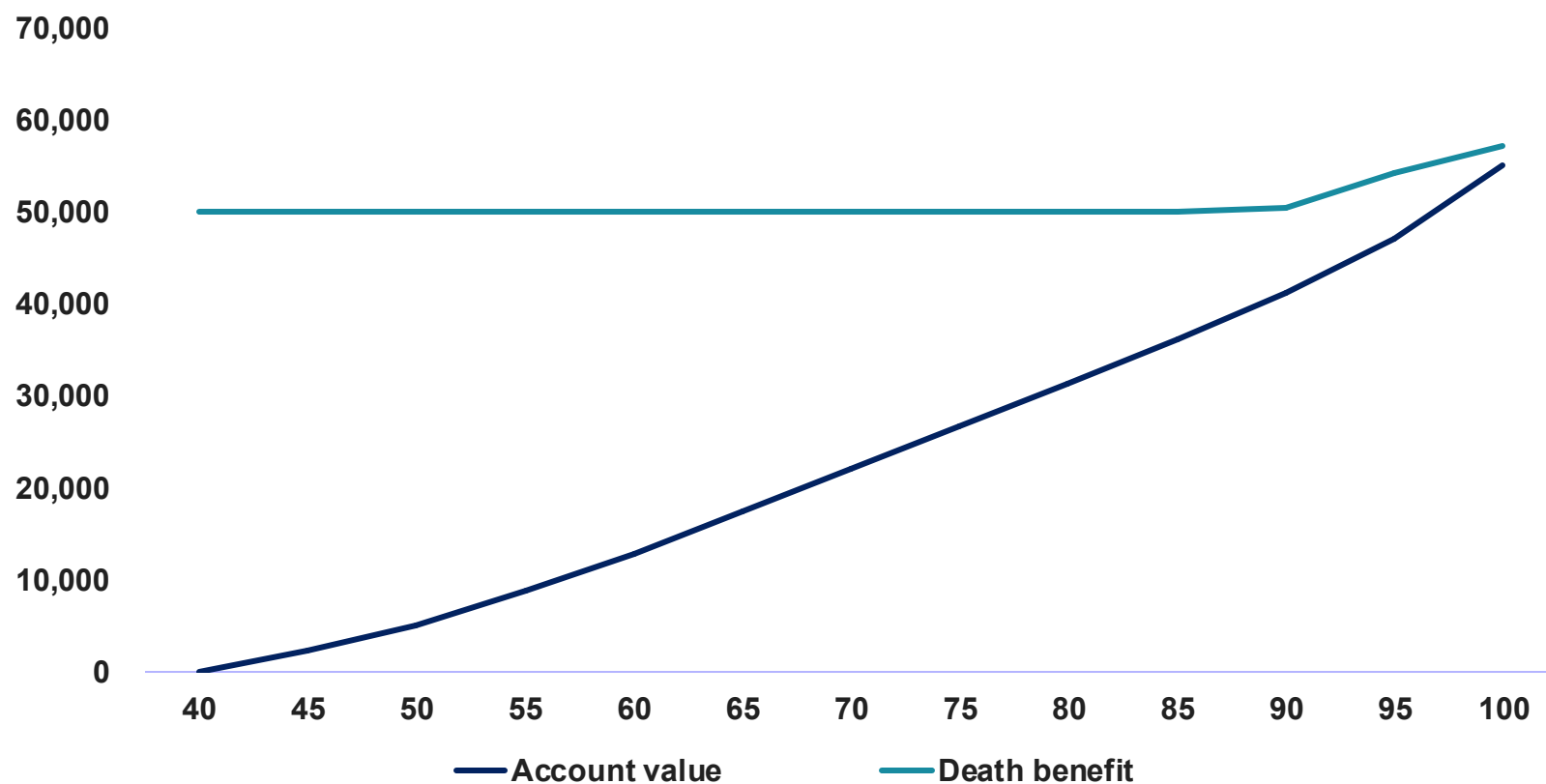
Each Policy Carries Its Own Account Value

- Acts like a bank account (can withdraw if you surrender, subject to surrender charges)
- Each month, premium + interest is added, and COIs and expenses are subtracted



Universal Life: The Basics

Account value of \$50,000 policy,
issue-age 40

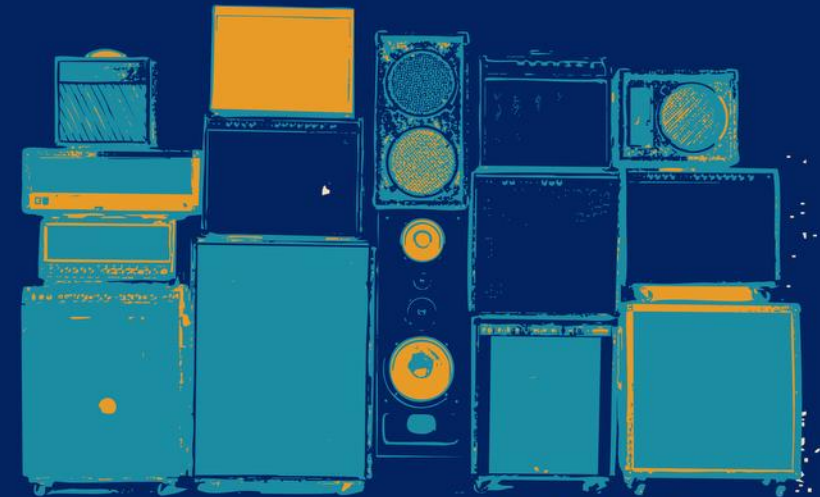


Notice that at age 100 (policy maturity), the account value = death benefit of the policy.

That is by design. Not all competitor's target premiums are set that way.

Universal Life

The Highlights



Universal Life: The Highlights

What Trustmark CAN'T Change

- Target premium
- LTC rates — guaranteed
- Benefit amounts



Universal Life: The Highlights

What Trustmark CAN Change

- Life COI (Costs of Insurance)
 - Trustmark has never changed COIs on currently-sold products
- Life expenses
 - Trustmark have never changed expenses
- Credited interest rate
 - Interest rate credits have changed in the past as the market/returns have changed



Universal Life: The Highlights

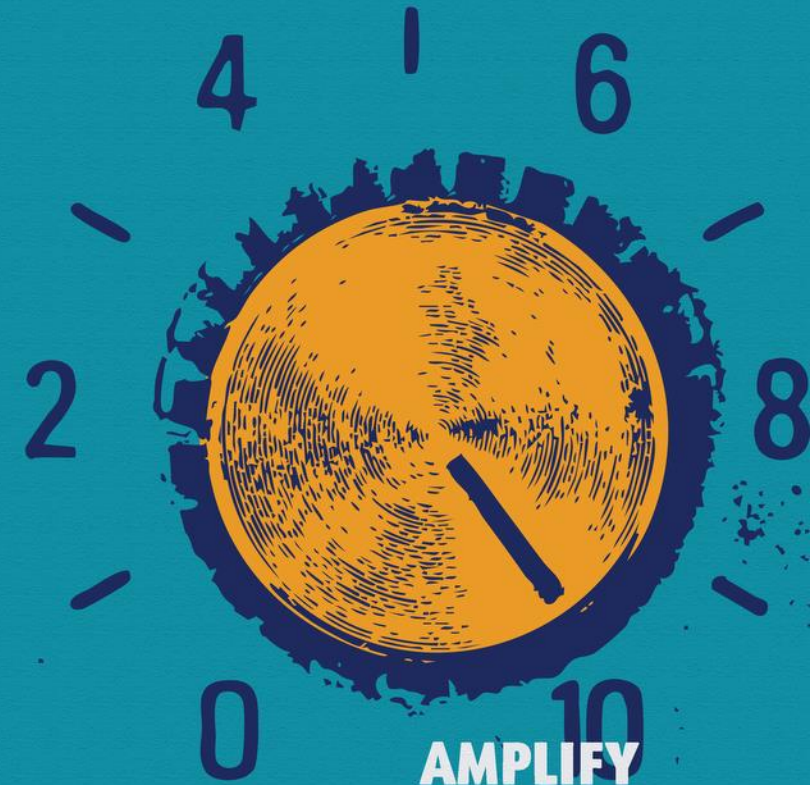
Universal Life With LTC Rider

- Policy designed to endow at age 100
- Expenses and COIs haven't changed in ~20 years
- Interest rates follow the market
- Flexible premium product — the policyholder determines what to pay
- Most changes in non-guaranteed elements only minimally impact term of coverage



Universal Life

Credited Interest Rate Changes



Universal Life: Credited Interest Rate Changes

Credited Interest Rate Impacts (Non-Smoker)*

Projected age of lapsation under different interest rate scenarios

<u>Issue Age</u>	Proj Age of Lapse	
	1.5% Crediting Rate – First 10 Years	
	3.0% Crediting Rate for Remainder	
	<u>UL</u>	<u>ULE</u>
35	100	100
40	100	100
45	100	100
50	100	100
55	100	100
60	100	100
65	100	N/A

*Assumes no policy loans and target premiums paid as scheduled**

Universal Life: Credited Interest Rate Changes

Credited Interest Rate Impacts (Non-Smoker)*

Projected age of lapsation under different interest rate scenarios

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	1.5% Crediting Rate – First 10 Years		1.5% Crediting Rate – First 20 Years	
	3.0% Crediting Rate for Remainder		3.0% Crediting Rate for Remainder	
	<u>UL</u>	<u>ULE</u>	<u>UL</u>	<u>ULE</u>
35	100	100	94	99
40	100	100	95	100
45	100	100	93	96
50	100	100	93	95
55	100	100	93	100
60	100	100	92	100
65	100	N/A	94	N/A

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	1.5% Crediting Rate – First 10 Years		1.5% Crediting Rate – First 20 Years		1.5% Crediting Rate – All Years	
	3.0% Crediting Rate for Remainder		3.0% Crediting Rate for Remainder			
	<u>UL</u>	<u>ULE</u>	<u>UL</u>	<u>ULE</u>	<u>UL</u>	<u>ULE</u>
35	100	100	94	99	87	90
40	100	100	95	100	88	90
45	100	100	93	96	88	90
50	100	100	93	95	89	91
55	100	100	93	100	90	99
60	100	100	92	100	90	99
65	100	N/A	94	N/A	94	N/A

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65	100	N/A	94	N/A	94	N/A

*Assumes no policy loans and target premiums paid as scheduled**

Universal Life: The Highlights

Policyholder Action

- If non-guaranteed elements are changed, policyholders have the option to increase target premium to compensate
- Each year an annual statement is sent to the policyholder
- Policyholders can call to get an updated target premium
- Benefits can also be changed

Red Flags: Questions Our Competitors Don't Want You To Ask

When the Spotlight Fades, There are Cracks in the Veneer

- **Competitor 1:** *“Is their product really fully guaranteed?”*
 - Some products only keep their full death benefits if certain criteria are met (i.e., investment returns hit certain marks)

- **Competitor 2:** *“Is it priced to make it to age 100?”*
 - Some UL products are only designed to make it to age 80 if target premiums are paid

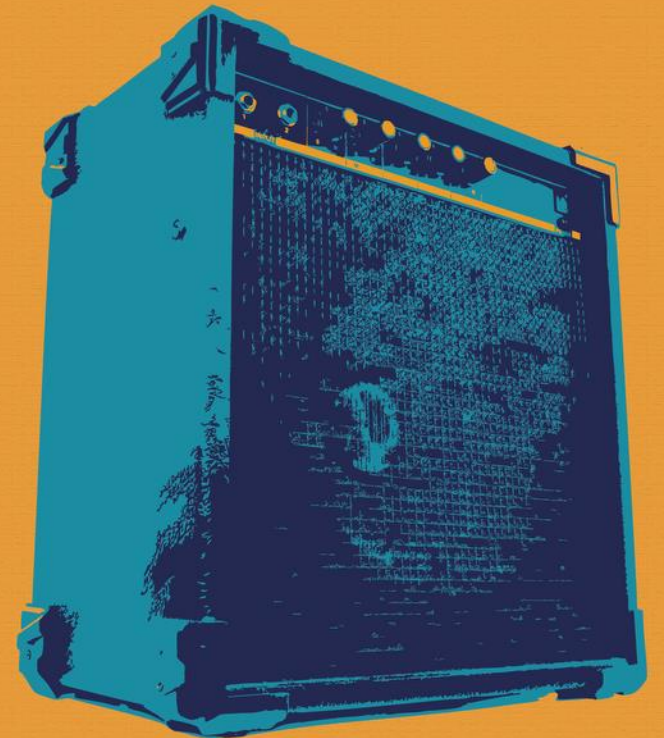
- **Competitor 3:** *“What lapse rate is assumed in pricing?”*
 - Some LTC riders assume ultimate lapse rates of 8% annually (sound familiar?)

Red Flags: Questions Our Competitors Don't Want You To Ask

When the Spotlight Fades, There are Cracks in the Veneer

- **Competitor 4:** *“Is death benefit restoration for the full-face amount?”*
 - Some products only restore a percentage of face (i.e., 75% only)
- **Competitor 5:** *“What kind of long-term care benefits are available?”*
 - Some LTC products are chronic care, and not 7702B compliant
 - If it's Chronic Care...

Trustmark Life + Care[®]



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Permanent Term Life Insurance

- **Guaranteed benefits, guaranteed premiums** and portable coverage offer certainty to you, your clients, and employees

Trustmark Life + Care®

Permanent Term Life Insurance

- **Guaranteed benefits, guaranteed premiums** and portable coverage after certainty to you, your clients, and employees
- **Flexibility to choose who provides care**, for how long, and how benefits are received, with the ability to switch between professional and family caregiving

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- **Built to be compatible** with the ben-admin systems you want to use

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- **Optional benefits** include Death Benefit Reduction, Death Benefit Restoration, and Extension of Benefits
- **Built to be compatible** with the ben-admin systems you want to use
- **LTC benefit rider is qualified LTC insurance** under 7702B of the Internal Revenue Code

Key Takeaways

- Knowing the LTC market can help you better position LTC products
- Hybrid products are here to stay — good option for the stand-alone LTC products that didn't work out
- Trustmark has options for different risk appetites:
 - Extremely stable Universal Life
 - Fully guaranteed Life + Care

Thank you!

Any questions?

