

PC25

Trustmark
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TRAILBLAZING

Trustmark 

Under the hood of Universal Life: Long-term care stability



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Before we get to work...



Agenda

- The history of stand-alone long-term care
- Universal Life:
 - The basics
 - The highlights
 - Credited interest rate changes
- Trustmark Life + Care[®]
- Key takeaways

The history of stand-alone long-term care

What do these companies have in common?

- 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

How many of these companies are still selling long-term care?

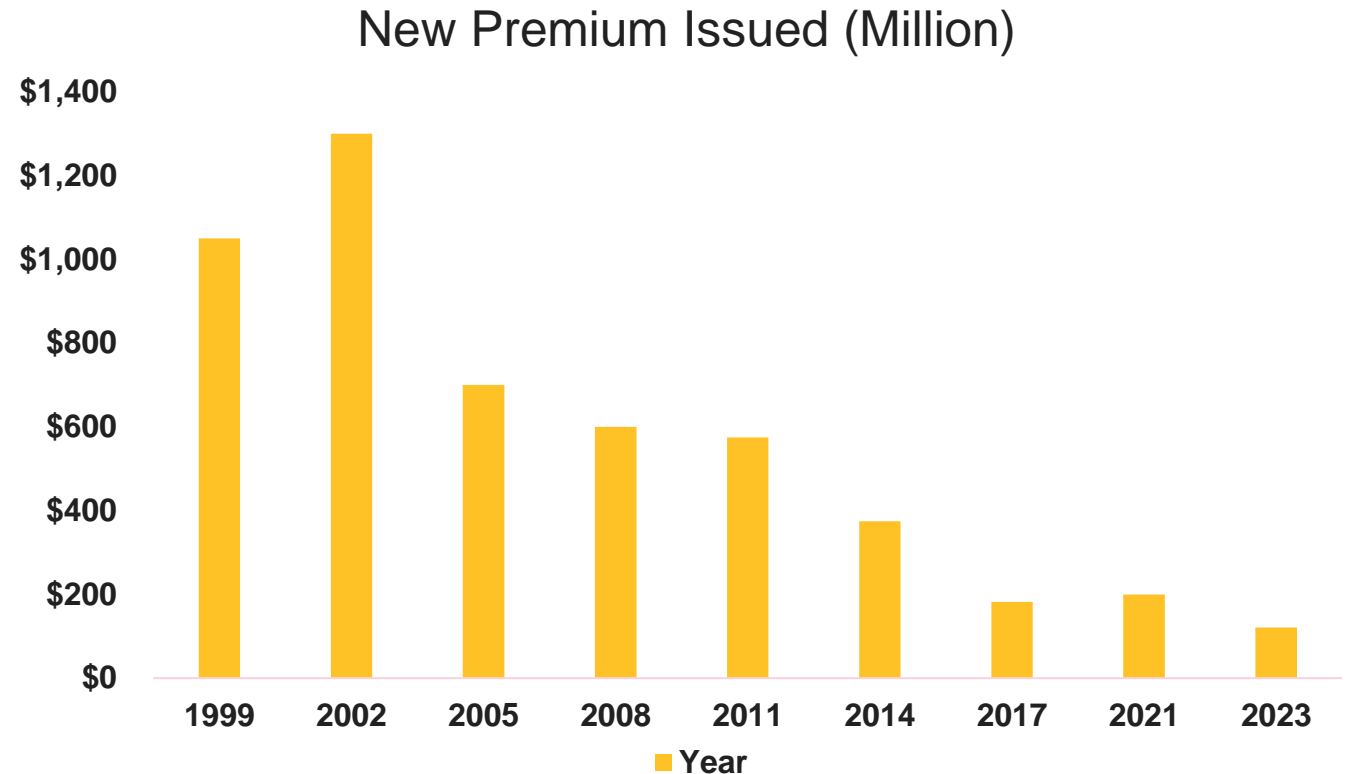
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None of them!

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History of stand-alone LTC

- After the early 2000s, there's been significant drop offs year over year
- There was a slight uptick in 2021 due to the WA cares act, but the effect was minimal



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%
- Alternatives offered in lieu of rate increases have included:
 - Reduction of daily benefit
 - Decrease in benefit period payable
 - Increase to the elimination period



Universal Life: The basics

Hybrid life / LTC products

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

Hybrid life / 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 / 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

Principle is certain elements
are non-guaranteed

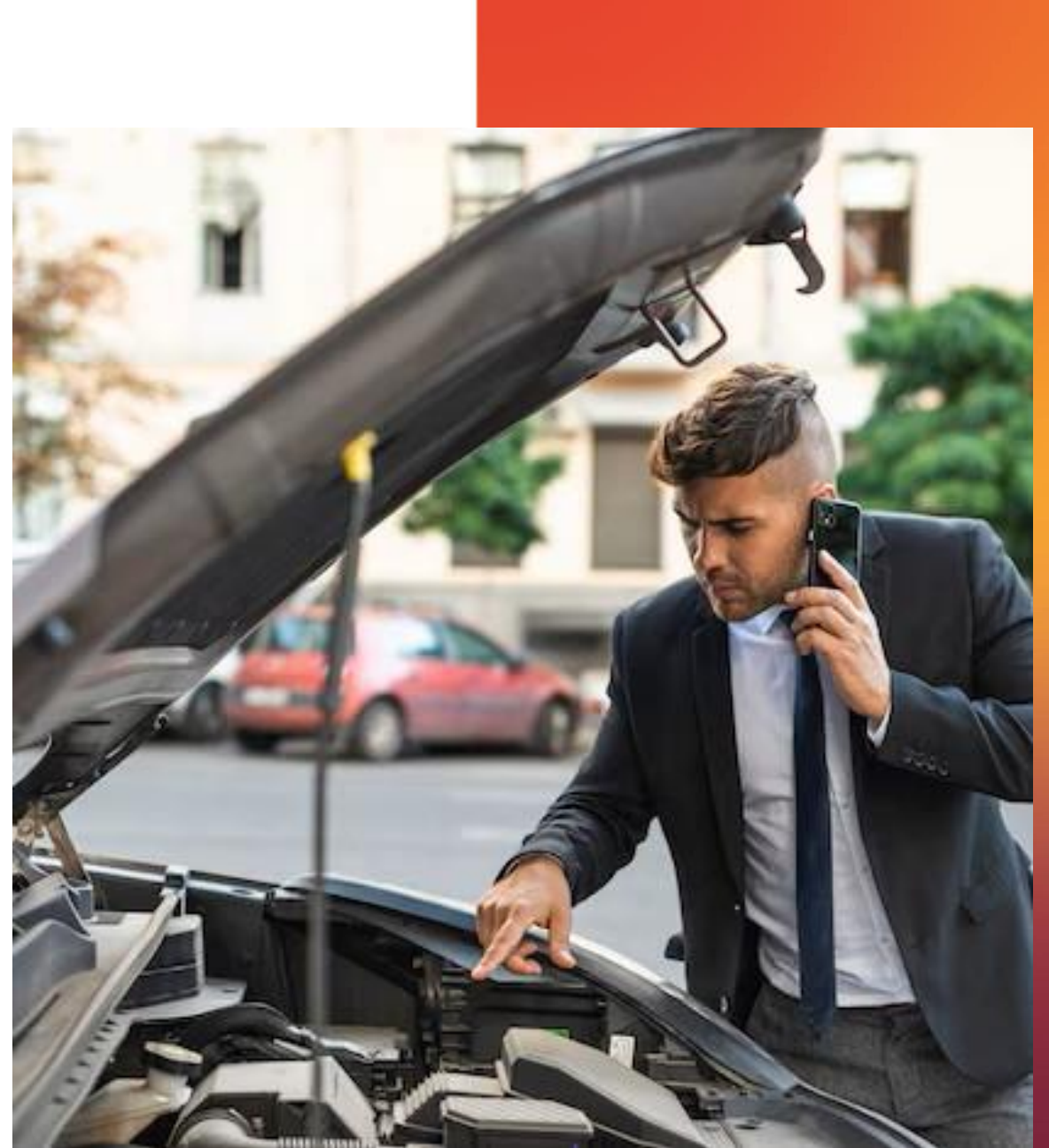
- Interest rate
- Cost of Insurance (COI)
- Expenses



Universal Life: The basics

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 highlights

Universal Life: The highlights

What Trustmark **CAN'T** change (Universal Life)

- Target premium
- LTC rates – guaranteed
- Benefit amounts



Universal Life: The highlights

What Trustmark CAN change (UL)

- 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: 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



Trustmark Life + Care[®]

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Permanent term life insurance

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

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- **Optional riders** include Death Benefit Reduction, Death Benefit Restoration, and Extension of Benefits

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- **LTC benefit rider is qualified LTC insurance** under 7702B of the Internal Revenue Code

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Key takeaways

- Knowing the LTC can help you better position LTC products in the market
- Hybrid products are here to stay – good replacement 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

Any questions?



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Thank you!