Long-Term Care and the Middle Market

Sizing the Opportunity for New Ways to Finance Long-Term Care

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AUTHOR Cindy Malone, MBA
SVP of Innovation
Maddock Douglas
cindy.m@maddockdouglas.com

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Section 1: Acknowledgments

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Special thanks to Maddock Douglas' other key partners and contributors who heavily influenced this work and the content of this report: Kevin Malloy of End5 Insights for focus group moderating, Brett Miller of Studio FIVE33 for concept development, Brian Ulery of LTCG for actuarial modeling and projecting the impact on government tax revenue and Medicaid program savings, and Gary Garrelick and Jeremy Luksberg of Directive Analytics for quantitative fielding and analysis and assistance in drafting this report.

I would also like to recognize the members of the Long-Term Care Think Tank, whose collaborative thinking generated ideas for what evolved into the LifeStage Protection and Retirement Plus concepts.

And finally, I would like to express my gratitude to the Society of Actuaries for funding the project that was the foundation for this report. Our results and the resulting opportunities would not have been possible without the SOA's facilitation and support throughout this process.

Section 2: Summary of Findings

The combination long-term care (LTC) insurance product concepts developed in this project, LifeStage Protection and Retirement Plus, both show promise for success in the consumer marketplace. The forecasts projecting these results are based on above-average self-reported purchase intent scores and other real-world assumptions. In addition, modeled tax revenue and Medicaid spending projections suggest that both concepts create the opportunity for significant government savings.

In addition, both concepts have been well received, with key diagnostics providing clues to what is driving the strong self-reported purchase interest. Most significantly, many consumers can envision a personal need for each (although more commonly in the future than today, regardless of current age). While some seek additional information, the majority find both concepts to be easy to understand and believable. Many also feel these products are unique compared to other offerings designed to help them plan for their future financial needs.

Price is a likely barrier for many as “interest in investigating further” drops sharply after exposure to price. Of note, however, is that purchase intent is higher among those who selected a larger benefit level, suggesting that those who recognize the benefits of the products may be willing to pay more to get the coverage they desire.

Consumers would prefer to purchase both concepts through their employer or online, directly from the insurance company. However, offering either product only through employers may lower overall interest. About one in five would prefer to purchase through an agent.

Here are the findings specific to each concept:

- **LifeStage Protection.** An insurance policy that starts as term life insurance during prime income-earning years and then switches to long-term care insurance during later years gathers positive initial impressions. The concept fills a need for consumers in the future. Being a combination product that transitions as you get older is a top-liked element. However, there is some concern about not choosing the “right” transition age. Survey data indicates that the option to pay more to receive a death benefit after the transition age or to be able to use long-term care benefits prior to the transition age is likely to increase interest and could help alleviate some of the concerns.
- **Retirement Plus.** A flexible retirement plan like a 401(k) or IRA, but with long-term care insurance built in also generates positive initial reactions and the perception that it fills a personal need. The flexibility to use saved funds for whatever the buyer needs is appealing. Highlighting the benefits of this product compared to other separate savings and insurance options will be important to converting hesitant or skeptical consumers. Survey results show adding an option to pay more to have access to the insurance benefit early is likely to increase interest.

Section 3: Background and Methodology

3.1 Background and Objectives

The Long-Term Care Think Tank is a collaborative effort among experts and thought leaders spanning all corners of the LTC industry. The group's mission is to spark innovation through creative thought and carry forward those ideas to truly impactful outcomes that make the financing and delivery of LTC services more efficient for consumers and the industry at large.

In October 2015, the LTC Think Tank met in Rosemont, Illinois, for a collaborative workshop to brainstorm how the LTC industry could evolve its offerings to meet changing consumer needs in innovative and new ways. Forty-one thinkers generated 86 initial ideas, expanded on favorites, and chose six that represented three new "angles" on LTC innovation—Data Driven Support, Service Evolution and Expansion and Paying for Care. Two concepts in the Paying for Care category were of particular interest to the LTC Think Tank and were chosen as priorities for further development. These two concepts were developed with an eye toward making LTC insurance products more practical and affordable for a mainstream audience, as well as allowing consumers to start planning for how to pay for potential future long-term care costs earlier in their lives.

The objective of this LTC Think Tank initiative is to inspire industry leaders to join the Society of Actuaries (SOA) in the quest for change and to empower potential sponsors with clear direction on innovation opportunities. Specific project goals were as follows:

- Refine two prioritized concept outlines to focus on the aspects most important to communicate to and test with consumers;
- Validate consumer appeal for the concepts;
- Gather feedback to optimize and uncover implications relevant to implementation efforts;
- Size the potential U.S. consumer market revenue opportunity; and
- Project the resulting impact on government tax revenue and Medicaid program savings.

3.2 Research Methodology

3.2.1 Qualitative Focus Groups

In June 2017, four qualitative focus groups, each 90 minutes long, were conducted with a total of 24 consumer participants, sourced via email and telephone recruiting. These groups served these goals:

- Verify that the general ideas presented in the concepts were understandable;
- Identify any problematic concept language, images or pricing/benefit details in order to optimize and clarify before quantitative testing;
- Identify relevant attitudes and mindsets to measure in quantitative testing; and
- Inform decisions around quantitative sampling plan (e.g., screening criteria, quotas).

Each group had a different demographic profile in terms of age and income:

- Group 1: Ages 35 to 49, $100,000 or more household income (HHI)
- Group 2: Ages 45 to 54, $75,000 to $125,000 HHI
- Group 3: Ages 35 to 49, $75,000 to $125,000 HHI
- Group 4: Ages 45 to 54, $100,000 or more HHI

In order to maximize the number of participants providing feedback on each concept, both concepts were shown in every group. Concept order was rotated.

3.2.2 Quantitative Online Survey

In September 2017, a 20-minute online survey was fielded among 800 consumers, sourced via an online panel. Unlike in the qualitative focus groups, respondents were selected to evaluate only one of the two concepts, either LifeStage Protection or Retirement Plus. All consumers were required to meet the following criteria:

- Ages 35 to 55
- Not employed in a critical industry (e.g., marketing, insurance)
- At least a high school graduate
- Employed
- Offered benefits (e.g., insurance, retirement) from employer (if not self-employed)
- HHI between $50,000 and $499,999
- At least share in the responsibility for household financial decision making
- Describe current health as fair or better

In addition, quotas were in place to control for the composition of the surveyed sample:

- Age and income: 25% of the sample was represented in each of four groups:
    - Ages 35 to 45 and HHI $50,000 to less than $125,000
    - Ages 46 to 55 and HHI $50,000 to less than $125,000
    - Ages 35 to 45 and HHI $125,000 to less than $500,000
    - Ages 46 to 55 and HHI $125,000 to less than $500,000
- Education: Minimum 85% of the sample have trade or vocational training or a college degree.
- Employment: Maximum 10% of the sample are self-employed and maximum 10% of the sample are part-time employed.
- Investable assets: Maximum 10% of the sample have less than $100,000 in investable assets.

Throughout the survey, definitions were provided for industry terms used that consumers might not know.

Findings from both the qualitative focus groups and the quantitative online survey helped to shape the actuarial model. Data collected in the quantitative online survey was used as inputs in the market forecast of consumer demand, as well as in the projections of the resulting impact on government tax revenue and Medicaid program savings.

The survey data presented in this report was weighted by gender (to reflect the U.S. Census population and qualification incidence from this survey) and by income (to reflect the U.S. Census population).

Throughout this report, charts and tables have footnotes that indicate the numbers of the survey questions from which the data was sourced. The full questionnaire with question numbers and exact text presented can be viewed in the appendix of this report.

3.2.3 Significance Testing

Findings in this report were tested at the 95% and 90% confidence interval. Within the tables presenting our findings, each subgroup is labeled with a letter at the top of its column. Significant differences are then denoted by a letter corresponding to the subgroup they are higher than. A capital letter indicates the finding is significantly higher than that subgroup at a 95% confidence interval. Differences at the 90% confidence interval are denoted with a lowercase letter. Significance testing was based on the *Z*-test for percentages or the independent *t*-test for means.

3.3 Concepts Evaluated in the Quantitative Online Survey

As noted earlier, respondents to the online survey were selected to evaluate only one of the two concepts, either LifeStage Protection or Retirement Plus. A monadic methodology was chosen because these two ideas are unlikely to be evaluated side by side in the marketplace, so it was undesirable for respondents' opinions of one concept to be impacted by comparisons to the other.

Quotas were in place to ensure the two groups of respondents evaluating each concept had similar profiles. Group size was almost equal:

- LifeStage Protection: n = 402 evaluations (unweighted)
- Retirement Plus: n = 398 evaluations (unweighted)

To give proper context and to introduce the phrase *long-term care* and its definition, respondents viewed the following description before evaluating a concept:

> *Next, we would like to show you an idea for an insurance product and get your opinion of it. This product is intended to help people pay for long-term care. By long-term care, we mean care provided by a home health aide, personal care attendant, or nurse in someone's home, an assisted living facility, or a nursing home. Typically, long-term care is provided to help a person do personal care tasks such as bathing, dressing, nursing care, therapy services, or simply getting around. It also includes the care and supervision needed for a person with a condition such as Alzheimer's disease or other types of dementia. Please note this product is just an idea and is not currently available today.*

After reading this definition of long-term care, respondents were randomly assigned to evaluate one concept (LifeStage Protection or Retirement Plus). No pricing information was given at the initial view. After responding to a variety of diagnostics, including future interest, respondents then viewed several benefit levels with specific pricing information based on their self-reported age and gender.

LifeStage Protection had four benefit-level options: $100,000, $150,000, $200,000 and $300,000. Respondents were shown a monthly premium amount for each benefit level and selected the one that would best meet their needs. An illustrative example of LifeStage Protection pricing can be seen on page 11.

Retirement Plus had three benefit-level options: $100,000, $150,000, and $200,000. Respondents were shown a minimum monthly amount they would need to put in to their account until age 65 to maintain LTC coverage for each benefit level and selected the level that would best meet their needs. An illustrative example of Retirement Plus pricing can be seen on page 14.

After selecting a benefit level, the associated premium or minimum contribution was included in the remaining applicable questions.

3.3.1 LifeStage Protection

This concept was developed to provide consumers with life insurance (something they may need now) that eventually transitions into LTC insurance (something they may need later). The following image shows the concept that was presented to survey respondents. The full text and visuals are re-created in a larger size in the following pages.

Introducing LifeStage Protection™

Life Insurance That Transforms Into Long-Term Care Insurance

You know life insurance is important as it financially protects your family should something happen to you during your prime income-earning years. And you know that if you need long-term care later in life this could deplete your retirement savings. But long-term care insurance is expensive and it doesn't seem like something you will need until you get much older. Wouldn't it be great if there was an affordable way to have the financial protection you need now and in the future?

Introducing LifeStage Protection — An insurance policy that starts as life insurance during your prime income-earning years and then switches to long-term care insurance during your later years. This provides you and your family with the financial protection that you need when you need it most. And it's affordable because locking in the long-term care coverage at a younger age (e.g., age 45) means the amount you end up paying for the insurance is much lower (as much as 50%) than if you waited until later in life (e.g., age 65) to apply.

To enroll, contact your employee benefits administrator or go to your employee benefits website. If you are self-employed or your employer does not offer it, you can enroll at www.lifestageprotection.com. Select a coverage level (e.g., $100,000, $150,000, $200,000, $300,000 or more) and select your transition age (the age you want the insurance to switch from life to long-term care insurance). Once you are a policy-holder, your life insurance coverage begins. When you reach your selected transition age, the life insurance ends and the long-term care coverage begins. Then if you require long-term care (e.g., in-home care, assisted living, nursing home care) your expenses will be covered up to the maximum amount based on the coverage level you selected (e.g., $100,000).

Prices vary depending on the coverage level chosen, age and gender. Your monthly rate stays the same the whole time you are a LifeStage policy holder.

LifeStage Insurance starts as life insurance during your prime income-earning years and then switches to long-term care insurance during your later years, providing you and your family with the financial protection that you need when you need it most.

LifeStage Protection – Transforming Insurance

To apply contact your employee benefits department or go to www.lifestageprotection.com.

Select your coverage level and transition age.

The life insurance financially protects your family should something happen to you during your prime income-earning years.

Starting at your selected transition age, the long-term care insurance covers your expenses up to your chosen coverage level.

3.3.1.1 A Closer Look at the LifeStage Protection Concept Content

The following pages present the concept text and images that appear in the preceding figure.

You know life insurance is important as it financially protects your family should something happen to you during your prime income-earning years. And you know that if you need long-term care later in life this could deplete your retirement savings. But long-term care insurance is expensive and it doesn't seem like something you will need until you get much older. Wouldn't it be great if there was an affordable way to have the financial protection you need now and in the future?

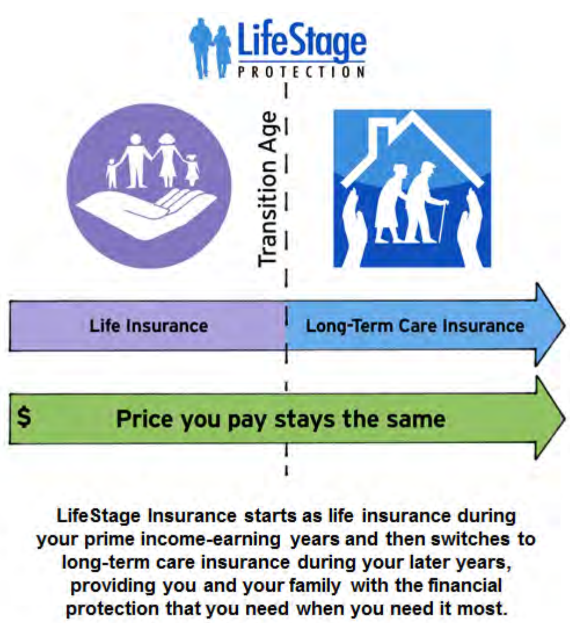
Introducing LifeStage Protection — An insurance policy that starts as life insurance during your prime income-earning years and then switches to long-term care insurance during your later years. This provides you and your family with the financial protection that you need when you need it most. And it's affordable because locking in the long-term care coverage at a younger age (e.g., age 45) means the amount you end up paying for the insurance is much lower (as much as 50%) than if you waited until later in life (e.g., age 65) to apply.

To enroll, contact your employee benefits administrator or go to your employee benefits website. If you are self-employed or your employer does not offer it, you can enroll at www.lifestageprotection.com. Select a coverage level (e.g., $100,000, $150,000, $200,000, $300,000 or more) and select your transition age (the age you want the insurance to switch from life to long-term care insurance). Once you are a policy-holder, your life insurance coverage begins. When you reach your selected transition age, the life insurance ends and the long-term care coverage begins. Then if you require long-term care (e.g., in-home care, assisted living, nursing home care) your expenses will be covered up to the maximum amount based on the coverage level you selected (e.g., $100,000).

Prices vary depending on the coverage level chosen, age and gender. Your monthly rate stays the same the whole time you are a LifeStage policy holder.

LifeStage Protection – Transforming Insurance

LifeStage Protection concept hero image



Additional concept images for LifeStage Protection

To apply contact your employee benefits department or go to www.lifestageprotection.com.

Select your coverage level and transition age

The life insurance financially protects your family should something happen to you during your prime income-earning years.

Starting at your selected transition age, the long-term care insurance covers your expenses to your chosen coverage level.

3.3.1.2 LifeStage Protection Concept Pricing

After responding to several initial diagnostic questions, respondents then viewed a monthly premium amount for each of the four benefit levels as determined by self-reported gender and age.

For example, the following pricing options were shown to males ages 43 to 47.

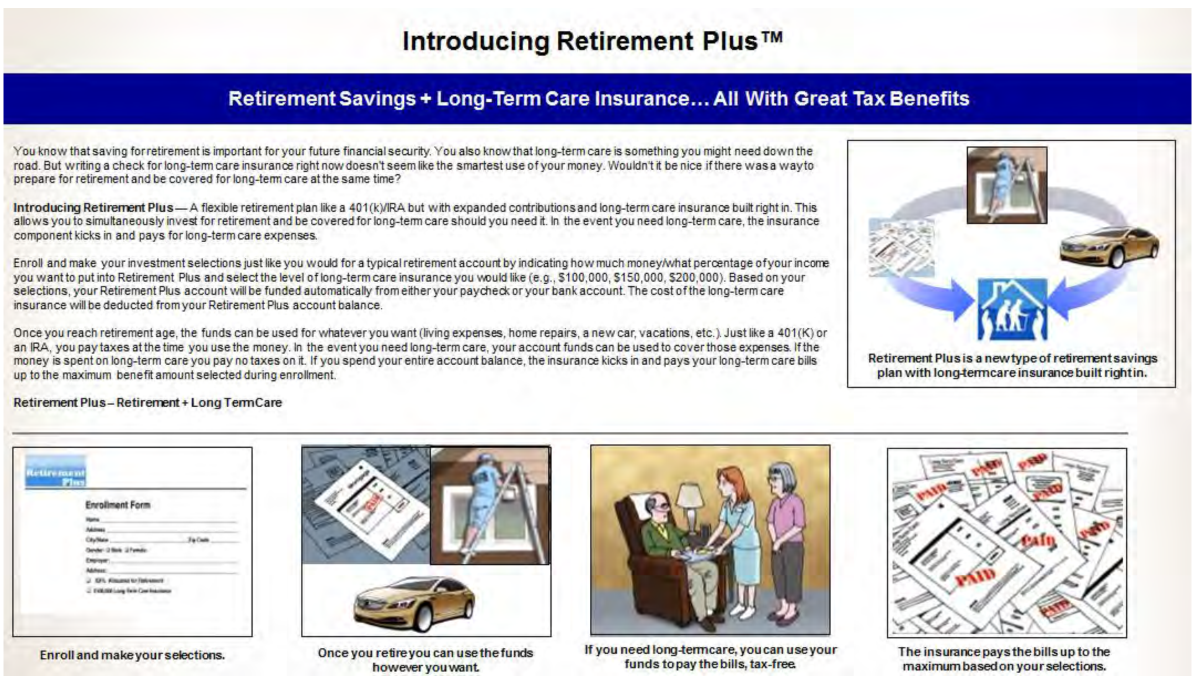
LifeStage Protection

	Option A	Option B	Option C	Option D
Lifetime Benefit	$100,000	$150,000	$200,000	$300,000
Monthly Premium	$63	$94	$124	$186

Respondents then selected the one option that would best meet their needs before answering the remaining diagnostic questions, including product purchase intent.

3.3.2 Retirement Plus

The Retirement Plus concept was developed to provide consumers with access to LTC coverage through a tax-advantaged, flexible product format that they are already familiar with (e.g., 401(k), IRA). The next image shows the concept that was shown to survey respondents. The full text and visuals are presented in a larger size following the image.



3.3.2.1 A Closer Look at the Retirement Plus Concept Content

The following pages show the concept text and images for Retirement Plus that appear in the preceding figure.

> You know that saving for retirement is important for your future financial security. You also know that long-term care is something you might need down the road. But writing a check for long-term

care insurance right now doesn't seem like the smartest use of your money. Wouldn't it be nice if there was a way to prepare for retirement and be covered for long-term care at the same time?

Introducing Retirement Plus — A flexible retirement plan like a 401(k)/IRA but with expanded contributions and long-term care insurance built right in. This allows you to simultaneously invest for retirement and be covered for long-term care should you need it. In the event you need long-term care, the insurance component kicks in and pays for long-term care expenses.

Enroll and make your investment selections just like you would for a typical retirement account by indicating how much money/what percentage of your income you want to put into Retirement Plus and select the level of long-term care insurance you would like (e.g., $100,000, $150,000, $200,000). Based on your selections, your Retirement Plus account will be funded automatically from either your paycheck or your bank account. The cost of the long-term care insurance will be deducted from your Retirement Plus account balance.

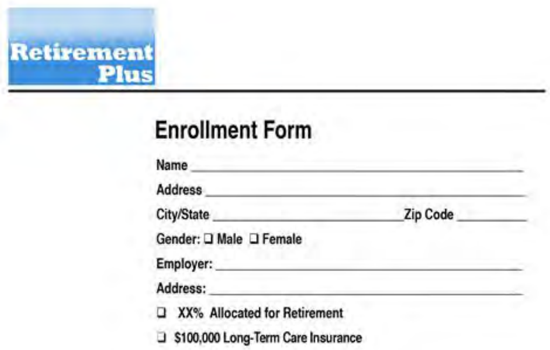
Once you reach retirement age, the funds can be used for whatever you want (living expenses, home repairs, a new car, vacations, etc.). Just like a 401(K) or an IRA, you pay taxes at the time you use the money. In the event you need long-term care, your account funds can be used to cover those expenses. If the money is spent on long-term care you pay no taxes on it. The insurance also kicks in at this point and pays your long-term care bills up to the maximum benefit amount selected during enrollment.

Retirement Plus – Retirement + Long Term Care

Retirement Plus concept hero image

Retirement Plus is a new type of retirement savings plan with long-term care insurance built right in.

Additional concept images for Retirement Plus



Enroll and make your selections.

Once you retire you can use the funds however you want.

If you need long-term care, you can use your funds to pay the bills, tax-free.

The insurance pays the bills up to the maximum based on your selections.

3.3.2.2 Retirement Plus Concept Pricing

After responding to several initial diagnostic questions, respondents then viewed a minimum monthly amount (determined by self-reported gender and age) they would need to put in to their account until age 65 to maintain LTC coverage for each of the three benefit levels.

For example, the following pricing was shown to males ages 43 to 47.

Retirement Plus

	Option A	Option B	Option C
Lifetime Long-Term Care Benefit	$100,000	$150,000	$200,000
Minimum Monthly Amount You Put Into Your Retirement Plus Account Until Age 65*	$119	$171	$225

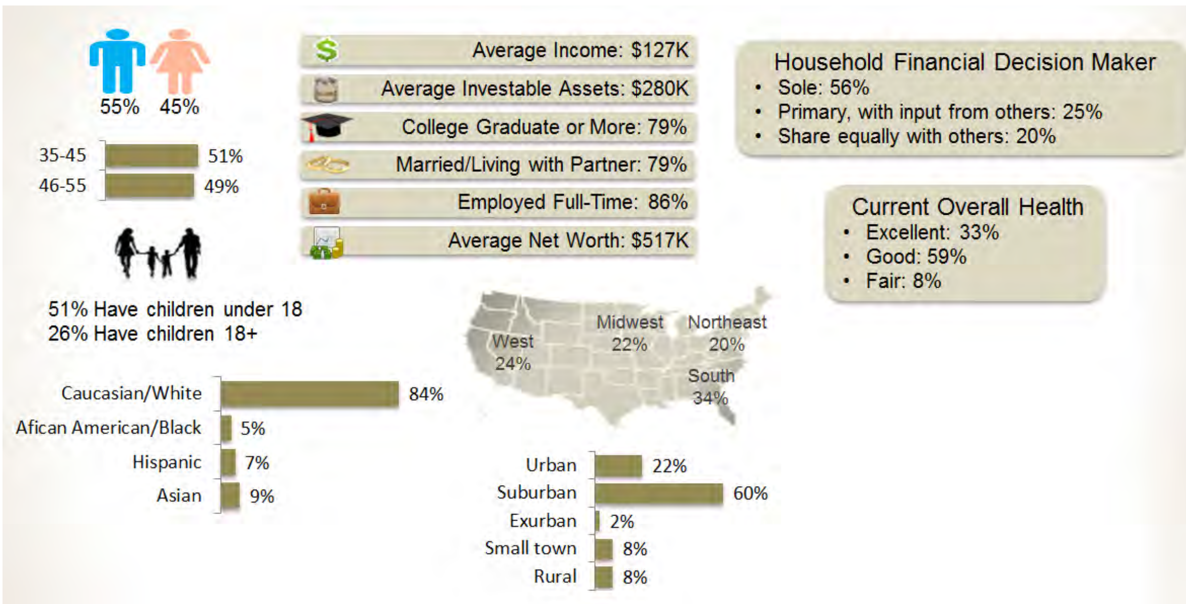
*** This amount is our best estimate of what you would need to contribute to your account each month in order to have enough to cover the cost of your long-term care insurance for the rest of your life. If you contribute more, you could expect to have more funds available to use for non-long-term care purposes during your retirement years. Because this is an investment product, actual results will vary.**

Respondents then selected the one option that would best meet their needs before answering the remaining diagnostic questions, including product purchase intent.

Section 4: Respondent Profile and Mindset

4.1 Respondent Characteristics

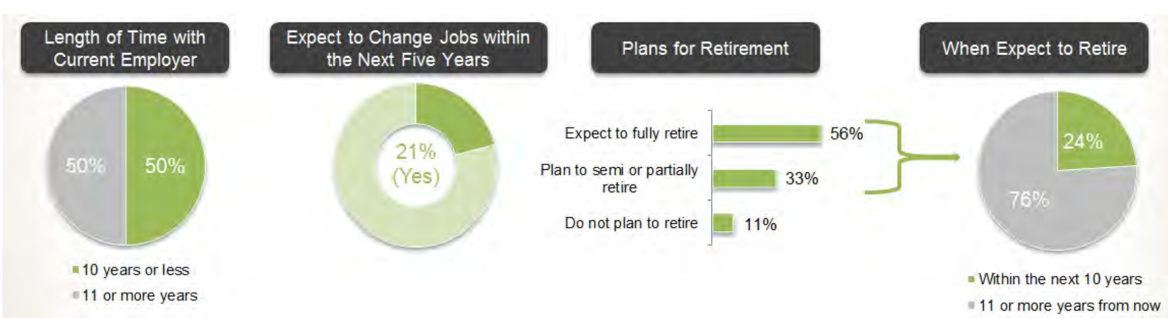
The following graphic details the self-reported demographic makeup of the respondents surveyed in this research. Quotas were in place to ensure a representative sample was achieved within the desired target audience. Most respondents were married or living with their partner, employed full-time and in good to excellent health.



(Source: Q1, Q2, Q3, Q5, Q6, Q10, Q11, Q12, Q13, Q46, Q47, Q48, Q51, Q52, Q53)

4.1.1 Employment and Retirement Summary

Nearly all surveyed respondents expect to at least partially retire, with three-quarters expecting to do so more than 10 years from now. Only a small number of respondents expect to change jobs within the next five years.



(Source: Q42, Q43, Q44)

4.1.2 Accounts, Products and Plans

Most respondents own a 401(k) or similar type of retirement account and health insurance from their employer. Employer-sponsored life insurance is comparatively less likely to be offered to respondents—45% for term life insurance and 25% for whole life insurance versus 88% for a retirement account—and a relatively lower percentage of eligible employees say they take advantage of these term and whole life insurance benefits (33% and 14%, respectively, versus 85%).

	% Offered by Employer/ % Owned Through Employer
401(k), 403(b) or similar retirement account	88% / 85%
Individual retirement account (IRA)	35% / 19%
Health insurance	91% / 80%
Term life insurance policy	45% / 33%
Whole life insurance policy	25% / 14%
Health savings account (HSA)	47% / 31%
Disability insurance	47% / 34%

(Source: Q7, Q8)

4.2 Respondent Attitudes

The survey asked several questions to assess respondents' attitudes about the future and about various aspects of insurance. This section presents the findings.

4.2.1 Thoughts About the Future

Respondents were asked to indicate on a scale of 1 to 5 how strongly they agree with the following statements. The percentage that marked "agree" or "strongly agree" (Top 2 Box Score) is indicated after each statement.

- If I prepare in advance for when I need help, I am more likely to have control over the type of care I receive: 81%
- If I make arrangements in advance for a time when I may need help caring for myself in the future, I can better protect my family's income and savings: 79%
- I can take steps now to plan for a time when I may no longer be able to take care of myself: 77%
- Planning in advance for a time when I may need help taking care of myself will help me stay in my home: 76%
- If I were to need help taking care of myself, I would worry about becoming a burden to my family: 73%
- I don't want to have to rely on Medicaid to pay for my care if and when I need it: 69%
- Someone on Medicaid has less choice about where they can receive care when they need it: 64%
- If I need help taking care of myself in the future, I feel confident that my family or friends would take care of me: 45%
- If I need help taking care of myself in the future, I prefer to deal with it then: 26%
- If I ever need extended care at home or in a nursing home, the government will pay for most of the costs: 17%

(Source: Q15)

The results indicate about four in five consumers strongly agree with the benefits of planning early. Consumers are thinking about the future and most agree taking steps now will help both themselves and their family members. They understand that care will be more difficult to handle in the future and they cannot solely rely on the government for help or support.

Based on these findings, demonstrating how the LifeStage Protection and Retirement Plus concepts could help consumers both live in the now and plan for the future could generate interest.

4.2.2 Attitudes About Insurance

Although some view life insurance as an investment tool, consumers are more likely to consider it for its importance in protecting their family.

Based on survey data, consumers are less likely to agree with statements focused on “outgrowing” life insurance, and most still see value in having it when they have grown children or when they are older than age 65. These sentiments suggest that some consumers will perceive LifeStage Protection alone to provide insufficient life insurance coverage later in life.

The statements presented to respondents are shown here. The Top 2 Box Score (agree or strongly agree) is given after each statement.

- I buy life insurance to protect my family in case I die during my prime earning years: 69%
- Insurance that pays for some long-term care coverage is better than not having any coverage at all: 63%
- I buy life insurance as a financial investment for the future: 43%
- A life insurance policy is better if it includes a cash value accumulation (Whole Life), even though that costs more than a policy without one (Term Life): 41%
- There is no point in buying a long-term care insurance policy unless it covers nearly all of my financial needs: 40%
- I would wait to see if older family members (e.g., parents) need long-term care before I invest in long-term care insurance myself, even if it means it might cost more or I might not qualify based on health: 20%
- People who have grown children don’t need life insurance anymore: 20%
- People who are older than 65 don’t need life insurance: 18%
  (Source: Q41)

4.2.3 Reasons for and Against Purchasing LTC Insurance

Respondents were asked to indicate on a scale of 1 to 5 how much they agree with each of the following statements. Percentages indicate Top 2 Boxes.

- I know long-term care insurance would get more expensive if I waited to buy it in the future: 74%
- I think it is a good idea to have long-term care insurance right now: 56%
- I feel I can afford long-term care insurance right now: 45%
- I know someone who recently needed long-term care: 43%
- I have enough information about long-term care insurance to make a purchase decision: 39%
- I am worried my health would prevent me from obtaining long-term care insurance in the future: 38%
  (*Source: Q38*)

Based on these findings, consumers view purchasing LTC insurance early, when it is less expensive, as a top reason for purchase. However, only about half of the respondents surveyed agree they can afford LTC insurance right now. Focusing consumers on how both of the proposed concepts will "lock in" favorable LTC insurance rates and will provide coverage later could alleviate some affordability concerns.

Having more information available to prospective consumers (e.g., live customer support, FAQs, testimonials) will be beneficial, as many indicate they need to do more research first. The dual nature of both LifeStage Protection and Retirement Plus benefits could be a key attraction for those concerned with having too many competing financial obligations.

Next, respondents were presented with the following statements and asked to indicate on a scale of 1 to 5 how much they agree. The figure following each statement indicates the percentage who marked "agree" or "strongly agree."

- I need to do more research first: 72%
- I have too many competing financial obligations right now: 48%
- I feel I can't afford it right now: 40%
- I'm confident my health won't change and I'll be able to qualify for coverage later on: 26%
- I don't think I'll ever need it: 15%

(Source: Q39)

4.3 Respondent Experience with Long-Term Care

One in three respondents have a connection with someone needing LTC assistance. A full 33% have had a family member or close friend who needed nursing care, personal care or assistive therapies at home, in a nursing home or in an assisted living or memory care facility for a period of six months or more. *(Source: Q14)*

4.3.1 Likelihood of Ever Needing Care

Most respondents agree it is likely or very likely they will need some type of care in the future, more so for in-home care or assisted living than in a nursing home. A combined 44% believe nursing home care is in their future, compared to 58% for assisted living facilities and 61% for in-home care.

- Nursing Home
    - 9% Very Likely
    - 35% Likely
    - 39% Not Very Likely
    - 17% Not At All Likely
- Assisted Living Facility
    - 14% Very Likely
    - 44% Likely
    - 30% Not Very Likely
    - 12% Not At All Likely
- In-Home Care
    - 17% Very Likely
    - 44% Likely
    - 27% Not Very Likely
    - 11% Not At All Likely

(Source: Q16)

4.3.2 Paying for Future Care

Consumers expect to pay for this type of care with a combination of their own income or assets, insurance and Medicare.

- Own income, assets, and savings: 35%
- Health insurance or HMO/health plan: 24%
- Medicare: 17%
- Medicaid: 8%
- MEDIGAP or Medicare supplemental insurance coverage: 7%
- Family financial help: 5%
- Reverse mortgage or home equity line of credit: 3%

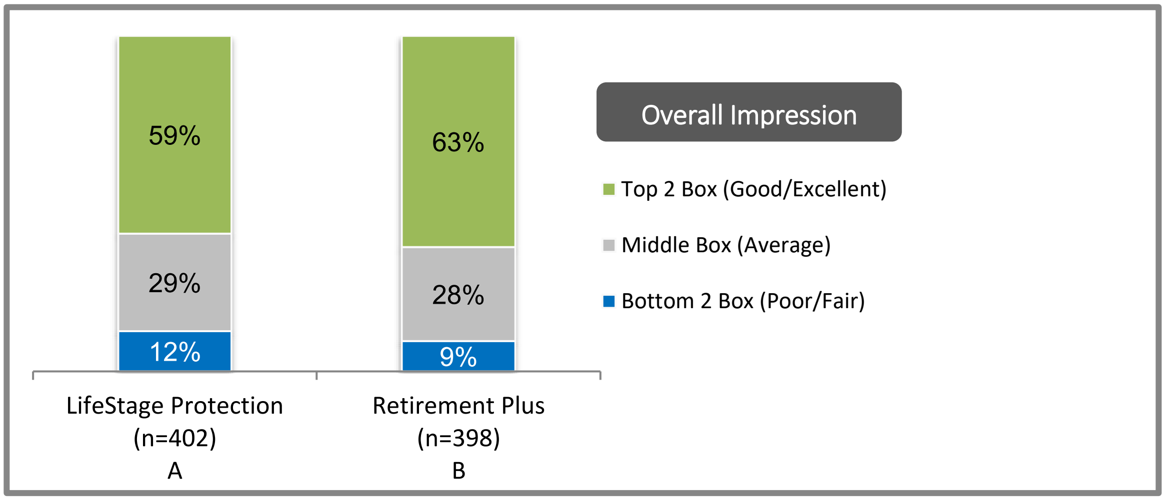
(Source: Q17)

The results suggest most consumers don't understand they are likely to have to pay out of pocket if they end up needing LTC in the future.

Section 5: Concept Reaction and Diagnostics

5.1 Unpriced Reaction

Initial impressions of LifeStage Protection and Retirement Plus were positive. Before seeing any pricing information, respondents were interested in the possibility of both concepts. About three in five described either concept as good or excellent.



(Source: Q18)

5.1.1 Likes

Concept likes were asked on an open-ended basis and then coded and grouped together. The top themes that emerged are presented here.

LifeStage Protection	Retirement Plus
☑ Flexible/Changes with age	☑ Saves money/Use money for Retirement
☑ Protection/Helps you plan	☑ Protection/Helps you plan/Peace of mind
☑ Combination LTC insurance/Life/Saving	☑ Provides/Convertible to LTC insurance
☑ Provides/Convertible to LTC insurance	☑ Tax free/Tax benefits
☑ Price stays the same	☑ Flexible/Customizable
☑ Different coverage levels	

(Source: Q19)

The transitional nature of LifeStage Protection is a top-liked element. For Retirement Plus, the ability to save and use the money however you want is a top draw. Highlighting these top-liked elements within the concept and in any communication or messaging should help generate interest.

5.1.1.1 Sample Verbatim Responses: LifeStage Protection

Top likes of LifeStage Protection focus on the transition or combination component and the security and protection the product provides. Respondents liked that they would be protected through their various stages of life and in two different ways.

Transition/Flexibility/Combination Product

- *"Flexibility in changing needs through different lifestages." [Male, age 35]*
- *"I like that the insurance serves two purposes in its lifetime." [Male, age 39]*
- *"I like the combination of life insurance transitioning to LTC insurance." [Female, age 39]*
- *"Good that it is still useful after I no longer need life insurance." [Female, age 40]*
- *"I really like that this insurance starts as life insurance and then at a targeted age switches to long-term care insurance." [Male, age 48]*
- *"It is a good idea, considering how the coverage changes according to need. It's also nice that the amount you pay remains the same for the duration of the policy." [Male, age 42]*

Protection/Security

- *"It protects my family during my income years if something happens to me, which later also covers me long-term." [Male, age 49]*
- *"I like the security and well-being this product provides." [Male, age 42]*

5.1.1.2 Sample Verbatim Responses: Retirement Plus

Retirement Plus garnered likes for the ability to use the money saved in various ways, as well as the tax benefits. Messaging and communication for Retirement Plus should focus on how consumers can set aside the retirement funds they are focused on saving now, and at the same time plan for future LTC expenses should they end up needing care.

Flexibility/Multiple Uses and Tax Benefits

- *"Flexibility to spend funds on living expenses or long-term care." [Male, age 35]*
- *"That the funds can be used for anything and the tax advantages if you do use it for healthcare." [Male, age 44]*
- *"It gives you options, if you don't need it for long-term care you can use it for other things; it would provide peace of mind and medical stuff would be tax free." [Female, age 41]*
- *"Flexible use of funds, can be used for long-term care tax free." [Female, age 46]*
- *"I like that this product will help me to plan for what I may need later in life; it works like a typical IRA, but with the benefit of insurance for long-term care. I also like that the money is not taxable if used for long-term care." [Female, age 44]*

Protection/Security

- *"I think it would be a great way to prepare for my future." [Male, age 35]*
- *"It would ensure that I could use the money for expenses as they come up and gives me more coverage and peace of mind." [Male, age 46]*
- *"Retirement savings with a plan to help cover long-term medical care needs would help protect retirement income." [Female, age 50]*

5.1.2 Dislikes

Dislikes were surveyed before pricing information was shared. Outside of reservations about the potential cost and a desire for additional information, dislikes of specific aspects of either product were subdued. Providing access to customer testimonials, live customer support or FAQs could be a way to offset some consumer concerns.

Dislikes were asked on an open-ended basis and then coded and grouped. The top themes that emerged are noted in this list.

LifeStage Protection	Retirement Plus
☒ It will be expensive	☒ It will be expensive
☒ Unsure of future needs	☒ Need more information/How does it work
☒ Need more information/How does it work	☒ Need more pricing information
☒ Need more pricing information	

(Source: Q20)

5.1.2.1 Sample Verbatim Responses: LifeStage Protection

Respondents were concerned with choosing a transition age that would be right for their needs.

Price/Cost

- *"Cost and concern you or your loved ones lose out if you don't need LTC." [Female, age 49]*
- *"I am afraid it would not be worth what I had to pay for it." [Female, age 46]*

Transition

- *"It is all a gamble...would be better if it could stay life insurance until and if it was needed vs. making a choice to convert it." [Female, age 50]*
- *"I guess I just don't understand it that well. What if you select an age now, but at that age you don't need that kind of care." [Female, age 53]*
- *"You have to guess when you're going to need to make the switch." [Male, age 55]*

Future Need

- *"If I'm above 45, I'm not sure it will work for me." [Male, age 54]*
- *"Not enough information to really make a decision; it sounds reasonable, but who knows and I don't trust insurance companies." [Male, age 36]*
- *"What happens if you don't need long-term care." [Male, age 37]*

5.1.2.2 Sample Verbatim Responses: Retirement Plus

Some respondents had trouble differentiating the benefits of the Retirement Plus concept compared to other options and also fully understanding how it works. Highlighting further the tax benefits and multiple ways the money can be used could help to counter consumer concerns.

Need More Information and Price/Cost

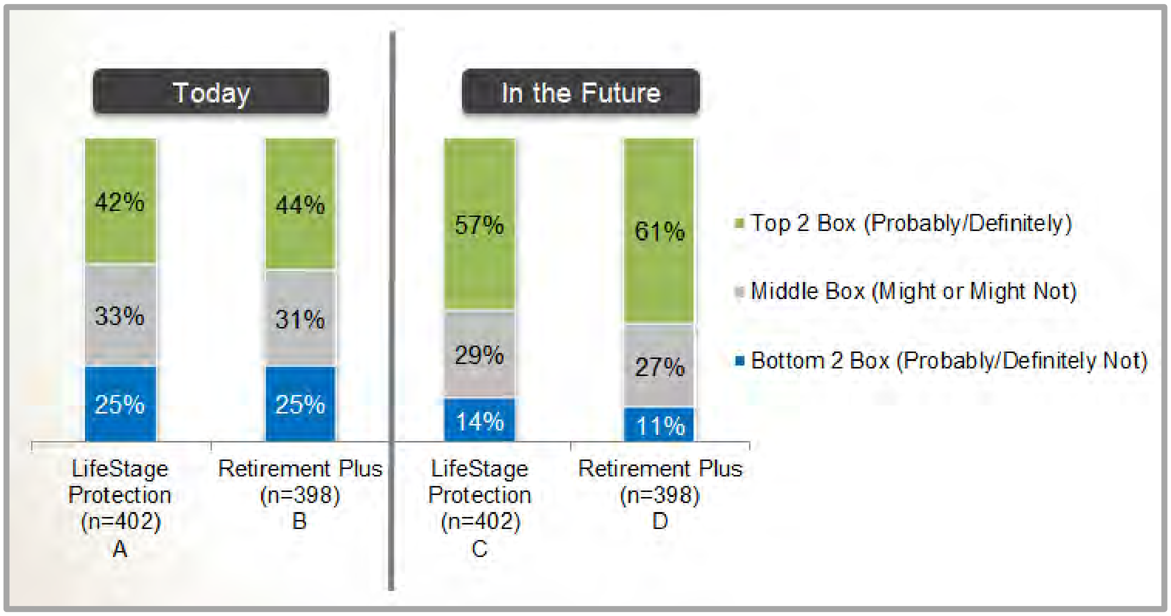
- *"Do you need to use up all your personal money before the insurance kicks in; I don't completely understand the product." [Female, age 50]*
- *"The fees for the account may be too costly to my long-term savings amount." [Female, age 49]*
- *"Not clear what type of product this is; need to know more about it, especially fees and costs." [Female, age 41]*
- *"Expensive for retirees." [Male, age 54]*
- *"Don't understand all the costs associated." [Female, age 52]*

Future Need/Combining Products

- *"Not sure if it's a better investment than doing it separately." [Male, age 44]*
- *"I don't know that I would want the two things combined." [Male, age 52]*
- *"I'm not sure if this product is entirely necessary for me." [Male, age 36]*

5.1.3 Filling a Need, Today and in the Future

Respondents of all ages considered both products to be a better fit for them in the future compared with today. While consumers agree planning ahead for the future is important, they may need further convincing that these products would allow them to satisfy both current financial needs and future planning. Results are presented in the following figure.



Of note, younger respondents (ages 35 to 45) were more likely than their older counterparts (ages 46 to 55) to feel Retirement Plus fills a need today. These younger consumers, who are further away from retirement (and have less retirement savings), may be more likely to consider Retirement Plus as an attractive alternative to traditional savings products.

LifeStage Protection (Top 2 Box)	Ages 35-45 (n=204) E	Ages 46-55 (n=198) F
Today	38%	45%
In the Future	54%	60%

Retirement Plus (Top 2 Box)	Ages 35-45 (n=201) G	Ages 46-55 (n=197) H
Today	49%h	40%
In the Future	63%	59%

(Source: Q21, Q21A)

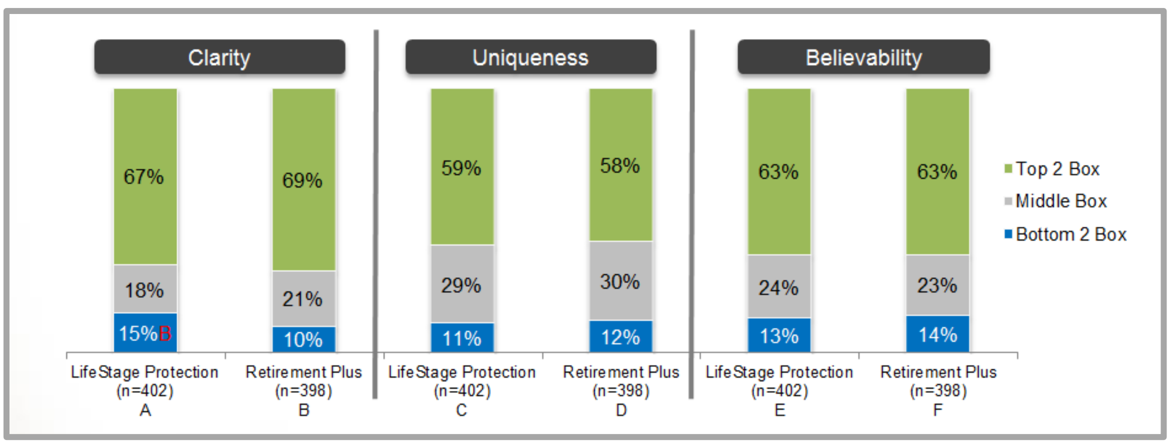
5.1.4 Clarity, Uniqueness and Believability

Both concepts were rated as easy to understand by about two-thirds of respondents. Most respondents also perceived the concepts to be unique and believable. Showing a side-by-side comparison of each concept with standalone products that represent their component parts (e.g., LifeStage Protection vs. standalone LTC insurance vs. term life *or* Retirement Plus vs. standalone LTC insurance vs. traditional retirement accounts such as a 401(k) or IRA) could be a good way to improve understanding and highlight uniqueness. Providing access to live customer support and FAQs could help improve clarity, and showing customer testimonials might aid in believability.

Possibly a function of being closer to the concept "transition age" between life and LTC insurance, consumers ages 46 to 55 find LifeStage Protection easier to understand compared to their younger counterparts ages 35 to 45 (72% vs. 63%—Top 2 Boxes).

Retirement Plus garners its strongest believability (Top 2 Boxes) ratings among a few demographic subgroups:

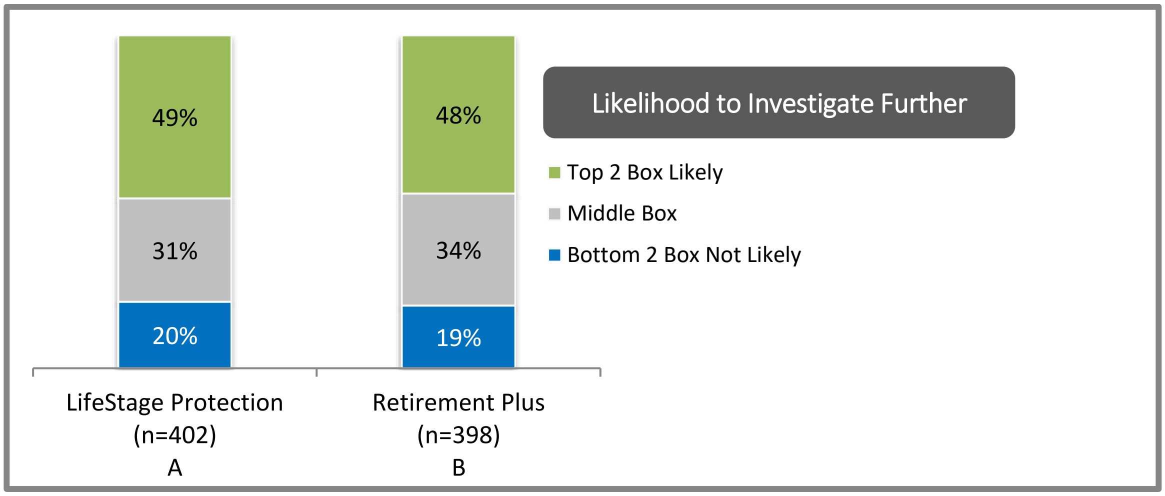
- Ages 46 to 55 (vs. 35 to 45)
- $50,000 to less than $125,000 HHI (vs. higher)
- $250,000-plus investable assets (vs. lower)
- Married or living with partner (vs. not)
- Have children (vs. not)



(Source: Q22, Q23, Q24)

5.1.5 Likelihood to Investigate Further

Both concepts are intriguing to consumers; half of respondents reported being very or extremely likely to investigate further. However, a notable minority would be unlikely and about one-third were only somewhat likely (Middle Box) to investigate. Highlighting the unique benefits of the products and what respondents identified as likes or positives within the concept could be a way to get these potential customers to engage and increase the base of those likely to consider.



(Source: Q25)

5.1.5 Potential Changes to Increase the Likelihood to Investigate Further

Respondents who were *not* "extremely likely" to further investigate the concept (either LifeStage Protection or Retirement Plus; unpriced) were asked to explain what changes could be made to increase the likelihood that they would investigate the product further. Sample verbatim responses indicate the need for more information before a decision could be made.

5.1.5.1 Sample Verbatim Responses: LifeStage Protection

While the transitional component of LifeStage Protection is a positive overall, consistent with some of the initial impressions, some respondents had concerns with losing their life insurance and knowing the right transition age.

- *"Make it easier to understand." [Male, age 42]*
- *"More info on the transition process, how cost is affected by current health vs. future health changes." [Female, age 51]*
- *"Keeping a portion of the life insurance payment after the conversion age." [Male, age 55]*

5.1.5.2 Sample Verbatim Responses: Retirement Plus

Many liked the flexibility in how the money could be spent with Retirement Plus, but some respondents wanted the LTC assistance to be paid for before the funds were depleted.

- *"Provide a little more information on how the money gets invested." [Female, age 54]*
- *"Insurance should kick in whenever needed, not once the funds are depleted." [Male, age 38]*
- *"Make it easier to understand." [Female, age 44]*

(Source: Q26)

5.2 Priced Reaction

Respondents viewed different benefit levels with pricing information based on their age and gender. After selecting a benefit level, that benefit level and associated premium (for LifeStage Protection) or minimum contribution (for Retirement Plus) was included for the remaining applicable questions.

5.2.1 Benefit Level to Best Fit Their Needs

There is no clear consensus on the desired benefit level for either concept. This could suggest an appreciation of multiple options due to differing perceptions related to affordability of coverage, potential future care needs and/or expectation of the cost for care.

LifeStage Protection

- $100,000: 25%
- $150,000: 29%
- $200,000: 29%
- $300,000: 18%

Retirement Plus

- $100,000: 35%
- $150,000: 40%
- $200,000: 26%

For LifeStage Protection, the more affluent, especially the younger and more affluent, are more likely to choose a larger benefit level.

Younger, wealthier consumers would also prefer a larger benefit level for Retirement Plus, while older consumers with lower income are more likely to choose the smaller benefit level.

	LifeStage Protection				Retirement Plus			
	35–45/ $50K– <$125K (n = 103) A	35–45/ $125K– <$500K (n = 101) B	46–55/ $50K– <$125K (n = 97) C	46–55/ $125K– <$500K (n = 101) D	35–45/ $50K– <$125K (n = 100) E	35–45/ $125K– <$500K (n= 101) F	46–55/ $50K– <$125K (n= 98) G	46–55/ $125K– <$500K (n = 99) H
$100K	23%	21%	26%	30%	31%	22%	**44%EF**	**38%F**
$150K	31%	26%	32%	23%	45%	41%	36%	35%
$200K	32%	28%	28%	25%	24%	**37%EG**	20%	27%
$300K	14%	**25%ac**	14%	22%	N/A*	N/A*	N/A*	N/A*

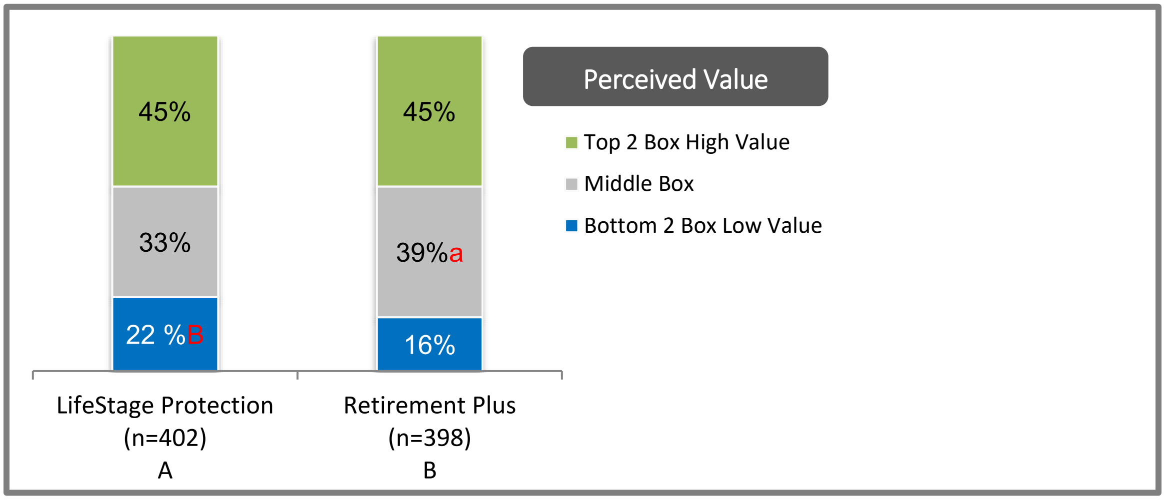
**N/A: The $300,000 benefit level was not an option for Retirement Plus.*

(Source: Q27)

5.2.2 Perceived Value

Respondents perceived the value of both concepts as mostly neutral to positive.

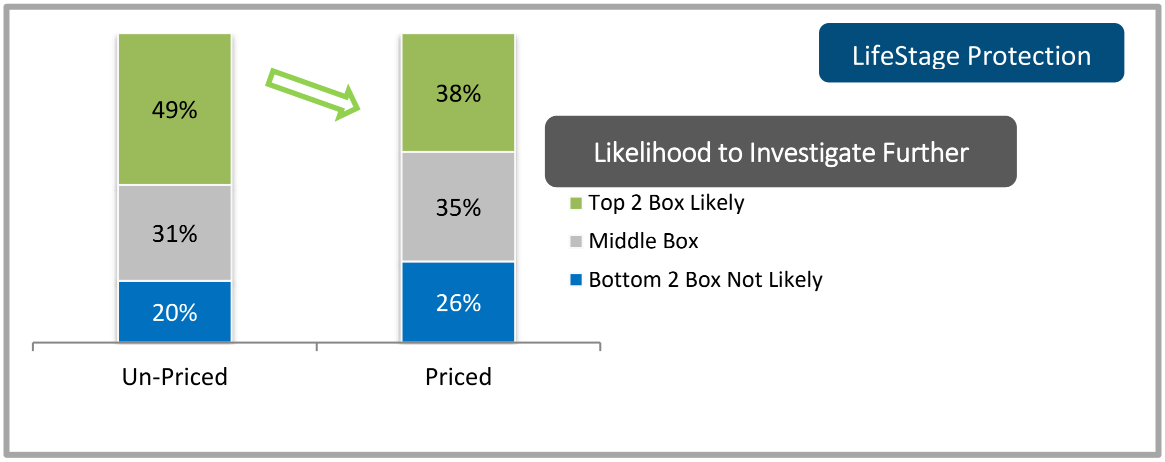
Those with a lower income (HHI $50,000 to less than $125,000) were more likely to consider Retirement Plus a good value than those with a higher income (HHI $125,000 to less than $500,000): 48% vs. 40% (Top 2 Box Score). These less affluent consumers may view Retirement Plus as a more affordable option than standalone LTC insurance.



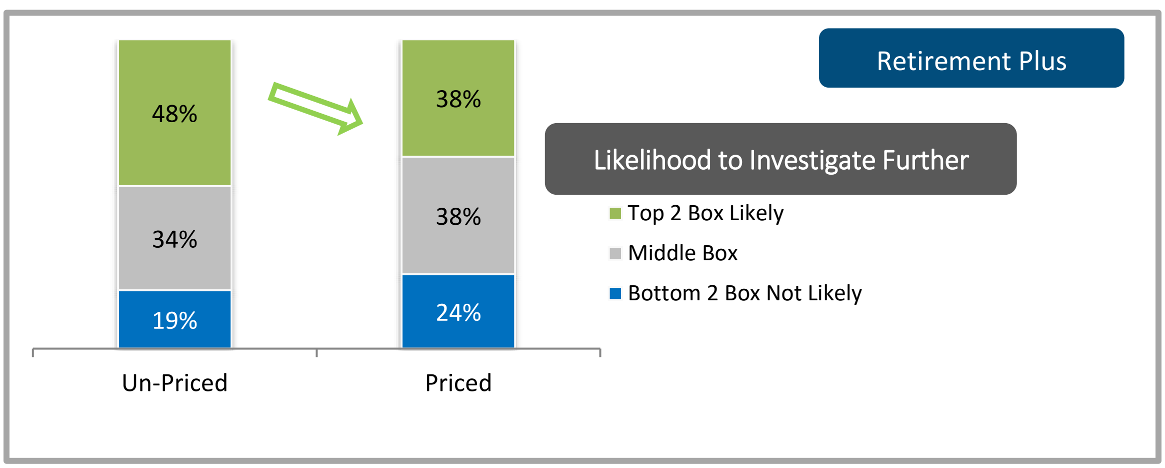
(Source: Q29)

5.2.3 Likelihood to Investigate Further (Pre- and Postpricing)

The concern about the cost upon initial viewing foreshadowed that after exposure to price, likelihood to investigate would decrease somewhat for both concepts. This was borne out by the data.



Younger consumers (ages 35 to 45) are more likely to further investigate the priced Retirement Plus concept than older consumers (ages 46 to 55): 43% vs. 33% (Top 2 Boxes). This is consistent with younger consumers also being more likely (vs. older) to indicate Retirement Plus fills a need for them today. Younger consumers, with more prime income-earning years in front of them, may view Retirement Plus as an attractive alternative to traditional savings products.



(Source: Q25, Q28)

5.2.4 Reasons for Intended Purchase

The following open-ended responses are from respondents who indicated they were at least "very probable" to purchase the concept.

Among those interested in the concepts, positive feelings about the product overall and their current stage of life were the main reasons for interest.

5.2.4.1 Sample Verbatim Responses: LifeStage Protection

- *"This is a new product to me, but it seems like a very good product for my lifestage." [Female, age 42]*
- *"I am at an age when I need to start looking into long-term care." [Male, age 54]*
- *"A rate I could afford and wouldn't feel a burden on me or my family." [Male, age 37]*
- *"It's affordable for great coverage." [Female, age 42]*

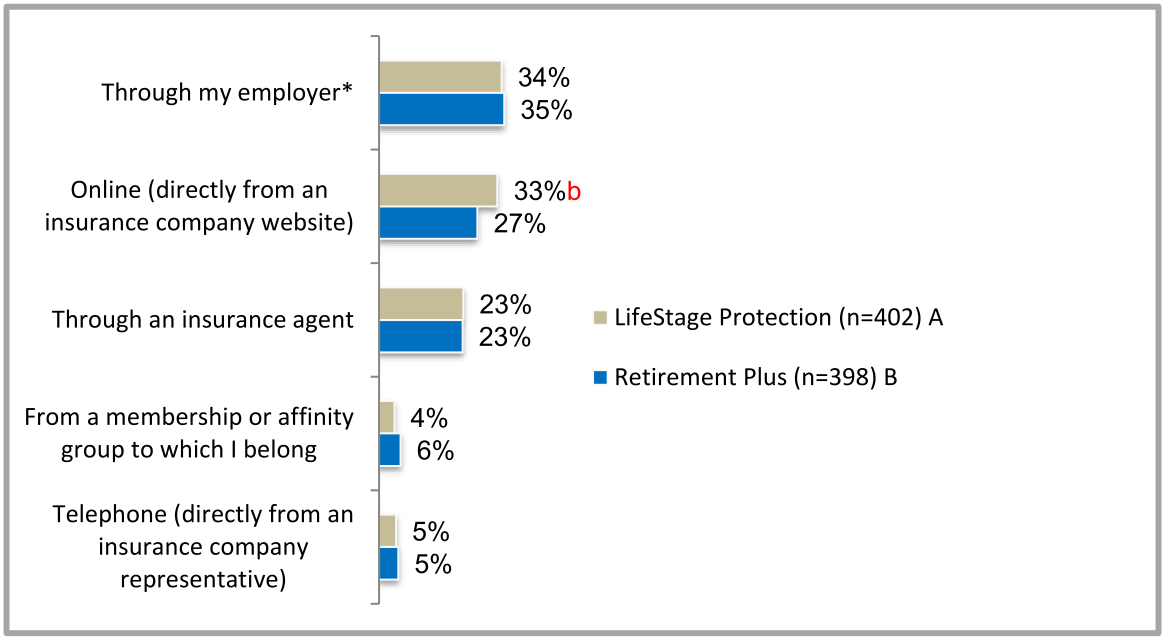
5.2.4.2 Sample Verbatim Responses: Retirement Plus

- *"I prefer to live comfortably should I become ill in the future and would like enough money to be taken care of properly." [Female, age 53]*
- *"I would be very interested in purchasing this product for peace of mind for myself and for my family in the future." [Female, age 35]*
- *"I am heading in the retirement direction and this would be just what I would need." [Female, age 55]*
- *"It provides value, I have the ability to save more, and it helps do that pre-tax." [Male, age 54]*

(Source: Q31)

5.2.5 Methods for Purchasing

Regardless of concept viewed, consumers are likely to prefer to purchase through an employer or directly from an insurance company website. More than one in five respondents would prefer to purchase through an insurance agent.



**With the ability to keep the policy if I left my job and assuming it would be purchased with my own money and my employer would not contribute in any way (Source: Q32)*

Among respondents whose first choice would be to purchase through a nonemployer channel, most indicated it would have no impact on their future interest in signing up if the concept was *only* offered through an employer. However, a notable minority indicated it would negatively impact their interest. To maximize interest, highlighting guaranteed portability for both concepts could be a way to alleviate some of the concern among consumers who would lose interest if the products were only offered through an employer.

Percentage of respondents who say that offering the product *only* through an employer:

Would Have No Impact

- LifeStage Protection: 68%
- Retirement Plus: 73%

Would Make Consumers Less Interested

↓ LifeStage Protection: 32%
↓ Retirement Plus: 27%

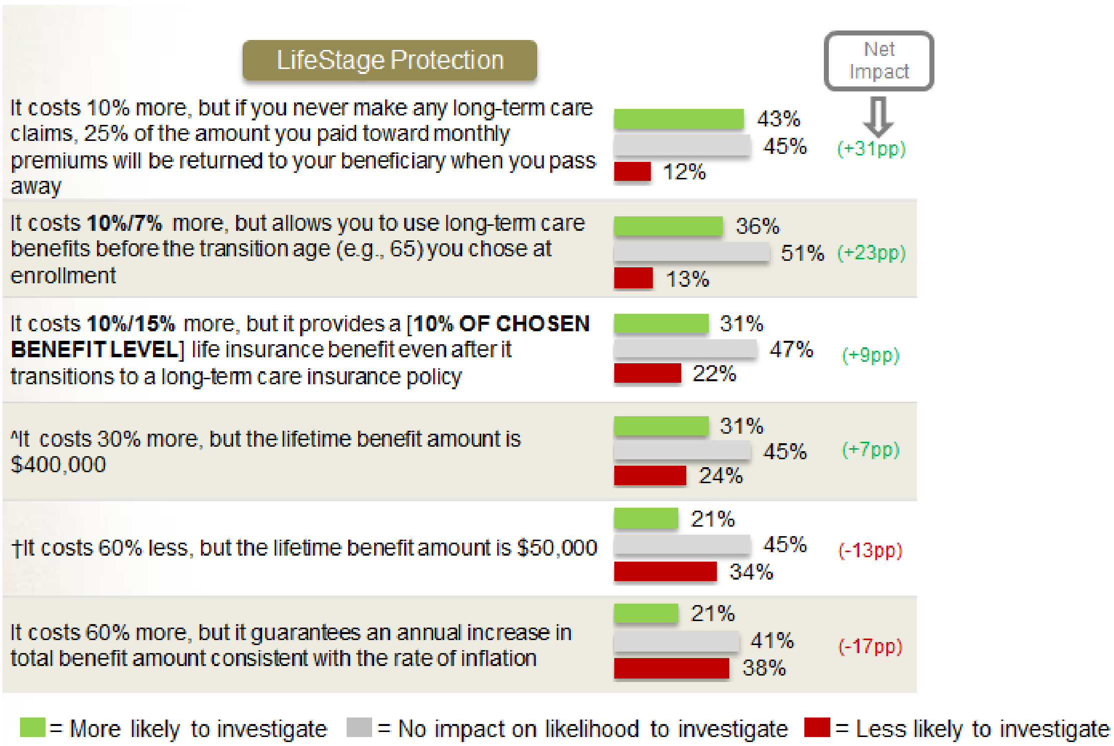
(Source: Q33)

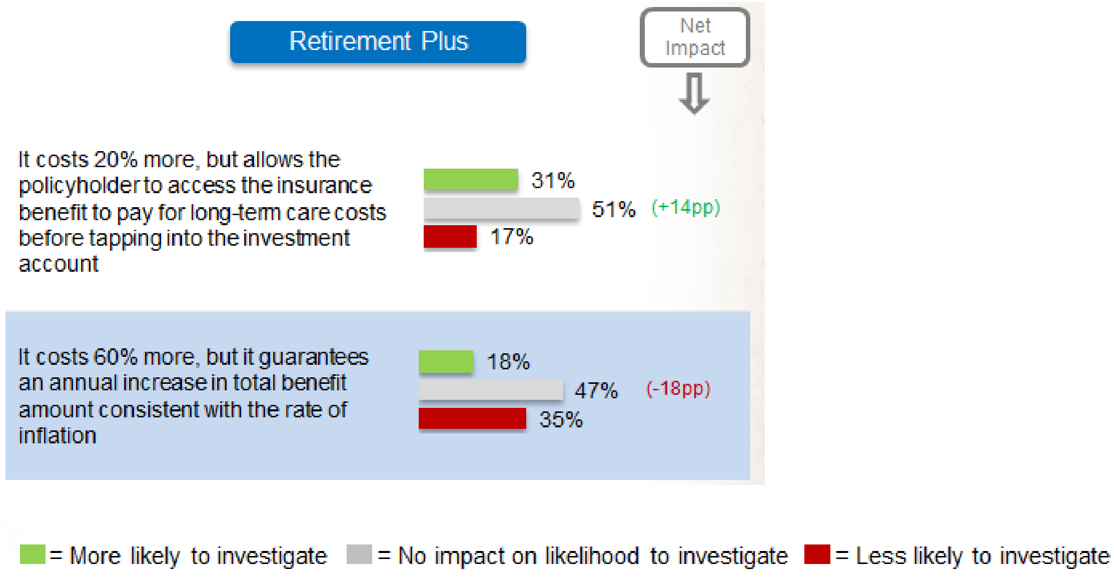
5.3 Features and Add-Ons

5.3.1 Impact of Changes on Likelihood to Investigate

Adding benefit flexibility at an additional cost is likely to have a positive impact on purchase interest. For instance, the option of paying more for a potential death benefit post-transition age in LifeStage Protection and the option of paying more to access the insurance benefit to pay for LTC costs before tapping into the investment account in Retirement Plus had a positive impact among survey respondents. In both concepts, respondents were less likely to see the benefit of having protection against inflation. These positive impacts are observed among concept acceptors, who were already interested in the base product as initially presented.

Considering a net impact basis of percentage points (labeled as “pp” in the following chart), none of the potential changes tested resulted in an increased likelihood to investigate among concept rejecters, respondents who were less interested in the base product presented. This suggests that while these features and add-ons may strengthen purchase interest overall, they are not enough to engage or win over consumers who are not initially attracted to the base product.





^ Only shown if $300,000 benefit level selected.
† Only shown if $100,000 benefit level selected.
Percentage changes shown as %/% indicate a difference by gender in the percentage change.
Net Impact is the difference between More Likely and Less Likely

(Source: Q36)

5.3.2 Desirability of Features

Survey respondents were asked about the desirability of features for a product developed to help them pay for long-term care. Guaranteed portability was the most highly desired product feature tested in the study, followed by no exclusions for those with preexisting medical conditions. The ability to lock in LTC insurance early while still healthy is desirable to nearly three-quarters of respondents.

% Top 2 Box Desirable (4–5)—Shared Features	LifeStage Protection (A)	Retirement Plus (B)
Guaranteed portability (continuation) of my policy if I move, change jobs, or have other life changes	76%	78%
Does not exclude customers with pre-existing medical conditions	**74%**b	68%
The ability to select any licensed long-term care provider or facilities for long-term care needs (i.e., provider does not need to be in-network)	73%	77%
The ability to lock in long-term care insurance early, eliminating the risk of not qualifying for insurance later in life if my health declines	72%	73%
The ability for my claim to go directly to my insurance provider for payment (i.e., I won't pay out of pocket for insurance expenses and do not have to be reimbursed)	71%	73%
Does not require a medical exam to qualify	65%	67%

(Source: Q37)

The ability to lock in a lower insurance rate early and having a combination product are desirable features of LifeStage Protection. Messaging focused on the benefits of locking in early and how it can save you money later may be a way to draw in prospects.

% Top 2 Box Desirable (4–5)—LifeStage Protection Features	
The ability to lock in long-term care insurance early, at lower premium levels, allowing me to afford larger benefit levels	74%
The ability to lock in long-term care insurance early, at a more affordable rate	71%
The ability to buy one product that automatically converts from a life insurance policy into a long-term care insurance policy as my needs change with age	68%

(Source: Q37)

The ability to access additional funds for long-term care and the ability to transfer remaining account funds to beneficiaries upon death are the most desirable features for Retirement Plus. Again, highlighting these benefits and how they compare to other traditional retirement and savings accounts could be a way to attract potential customers.

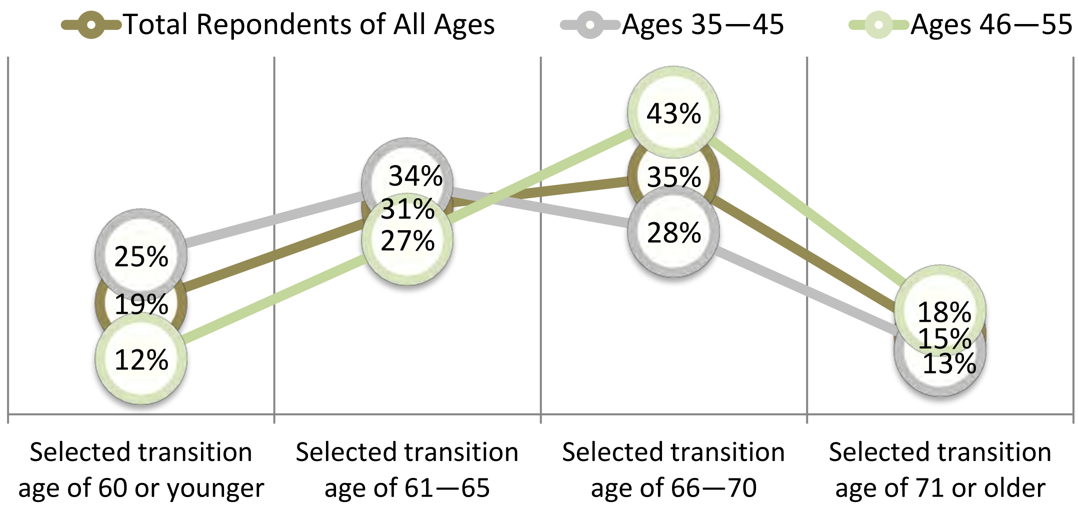
% Top 2 Box Desirable (4-5)—Retirement Plus Features

Access to additional funds to pay for long-term care needs in the case that I exhaust my savings/investment accounts	75%
The ability for my retirement account funds to be transferred to my beneficiaries when I die	75%
The ability to take contributed money and investment earnings out of my retirement account, tax-free, to use to pay for long-term care	74%
The ability to convert my long-term care insurance benefit into a fixed monthly payout that is guaranteed for as long as I live	72%
The ability to access as much of my long-term care insurance benefit as I want, as I incur costs, with no monthly maximum, up to the total benefit level	67%
The ability to buy one product that automatically includes both a long-term care insurance policy and a 401(k) type of plan	63%
Modest long-term care insurance cost increases as I age (average of 10% each year) to ensure there are no big surprise increases later in life	56%
The ability to access my long-term care insurance benefit as I incur costs, but with a fixed monthly maximum, up to the total benefit level	56%

(Source: Q37)

5.4 Transition Age (LifeStage Protection Only)

A majority of respondents would set the transition age in the 61 to 70 range, primarily based on how long they expect to stay healthy and when they plan to retire. Having live support resources or other information available to consumers on when would be the ideal age to transition might help to alleviate some of the concern consumers are likely to have on this aspect of LifeStage Protection.



Consumers with a greater interest in the concept (acceptors) are somewhat more likely to opt for an earlier transition age vs. the total sample.

- Transition age 60 or younger: 25% vs. 19%
- Transition ages 61 to 65: 37% vs. 31%
- Transition ages 66 to 70: 28% vs. 35%
- Transition age 71 or older: 9% vs. 15%

(Source Q34)

5.4.1 Reasons for Choosing Intended Transition Age

Many consumers would choose the transition age based on their anticipated retirement age and/or when they anticipate they may start to need care. The following sample verbatim responses give further insights.

Transition at Age 60 or Younger

- *"That is the age at which I plan on retiring." [Male, age 55]*
- *"Because that would be most appropriate to feel like I won't have to worry." [Male, age 37]*

Transition at Ages 61 to 65

- *"This is the age I plan to retire and stop working." [Female, age 45]*
- *"Many people start to get social security around that age." [Male, age 39]*

Transition at Ages 66 to 70

- *"I am in great health and I do not plan to retire at age 65." [Female, age 49]*
- *"I probably wouldn't need the long-term option before then." [Female, age 50]*

Transition at Age 71 or Older

- *"I believe I wouldn't need care before then." [Female, age 44]*
- *"Do not plan on needing long-term care until I am at least 75." [Male, age 53]*

(Source: Q35)

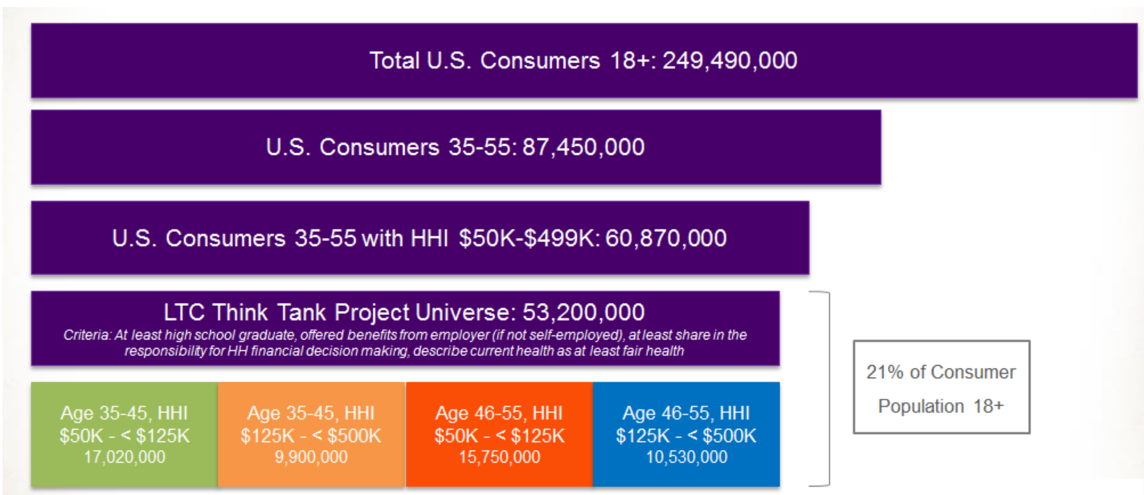
Section 6: Five-Year Market Revenue Forecast and Projected Impact on Government Savings

6.1 Market Forecast

6.1.1 Sizing of Consumer Universe

We estimate that our survey sample represents a project “consumer universe” that is about 21% of the U.S. adult population, or 53.2 million consumers.

Our calculations utilize U.S. Census data and survey incidence data, accounting for several key characteristics of our sample, including age range (35 to 55); HHI range ($50,000 to $499,000); education level (high school graduate or higher); and self-reported health status (fair or better) to serve as a proxy for consumers who would not qualify for the product during the underwriting process, and employment status (employed by an organization who offers benefits or self-employed).



Sources: U.S. Census 2016, DQYDJ.com, LTC Think Tank Concept Study 2017

The rest of this section details the process by which we approximate the potential consumer demand for the LifeStage Protection and Retirement Plus products. It is not intended to be a sales forecast, but a realistic estimate of the potential number of policyholders and amount of revenue these products could generate in market given assumptions derived from the survey data as well as the best judgment of the Project Oversight Group.

6.1.2 Purchase Intent and Adjusted Trial

A key element used to develop the market demand forecast is self-reported purchase interest in the concepts. Respondents were asked in question 31 about their purchase intent using an 11-point scale representing how likely they are to purchase the product within the next two years.

Self-reported purchase intent was then adjusted to reflect real-world behavior. This is because respondents' purchase intent in a survey setting is systematically more optimistic than it is in an actual purchase experience. And, this optimism is more pronounced among respondents who are less certain in their likelihood to buy, so the adjustment is larger for respondents who report lower probabilities of purchase.

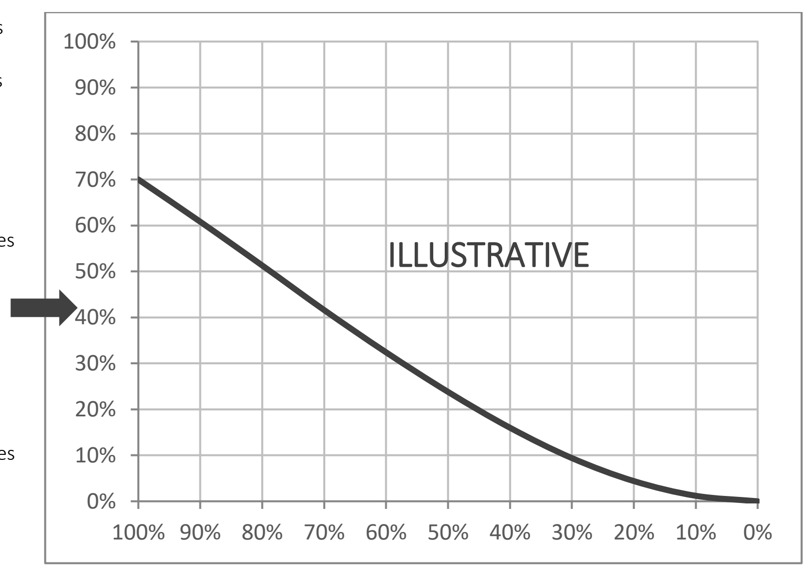
The magnitude of these adjustments to self-reported purchase intent is based on more than 20 years of normative forecasting data and is larger in this case than might be applied to product concepts in other research. This is because of the relatively higher price point, the more complex purchase process and the emotional nature of products in this category compared to others.

Once these adjustments are applied to self-reported purchase intent, the resulting metric is known as adjusted trial. Adjusted trial represents the percentage of consumers who are projected to purchase the product within the next two years. This assumes a population of consumers who gain a basic familiarity with the product details and have access to the channel where it is available for purchase.

Illustration of How Self-Reported Purchase Intent Reponses Are Adjusted to Create Adjusted Trial

y-axis: Adjusted Trial

- Certain (that is, 99 chances in 100)
- Almost certain (90 chances in 100)
- Very probable (80 chances in 100)
- Probably (70 chances in 100)
- Good possibility (60 chances in 100)
- Fairly good possibility (50 chances in 100)
- Fair possibility (40 chances in 100)
- Some possibility (30 chances in 100)
- Slight possibility (20 chances in 100)
- Very slight possibility (10 chances in 100)
- No chance (0 chances in 100)



x-axis: Self-Reported Purchase Intent

Both concepts posted strong self-reported purchase interest, and the adjusted trial scores of 21% (for LifeStage Protection) and 20% (for Retirement Plus) are above average for concepts of this price point in financial services categories. As a point of comparison, the adjusted trial scores for other financial planning and insurance products tested in the past several years using a similar methodology typically fall within the range of high single digits to the mid-20s.

LifeStage Protection

- Self-Reported Purchase Intent: 49%
- Adjusted Trial: 21%

Retirement Plus

- Self-Reported Purchase Intent: 48%
- Adjusted Trial: 20%

(Source: Q31)

6.1.3 Purchase Intent and Adjusted Trial by Subgroup

Interest in both products is generally consistent across age and income groups. However, younger consumers with a lower income show a slightly greater interest in Retirement Plus compared to their older or more affluent counterparts. Again, this is due to these younger consumers being further away from retirement and more likely to consider Retirement Plus as an alternative to traditional savings products that also allows them to plan for the future. The following tables show the self-reported purchase intent and the adjusted trial for each concept, by demographic.

	LifeStage Protection			
Age Income Sample Size	35-45/ $50K-<$125K (n=103) A	35-45/ $125K-<$500K (n=101) B	46-55/ $50K-<$125K (n=97) C	46-55/ $125K-<$500K (n=101) D
	%	%	%	%
Self-Reported Purchase Intent	52	49	48	46
Adjusted Trial	22	21	20	19

	Retirement Plus			
	35-45/ $50K-<$125K (n=100) E	35-45/ $125K-<$500K (n=101) F	46-55/ $50K-<$125K (n=98) G	46-55/ $125K-<$500K (n=99) H
	%	%	%	%
Self-Reported Purchase Intent	54fG	47	43	48
Adjusted Trial	23	19	18	20

(Source: Q31)

6.1.4 Differences by Benefit Level Chosen

When a larger benefit level was chosen, future interest, perceived value and adjusted trial were higher for both concepts, suggesting those with a greater interest in the concepts saw the value of a larger benefit.

LifeStage Protection				
Benefit Level Chosen Sample Size	$100K (n=100) A	$150K (n=116) B	$200K (n=115) C	$300K (n=71) D
	%	%	%	%
Investigate Further (Top 2 Box)	20	36A	53AB	45A
Value (Top 2 Box)	29	41a	54AB	57AB
Self-Reported Purchase Intent	33	50A	54A	62ABc
Adjusted Trial	13	21A	23A	27ABC

Retirement Plus			
Benefit Level Chosen Sample Size	$100K (n=138) E	$150K (n=158) F	$200K (n=103) G
	%	%	%
Investigate Further (Top 2 Box)	22	41E	55EF
Value (Top 2 Box)	35	49E	54E
Self-Reported Purchase Intent	40	52E	53E
Adjusted Trial	16	22E	23E

(Source: Q31)

6.1.5 Calculating Projected Policyholders

Projecting the number of policyholders is more complicated than taking the estimated size of the consumer universe times the adjusted trial, which would result in highly inflated market-size estimates. We need to apply the adjusted trial rate to the estimated number of consumers who will realistically have the opportunity to purchase each concept. To calculate this number, we rely on two key assumptions determined using the best judgment of the Project Oversight Group.

First is access: the percentage of consumers who have access to the channels where it is available for purchase. The scenario used in our forecast assumes the products are available for purchase through multiple channels—employers, insurance agents and directly from one or more insurance companies via telephone or internet. Given this situation, it is our assumption that access to the product would be 100%, meaning that anyone in the consumer universe with the desire to purchase the product would have the access to do so.

Second is awareness: the percentage of consumers with access who know about the product and have a basic familiarity with the product details. The requirements for a consumer to be considered aware are more stringent than simply having heard of the product through advertising or marketing. The level of understanding is assumed to be similar to that of the survey participants upon whose responses these estimates are based, requiring an experience that creates familiarity with how the product works, its benefits and initial pricing information. In the real world, this level of awareness is expected to start low and build slowly, and for the purposes of this forecast is estimated at 0.25% in Year 1, 0.5% in Year 2, 0.75% in Year 3, 1.0% in Year 4 and 1.25% in Year 5.

The assumptions in the forecast model can be adjusted to represent different scenarios that could be relevant given different circumstances or stakeholders. An alternative example for how the assumptions (and resulting market forecast) would play out differently would be if the products were offered through the employer channel only. In this case, we would assume access to build even more slowly, as employers would need to learn about the products and then decide to incorporate them into their employee benefits offerings. However, awareness among those who have access would likely be much higher, as there would be open enrollment meetings and benefit managers to educate employees about the products and their benefits. In this example, we might have included an access assumption closer to 1 to 5% in the first five years and an awareness assumption closer to 60 to 75%.

The following chart outlines the basic assumptions and calculations for determining the number of projected policyholders in Year 1 and Year 2.

	LifeStage Protection	Retirement Plus
Project Universe	53,200,000	
x Access (% for who the product will be available to purchase)	100%	100%
x Year 1 Awareness (% who will have heard & learned about the product)	0.25%	0.25%
x Adjusted Trial	20.6%	20.2%
x 50% who will buy in Year 1	0.5%	0.5%
=	Year 1 Projected Policyholders	
x Year 2 Retention Rate (% of policyholders retained from year 1)	95%	95%
+	New Policyholders (50% of projected buyers made aware in Year 1)	
+	New Policyholders (50% of projected buyers made aware in Year 2)	
=	Year 2 Projected Total Policyholders	

Assumptions based on real-world estimates determined in conjunction with the Project Oversight Group.

We calculate the number of projected Year 1 policyholders by first multiplying the number of people in the consumer universe x Access x Awareness x Adjusted Trial. We then we multiply by 50% because the adjusted trial question was based on the next two years and we assume that only half of these projected purchasers would buy in Year 1.

For Year 2 and beyond, we must also consider retention: the percentage of policyholders who are projected to retain their policy from one year to the next. Based on industry retention rates for life and LTC insurance products, we have assumed a retention rate of 95%.

So, to calculate the total number of policyholders in Year 2, we add the policyholders retained from Year 1, plus the remaining 50% of projected purchasers that were educated about the product in Year 1 but we assume didn't get around to actually purchasing until Year 2, plus 50% of the new batch of consumers who become aware of the product in Year 2 (at a higher awareness rate of 0.5% that assumes increased marketing efforts) and are projected to buy within the next two years.

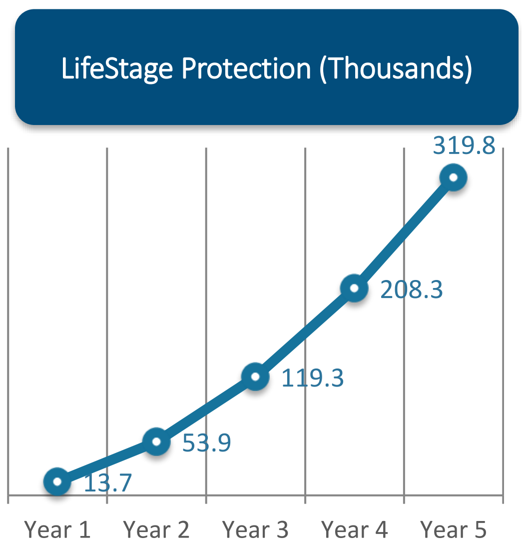
Policyholders for Years 3, 4 and 5 are calculated in the same manner as policyholders for Year 2, retaining 95% of the prior year's policyholders, plus acquiring a new batch of policyholders assuming an awareness assumption that increases 0.25% each year.

The following table summarizes the assumptions utilized in the forecast by year.

	Year 1	Year 2	Year 3	Year 4	Year 5
Access	100%	100%	100%	100%	100%
Awareness	0.25%	0.5%	0.75%	1.0%	1.25%
Retention	N/A	95%	95%	95%	95%

6.1.5.1 Total Projected Policyholders

Given the previously discussed assumptions and calculations, we project that a realistic estimate for the number of policyholders for LifeStage Protection is 13,700 in Year 1 and 319,800 in Year 5. The number of projected policyholders for Retirement Plus is 13,400 in Year 1 and 314,300 in Year 5. The trajectory of growth is illustrated in the graphs that follow.



6.1.5.2 Total Projected Policyholders by Age and Income

The number of projected policyholders is not spread evenly across age/income cohorts because of differences in population size and, to a lesser extent, adjusted trial rates. For both LifeStage Protection and Retirement Plus, consumers in the $50,000 to $125,000 HHI range are projected to make up approximately 63% of policyholders.

LifeStage Protection Policyholders (Thousands) by Age and Income

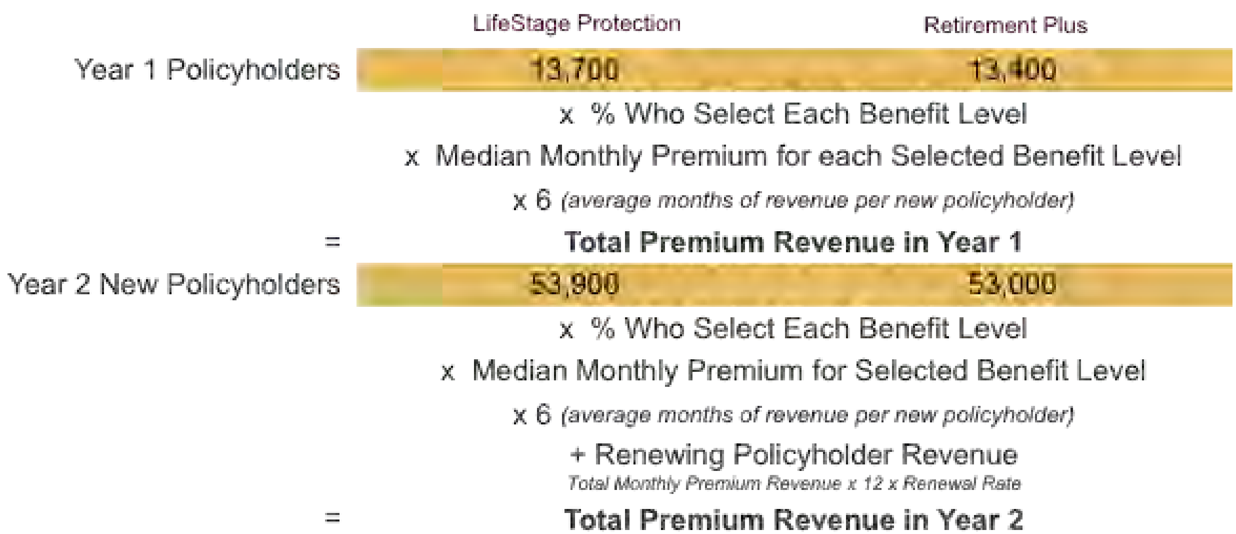
	Year 1	Year 2	Year 3	Year 4	Year 5
Total Policyholders	13.7	53.9	119.3	208.3	319.8
Age 35–45, HHI $50K–<$125K	4.7	18.7	41.3	72.2	110.8
Age 35–45, HHI $125K–<$500K	2.5	10.0	22.2	38.7	59.4
Age 46–55, HHI $50K–<$125K	3.9	15.5	34.4	60.0	92.1
Age 46–55, HHI $125K–<$500K	2.5	9.7	21.4	37.4	57.4
Assumptions by Year					
Access	100%	100%	100%	100%	100%
Awareness	0.25%	0.5%	0.75%	1.0%	1.25%
Retention	N/A	95%	95%	95%	95%

Retirement Plus Policyholders (Thousands) by Age and Income					
	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**
Total Policyholders	13.4	53.0	117.2	204.8	314.3
Age 35–45, HHI $50K–<$125K	4.9	19.5	43.1	75.3	115.7
Age 35–45, HHI $125K–<$500K	2.4	9.4	21.0	36.7	56.3
Age 46–55, HHI $50K–<$125K	3.5	13.6	30.2	52.7	80.9
Age 46–55, HHI $125K–<$500K	2.6	10.3	22.9	80.9	61.4
Assumptions by Year					
Access	100%	100%	100%	100%	100%
Awareness	0.25%	0.5%	0.75%	1.0%	1.25%
Retention	N/A	95%	95%	95%	95%

6.1.6 Calculating Projected Premium Revenue

Once we have the projected number of policyholders, we can calculate estimated premium revenue. We consider the number of policyholders who select each benefit level and the median monthly premium associated with each. Because the timing of purchases will be spread throughout the year, we assume an average of six months of revenue per policyholder in their purchase year, and then all 12 months of revenue for each subsequent year.

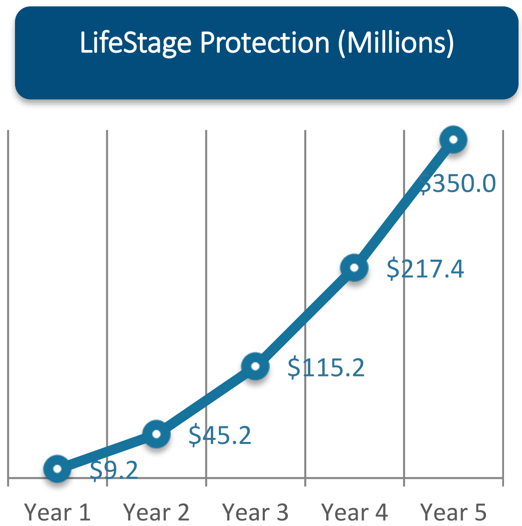
The following chart outlines the basic assumptions and calculations for determining the amount of projected premium revenue in Year 1 and Year 2. Revenue for Years 3, 4 and 5 are calculated in the same manner as revenue for Year 2, assuming revenue from both retained policyholders and the new batch of policyholders.

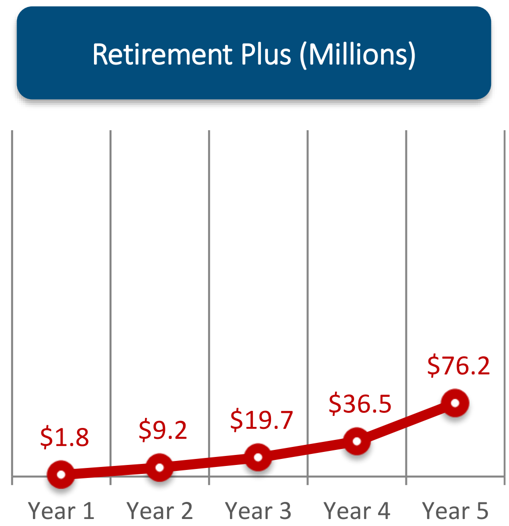


Assumptions based on real-world estimates determined in conjunction with the Project Oversight Group.

6.1.6.1 Total Projected Premium Revenue

Given the previously discussed assumptions and calculations, we project that a realistic estimate for premium revenue for LifeStage Protection is $9.2 million in Year 1 and $350.0 million in Year 5. The projected premium revenue for Retirement Plus is $1.7 million in Year 1 and $76.2 million in Year 5. The following graphs display the trajectory of growth expected.





	Year 1	Year 2	Year 3	Year 4	Year 5
Access	100%	100%	100%	100%	100%
Awareness	0.25%	0.5%	0.75%	1.0%	1.25%
Retention	N/A	95%	95%	95%	95%

6.1.6.2 Total Projected Premium Revenue by Age and Income

As with the policyholder base, the revenue projections are not spread evenly across the four age/income cohorts. For both LifeStage Protection and Retirement Plus, the plurality of projected premium revenue (about 60%) is projected to be driven by consumers ages 46 to 55 with HHI of $50,000 to $125,000.

LifeStage Protection Revenue (Millions) by Age and Income

	Year 1	Year 2	Year 3	Year 4	Year 5
Total Policyholders	$9.2	$45.2	$115.2	$217.4	$350.0
Age 35–45, HHI $50K–<$125K	$2.4	$11.9	$30.4	$57.3	$92.3
Age 35–45, HHI $125K–<$500K	$1.4	$7.0	$17.7	$33.5	$53.9
Age 46–55, HHI $50K–<$125K	$3.2	$15.7	$40.0	$75.6	$121.7
Age 46–55, HHI $125K–<$500K	$2.2	$10.6	$27.0	$51.0	$82.1
Assumptions by Year					
Access	100%	100%	100%	100%	100%
Awareness	0.25%	0.5%	0.75%	1.0%	1.25%
Retention	N/A	95%	95%	95%	95%

LifeStage Protection Revenue (Millions) by Age and Income

	Year 1	Year 2	Year 3	Year 4	Year 5
Total Policyholders	$1.8	$9.2	$19.7	$36.5	$76.2
Age 35–45, HHI $50K–<$125K	$0.5	$2.7	$5.9	$11.0	$22.2
Age 35–45, HHI $125K–<$500K	$0.3	$1.4	$1.9	$5.4	$11.6
Age 46–55, HHI $50K–<$125K	$0.5	$2.9	$6.1	$11.4	$23.5
Age 46–55, HHI $125K–<$500K	$0.4	$2.3	$4.7	$8.7	$18.9
Assumptions by Year					
Access	100%	100%	100%	100%	100%
Awareness	0.25%	0.5%	0.75%	1.0%	1.25%
Retention	N/A	95%	95%	95%	95%

6.2 Projected Impact on Tax Revenue and Medicaid Program Savings

Consumer research results on the two product designs (LifeStage Protection and Retirement Plus) were reviewed and used in the quantification of the potential impact on collected federal and state tax revenue and Medicaid expenditures. Estimates are based on a limited pilot of five years of sales, expected product penetration and results from that consumer research.

6.2.1 Approach to Analysis

The impact on federal and state tax revenue and Medicaid expenditures considered the regulatory and tax environment in 2017 as well as two more consumer-favorable tax scenarios.

In the current environment, it is assumed that premiums or contributions to either product are not eligible for tax deductions. This assumes that LifeStage Protection is considered a life insurance product and that Retirement Plus is considered an annuity-based product with the LTC insurance paid for through internal cost of insurance charges.

A more favorable scenario would allow the portion of the LifeStage Protection premium attributable to the LTC insurance to be considered eligible for tax deductions. These calculations accounted for the 2018 caps for maximum LTC insurance premium deductions. Also in this scenario, the Retirement Plus product would receive the same treatment as an employer-sponsored retirement product, meaning that contributions could be made on a pretax basis.

Finally, the preferred scenario would allow for a tax deduction for the entire LifeStage Protection premium up to the 2018 limits for LTC insurance premium deductions. Contributions to Retirement Plus would be considered pretax, and distributions from the product used to cover LTC costs would not be taxable.

All projections in this section are based on federal tax laws in place in 2017. One potential impact of the 2018 federal tax law that is not accounted for in this analysis is the increase in the standard deduction allowed, which would likely result in fewer people itemizing deductions and therefore fewer people claiming qualified medical expenses as a deduction. As a result, the lost tax revenue might be less than what is modeled here, which would result in a higher overall net government savings.

6.2.2 Summary of Net Projections (Federal and State Impact Combined)

The following table summarizes the net impact—in millions of dollars—of potential federal and state Medicaid savings offset by lost federal tax revenue for each product and under each scenario in the pilot program. Results are specifically for the individuals expected to purchase the protection product.

	Net Impact ($ Millions)					
	LifeStage Protection			Retirement Plus		
	Less Favorable Tax Treatment	Favorable Treatment	Preferred Treatment	Less Favorable Tax Treatment	Favorable Treatment	Preferred Treatment
Years 1-10	0.0	21.7	46.3	-98.5	30.9	37.3
Years 11-20	-4.4	49.2	78.4	-139.4	33.5	47.8
Years 21-30	-155.2	-66.0	-56.2	-164.3	-96.3	-64.5
50 Year PV	-737.3	-590.4	-548.6	-823.1	-584.6	-507.3
% Change	-41.9%	-33.6%	-31.2%	-48.5%	-34.5%	-29.9%

*All present values (PV) are calculated using a discount rate of 3.5%, which is consistent with current statutory valuation interest rates.

The percentage change in the last row of the table is the 50-year net impact of reduced federal and state Medicaid spending and lost federal tax revenue as a percentage of total federal and state Medicaid spending in the absence of either private insurance product. Total Medicaid spending in the absence of the LifeStage Protection product was projected to be $1.8 billion over the next 50 years. For the Retirement Plus product, it was projected to be $1.7 billion. These values represent the expected government spending on individuals who would otherwise purchase the private insurance product during the five-year pilot program. In other words, if the pilot for the two products did not occur, and the individuals who are projected to purchase them go without private insurance, we project that the present value of government spending for Medicaid benefits would be $3.5 billion in total for those individuals specifically over a 50-year projection.

Both products show promising results, reflecting a net decrease in government spending of 41.9% for LifeStage Protection and 48.5% for Retirement Plus under the less favorable, current tax treatment. Results are also promising under the other tax scenarios.

The percentage change in projected federal and state government spending by year groupings is demonstrated in the following table.

	Percentage Net Impact					
	LifeStage Protection			Retirement Plus		
	Less Favorable Tax Treatment	Favorable Treatment	Preferred Treatment	Less Favorable Tax Treatment	Favorable Treatment	Preferred Treatment
Years 1-10	0.0%	16.5%	35.3%	-76.3%	23.9%	28.9%
Years 11-20	-2.3%	25.5%	40.7%	-73.4%	17.6%	25.2%
Years 21-30	-55.4%	-23.6%	-20.1%	-61.1%	-35.8%	-24.0%
50 Year PV	-41.9%	-33.6%	-31.2%	-48.5%	-34.5%	-29.9%

Based on consumer research, expected sales are approximately 407,200 LifeStage Protection and 400,200 Retirement Plus policies during a five-year initial pilot offering. Under the current tax treatment, these sales could lead to net savings in federal and state government spending of $737.3 million for LifeStage Protection and $823.1 million for Retirement Plus over a projected

50-year horizon. These numbers are for the moderate awareness scenario described in the previous section, which assumed 0.25% awareness in the first year and increasing 0.25% per year thereafter. For the scenarios tested at low and high awareness rates, adjustments to the financial impact are proportional. The percentage change would remain the same.

6.2.3 Estimated Impact on Federal and State Spending (Separated)

Typically, the federal government matches state government Medicaid spending dollar for dollar. So, it would be reasonable to assume that any potential savings in Medicaid expenditures would be split evenly between the federal and state levels. The following tables show the projected impact—in millions of dollars as well as in percentage change in projected spending—at both the federal and state levels assuming the potential savings are evenly distributed between the two levels.

6.2.3.1 Federal Impact

	Impact on Federal Government Spending ($ Millions)					
	LifeStage Protection			Retirement Plus		
	Less Favorable Tax Treatment	Favorable Treatment	Preferred Treatment	Less Favorable Tax Treatment	Favorable Treatment	Preferred Treatment
Years 1-10	0.0	21.7	46.3	-49.3	80.2	86.6
Years 11-20	-2.2	51.4	80.6	-69.7	103.1	117.5
Years 21-30	-77.6	11.7	21.4	-82.1	-14.2	17.6
50 Year PV	-368.7	-221.8	-180.0	-411.6	-173.0	-95.7
% Change	-41.9%	-25.2%	-20.5%	-48.5%	-20.4%	-11.3%

*All present values (PV) are calculated using a discount rate of 3.5%, which is consistent with current statutory valuation interest rates.

	Percentage Impact on Federal Government Spending					
	LifeStage Protection			Retirement Plus		
	Less Favorable Tax Treatment	Favorable Treatment	Preferred Treatment	Less Favorable Tax Treatment	Favorable Treatment	Preferred Treatment
Years 1-10	0.0%	33.0%	70.5%	-76.3%	124.2%	134.1%
Years 11-20	-2.3%	53.4%	83.7%	-73.4%	108.6%	123.7%
Years 21-30	-55.4%	8.3%	15.3%	-61.1%	-10.6%	13.1%
50 Year PV	-41.9%	-25.2%	-20.5%	-48.5%	-20.4%	-11.3%

6.2.3.2 State Impact

The impact at the state level is the same for all scenarios, as lost tax revenue is assumed to have an impact only at the federal level.

	Impact on State Government Spending ($ Millions)					
	LifeStage Protection			Retirement Plus		
	Less Favorable Tax Treatment	Favorable Treatment	Preferred Treatment	Less Favorable Tax Treatment	Favorable Treatment	Preferred Treatment
Years 1-10	0.0	0.0	0.0	-49.3	-49.3	-49.3
Years 11-20	-2.2	-2.2	-2.2	-69.7	-69.7	-69.7
Years 21-30	-77.6	-77.6	-77.6	-82.1	-82.1	-82.1
50 Year PV	-368.7	-368.7	-368.7	-411.6	-411.6	-411.6
% Change	-41.9%	-41.9%	-41.9%	-48.5%	-48.5%	-48.5%

*All present values (PV) are calculated using a discount rate of 3.5%, which is consistent with current statutory valuation interest rates.

	Percentage Impact on State Government Spending					
	LifeStage Protection			Retirement Plus		
	Less Favorable Tax Treatment	Favorable Treatment	Preferred Treatment	Less Favorable Tax Treatment	Favorable Treatment	Preferred Treatment
Years 1-10	0.0%	0.0%	0.0%	-76.3%	-76.3%	-76.3%
Years 11-20	-2.3%	-2.3%	-2.3%	-73.4%	-73.4%	-73.4%
Years 21-30	-55.4%	-55.4%	-55.4%	-61.1%	-61.1%	-61.1%
50 Year PV	-41.9%	-41.9%	-41.9%	-48.5%	-48.5%	-48.5%

6.2.4 Estimated Federal Tax Revenue Loss

Lost federal tax revenue from the pilot was estimated for each product. Federal tax revenue changes when an individual purchases LTC coverage and is then able to claim some portion of the cost for that coverage as a deduction. Tax revenue would further change for the Retirement Plus product if distributions from the product were not taxable when used for qualifying LTC services.

The following table is a summary of the estimated impact of lost federal tax revenue. All dollar amounts are presented in millions. The last row of the table shows the tax revenue impact as a percentage of expected government Medicaid expenditures without private insurance on those individuals included in the pilot.

	Impact of Federal Tax Revenue ($ Millions)					
	LifeStage Protection			Retirement Plus		
	Less Favorable Tax Treatment	Favorable Treatment	Preferred Treatment	Less Favorable Tax Treatment	Favorable Treatment	Preferred Treatment
Years 1-10	0.0	21.7	46.3	0.0	129.4	135.9
Years 11-20	0.0	53.6	82.8	0.0	172.8	187.1
Years 21-30	0.0	89.3	99.1	0.0	68.0	99.8
50 Year PV	0.0	146.9	188.7	0.0	238.5	315.9
% Change	0.0%	8.4%	10.7%	0.0%	14.1%	18.6%

*All present values (PV) are calculated using a discount rate of 3.5%, which is consistent with current statutory valuation interest rates.

Lost tax revenue as a percentage of projected government spending without these private insurance products is shown in the following table.

	Percentage Impact of Federal Tax Revenue ($ Millions)					
	LifeStage Protection			Retirement Plus		
	Less Favorable Tax Treatment	Favorable Treatment	Preferred Treatment	Less Favorable Tax Treatment	Favorable Treatment	Preferred Treatment
Years 1-10	0.0%	16.5%	35.3%	0.0%	100.2%	105.2%
Years 11-20	0.0%	27.8%	43.0%	0.0%	91.0%	98.6%
Years 21-30	0.0%	31.9%	35.4%	0.0%	25.3%	37.1%
50 Year PV	0.0%	8.4%	10.7%	0.0%	14.1%	18.6%

The tax impact was modeled first by projecting expected premium or contributions into the product on a cell-by-cell basis using mortality and lapse rates consistent with those observed in the LTC insurance industry. The premium or contributions considered deductible were capped at the 2018 maximum allowable deductions for LTC insurance premiums.

For the current 2017 tax treatment scenario, the premiums and contributions are not considered deductible, so there is no lost tax revenue. For the favorable tax scenario, the portion of the LifeStage Protection premium attributable to the LTC insurance coverage was considered deductible. In this scenario, contributions to Retirement Plus policies were considered fully deductible. For the preferred tax treatment scenario, the full premium or contribution made to each product was considered deductible. Furthermore, in the preferred scenario, distributions from the Retirement Plus product for qualified long-term support and services would not be taxable. Changes in tax laws taking effect in 2018 were not reflected at the time of the analysis of the pilot program.

Only those individuals with sufficient qualifying medical expenses would be able to deduct the premium or contribution to an LTC insurance policy. Overall, only 8% of the population claims qualifying medical expense deductions on tax returns.[1] This percentage varies by age and income level from a low of 6.5% at age 40 to a high of 43.7% at age 100.[2]

The average marginal tax rate for individuals in the target income brackets was assumed to be 25%. This varies by age from a high of 26.6% at age 40 to a low of 18.1% at age 100.[3]

Lost federal tax revenue in any given year of the projection was calculated using the following formula:

LTR = MIN(P * LTC%, LTCmax) * MargTax * QME%

Where:

LTR = lost tax revenue

P = payment into product (premiums for LifeStage Protection or contributions for Retirement Plus)

LTC% = portion of payment considered deductible, which varies by product and tax scenario

LTCmax = maximum allowable deduction for long-term care insurance premiums for 2018

MargTax = assumed marginal tax rate

QME% = proportion of population assumed to claim qualifying medical expenses on income tax returns

For the preferred tax scenario, benefits paid from the Retirement Plus account were not considered taxable. As such, there would be additional lost tax revenue for that product in this scenario. To model this additional lost tax revenue, benefits were projected using mortality and lapse rates consistent with those described earlier along with morbidity assumptions consistent with those described in section 6.2.4.1 on estimated Medicaid expenditure reductions.

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[1] Congressional Research Service, *Itemized Tax Deductions for Individuals: Data Analysis*, September 21, 2017, table 2.
[2] National Association of Homebuilders, *Housing Tax Incentives: Age Distribution Analysis*, Special Studies, May 3, 2010, figures 1 and 13. Using this pattern by age but adjusted to expected overall percentage claiming qualifying medical expenses.
[3] The calculation is based on Current Population Survey of the U.S. Census for March 1996 (1995 levels) and the NBER TAXSIM model. Using this pattern by age but adjusted to expected overall marginal tax rate.

This additional lost tax revenue for any given year of the projection was calculated using the following formula:

A_LTR = BenPaid * MargTax

Where:

A_LTR = additional lost tax revenue

BenPaid = benefits paid in a given projection year

MargTax = assumed marginal tax rate

In each projection year, the expected incidence of claim was used in combination with expected length of claim assumptions to project expected benefit payments. Benefit payments from claims incurred in each year were then aggregated to get total expected benefit payments by projection year.

6.2.4.1 Estimated Medicaid Expenditure Reduction

The purchase of private insurance is expected to have a favorable impact on Medicaid expenditures, as the coverage provides an additional layer of resources available before an individual would qualify for and require Medicaid assistance. Several components were projected to estimate the potential reduction in Medicaid spending resulting from the pilot program. First was the expected cost of the care received for long-term services and support. Next was available assets possessed by the individual, and what portion of those assets the individual would be expected to use before qualifying for Medicaid. Finally, the level of insurance protection purchased was essential in estimating any potential Medicaid savings.

The following table summarizes the projected reductions in combined federal and state Medicaid expenditures. Modeling assumed that projected reductions in Medicaid expenditures would be split evenly between the federal and state governments.

	Medicaid Expenditure Reduction ($ Millions)	
	LifeStage Protection	Retirement Plus
Years 1-10	0.0	-98.5
Years 11-20	-4.4	-139.4
Years 21-30	-155.2	-164.3
50 Year PV	-737.3	-823.1
% Change	-41.9%	-48.5%

*All present values (PV) are calculated using a discount rate of 3.5%, which is consistent with current statutory valuation interest rates.

The decrease in Medicaid spending as a percentage of projected combined federal and state government spending without these private insurance products is shown in the following table.

	Percent Medicaid Expenditure Reduction	
	LifeStage Protection	Retirement Plus
Years 1-10	0.0%	-76.3%
Years 11-20	-2.3%	-73.4%
Years 21-30	-55.4%	-61.1%
50 Year PV	-41.9%	-48.5%

6.2.4.2 Cost of Care

For each scenario and each cell, the expected cost of care was projected for the duration of the model. Average nursing home, assisted living facility and home health care costs were used from the Genworth 2017 Cost of Care survey. These costs of care were assumed to inflate at an annual rate of rate of 3.0%. The starting values used are presented in this table.

Average Monthly Cost of Care	
Site	Cost
Nursing home	$7,148
Assisted living facility	$3,741
Home health care	$2,970

For each cell, lives were projected forward using mortality and lapse rates consistent with those observed in the industry. At each duration, the expected incidence of claim was calculated using incidence rates that varied by initial site of care. For each attained age, an average duration of claim was calculated using total claim termination rates that also varied by initial site of care. Transitions between sites of care were not modeled. The average duration of claim was multiplied by the cost of care in each duration and then by the expected incidence of claim. The expected cost of care in any given year of the projection was calculated as follows:

Exp CoC = Inc * LoS * MCoC

Where:

Exp CoC = expected cost of care in any given duration

Inc = expected incidence of claim

LoS = average length of stay in months

MCoC = average monthly cost of care

These calculations were performed separately for each initial site of care and then aggregated for each duration.

6.2.4.3 Available Assets and Spend Before Qualifying

Survey respondents responded to questions regarding current net worth, excluding the value of their primary home. Respondents were placed into one of four net-worth categories, as shown in the following table.

Net Worth Categories		
Category	Range	Average
Low	Less than $100,000	$64,500
Mid	$100,000–$249,999	$165,323
Upper	$250,000–$499,999	$354,000
High	$500,000 or more	$1,079,412

Initial assets were projected forward assuming a level earnings rate of 5.0% and assuming additional annual contributions of $5,000 toward the net worth until age 65. At age 65, it was assumed that the individual would begin drawing against net worth at a pace that would be expected to exhaust those funds by age 95.

The model assumed that individuals would spend all available assets to cover long-term services and support. Additional scenarios were tested where individuals spent less or more than (perhaps from family member contributions) their available assets. The following table demonstrates the net impact to federal and state government spending under several scenarios for assumed asset spending (assuming current, less favorable tax scenario).

Asset Spending Sensitivities Under Current (2017) Tax Rules		
Scenario	LifeStage Protection	Retirement Plus
Base (Spend all Assets)	-41.9%	-48.5%
Spend only Half	-38.3%	-45.3%
Spend 150% (Family Support)	-43.4%	-47.9%

There is no lost tax revenue projected under the current tax rules, so the percentage impact from each sensitivity is the same at both the federal and state levels.

6.2.4.4 Insurance Coverage

Focus group participants indicated the level of coverage they would be most interested in, and these answers were used to develop specific cells in the model. The different policy sizes presented were $100,000; $150,000; $200,000 or $300,000. The $300,000 policy size was not presented as an option for Retirement Plus. The policy size, as well as monthly benefit maximum, was used to project claims paid corresponding to the expected cost of long-term services and supports as described previously.

6.2.4.5 Medicaid Expenditure Impact

In each year of the projection model, the expected cost of care was compared to the available assets assumed to be spent toward long-term services and supports. The excess, if any, of the expected cost of care beyond those available assets was assumed to become a Medicaid expenditure. Then, projected policy benefits were used as an offset to Medicaid spending. These calculations were performed for each cell, under each scenario for both products.

$MER = ME^{U} - ME^{I}$

Where:

MER	= Medicaid expenditure reduction
ME^{U}	= Medicaid expenditure assuming individual is uninsured
	= MAX(Exp CoC – AAS, 0)
AAS	= available assets spent
ME^{I}	= Medicaid expenditure assuming individual is insured
	= MAX(ME^{U} – Ben,0)
Ben	= insurance benefits provided by the particular product, given a claim occurs

These calculations estimate total combined federal and state impact to Medicaid expenditures. The federal government typically matches state Medicaid spending dollar for dollar, so the results of these calculations were split evenly between the two levels of government.

6.2.5 Assumptions

The following pages include summaries of assumptions incorporated into the federal tax and Medicaid impact model. These assumptions were selected to be representative of a typical LTC insurance product.

Sample Expected Mortality				
Attained	Issue Age 40		Issue Age 50	
Age	Male	Female	Male	Female
40	0.1421	0.1147		
41	0.3219	0.1403		
42	0.4177	0.2652		
43	0.5781	0.3649		
44	0.6672	0.4661		
45	0.7095	0.5232		
46	0.7488	0.5603		
47	0.8130	0.6037		
48	0.8872	0.6455		
49	0.9504	0.6903		
50	1.0337	0.7394	0.4374	0.2168
51	1.1102	0.7906	0.6549	0.2990
52	1.2095	0.8430	0.8568	0.5568
53	1.3319	0.9280	1.2974	0.7209
54	1.4652	1.0088	1.4486	0.8092
55	1.6002	1.0720	1.5627	0.8885
56	1.7528	1.1622	1.6560	0.9488
57	1.9336	1.2601	1.8383	1.1837
58	2.1360	1.3636	1.9845	1.2553
59	2.3158	1.4762	2.1070	1.3815
60	2.4549	1.5853	2.3136	1.4825
61	2.5771	1.6674	2.5158	1.6034
62	2.6759	1.7633	2.7335	1.7507
63	2.8406	1.8653	2.9760	1.9221
64	3.0428	1.9761	3.2363	2.1032
65	3.2116	2.0842	3.5350	2.2688
66	3.5935	2.3223	3.8794	2.4874
67	4.0116	2.5850	4.1789	2.7094
68	4.4764	2.8778	4.5654	2.9649
69	5.0086	3.2065	5.1099	3.2817
70	5.6347	3.6005	5.9040	3.7044

Sample Expected Mortality				
Attained	Issue Age 40		Issue Age 50	
Age	Male	Female	Male	Female
71	6.3824	4.0673	6.7311	4.1035
72	7.2801	4.6244	7.5549	4.5807
73	8.3373	5.2756	8.5183	5.1369
74	9.5536	6.0497	9.5936	5.7975
75	10.9282	6.9567	10.8418	6.5694
76	12.5448	8.0334	12.4490	7.6007
77	14.3591	9.3056	14.2531	8.8212
78	16.4071	10.8155	16.2903	10.2720
79	18.7826	12.6403	18.6538	12.0281
80	21.5685	14.8797	21.4264	14.1861
81	24.7197	17.3988	24.5632	16.6195
82	28.2897	19.9463	28.1181	19.0893
83	32.4311	22.7689	32.2429	21.8323
84	37.2672	26.1844	37.0608	25.1553
85	42.9385	31.3699	42.7119	30.1946
86	48.9491	35.7588	48.7037	34.4848
87	55.8345	40.6970	55.5692	39.3221
88	63.6013	46.4914	63.3159	45.0065
89	71.9893	52.9451	71.6852	51.3521
90	80.8936	60.0384	80.5733	58.3433
91	90.0036	67.6314	89.6708	65.8475
92	99.0635	75.8948	98.7234	74.0342
93	107.9548	84.8322	107.6126	82.9106
94	116.2316	93.9827	115.8939	92.0294
95	123.5217	103.8663	123.1954	101.9020
96	133.9171	116.8534	133.5986	114.8625
97	145.0498	131.2840	144.7432	129.2939
98	157.2084	147.2002	156.9175	145.2459
99	170.1618	164.4507	169.8919	162.5775
100	183.6690	182.8400	183.4262	181.1027

Voluntary Lapse Rates	
Policy Duration	Lapse Rate
1	5.0%
2	4.0%
3	3.0%
4	2.0%
5	1.0%
6	1.0%
7 +	0.5%

Sample Blended Incidence Rates (50/50 M/F; 60/40 M/S)[4]						
Attained	Issue Age 40			Issue Age 50		
Age	Nursing home	Assisted living facility	Home healthcare	Nursing home	Assisted living facility	Home healthcare
40	0.0001	0.0002	0.0000			
41	0.0002	0.0003	0.0001			
42	0.0003	0.0004	0.0001			
43	0.0004	0.0005	0.0002			
44	0.0005	0.0006	0.0002			
45	0.0005	0.0007	0.0002			
46	0.0006	0.0008	0.0003			
47	0.0006	0.0008	0.0003			
48	0.0006	0.0009	0.0003			
49	0.0007	0.0009	0.0004			
50	0.0007	0.0010	0.0004	0.0001	0.0002	0.0000
51	0.0007	0.0010	0.0004	0.0002	0.0003	0.0001
52	0.0007	0.0010	0.0004	0.0003	0.0004	0.0001
53	0.0008	0.0010	0.0004	0.0004	0.0005	0.0002
54	0.0008	0.0011	0.0004	0.0005	0.0006	0.0002
55	0.0008	0.0011	0.0004	0.0005	0.0007	0.0002
56	0.0008	0.0011	0.0004	0.0006	0.0008	0.0003
57	0.0008	0.0011	0.0005	0.0006	0.0008	0.0003
58	0.0008	0.0012	0.0005	0.0006	0.0009	0.0003
59	0.0009	0.0012	0.0005	0.0007	0.0009	0.0004
60	0.0009	0.0012	0.0005	0.0007	0.0010	0.0004
61	0.0009	0.0012	0.0005	0.0007	0.0010	0.0004
62	0.0009	0.0012	0.0005	0.0007	0.0010	0.0004
63	0.0008	0.0013	0.0006	0.0007	0.0011	0.0004
64	0.0007	0.0013	0.0006	0.0006	0.0011	0.0005
65	0.0007	0.0014	0.0007	0.0006	0.0012	0.0006
66	0.0006	0.0015	0.0007	0.0005	0.0013	0.0006
67	0.0006	0.0015	0.0015	0.0005	0.0014	0.0013
68	0.0007	0.0015	0.0018	0.0006	0.0014	0.0017
69	0.0008	0.0015	0.0022	0.0008	0.0015	0.0021
70	0.0010	0.0015	0.0027	0.0010	0.0015	0.0026

[4] For purposes of streamlining the modeling effort, morbidity rates were blended assuming an equal distribution of males and females and that 60 percent of respondents were married.

Sample Blended Incidence Rates (50/50 M/F; 60/40 M/S)						
Attained Age	Issue Age 40			Issue Age 50		
	Nursing home	Asissted living facility	Home healthcare	Nursing home	Asissted living facility	Home healthcare
71	0.0013	0.0015	0.0033	0.0013	0.0015	0.0033
72	0.0016	0.0015	0.0041	0.0016	0.0015	0.0041
73	0.0019	0.0020	0.0047	0.0019	0.0020	0.0047
74	0.0023	0.0027	0.0054	0.0023	0.0027	0.0054
75	0.0028	0.0036	0.0061	0.0028	0.0036	0.0061
76	0.0034	0.0048	0.0070	0.0034	0.0048	0.0070
77	0.0040	0.0065	0.0080	0.0040	0.0065	0.0080
78	0.0047	0.0075	0.0095	0.0047	0.0075	0.0095
79	0.0055	0.0087	0.0113	0.0055	0.0087	0.0113
80	0.0064	0.0100	0.0134	0.0064	0.0100	0.0134
81	0.0075	0.0115	0.0159	0.0075	0.0115	0.0159
82	0.0087	0.0132	0.0189	0.0087	0.0132	0.0189
83	0.0100	0.0153	0.0215	0.0100	0.0153	0.0215
84	0.0115	0.0176	0.0245	0.0115	0.0176	0.0245
85	0.0132	0.0203	0.0278	0.0132	0.0203	0.0278
86	0.0152	0.0234	0.0317	0.0152	0.0234	0.0317
87	0.0175	0.0270	0.0360	0.0175	0.0270	0.0360
88	0.0194	0.0292	0.0400	0.0194	0.0292	0.0400
89	0.0215	0.0316	0.0445	0.0215	0.0316	0.0445
90	0.0239	0.0341	0.0495	0.0239	0.0341	0.0495
91	0.0265	0.0369	0.0550	0.0265	0.0369	0.0550
92	0.0295	0.0398	0.0612	0.0295	0.0398	0.0612
93	0.0314	0.0416	0.0637	0.0314	0.0416	0.0637
94	0.0335	0.0435	0.0663	0.0335	0.0435	0.0663
95	0.0357	0.0454	0.0690	0.0357	0.0454	0.0690
96	0.0381	0.0475	0.0718	0.0381	0.0475	0.0718
97	0.0406	0.0496	0.0748	0.0406	0.0496	0.0748
98	0.0406	0.0496	0.0748	0.0406	0.0496	0.0748
99	0.0406	0.0496	0.0748	0.0406	0.0496	0.0748
100	0.0406	0.0496	0.0748	0.0406	0.0496	0.0748

Sample Blended Claim Termination Rates (50/50 M/F)									
	Disabled Age 85			Disabled Age 90			Disabled Age 95		
Months	Nursing home	Assisted living facility	Home healthcare	Nursing home	Assisted living facility	Home healthcare	Nursing home	Assisted living facility	Home healthcare
1	14.44%	4.05%	8.85%	16.28%	5.16%	10.29%	21.30%	6.34%	11.13%
2	9.56%	3.74%	6.17%	10.78%	4.76%	7.17%	14.10%	5.85%	7.76%
3	6.19%	3.33%	4.16%	6.87%	4.25%	4.84%	8.99%	5.22%	5.23%
4	4.61%	2.98%	3.10%	4.95%	3.80%	3.60%	6.41%	4.67%	3.90%
5	4.18%	2.76%	2.72%	4.36%	3.51%	3.16%	5.52%	4.32%	3.42%
6	4.23%	2.63%	2.64%	4.28%	3.35%	3.06%	5.33%	4.12%	3.31%
7	4.32%	2.61%	2.64%	4.37%	3.32%	3.07%	5.34%	4.06%	3.31%
8	4.19%	2.67%	2.66%	4.40%	3.39%	3.07%	5.35%	4.14%	3.31%
9	4.00%	2.79%	2.67%	4.38%	3.53%	3.08%	5.37%	4.30%	3.32%
10	3.82%	2.95%	2.69%	4.36%	3.74%	3.09%	5.39%	4.54%	3.32%
11	3.68%	3.17%	2.72%	4.36%	4.00%	3.12%	5.44%	4.85%	3.35%
12	3.64%	3.41%	2.80%	4.46%	4.30%	3.20%	5.58%	5.17%	3.41%
13	3.75%	3.70%	2.95%	4.71%	4.64%	3.35%	5.84%	5.52%	3.55%
25	4.00%	4.04%	3.16%	5.11%	5.05%	3.56%	6.21%	5.92%	3.73%
37	4.32%	4.39%	3.38%	5.59%	5.46%	3.76%	6.61%	6.29%	3.91%
49	4.66%	4.73%	3.57%	6.04%	5.84%	3.92%	6.93%	6.59%	4.06%
61	4.94%	4.99%	3.70%	6.36%	6.09%	4.00%	7.11%	6.77%	4.20%
73	5.21%	5.22%	3.78%	6.56%	6.25%	4.02%	7.16%	6.82%	4.34%
85	5.51%	5.46%	3.85%	6.73%	6.40%	4.05%	7.13%	6.79%	4.50%
97	5.78%	5.66%	3.89%	6.84%	6.51%	4.04%	6.97%	6.64%	4.62%
109	5.98%	5.78%	3.88%	6.85%	6.52%	4.02%	6.69%	6.37%	4.63%
121	6.04%	5.79%	3.80%	6.75%	6.43%	3.99%	6.35%	6.05%	4.54%
133	6.01%	5.73%	3.69%	6.57%	6.26%	3.98%	6.03%	5.74%	4.40%
145	5.99%	5.70%	3.60%	6.35%	6.05%	4.01%	5.81%	5.54%	4.27%
157	6.02%	5.73%	3.56%	6.13%	5.84%	4.06%	5.71%	5.44%	4.19%
169	6.09%	5.80%	3.57%	5.95%	5.67%	4.12%	5.68%	5.41%	4.17%
181	6.18%	5.89%	3.65%	5.81%	5.54%	4.16%	5.68%	5.41%	4.17%
193	6.23%	5.93%	3.77%	5.71%	5.44%	4.17%	5.68%	5.41%	4.17%
205	6.20%	5.91%	3.91%	5.68%	5.41%	4.17%	5.68%	5.41%	4.17%
217	6.09%	5.80%	4.04%	5.68%	5.41%	4.17%	5.68%	5.41%	4.17%
229	5.95%	5.67%	4.12%	5.68%	5.41%	4.17%	5.68%	5.41%	4.17%
241	5.81%	5.54%	4.16%	5.68%	5.41%	4.17%	5.68%	5.41%	4.17%
253	5.71%	5.44%	4.17%	5.68%	5.41%	4.17%	5.68%	5.41%	4.17%
265	5.68%	5.41%	4.17%	5.68%	5.41%	4.17%	5.68%	5.41%	4.17%
277	5.68%	5.41%	4.17%	5.68%	5.41%	4.17%	5.68%	5.41%	4.17%
289	5.68%	5.41%	4.17%	5.68%	5.41%	4.17%	5.68%	5.41%	4.17%
301	5.68%	5.41%	4.17%	5.68%	5.41%	4.17%	5.68%	5.41%	4.17%
313	5.68%	5.41%	4.17%	5.68%	5.41%	4.17%	5.68%	5.41%	4.17%
325	5.68%	5.41%	4.17%	5.68%	5.41%	4.17%	5.68%	5.41%	4.17%
337	5.68%	5.41%	4.17%	5.68%	5.41%	4.17%	5.68%	5.41%	4.17%
349	5.68%	5.41%	4.17%	5.68%	5.41%	4.17%	5.68%	5.41%	4.17%
361	5.68%	5.41%	4.17%	5.68%	5.41%	4.17%	5.68%	5.41%	4.17%

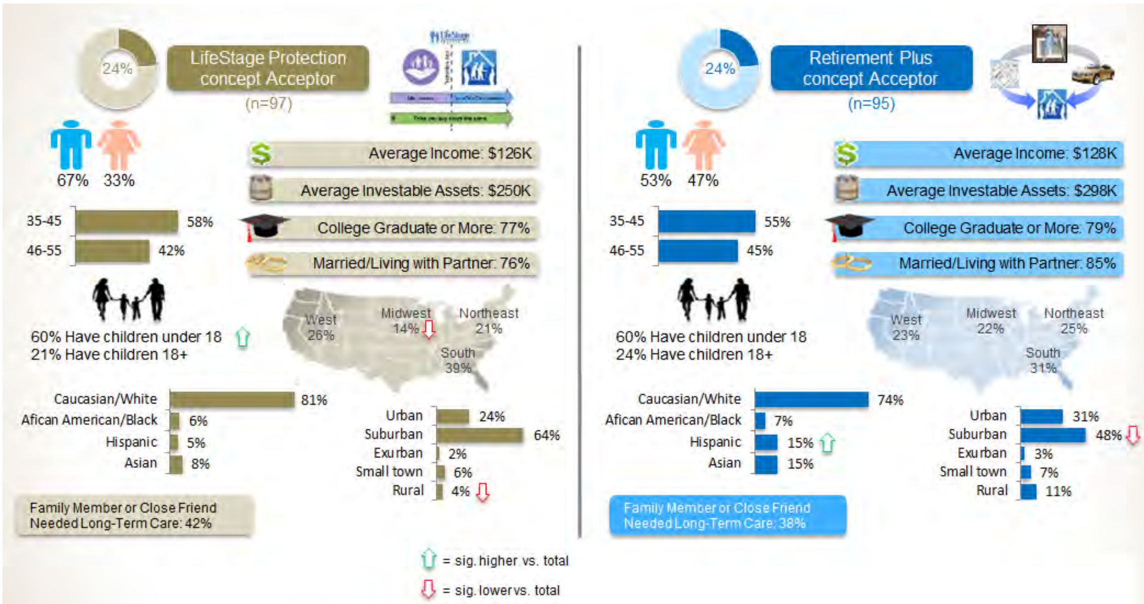
Assumptions Impacting Tax Calculations		
Age	Marginal Tax Rate	Percent Claiming Qualifying Medical Expense Deduction
40	26.6%	6.5%
41	26.8%	6.6%
42	26.9%	6.7%
43	27.0%	6.7%
44	27.2%	6.8%
45	27.3%	6.9%
46	27.3%	6.9%
47	27.3%	7.0%
48	27.3%	7.1%
49	27.2%	7.1%
50	27.2%	7.2%
51	27.2%	7.3%
52	27.1%	7.3%
53	27.0%	7.4%
54	27.0%	7.5%
55	26.9%	7.6%
56	26.8%	7.6%
57	26.7%	7.7%
58	26.6%	7.8%
59	26.4%	7.8%
60	26.3%	7.9%
61	26.3%	8.0%
62	26.2%	8.0%
63	26.2%	8.1%
64	26.2%	8.2%
65	26.1%	8.2%
66	25.6%	8.3%
67	25.1%	8.7%
68	24.6%	9.2%
69	24.1%	9.6%
70	23.5%	10.1%

Assumptions Impacting Tax Calculations		
Age	Marginal Tax Rate	Percent Claiming Qualifying Medical Expense Deduction
71	23.1%	10.6%
72	22.7%	11.1%
73	22.3%	11.7%
74	21.9%	12.3%
75	21.6%	12.9%
76	21.5%	13.5%
77	21.4%	14.2%
78	21.3%	14.9%
79	21.2%	15.7%
80	21.1%	16.5%
81	21.0%	17.3%
82	21.0%	18.2%
83	20.9%	19.1%
84	20.9%	20.0%
85	20.9%	21.0%
86	20.3%	22.1%
87	19.7%	23.2%
88	19.2%	24.3%
89	18.6%	25.5%
90	18.1%	26.8%
91	18.1%	28.2%
92	18.1%	29.6%
93	18.1%	31.0%
94	18.1%	32.6%
95	18.1%	34.2%
96	18.1%	35.9%
97	18.1%	37.7%
98	18.1%	39.6%
99	18.1%	41.6%
100	18.1%	43.7%

Section 7: Profile of Concept Acceptors

7.1 Characteristics of the Acceptors

Acceptors are defined as Top 3 Box (certain, almost certain, very probable) regarding purchase intent in the next two years.



Shared Characteristics for Acceptors of Both Concepts (vs. Total Sample)

- Have children under the age of 18
- Agree LTC insurance will get more expensive with waiting
- Agree it is good to have LTC insurance now
- Agree buying life insurance is to protect family
- Agree a life insurance policy is better if it includes a cash value accumulation
- Agree buying life insurance is to protect family in case of death during prime earning years
- Agree buying life insurance is a financial investment for the future
- Feel they can afford LTC insurance right now
- Believe they are likely to need extended in-home care in the future

These consumers, who are highly interested in both the LifeStage Protection and the Retirement Plus concept, are more likely to be parents and have strong opinions on long-term care and planning for the future (e.g., LTC insurance will get more expensive when waiting; life insurance is to protect family).

Further educating consumers who are less interested in the concepts about their potential need for long-term care and the benefits these products would provide could help boost interest.

Appendix: Quantitative Survey Questionnaire

Q1. Are you…? (Select one answer.)
- O Male
- O Female

Q2. How old are you? (Please type your answer in the space provided.) [TERMINATE IF NOT AGES 35-55]

Q3. In which state do you live? (Select one answer.)

Q4. Do you or any member of your household currently work in any of these types of businesses or occupations? (Select all that apply.)
- ☐ Marketing or market research [TERMINATE]
- ☐ Advertising or public relations [TERMINATE]
- ☐ Radio, newspaper, television, magazine, or Internet communications [TERMINATE]
- ☐ An insurance agency or company [TERMINATE]
- ☐ Financial services or investments [TERMINATE]
- ☐ Automobile manufacturing
- ☐ Education
- O None of the above

Q5. What is the highest level of education you have completed? (Select one answer.)
- O Less than high school [TERMINATE]
- O High school graduate
- O Some college
- O Trade or vocational training
- O College graduate
- O Postgraduate study or degree

Q6. Which of the following best describes your employment status? (Select one answer.)
- O Employed full-time
- O Employed part-time
- O Self-employed
- O Stay-at-home parent/Homemaker [TERMINATE]
- O Student [TERMINATE]
- O Retired [TERMINATE]
- O Not employed [TERMINATE]

[ASK IF Q6=1-2]

Q7. Which of the following accounts, products, or plans, if any, does your **employer offer** as **part of your employment benefits**? These can be benefits that you pay for entirely on your own, or ones which your employer might pay for entirely or in part. Include any benefits offered to you, even if you are not actually enrolled. (Select all that apply.)

- ☐ IRA (Individual Retirement Account)
- ☐ 401(k), 403(b), or similar retirement account
- ☐ Health insurance
- ☐ Disability insurance
- ☐ Term Life insurance policy (Term Life insurance is an insurance policy where the policyholder pays premiums for a set length of time (e.g., 10 years, 30 years). If the policyholder dies during that time period, a pre-defined amount of money is paid to a person of the policyholder's choice.)
- ☐ Whole Life insurance policy (Whole Life insurance is an insurance policy that provides coverage for the policyholder's entire life and includes a financial investment component that builds cash value over time. The policyholder has the option to borrow against or withdraw from this cash value.)
- ☐ Health Savings Account (HSA)
- ☐ Other (Please specify.)
- O Don't know/Not sure **[TERMINATE]**
- O None of the above **[TERMINATE]**

[ASK IF Q6=1-2] [PIPE PRODUCTS SELECTED FROM Q7]

Q8. And which of the following accounts, products, or plans **offered by your employer** do you **currently own**? (Select all that apply.)

- ☐ IRA (Individual Retirement Account)
- ☐ 401(k), 403(b), or similar retirement account
- ☐ Health insurance
- ☐ Disability insurance
- ☐ Term Life insurance policy (Term Life insurance is an insurance policy where the policyholder pays premiums for a set length of time (e.g., 10 years, 30 years). If the policyholder dies during that time period, a pre-defined amount of money is paid to a person of the policyholder's choice.)
- ☐ Whole Life insurance policy (Whole Life insurance is an insurance policy that provides coverage for the policyholder's entire life and includes a financial investment component that builds cash value over time. The policyholder has the option to borrow against or withdraw from this cash value.)
- ☐ Health Savings Account (HSA)
- ☐ PIPE OTHER FROM Q7
- O None of the above **[ALWAYS SHOW]**

Q9. [SHOW IF NOT SELF-EMPLOYED: Now we want to know if you have obtained any insurance policies or financial accounts **outside** of what your current employer offers.] Which of the following accounts, products, or plans [SHOW IF NOT SELF EMPLOYED: **, that were not obtained through your current employer,**] do you **currently own**? (Select all that apply.)

- ☐ IRA (Individual Retirement Account)
- ☐ 401(k), 403(b), or similar retirement account
- ☐ Health insurance
- ☐ Disability insurance
- ☐ Term Life insurance policy (Term Life insurance is an insurance policy where the policyholder pays premiums for a set length of time (e.g., 10 years, 30 years). If the policyholder dies during that time period, a pre-defined amount of money is paid to a person of the policyholder's choice.)
- ☐ Whole Life insurance policy (Whole Life insurance is an insurance policy that provides coverage for the policyholder's entire life and includes a financial investment component that builds cash value over time. The policyholder has the option to borrow against or withdraw from this cash value.)
- ☐ Health Savings Account (HSA)
- ☐ Other (Please specify.)
- O Don't know/Not sure
- O None of the above

Q10. Which of the following includes your total annual **household income**? (Select one answer.)

- O Under $25,000 **[TERMINATE]**
- O $25,000 – $49,999 **[TERMINATE]**
- O $50,000 – $74,999
- O $75,000 – $99,999
- O $100,000 – $124,999
- O $125,000 – $149,999
- O $150,000 – $199,999
- O $200,000 – $249,999
- O $250,000 – $499,999
- O $500,000 or more **[TERMINATE]**
- O Prefer not to say **[TERMINATE]**

Q11. Which of the following best represents your household's total investable assets? By investable assets, we mean cash and any assets that can be quickly converted into cash (e.g., stocks, mutual funds, bonds, funds held in a retirement or investment account, insurance contracts with a cash value). (Select one answer.)

- O Under $25,000
- O $25,000 – $49,999
- O $50,000 – $74,999
- O $75,000 – $99,999
- O $100,000 – $124,999
- O $125,000 – $149,999
- O $150,000 – $199,999
- O $200,000 – $249,999
- O $250,000 – $499,999
- O $500,000 or more

Q12. Which of the following best describes your role in your household, or family's major financial decisions, such as mortgages, investments, life insurance, and health insurance? (Select one answer.)

- O I am the sole decision maker
- O I am the primary decision maker, but others have input
- O I share the decision making equally with others
- O Someone else is the primary decision maker, but I have some input **[TERMINATE]**
- O Someone else is the primary decision maker and I have no input **[TERMINATE]**

Q13. How would you rate your current overall health? (Select one answer.)

- O Excellent
- O Good
- O Fair
- O Poor **[TERMINATE]**

These next questions are about your health care experience and perceptions.

Q14. Has a family member or close friend ever needed nursing care, personal care, or assistive therapies **at home**, in a nursing home, or in an assisted living or memory care facility for a **period of six months** or more? (Select one answer.)

- O Yes
- O No

Q15. These questions ask your thoughts about the future – should there ever come a time when you need help "taking care of yourself." By "needing help taking care of yourself," we mean if you were unable to perform everyday activities without assistance such as bathing, dressing, eating, or getting around on your own. People need this kind of help due to an illness, injury, accident, or simply due to the aging process. Please indicate how strongly you agree or disagree with each of the following statements with that information in mind. (Select one answer in each row.)

	Strongly Disagree 1	2	3	4	Strongly Agree 5
I can take steps now to plan for a time when I may no longer be able to take care of myself	O	O	O	O	O
If I prepare in advance for when I need help, I am more likely to have control over the type of care I receive	O	O	O	O	O
If I make arrangements in advance for a time when I may need help caring for myself in the future, I can better protect my family's income and savings	O	O	O	O	O
Planning in advance for a time when I may need help taking care of myself will help me stay in my home	O	O	O	O	O
If I were to need help taking care of myself, I would worry about becoming a burden to my family	O	O	O	O	O
If I need help taking care of myself in the future, I feel confident that my family or friends would take care of me	O	O	O	O	O
If I need help taking care of myself in the future, I prefer to deal with it then	O	O	O	O	O
If I ever need extended care at home or in a nursing home, the government will pay for most of the costs	O	O	O	O	O
Someone on Medicaid (click here for definition) has less choice about where they can receive care when they need it	O	O	O	O	O
I don't want to have to rely on Medicaid (click here for definition) to pay for my care if and when I need it	O	O	O	O	O

MEDICAID DEFINITION: Medicaid is a program, funded by the federal and state governments, which pays for medical care for poor and low-income individuals or families. To receive Medicaid, an individual must meet certain requirements (such as low asset and income levels), and also must go through an application process. Although all states participate in the Medicaid program, each state manages their own program, and is able to set different requirements and other guidelines.

Q16. How likely do you think it is that you may ever need care in a nursing home, assisted living facility, or at home, for **more than six months** at some point in your life? Please indicate how likely you think it is for each type of care. (Select one answer in each row.)

	Very Likely (More Than 74% Chance)	Likely (50%- 74% Chance)	Not Very Likely (25%- 49% Chance)	Not At All Likely (Less Than 25% Chance)
Nursing Home	O	O	O	O
Assisted Living Facility	O	O	O	O
In-Home Care	O	O	O	O

Q17. And if you needed this care in a nursing home, assisted living facility, or at home, for more than six months, how do you think that care would be paid for? Please indicate for each source whether it would pay for 0% or 100% of those costs or any amount in between. If you do not anticipate using any other sources that are not listed below, please leave the number for the "Other" space blank. (Please enter the% each source would pay. Enter zeros where applicable. Your answers must sum to 100%.) [MUST ADD TO 100%]

Medicaid (Medicaid is a program, funded by the federal and state governments, which pays for medical care for poor and low-income individuals or families. To receive Medicaid, an individual must meet certain requirements (such as low asset and income levels), and also must go through an application process. Although all states participate in the Medicaid program, each state manages their own program, and is able to set different requirements and other guidelines)____
Medicare (Medicare is a health insurance program provided by the US federal government. Throughout your life you pay into the system through payroll taxes that are split between you and your employer, and when you are eligible for benefits, you will also pay a small monthly premium for participating in the medical services and prescription drug portions of the program.) ____
My own income, assets, and savings____
Family financial help____
Reverse mortgage or home equity line of credit (A home equity loan product might include a Home Equity Line of Credit or a reverse mortgage. This is an account or a stream of monthly payments you can receive, up to a pre-set borrowing amount, based on the value of your home equity. There may be certain requirements you have to meet to obtain one of these types of home equity products.) ____
Health insurance or HMO/health plan____
MEDIGAP or Medicare supplemental insurance coverage (MEDIGAP is a broad term to describe private insurance or HMO-plans that individuals who have Medicare often purchase to pay for items such as prescription drugs, and the copayments and deductibles of the Medicare plan.) ____
Other (If you enter a number for this option, please specify.) ____

Next, we would like to show you an idea for an insurance product and get your opinion of it. This product is intended to help people pay for long-term care. By long-term care, we mean care provided by a home health aide, personal care attendant, or nurse in someone's home, an assisted living facility, or a nursing home. Typically, long-term care is provided to help a person do personal care tasks such as bathing, dressing, nursing care, therapy services, or simply getting around. It also includes the care and supervision needed for a person with a condition such as Alzheimer's disease or other types of dementia.

Please note this product is just an idea and is not currently available today. Please be sure to read the full product carefully before continuing to the next page.

Q18. What is your **overall impression** of this product? (Select one answer.)

- O Poor product
- O Fair product
- O Average product
- O Good product
- O Excellent product

Q19. Please explain what you **like most** about this product? (Please type your answer in the space provided.)

Q20. Please explain what you **dislike most** about this product? (Please type your answer in the space provided.)

Q21. To what extent does this product **fill a need** for you **today**? (Select one answer.)

- O Definitely does not fill a need
- O Probably does not fill a need
- O Might or might not fill a need
- O Probably fills a need
- O Definitely fills a need

Q21A. To what extent does this product **fill a need** for you in the **future**? (Select one answer.)

- O Definitely does not fill a need
- O Probably does not fill a need
- O Might or might not fill a need
- O Probably fills a need
- O Definitely fills a need

Q22. How easy or difficult is it to **understand** this product? (Select one answer.)

- O Very difficult to understand
- O Somewhat difficult to understand
- O Neither easy nor difficult to understand
- O Somewhat easy to understand
- O Very easy to understand

Q23. How **unique** is this product? (Select one answer.)

- O Not at all unique
- O Like most other products
- O Like some other products
- O Unlike most other products
- O Totally unique

Q24. How **believable** is it that this product could deliver on everything in the description? (Select one answer.)

- O Very unbelievable
- O Somewhat unbelievable
- O Neither believable nor unbelievable
- O Somewhat believable
- O Very believable

Q25. How likely would you be to **investigate** this product further? (Select one answer.)

- O Not at all likely
- O Not very likely
- O Somewhat likely
- O Very likely
- O Extremely likely

[ASK IF Q25≠5]
Q26. What changes could be made to this product to **increase** your likelihood to investigate this product further?
(Please type your answer in the space provided.)

Next we are going to show you the same product, but now with pricing based on information you have already provided in this survey (e.g., age and gender). There will be several options, each with a different [SHOW IF LIFESTAGE*: long-term care*] *insurance benefit level and associated monthly price.*

Q27. Assuming that you were going to enroll, which benefit level for this product would best meet your needs? (Select one answer.)
- $100,000 (Option A)
- $150,000 (Option B)
- $200,000 (Option C)
- $300,000 (Option D) **[LIFESTAGE ONLY]**

Q28. With the additional pricing and benefit information shown, how likely would you be to **investigate** this product further? (Select one answer.)
- Not at all likely
- Not very likely
- Somewhat likely
- Very likely
- Extremely likely

Q29. How would you rate this product in terms of its **value**? (Select one answer.)
- Very low value
- Somewhat low value
- Neither high value nor low value
- Somewhat high value
- Very high value

Q30. Assume you would be able to obtain further information about this product to answer any questions you may have. How likely would you be to **purchase** this product **within the next two years**? (Select one answer.)
- Certain (that is, 99 chances in 100)
- Almost certain (that is, 90 chances in 100)
- Very probable (that is, 80 chances in 100)
- Probably (that is, 70 chances in 100)
- Good possibility (that is, 60 chances in 100)
- Fairly good possibility (that is, 50 chances in 100)
- Fair possibility (that is, 40 chances in 100)
- Some possibility (that is, 30 chances in 100)
- Slight possibility (that is, 20 chances in 100)
- Very slight possibility (that is, 10 chances in 100)
- No chance (that is, 0 chances in 100)

Q31. Please explain your answer above. (Please type your answer in the space provided.)

Q32. Which of the following would be your <u>first choice</u> for how you would like to buy this product? (Select one answer.)
- Through my employer (with the ability to keep the policy if I left my job), assuming it would be purchased with my own money and my employer would not contribute in any way
- Through an insurance agent
- Online (directly from an insurance company website)
- Telephone (directly from an insurance company representative)
- From a membership or affinity group to which I belong (e.g., Small Business Association, professional association, alumni association)
- Other (Please specify.)

[ASK IF Q32=2-6 (NOT THROUGH EMPLOYER) AND Q6=1-2]

Q33. If this product was **only offered through your employer**, what impact would it have on your interest in signing-up or enrolling in the future? Assume that the product is "portable," meaning that you can keep it even if you no longer work for your current employer and it would be purchased with your own money and your employer would not contribute in any way. (Select one answer.)

- O I would be significantly less interested
- O I would be somewhat less interested
- O This would have no impact on my interest

[ASK IF EVALUATING LIFESTAGE]

Q34. If you were to sign up for this product, a LifeStage insurance policy, you would need to specify at what age the product would transition from a life insurance policy to long-term care coverage. Which age would you prefer? Please note that the prices you viewed earlier were based on a transition age of 65. If the transition age is **younger than 65**, your cost will be **higher**. If the transition age is **older than 65**, your cost will be **lower**. (Please enter a whole number in the space provided.)

[ASK IF EVALUATING LIFESTAGE]

Q35. Why did you choose that age? (Please type your answer in the space provided.)

Q36. If the following changes were made to this product, would you be more or less likely to investigate, or would it not make a difference? (Select one answer in each row.)

	Less Likely To Investigate	No Impact On Likelihood To Investigate	More Likely To Investigate
LIFESTAGE CHANGES ONLY			
It costs [**10%** (FOR FEMALES) / **7%** (FOR MALES)] more, but allows you to use long-term care benefits before the transition age (e.g., 65) you chose at enrollment	O	O	O
It costs [**10%** (FOR FEMALES) / **15%** (FOR MALES)] more, but it provides a **[10%]** (OF CHOSEN BENEFIT LEVEL IN Q27) life insurance benefit even after it transitions to a long-term care insurance policy	O	O	O
It costs 10% more, but if you never make any long-term care claims, 25% of the amount you paid toward monthly premiums will be returned to your beneficiary when you pass away	O	O	O
It costs 30% more, but the lifetime benefit amount is $400,000 **[SHOW IF Q27=4 ($300K)]**	O	O	O
It costs 60% less, but the lifetime benefit amount is $50,000 **[SHOW IF Q27=1 ($100K)]**	O	O	O
RETIREMENT PLUS CHANGES ONLY			
It costs 20% more, but allows the policyholder to access the insurance benefit to pay for long-term care costs before tapping into the investment account	O	O	O
SHOW FOR BOTH			
It costs 60% more, but it guarantees an annual increase in total benefit amount consistent with the rate of inflation	O	O	O

Next, we have some additional questions about your general opinions on long-term care insurance.

Q37. How desirable are each of the following to you when it comes to a product developed to help you pay for long-term care? (Select one answer in each row.)

	Not At All Desirable 1	2	3	4	Extremely Desirable 5
LIFESTAGE RELATED ATTRIBUTES					
The ability to buy one product that automatically converts from a life insurance policy into a long-term care insurance policy as my needs change with age	O	O	O	O	O
The ability to lock in long-term care insurance early, at a more affordable rate	O	O	O	O	O
The ability to lock in long-term care insurance early, at lower premium levels, allowing me to afford larger benefit levels	O	O	O	O	O
RETIREMENT PLUS RELATED ATTRIBUTES					
Access to additional funds to pay for long-term care needs in the case that I exhaust my savings/investment accounts	O	O	O	O	O
The ability to buy one product that automatically includes both a long-term care insurance policy and a 401(k) type of plan	O	O	O	O	O
The ability for my retirement account funds to be transferred to my beneficiaries when I die	O	O	O	O	O
The ability to take contributed money and investment earnings out of my retirement account, tax-free, to use to pay for long-term care	O	O	O	O	O
The ability to access as much of my long-term care insurance benefit as I want, as I incur costs, with no monthly maximum, up to the total benefit level	O	O	O	O	O
The ability to access my long-term care insurance benefit as I incur costs, but with a fixed monthly maximum, up to the total benefit level	O	O	O	O	O
The ability to convert my long-term care insurance benefit into a fixed monthly payout that is guaranteed for as long as I live	O	O	O	O	O
Modest long-term care insurance cost increases as I age (average of 10% each year) to ensure there are no big surprise increases later in life	O	O	O	O	O
ATTRIBUTES FOR BOTH CONCEPTS					
The ability to lock in long-term care insurance early, eliminating the risk of not qualifying for insurance later in life if my health declines	O	O	O	O	O
The ability for my claim to go directly to my insurance provider for payment (i.e., I won't pay out of pocket for insurance expenses and do not have to be reimbursed)	O	O	O	O	O
Guaranteed portability (continuation) of my policy if I move, change jobs, or have other life changes	O	O	O	O	O
The ability to select any licensed long-term care provider or facilities for long-term care needs (i.e., provider does not need to be in-network)	O	O	O	O	O
Does not require a medical exam to qualify	O	O	O	O	O

Does not exclude customers with pre-existing medical conditions	O	O	O	O	O

Q38. Below are some reasons why people say **they purchased** long-term care insurance coverage when it was first offered to them. Please tell us how strongly you agree or disagree with each of these statements. (Select one answer in each row.)

	Strongly Disagree 1	2	3	4	Strongly Agree 5
I am worried my health would prevent me from obtaining long-term care insurance in the future	O	O	O	O	O
I know long-term care insurance would get more expensive if I waited to buy it in the future	O	O	O	O	O
I think it is a good idea to have long-term care insurance right now	O	O	O	O	O
I feel I can afford long-term care insurance right now	O	O	O	O	O
I know someone who recently needed long-term care	O	O	O	O	O
I have enough information about long-term care insurance to make a purchase decision	O	O	O	O	O

Q39. Here are some reasons people give for why they decided **not** to purchase long-term care insurance coverage when it was first offered to them. Please tell us how strongly you agree or disagree with these reasons for **not** buying long-term care insurance if it were available to you today. (Select one answer in each row.)

	Strongly Disagree 1	2	3	4	Strongly Agree 5
I'm confident my health won't change and I'll be able to qualify for coverage later on	O	O	O	O	O
I have too many competing financial obligations right now	O	O	O	O	O
I don't think I'll ever need it	O	O	O	O	O
I feel I can't afford it right now	O	O	O	O	O
I need to do more research first	O	O	O	O	O

Q40. Imagine that you decided to purchase an insurance policy that specifically pays for long-term care services when and if you need them in the future.

Q41. If you had such a policy, about how much of your future long-term care costs do you expect that policy would be likely to cover? Of course, it is impossible to know exactly what your future long-term care needs and costs might be – your best estimate is fine. (Select one answer.)

- O All of the costs (100%)
- O Nearly all of the costs (80% to 99%)
- O Most of the costs (61% to 79%)
- O About half of the costs (40% to 60%)
- O Some of the costs (20% to 39%)
- O Very little of the costs (19% or less)

Q42. Please indicate how strongly you agree or disagree with each of the following statements? (Select one answer in each row.)

	Strongly Disagree 1	2	3	4	Strongly Agree 5
I would wait to see if older family members (e.g., parents) need long-term care before I invest in long-term care insurance myself, even if it means it might cost more or I might not qualify based on health	O	O	O	O	O
People who have grown children don't need life insurance anymore	O	O	O	O	O
A life insurance policy is better if it includes a cash value accumulation (Whole Life), even though that costs more than a policy without one (Term Life)	O	O	O	O	O
I buy life insurance to protect my family in case I die during my prime earning years	O	O	O	O	O
I buy life insurance as a financial investment for the future	O	O	O	O	O
There is no point in buying a long-term care insurance policy unless it covers nearly all of my financial needs	O	O	O	O	O
Insurance that pays for some long-term care coverage is better than not having any coverage at all	O	O	O	O	O
People who are older than 65 don't need life insurance	O	O	O	O	O

Next we have a few questions about your employment.

Q43. For how long have you been employed at your current job? (Select one answer.)
- O Less than 1 year
- O 1-2 years
- O 3-5 years
- O 6-10 years
- O 11-20 years
- O 21 or more years

Q44. Do you expect to change jobs within the next five years? (Select one answer.)
- O Yes
- O No

Q45. What are your expectations for retirement? (Select one answer.)
- O I expect to fully retire
- O I plan to semi or partially retire
- O I do not plan to retire

[ASK IF Q45=1-2]
Q46. When do you expect to be able to retire? (Select one answer.)
- O Within the next 5 years
- O Within the next 6-10 years
- O Within the next 11-15 years
- O Within the next 16-20 years
- O More than 20 years from now

Finally, we just have a few more questions for classification purposes only.

Q47. What is your marital status? (Select one answer.)
- O Married
- O Living with a partner
- O Single
- O Divorced
- O Widowed

Q48. Which of the following best describes where you live? (Select one answer.)

- O Urban
- O Suburban
- O Exurban (a community beyond the suburbs of a large metropolitan area)
- O Small town
- O Rural

Q51. Do you consider yourself to be of Hispanic or Latino origin? (Select one answer.)

- O Yes
- O No

Q52. Which of the following best describes your racial or ethnic background? (Select all that apply.)

- O African American/Black
- O Asian
- O Caucasian/White
- O Native American
- O Pacific Islander
- O Other

Q53. Do you have any children…? (Select all that apply.)

- ☐ Under the age of 18
- ☐ Ages 18 or older
- O Do not have any children

[ASK IF Q53_2=2 (AGES 18+)]

Q54. Do you have any adult children who live close enough to you to stop by on short notice if you need help, or just to drop by for a visit? (Select one answer.)

- O Yes
- O No

Q48. Which of the following best represents your household's total net worth? Please include the estimated value of any real estate other than your primary home, vehicles, personal and household possessions as well as bank accounts, stocks, bonds, equity in your own company and other investments. (Select one answer.)

- O Under $50,000
- O $50,000-$99,999
- O $100,000-$149,999
- O $150,000-$199,999
- O $200,000-$249,999
- O $250,000-$299,999
- O $300,000-$349,999
- O $350,000-$399,999
- O $400,000-$499,999
- O $500,000-$749,999
- O $750,000-$999,999
- O $1,000,000-$1,499,999
- O $1,500,000-$1,999,999
- O $2,000,000 or more

Q49. Do you own or rent your home, or do you live in it rent-free? (Select all that apply.)

- O Own
- O Rent
- O Live rent-free

[ASK IF Q49=1 (OWN)]

Q50. What is the approximate market value of your home and lot/apartment? If you were going to sell it, what do you think the house and lot/apartment would be worth? (Select one answer.)

- O Under $50,000
- O $50,000-$74,999
- O $75,000-$99,999
- O $100,000-$124,999
- O $125,000-$149,999
- O $150,000-$199,999
- O $200,000-$249,999
- O $250,000-$299,999
- O $300,000-$399,999
- O $400,000-$499,999
- O $500,000-$749,999
- O $750,000-$999,999
- O $1,000,000 or more

Q55. Thank you for your participation in this survey! If you have any thoughts or feedback, please share them in the space provided below. (Please type your answer in the space provided.)

About The Society of Actuaries

The Society of Actuaries (SOA), formed in 1949, is one of the largest actuarial professional organizations in the world dedicated to serving 30,000 actuarial members and the public in the United States, Canada and worldwide. In line with the SOA Vision Statement, actuaries act as business leaders who develop and use mathematical models to measure and manage risk in support of financial security for individuals, organizations and the public.

The SOA supports actuaries and advances knowledge through research and education. As part of its work, the SOA seeks to inform public policy development and public understanding through research. The SOA aspires to be a trusted source of objective, data-driven research and analysis with an actuarial perspective for its members, industry, policymakers and the public. This distinct perspective comes from the SOA as an association of actuaries, who have a rigorous formal education and direct experience as practitioners as they perform applied research. The SOA also welcomes the opportunity to partner with other organizations in our work where appropriate.

The SOA has a history of working with public policymakers and regulators in developing historical experience studies and projection techniques as well as individual reports on health care, retirement and other topics. The SOA's research is intended to aid the work of policymakers and regulators and follow certain core principles:

Objectivity: The SOA's research informs and provides analysis that can be relied upon by other individuals or organizations involved in public policy discussions. The SOA does not take advocacy positions or lobby specific policy proposals.

Quality: The SOA aspires to the highest ethical and quality standards in all of its research and analysis. Our research process is overseen by experienced actuaries and non-actuaries from a range of industry sectors and organizations. A rigorous peer-review process ensures the quality and integrity of our work.

Relevance: The SOA provides timely research on public policy issues. Our research advances actuarial knowledge while providing critical insights on key policy issues, and thereby provides value to stakeholders and decision makers.

Quantification: The SOA leverages the diverse skill sets of actuaries to provide research and findings that are driven by the best available data and methods. Actuaries use detailed modeling to analyze financial risk and provide distinct insight and quantification. Further, actuarial standards require transparency and the disclosure of the assumptions and analytic approach underlying the work.

Society of Actuaries
475 N. Martingale Road, Suite 600
Schaumburg, Illinois 60173
www.SOA.org