

Linked Benefits Deep Dive

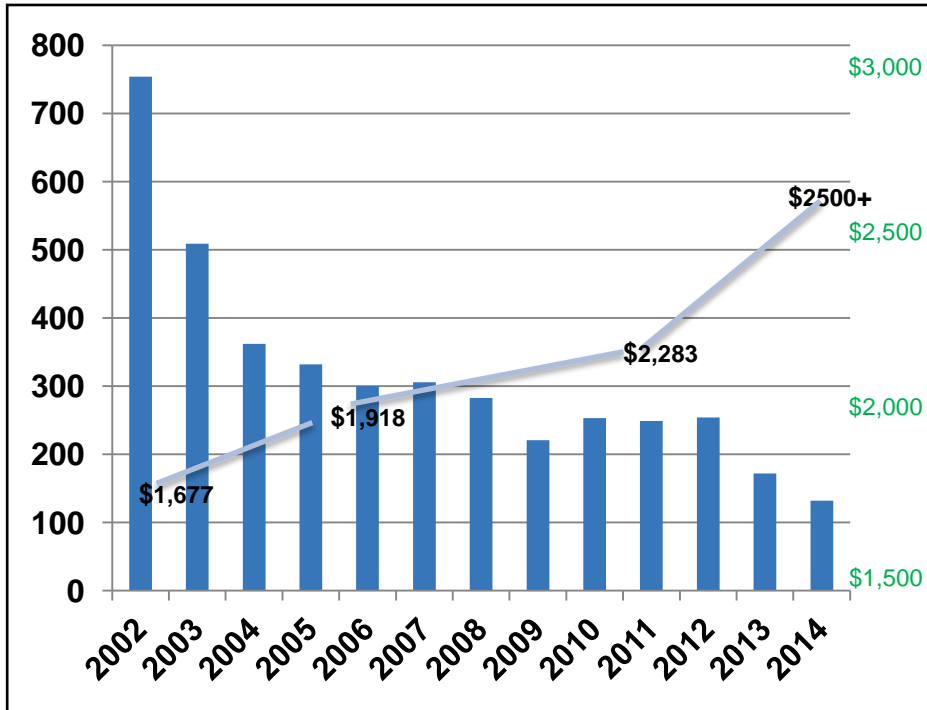


Agenda

- Traditional Long Term Care Insurance (LTCI) Sales History
- Linked Benefits Product Sales History
- Details on How a Life Linked Benefits Product Works
- How Life Linked Benefits Product Compares to Traditional LTCI
- Who Distributes & Purchases a Life Linked Benefits Product

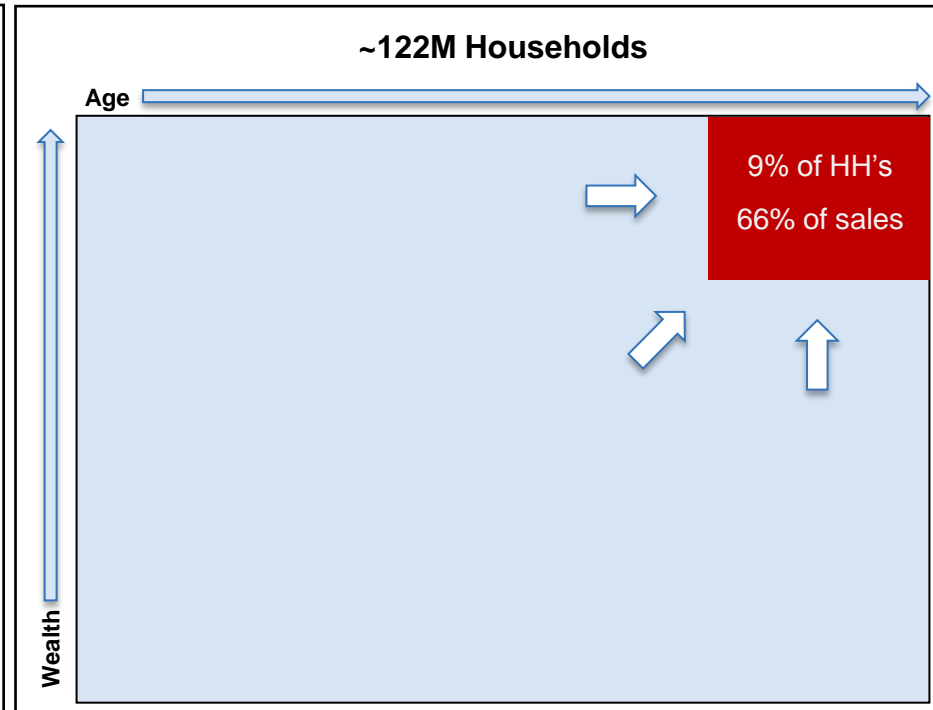
Traditional LTCI Sales History

Individual Policies Sold & Average Annual Premium



Source: 2014 LIMRA, LTCG Health Experience Reports and Analysis

U.S. Households and Industry Concentration

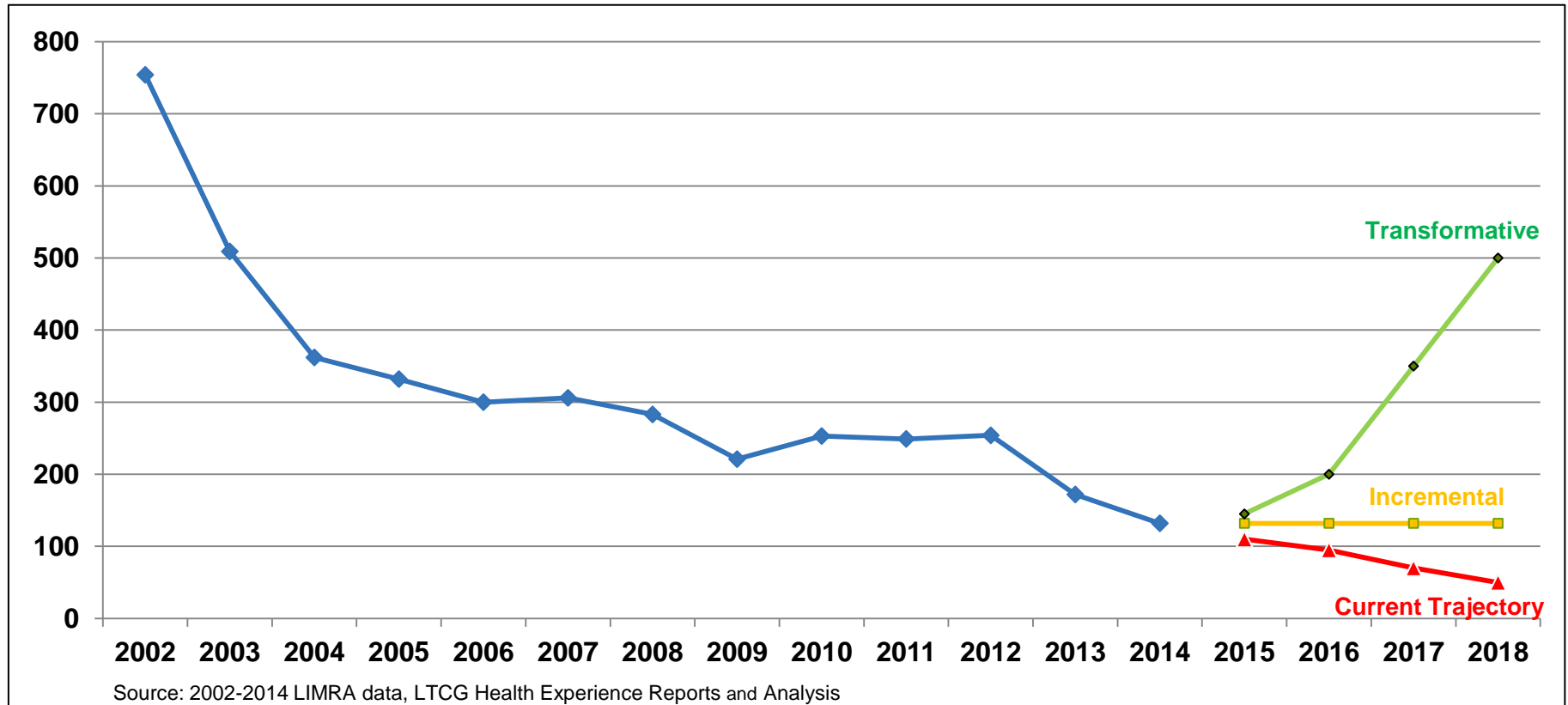


Source: 2014 U.S. Census, Genworth Policyholder Analysis

A reduction of market players, shrinking distribution, increasing premiums, and solution alternatives have resulted in LTCI being a solution for the “affluent.”

LTCI Market Trajectory

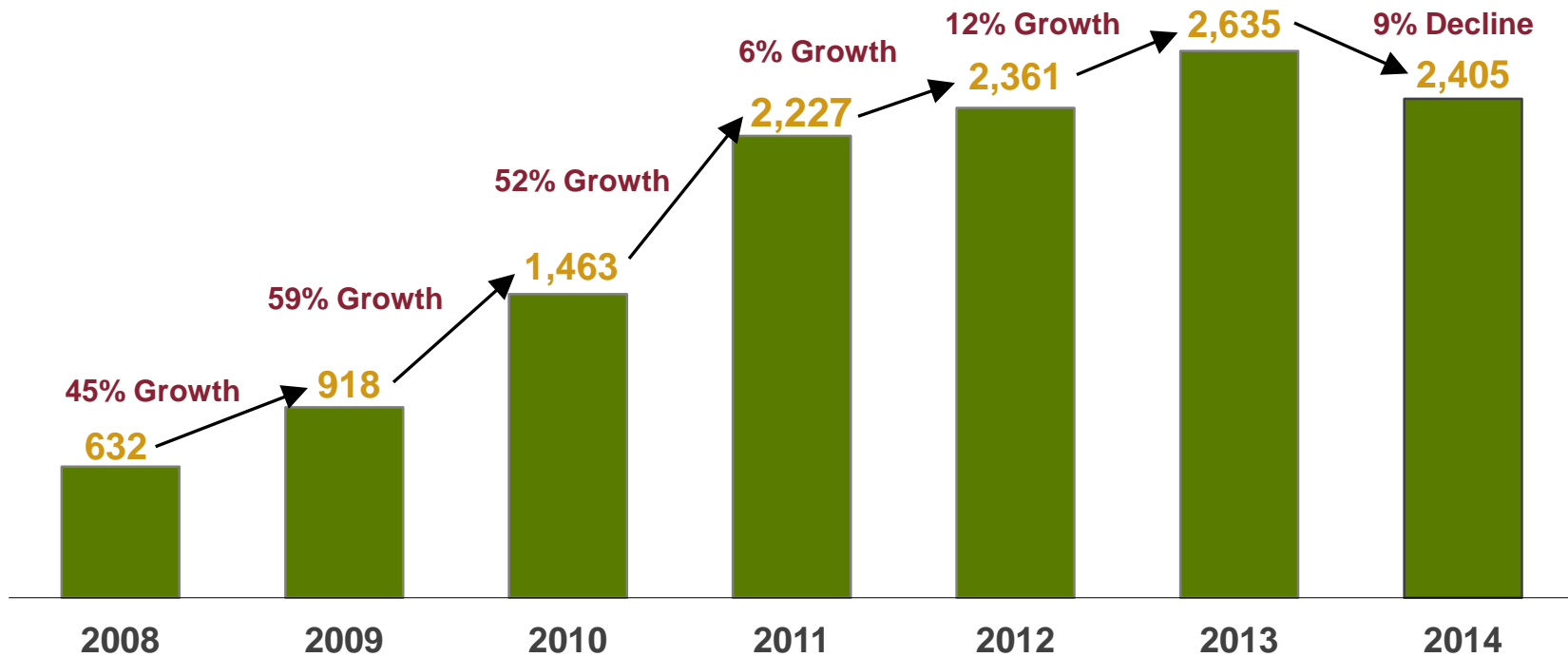
Individual Policies Sold ('000)



**We want our research to inform business decisions through this lens...
to support transformative growth.**

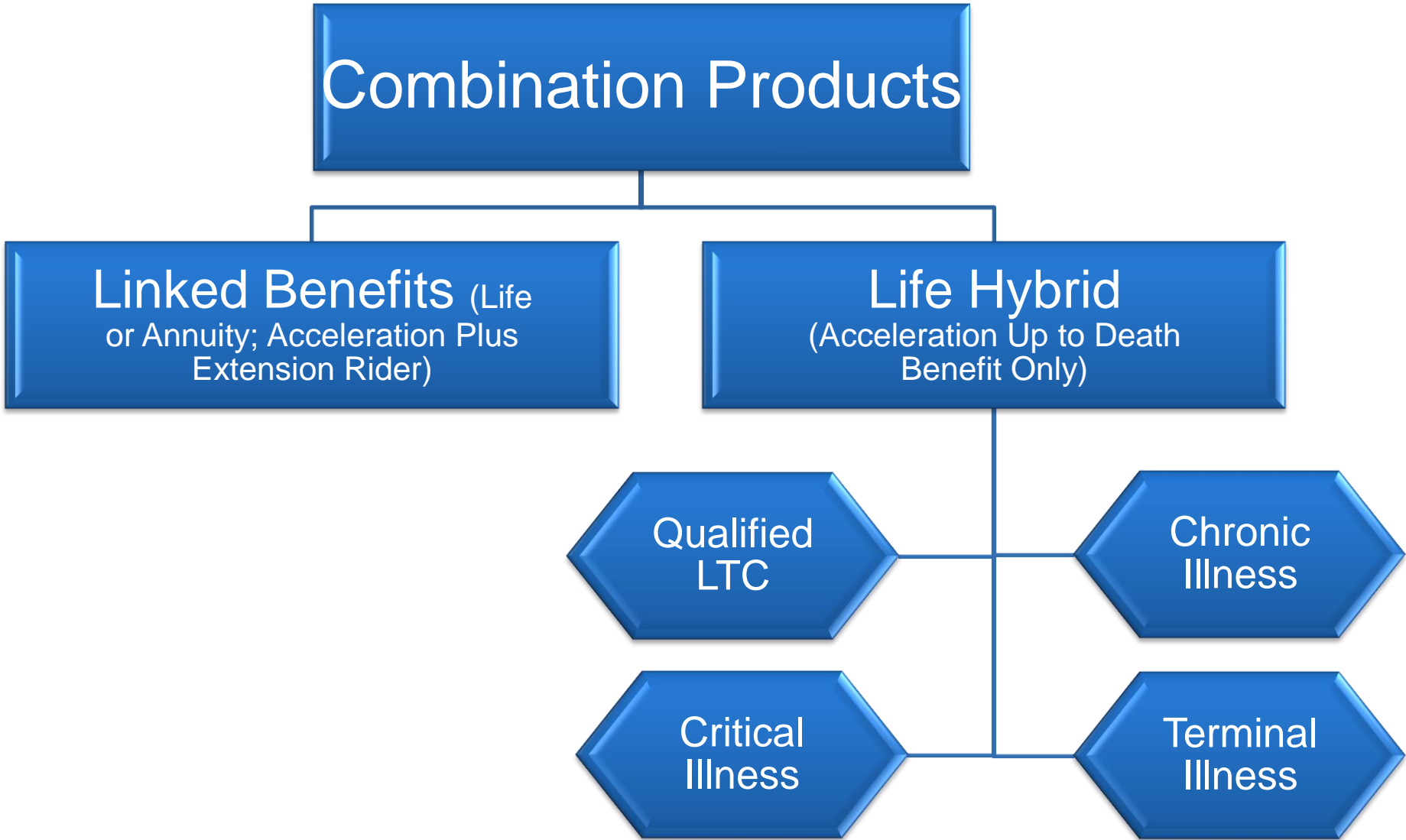
Life Linked Benefits Market Growth

\$ Millions, Gross Premiums

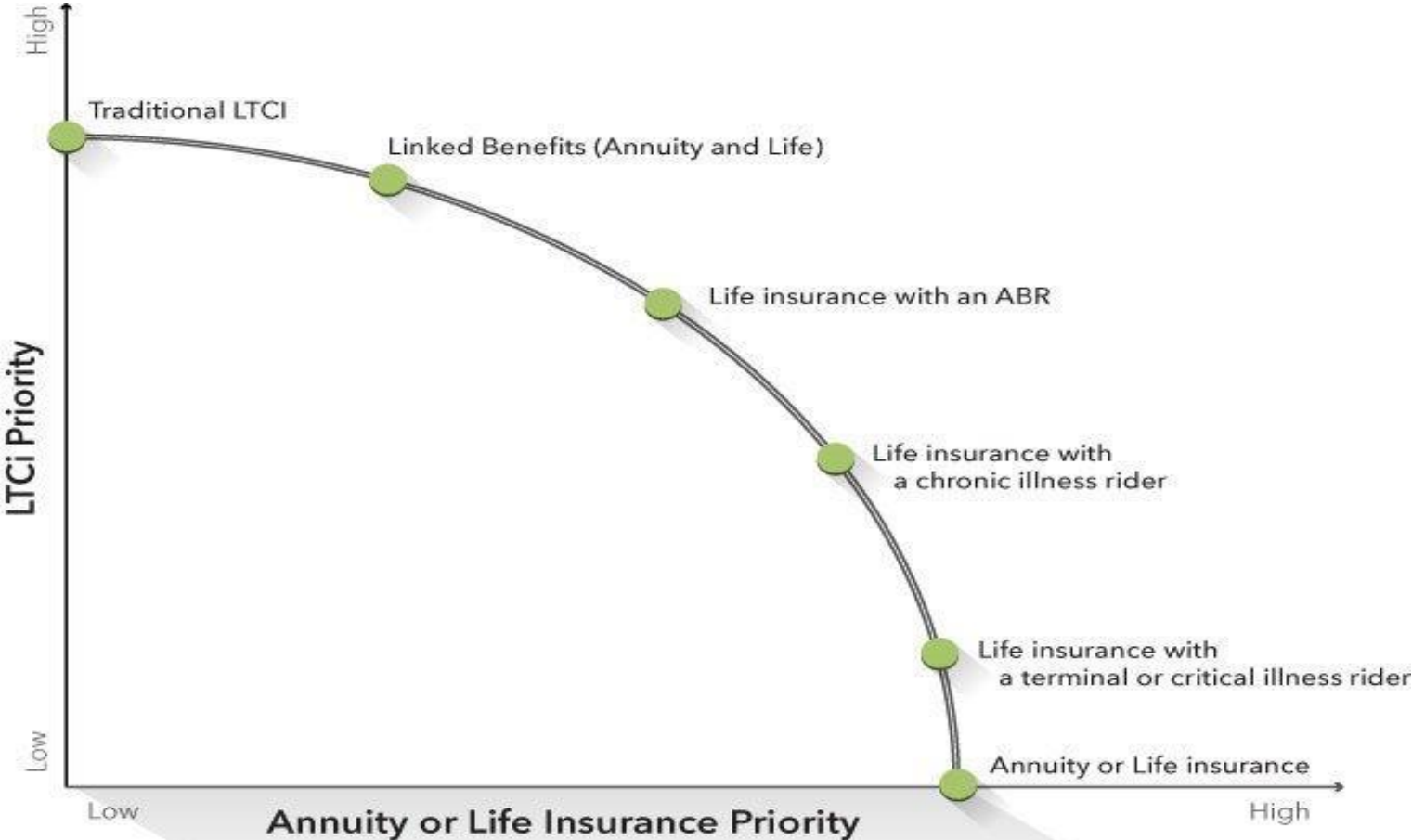


Source: LIMRA & Management Estimates as of May 2015. Sales Includes Universal Life (UL) and Whole Life Insurance Linked Benefits Products. Distribution Splits Include UL, Whole Life and Variable Life.

Spectrum of Combination Products



Spectrum of LTCI funding solutions



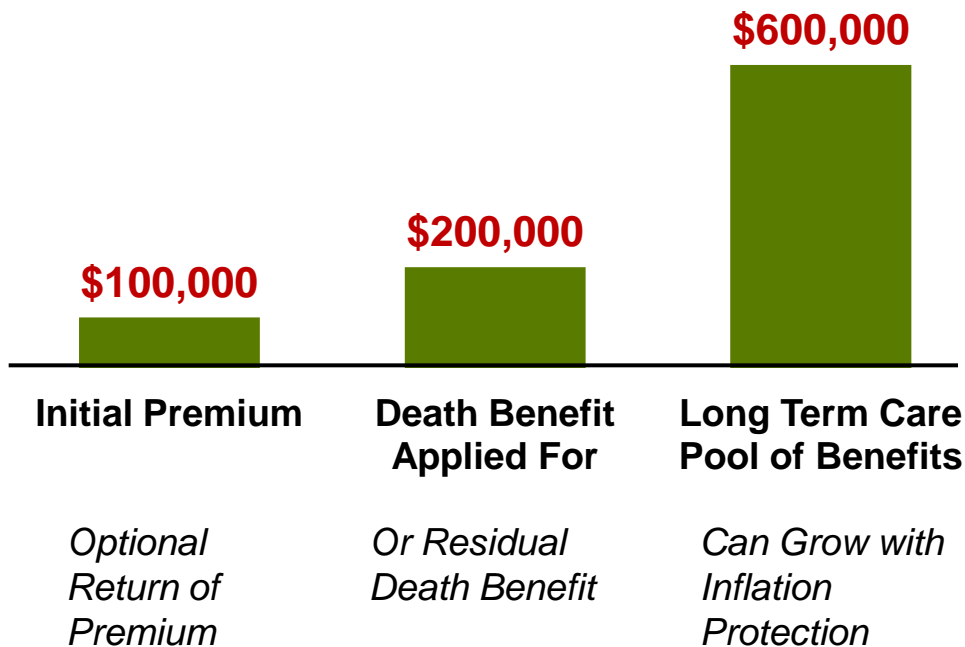
LTCI means Long Term Care Insurance. ABR means Accelerated Benefit Rider.

Source: Management Understanding of Marketplace as of January 2015.

Details on How a Life Linked Benefits Product Works

Life Linked Benefits Overview

Typical Value Example



Simple Steps

- 1 Determine Initial Premium**
(Minimum Face Amount of \$50,000)
- 2 Decide On Optional Inflation Protection**
(0% Thru 5% Compound)
- 3 Determine Length Of LTC Coverage**
(2, 3 or 4 Year ABR, 0, 2 or 4 Year EBR)*

* ABR is the Accelerated Benefit Rider / EBR is the Extension of Benefits Rider

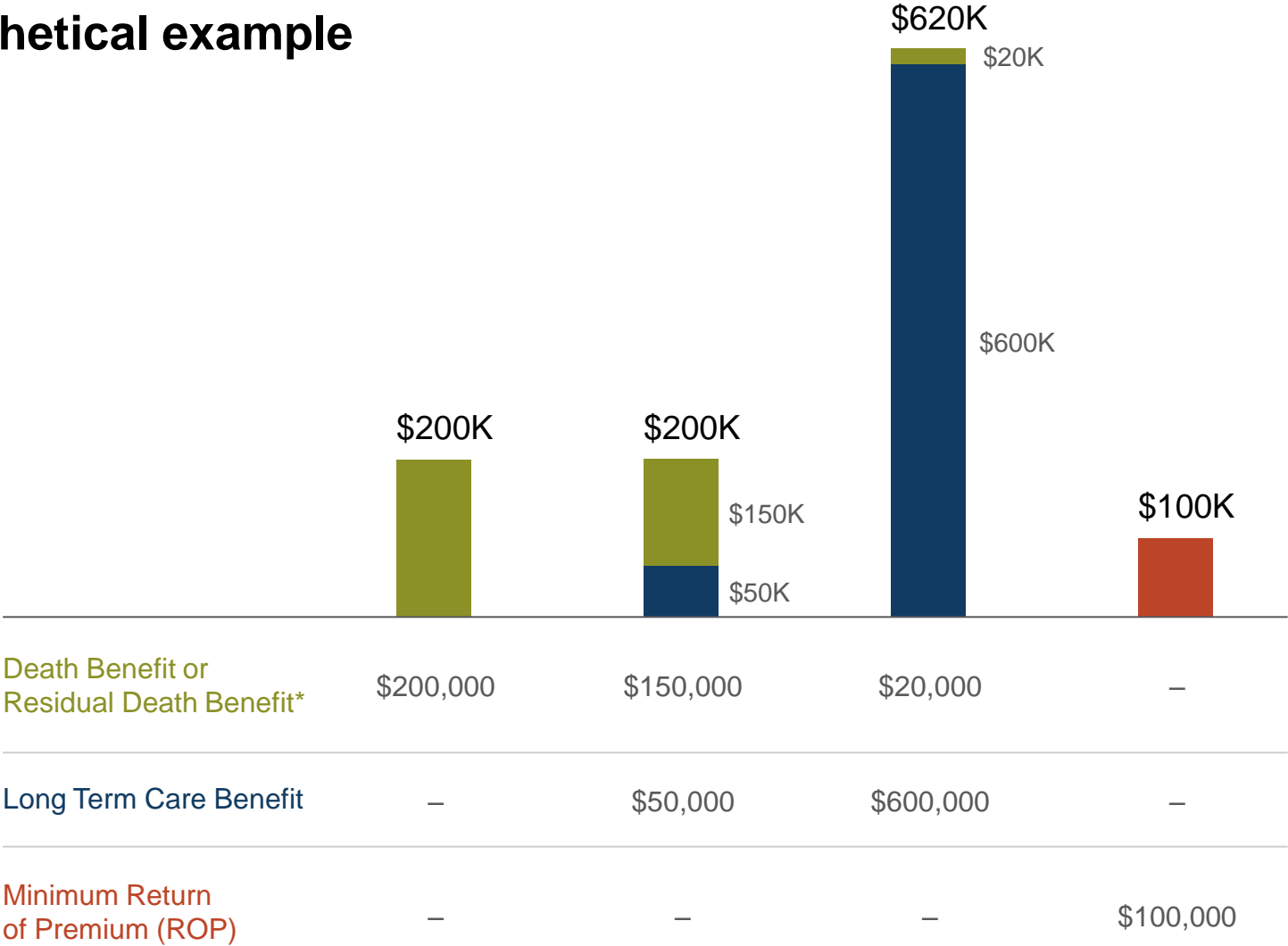
Note: Average case portrayed

Life Linked Benefits Policy Mechanics

	Policy Components	Additional Descriptions	Credits (+)/ Charges (-)	
Base Chassis	Life Insurance Policy	Policy Value Funded With Flexible or Single Premium Intended to Last for Life of Policy	(+) Interest Credited (-) Premium Load (-) Monthly Admin Fee (-) Life COI Charge	Normal UL Charges
Built-In	ABR Rider	Accelerates Specified Amt for Covered LTC Benefits	(-) ABR COI Charge	New Linked Benefit Charges
	Waiver of Charges	Waives All Charges While Policy on LTC Claim		
	Guar Min Death Benefit	Secondary Guarantee		
	Residual Death Benefit	10% of Initial Specified Amount		
Optional	EBR Rider	Company Dollars after ABR Exhausted	(-) EBR COI Charge	
	ABR & EBR Inflation	3 / 5% Simple / Compound	(-) Inflation Rider Charge	
	Return of Premium	Lifetime After Policy Year X		

Linked Benefits Payout Overview – What If?

Hypothetical example



* The death benefit paid will be the greater of the two. All values and benefits are shown at their original benefit levels. Minimum guarantee values may be less.

How Linked Benefits Product Compares To Traditional LTCI

Linked Benefits Highlights

Robust LTCI Benefits

Based on Traditional LTCI product

- **0-Day** EP on Home Care May be Available
- Non-Agency Care (**>50%**) May be Available
- Care Coordination Services
- Offer International Coverage, Caregiver Training, Supportive Equipment, Respite Care, and Bed Reservation
- May Offer Preferred Health & Couples Discounts

Flexibility

Strong Guarantees

- **Lifetime** Return Of Premium (ROP) After Policy Year X
- May Issue to **Substandard Lives**
- **Residual Death Benefit**
Minimum of 5-20% of Initial Specified Amount Payable on Death

Compared Side by Side, Both Work Well

Profile	Linked Benefits Client	Traditional LTCI Client
Female	<ul style="list-style-type: none"> • \$92,884 repositioned into policy 	<ul style="list-style-type: none"> • \$92,884 available assets
Age 60	<ul style="list-style-type: none"> • Policy (2+4) Benefits 	<ul style="list-style-type: none"> • \$3,674 LTCI annual premium* funded w/ 3.96% after-tax earnings
Married	<ul style="list-style-type: none"> – \$200,000 specified amount 	<ul style="list-style-type: none"> • Principal still available at time of death
Preferred Health	<ul style="list-style-type: none"> – \$8,333 LTC monthly maximum for <u>6</u> years 	<ul style="list-style-type: none"> • \$8,333 LTC monthly maximum for <u>5</u> years
Nonforfeiture	<ul style="list-style-type: none"> – \$20,000 residual death benefit 	<ul style="list-style-type: none"> • Premium waived while on LTC claim
No Inflation		
Informal Care		

Let's follow the cash, since all LTC benefits are at the same level

<u>Event</u>	<u>Linked Benefit Death Benefit</u>	<u>Traditional LTCI Principal + Waiver</u>	<u>Linked – Trad Benefits</u>
Die w/out LTC Claim	\$200,000	\$92,884	\$107,116
Die w/ 0-2 yr. LTC Claim	\$100,000	\$96,558	\$3,442
Die w 2+ yr. LTC Claim	\$20,000	\$107,580	(\$87,580)

* Assumes level premiums over the life of the policy, which is not guaranteed.

Understanding Customer Attitude Will Help Determine The Correct Product

Benefit Leverage Based On Premium Paid

Long Term Care Leverage Table*

	Age					
	50	55	60	65	70	75
	Leverage Factor					
Female	8.8x	7.5x	6.5x	5.3x	4.2x	3.1x
Male	8.1x	6.9x	6.0x	5.0x	4.1x	3.0x

Death Benefit Leverage Table*

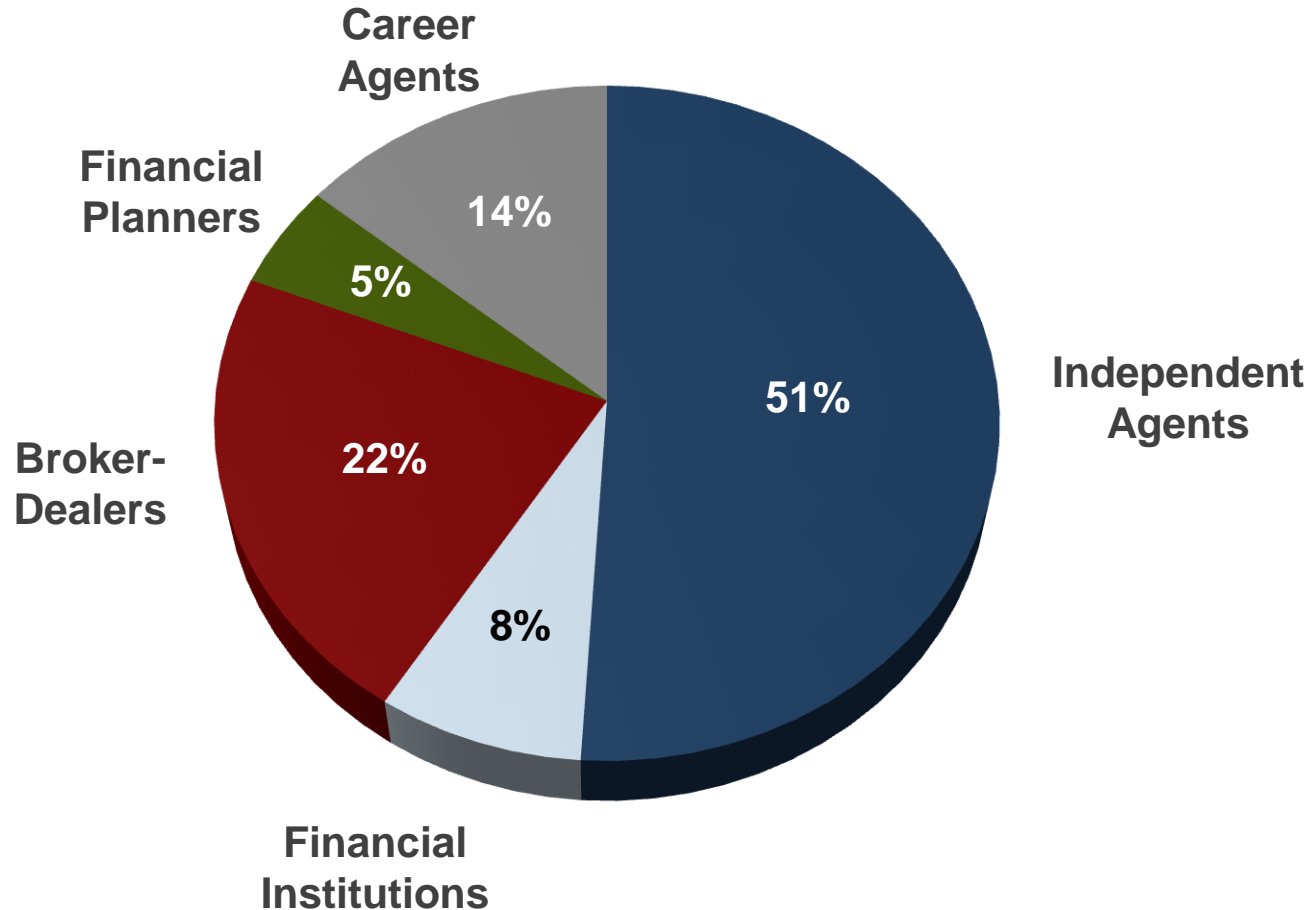
	Age					
	50	55	60	65	70	75
	Leverage Factor					
Female	2.9x	2.5x	2.2x	1.8x	1.4x	1.0x
Male	2.7x	2.3x	2.0x	1.7x	1.4x	1.0x

Linked Benefits leverages your client's initial premium to provide significant life insurance and LTC benefits

* For illustrative purposes only - Results are calculated based on interest rate of 3.60%, Preferred No Nicotine Use, Preferred LTC Discount, 20% Couples Discount, 2 year Accelerated Benefit Rider, 4 year Extension of Benefits Rider and lifetime return of premium after year 3.

Who Distributes & Purchases A Linked Benefits Product

Who Sells Linked Benefits Products?



Source: LIMRA & Management Estimates as of May 2015. Sales Include Universal Life (UL) and Whole Life Insurance Linked Benefits Products. Distribution Splits Include UL, Whole Life and Variable Life.

Consumer LTC Marketplace

Consumers Fall Into 1 of 3 Categories

Long Term Care Insurance (LTCI) Purchasers –

Less than 6% penetration of Americans age 40 and over*

- Recognize need for LTCI protection and willing to purchase traditional policy as a solution
- Solution = Traditional LTCI policy

Self-Insuring

- Expect to use existing assets to fund LTC need
- Don't like idea of paying premiums and if they die receive nothing
- Solution = Linked Benefits Product

Medicaid

- No private insurance solution

* 2011 American Community Survey. (BPC calculation). To the best of our knowledge no newer sources of information are available (Based on Internet Search 02/03/15)

94% of the U.S. Adult Population Is Not Covered By Traditional LTCI

Who is Your Target Linked Benefits Customer?

Look for clients who:

- Are between age **50** and **75**
- Want to protect assets from potential long term care (LTC) expenses **and** leave something behind for their beneficiaries
- Have available assets of **\$300K** or more excluding their home and qualified plan assets
- Are **self-insuring** against a potential LTC event
- Are in **good health**
- **Couples**



Important Information (continued)

Policy, benefits and riders may not be available in all states. Terms and conditions may vary by state.

This presentation provides a summary of coverage. Policy terms and provisions will prevail.

All guarantees are based on the claims-paying ability of the issuing insurance company.

Covered long term care expenses may be paid for a longer or shorter period than the Benefit Period. Expenses may be paid for a longer period if the actual expenses paid are less than the Monthly Maximum. Expenses may be paid for a shorter period because some services, such as supportive equipment, caregiver training and bed reservation do not count toward the Monthly Maximum.

Gain accumulates tax-deferred until it is withdrawn. The taxable amount withdrawn from life insurance policies is subject to ordinary income tax.

A Linked Benefits policy may be treated as a Modified Endowment Contract (MEC). In that event, partial withdrawals (including loans which are treated as withdrawals) will be taxable to the extent of gain in the policy.

The taxable amount of MEC withdrawals and surrenders taken before age 59½ will be subject to an additional 10% penalty tax, unless another exception applies.

Partial withdrawals from life insurance policies that are not treated as MECs are not taxable until the amount withdrawn exceeds the policy cost basis. A 10% penalty tax does not apply.

Important Information (continued)

Because long term care rider charges on a linked benefits policy reduce cost basis (not below zero) it is possible for Return of Premium Rider (ROP) benefits to be taxable.

Benefit payments made under a linked benefits policy for covered long term care services are income tax free. Monthly charges to pay for long term care insurance are not included in the gross income of the owner, but reduce the owner's income tax basis (not below zero). No income tax deduction is available for these monthly charges.

Any examples are hypothetical and are used only to help you understand the ideas. They may not reflect a client(s)' particular circumstances. Clients should carefully read their contract, policy and prospectus(es), when applicable. What is said about legal or tax matters is our understanding of current law; but we are not offering legal or tax advice. Tax laws and IRS administrative positions may change. We did not write this material for use by any taxpayer to avoid any Internal Revenue Service penalty and neither you nor a client may use it for that purpose. Clients should ask their independent tax and legal advisors for advice based on their particular circumstances.

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