Hybrid LTC: A Treasure Benefiting Insurers

April 2018

By: Bob Gertie, CLTC

"Bob, what is your opinion on hybrid long-term care insurance policies?" is one of the most common questions I receive from advisors. I have maintained a position that traditional long-term care policies are superior to hybrid contracts and the best option in most cases. This article takes an in depth look at why I form this opinion and includes a recent case study as support.

What is a Hybrid LTC policy?

A Hybrid LTC policy is a life insurance contract with a leveraged accelerated death benefit provision that provides funds to pay for LTC services following standard LTC benefit triggers. The most common policy type is built on a universal life platform, often with a single premium, although more recent products allow funding to be spread out over the first 10-15 years. The insurance and administration expenses for both life and long-term care coverages are taken from the earnings from the policy's cash value and often the cash value itself. In short, the principal and earnings from a policy's cash value are used to support life and long-term care insurance expenses as opposed to grow inside the policy as in a normal universal life policy.

Why do so many agents push Hybrid LTC policies?

Many agents have found a hybrid LTC policy is often an easier sale than a traditional LTC policy. These contracts gain consumer support largely based on marketing catch phrases used during the sales process. These include: *"You will receive all or most of your premium back if you change your mind and cancel the policy in the future," "your beneficiaries will receive the death benefit if you pass and don't need long-term care"* and *"the premium is guaranteed never to go up*". While these statements are true with most hybrid LTC policies, they distract the consumer (and often the agent) from seeing the substantial negatives of these policies.

What are the negatives of Hybrid LTC policies?

- A substantially large percentage of all hybrid LTC policies sold lack proper inflation protection. This is because adding inflation coverage to a policy will double and in some cases, triple the premium required. Instead, agents generate policies with very large monthly LTC benefits up front with the suggestion that LTC costs will increase over time allowing a similar benefit percentage at claim time as a lower amount of benefit with inflation protection. The problem is most hybrid policies show a delta between benefit and inflated LTC costs well below the average LTC claim age. The American Association For Long-Term Care Insurance (AALTCI) reports that in 2015 about 75% of hybrid sales were to those under the age of 65, with an astounding 59% of policies sold to males under the age of 54 using existing policy cash value exchanges. The future value of a $12K monthly benefit purchased at age 50 is reduced to $3.7K at age 80 assuming a 4% LTC care cost discount rate. For most states, this would cover less than 50% of long-term care costs in a facility.

- Most hybrid LTC policies require substantial funding, especially when insuring a couple. The AALTCI reports that in 2015 63% of all hybrid contracts sold had an initial premium of $100K or more. For a couple, that means two-thirds of couples would be paying more than $200K in initial premium. 36% of hybrid sales during the same timeframe had an initial premium over $150K or $300K for a couple.

- Hybrid LTC contracts often include unfavorable asset repositioning and forfeiture of future asset growth. This is because these policies are funded with either existing investment assets or life insurance policy cash values. Nearly all Hybrid policies fail to build any real cash accumulation because of the excessive costs associated with the long-term care benefits. In contrast, the asset(s) used to fund these policies almost always had higher interest rates or investment returns allowing the existing asset to continue to grow if not used for the hybrid contract

- Purchasing a hybrid LTC policy forces consumers to purchase life insurance, most often without the need for such insurance coverage. Effectively, they are paying insurance charges for two separate types of coverage: life and long-term care. Paying for two coverage types in a single policy is always the costliest option, in the same way as having a disability waiver of premium rider on a life insurance policy is very costly and inefficient.

- Since existing life insurance policy cash values are used to fund most hybrid LTC policies, there is often a substantial benefit disparity between spouses. The cash value available to fund a hybrid LTC policy will never be the same between spouses due to age, gender and policy date differences. This leads to each spouse having different benefit amounts available to them, even though they reside in the same community and face the same long-term care costs. In my experience, life insurance policies on males almost always have higher cash values due to either premium levels, coverage needs or both.

- Hybrid policy owners are given access to long-term care benefits *or* the cash value (asset), not both. Consumers who maintain control of the funding asset outside of an insurance plan and use the asset's interest to pay for traditional long-term care insurance have both the insurance policy's benefits plus the underlying asset.

Traditional LTC vs. Hybrid LTC: A Real-life Case Study (Florida Couple)

This article was created upon inquiry from an advisor I have worked with for many years. More specifically, this advisor was asking the common question, *"Bob, what is your opinion on hybrid long-term care insurance policies?"* I offered my general position and some of the points listed above. The advisor indicated they have respected peers who have a favorable outlook on hybrid LTC policies. We discussed updating my white paper on hybrid LTC policies and I asked if there was a case we could analyze a bit further. The advisor provided a Genworth Total Living Coverage policy for a couple as a case study. The details of their coverage purchased in 2015 are below:

Who	When Implemented	Funding Amount	Death Benefit	LTC Design	Inflation Option	Total LTC Benefits
Male 61 Preferred	2015	$175,066	$393,822	$14,441 per month with a 6-year BP	None	$1,039,737
Female 62 Standard	2015	$157,569	$384,141	$11,374 per month with a 6-year BP	None	$818,949

Key observations include:

- $332,635 of cash value from a prior life insurance policy was transferred to fund the hybrid LTC policy.
- They are 23 and 24-years away from age 85 and have no inflation protection. The male was issued at preferred rates indicating favorable health and possible longevity.
- The male has more benefit available than the female; however, history proves females utilize more long-term care services than males. In this case, the female was rated standard indicating less favorable health than the male further supporting her care costs will likely exceed his.

The first part of my analysis is understanding how much income would be generated for this couple from the funds they used to purchase the hybrid LTC policy. This would be available to fund a traditional long-term care policy had they gone that route. This is illustrated below:

$332,635 Principal (all income numbers are pre-tax)				
Rate	2%	3%	4%	5%
Annual Income	$6,653	$9,979	$13,305	$16,631

The next item for review is the discounted future value of the hybrid LTC policies monthly benefit amount. This allows us to compare the costs to a traditional long-term care policy with a 3% inflation rider to the hybrid policies without inflation protection. The discounted present value is as follows:

Discounted Present Value of Hybrid LTC Policy's Monthly Benefit				
	Benefit Amount	Discount Rate	Age 85	Age 90
Male	$14,441	3%	$7,104	$6,127
Female	$11,374	3%	$5,763	$4,971

Next, I reviewed traditional long-term care insurance options with Mutual of Omaha as a comparison. The below table illustrates the premium necessary for traditional long-term care insurance with benefits to match the hybrid LTC policy's benefit level at future ages. Assuming a 5-year benefit period and 3% compound inflation, policies price as follows *(it is very notable, Florida has the highest policy premiums of any state in the country, often 30-40% higher than all other states)(see Illustration 1):*

Traditional LTC Policy Cost to Match Hybrid LTC Monthly Benefit @ 85				
	Benefit Amount	Inflation Option	Benefit @ Age 85	Combined Traditional LTC Premium
Male	$7,100	3% Compound	$14,432	$9,940
Female	$5,800	3% Compound	$11,446	

Traditional LTC Policy Cost to Match Hybrid LTC Monthly Benefit @ 90				
	Benefit Amount	Inflation Option	Benefit @ Age 90	Combined Traditional LTC Premium
Male	$6,100	3% Compound	$14,375	$8,559
Female	$5,000	3% Compound	$11,440	

Let's put some of this together. The consumer can either pay $332.6K into a hybrid contract in year one or pay an insurer an annual premium of $9,940 for 24 years for the same benefit amount at age 85. The traditional LTC policy option allows the consumer to retain the original principal asset of $332.6K for further growth and/or LTC needs supplementation. In fact, they simply need to earn a net of tax and expense rate of return of 2.9% annually to fully pay for the traditional LTC policy, retain the full $332.6K asset and have the same LTC benefits available to them. In my experience, many advisors would agree they can achieve a higher rate of return so the retained asset continues to grow over time.

In fact, we explored the income available at various rates of return above. Knowing this is a long-term instrument, we may be able to look at 4% net rate of return, which allows $3,365 to be reinvested and continue to grow ($6,691 to reinvest at a 5% net rate of return). Unlike the hybrid option, if an insured goes on claim under the traditional LTC design, the underlying asset will grow more quickly due to the waiver of premium provision. The full value of the retained asset is available to heirs at death, not just the residual amount as in the case of a hybrid policy. The remaining asset value at the age of 85 is $537.7K assuming a 5% rate of return and a 30% increase in LTC premiums every 10-years (see Chart 1), regardless if a LTC claim is filed. In fact, the retained asset is worth more down the line if a claim is filed due to waived LTC premiums.

While the traditional LTC model outperforms the hybrid model in the costly state of Florida, this is greatly amplified in all but a handful of other states. As an example, the exact same coverage in the example above (to age 85) would price at $7,203 per year if they lived in nearly any other state (see Illustration 2). This would require a net rate of return of 2.2% to pay the premium and retain the original asset. The retained asset value at age 85 would be $696.5K at a 5% rate of return and assuming 30% increases in the traditional LTC premium every 10-years (see Chart 2).

While there is argument that the hybrid policy offers substantially more long-term care benefits up front and a bit more at later ages due to the 6-year vs. 5-year benefit period differences, this is mitigated by the retained $332.6K (plus growth) available to the consumer from the retained asset. Further, a policy with Mutual of Omaha to best match the day one benefits from the hybrid contracts ($10K per month in benefit, 5-year shared care benefit and no inflation) prices at $9,957 per year (see Illustration 3), which closely follows the above pricing for a lower amount with inflation. This provides $1.2M in LTC benefits from the insurer plus the $332.6K asset for a total of $1.53M of LTC benefits available day one of the policy making such argument moot.

What's the best approach?

First, we must understand the actual costs of long-term care services in Florida where the couple lives. This allows us to build coverage upon the actual expenses as opposed to what benefit amount their assets can purchase. Genworth's 2017 Cost of Care study indicates Florida's mean home care costs currently average $3,813 per month, assisted living averages $3,100 per month and nursing care averages $8,882 for a private one bedroom. I recommend consumers implement long-term care insurance equal to the higher of either 125% of the assisted living costs ($3,900 in this case) or 70% of nursing care costs ($6,200 in this case)(see Care Costs 1). Here, $6,000 represents nearly 70% of nursing care costs and is my recommended amount of coverage. This allows full-time care in the home, 100% coverage for assisted living at most facilities and a 30% co-insurance for average nursing care. The retained asset can be used to fund the co-insurance costs if desired.

Implementing a $6,000 per month, 4-year shared care traditional LTC policy with 3% compound inflation offers this couple $576K of initial LTC benefits and prices at $9,725 per year in premium (see Illustration 4). The benefit grows to $12,196 at age 85 for a total pool of funds equal to $1.17M.

They would need a net rate of return of 2.9% to pay this premium with interest only assuming they used the existing insurance policy cash values to fund this coverage. Knowing the long-term time horizon, many advisors would agree a 5% rate of return is a more appropriate assumption to use. Here, the existing policy asset provides over $16.6K of earnings per year allowing substantial reinvestment and continued compound growth, fully resolving consumer concerns of increasing LTC premiums. In fact, at a 5% rate of return and assuming the traditional LTC policy receives premium increases of 30% every 10-years, the asset would grow to $550,567 at the male's age 85, making the total available for LTC services for this couple over $1.7M (see Chart 3).

This is a substantial amount of funds and well beyond nearly all LTC claims to date according to the AALTCI. Really, the traditional LTC policy is designed to cover a substantial amount of the LTC care costs so the retained $550K asset can be passed to their beneficiaries in the same way as the hybrid policy's death benefit, even if they nearly exhausted the full LTC benefit. This is a huge benefit over the hybrid plan's "residual death benefit" after paying for LTC services.

While I make the very conservative assumption that traditional LTC policies will see a 30% increase every 10-years, this is highly unrealistic and against historical increase patterns. Lower actual increases will increase the value of the retained asset making a more compelling case. Equally important is the impact of lower policy costs for most of the country's 44-states with significantly lower traditional long-term care policy premiums. Here we see over $750K of retained value at age 85, even with the excessively assumed 30% every 10-year increase in the traditional LTC policy's premium.

For the reasons above, I rarely recommend hybrid LTC coverage to clients and see traditional LTC coverage as a far superior option. By understanding proper use of traditional long-term care coverage and asset leveraging, consumers can create better residual death benefits, self-funded return of premium provisions and long-term care coverage aligned with actual care costs and patterns.

In contrast, hybrid contracts allow insures to capture all asset growth with limited exposure substantially increasing their profitability. Hybrid long-term care insurance contracts are designed to benefit the insurer substantially more than the consumer; and allow insurers to dramatically increase assets under management while limiting risk exposure by using the insureds assets as opposed to the insurers. All the while, the insurance consumer believes they somehow beat the system and have a golden egg that solves all concerns. Unfortunately, this perception is false, but requires a substantial amount of analytical work to illustrate why leading consumers to bite the hybrid marketing bait.

About the author: *Bob Gertie is an independent insurance broker licensed in 48 states and has clients throughout the country including Guam. Bob is the CEO of Advisor Insurance Resource, a national firm committed to the evaluation and implementation of insurance strategies for high net worth clients. All of Bob's clients are referrals from financial professionals and attorneys. Bob has been featured in Forbes, Financial Planning Magazine, NAPFA Advisor, Senior Market Advisor Magazine, Money Magazine along with several attorney and financial professional publications. He is a member of the American Association for Long-Term Care Insurance and maintains the CLTC designation.*

Illustration 1

MUTUAL *of* OMAHA INSURANCE COMPANY

MutualCare Secure Solution

Long Term Care Insurance Policy Premium Quote

Designed for:	**Male**	**Female**
Issue Age:	61	62
Sex:	Male	Female
Rate Class:	Preferred	Select
Issue State:	Florida	Florida

NURSING HOME/ASSISTED LIVING FACILITY/HOME HEALTH CARE BENEFITS

	Male	Female
Package Plan:	MutualCare Secure Solution	MutualCare Secure Solutions
Maximum Monthly Benefit Amount:	$7100	$5800
Policy Limit ($Months):	$426,000/ 60 Months	$348,000/ 60 Months
Assisted Living Facility:	100%	100%
Home Health Care:	100%	100%
Cash Benefit - 30% of Home Health Care:	$2130	$1740
Calendar Day Elimination Period:	90 Days	90 Days
Inflation Protection Benefit:	**3% Compound (Lifetime)**	**3% Compound (Lifetime)**
OPTIONAL BENEFITS:		
Partnership Qualified*	Yes	Yes
Nonforfeiture Benefit – Shortened Benefit Period	No	No
Waiver of Elimination Period – Home Health Care	No	No
Shared Care	No	No
Security Benefit**	No	
Return of Premium at Death Benefit	No	No

PREMIUM MODE:		**Male**	**Female**	**Combined**
	Annual	$3,562.10	$6,378.29	$9,940.39
	Semi-annual	$1,816.67	$3,252.93	$5,069.60
	Quarterly	$ 926.14	$1,658.36	$2,584.50
	Monthly/BSP	$ 320.59	$ 574.05	$ 894.64

(Partner Both Applying = Male and Female's $4,260.16 Annual SAVINGS)

Lifetime Premium Option

*Coverage may meet the requirements for participating in a Long-Term Care Partnership Program. Under this Program, the policyholder may be able to protect assets from Medicaid spend-down requirements through a feature known as 'asset disregard'. This is not a guarantee of Medicaid eligibility nor of any ability to disregard assets for purposes of Medicaid eligibility. States do not take part in company-specific marketing plans nor endorse specific company policy and certificate forms. Please contact the company or your state insurance department with any questions regarding state availability of this Program.

This is a proposal, not an offer, and is subject to satisfying Mutual of Omaha's underwriting requirements. This policy may not cover all of the costs associated with long-term care incurred by you during the period of coverage. Premium rates may be subject to increase. A medical exam may be required for coverage. Please carefully review the accompanying outline of coverage for full description of policy benefits and policy limitations and exclusions. There is an additional cost for premium payments made more frequently than once a year.

**** Pays a benefit equal to 60 percent of the reimbursement benefits payable each month (excluding the cash benefit).**

Mutual of Omaha Insurance Company, 3300 Mutual of Omaha Plaza, Omaha, Nebraska 68175

Presented by: Bob Gertie

Version: v1.27

Date: January 2, 2018

Policy Form: LTC13

Chart 1

Retain Asset to Fund LTCi

$332,500 starting

LTCi Premium every 10-years: 30% Investment Rate: 5%

Year	Age	BOY Account Value	-	LTCi Cost*	=	EOY Account Balance*
1	61	$332,500		$9,940		$338,688
2	62	$338,688		$9,940		$345,185
3	63	$345,185		$9,940		$352,008
4	64	$352,008		$9,940		$359,171
5	65	$359,171		$9,940		$366,693
6	66	$366,693		$9,940		$374,590
7	67	$374,590		$9,940		$382,883
8	68	$382,883		$9,940		$391,590
9	69	$391,590		$9,940		$400,732
10	70	$400,732		$9,940		$410,332
11	71	$410,332		$12,922		$417,280
12	72	$417,280		$12,922		$424,576
13	73	$424,576		$12,922		$432,237
14	74	$432,237		$12,922		$440,281
15	75	$440,281		$12,922		$448,727
16	76	$448,727		$12,922		$457,595
17	77	$457,595		$12,922		$466,907
18	78	$466,907		$12,922		$476,684
19	79	$476,684		$12,922		$486,950
20	80	$486,950		$12,922		$497,729
21	81	$497,729		$16,798		$504,978
22	82	$504,978		$16,798		$512,589
23	83	$512,589		$16,798		$520,581
24	84	$520,581		$16,798		$528,972
25	85	$528,972		$16,798		$537,782
26	86	$537,782		$16,798		$547,034
27	87	$547,034		$16,798		$556,747
28	88	$556,747		$16,798		$566,947
29	89	$566,947		$16,798		$577,656
30	90	$577,656		$16,798		$588,901
31	91	$588,901		$21,837		$595,417
32	92	$595,417		$21,837		$602,260
33	93	$602,260		$21,837		$609,444
34	94	$609,444		$21,837		$616,987
35	95	$616,987		$21,837		$624,907
36	96	$624,907		$21,837		$633,224
37	97	$633,224		$21,837		$641,956
38	98	$641,956		$21,837		$651,125
39	99	$651,125		$21,837		$660,753
40	100	$660,753		$21,837		$670,862

** Does not account for taxes on investment account*

* Male 61 $7,100 month, 5-year benefit period and 3% compound inflation, Female 62 $5,800 month, 5-year benefit period and 3% compound inflation (Florida).

Illustration 2

MUTUAL of OMAHA INSURANCE COMPANY

MutualCare Secure Solution

Long Term Care Insurance Policy Premium Quote

Designed for:	Male	Female
Issue Age:	61	62
Sex:	Male	Female
Rate Class:	Preferred	Select
Issue State:	Virginia	Virginia

NURSING HOME/ASSISTED LIVING FACILITY/HOME HEALTH CARE BENEFITS

	Male	Female
Package Plan:	MutualCare Secure Solution	MutualCare Secure Solutions
Maximum Monthly Benefit Amount:	$7100	$5800
Policy Limit ($Months):	$426,000/ 60 Months	$348,000/ 60 Months
Assisted Living Facility:	100%	100%
Home Health Care:	100%	100%
Cash Benefit - 30% of Home Health Care:	$2130	$1740
Calendar Day Elimination Period:	90 Days	90 Days
Inflation Protection Benefit:	**3% Compound (Lifetime)**	**3% Compound (Lifetime)**
OPTIONAL BENEFITS:		
Partnership Qualified*	Yes	Yes
Nonforfeiture Benefit – Shortened Benefit Period	No	No
Waiver of Elimination Period – Home Health Care	No	No
Shared Care	No	No
Security Benefit**	No	
Return of Premium at Death Benefit	No	No

PREMIUM MODE:		Male	Female	Combined
	Annual	$2,581.16	$4,621.96	$7,203.12
	Semi-annual	$1,316.39	$2,357.20	$3,673.59
	Quarterly	$ 671.11	$1,201.72	$1,872.83
	Monthly/BSP	$ 232.30	$ 415.97	$ 648.27

(Partner Both Applying = Male and Female's $3,087.05 Annual SAVINGS)

Lifetime Premium Option

*Coverage may meet the requirements for participating in a Long-Term Care Partnership Program. Under this Program, the policyholder may be able to protect assets from Medicaid spend-down requirements through a feature known as 'asset disregard'. This is not a guarantee of Medicaid eligibility nor of any ability to disregard assets for purposes of Medicaid eligibility. States do not take part in company-specific marketing plans nor endorse specific company policy and certificate forms. Please contact the company or your state insurance department with any questions regarding state availability of this Program.

This is a proposal, not an offer, and is subject to satisfying Mutual of Omaha's underwriting requirements. This policy may not cover all of the costs associated with long-term care incurred by you during the period of coverage. Premium rates may be subject to increase. A medical exam may be required for coverage. Please carefully review the accompanying outline of coverage for full description of policy benefits and policy limitations and exclusions. There is an additional cost for premium payments made more frequently than once a year.

** **Pays a benefit equal to 60 percent of the reimbursement benefits payable each month (excluding the cash benefit).**

Mutual of Omaha Insurance Company, 3300 Mutual of Omaha Plaza, Omaha, Nebraska 68175

Presented by: Bob Gertie — **Date:** January 2, 2018

Version: v1.27 — **Policy Form:** LTC13

Chart 2

Retain Asset to Fund LTCi

$332,500 starting

LTCi Premium every 10-years: 30% Investment Rate: 5%

Year	Age	BOY Account Value	-	LTCi Cost*	=	EOY Account Balance*
1	61	$332,500		$7,203		$341,562
2	62	$341,562		$7,203		$351,077
3	63	$351,077		$7,203		$361,067
4	64	$361,067		$7,203		$371,558
5	65	$371,558		$7,203		$382,572
6	66	$382,572		$7,203		$394,138
7	67	$394,138		$7,203		$406,282
8	68	$406,282		$7,203		$419,033
9	69	$419,033		$7,203		$432,421
10	70	$432,421		$7,203		$446,479
11	71	$446,479		$9,363		$458,972
12	72	$458,972		$9,363		$472,089
13	73	$472,089		$9,363		$485,863
14	74	$485,863		$9,363		$500,324
15	75	$500,324		$9,363		$515,510
16	76	$515,510		$9,363		$531,454
17	77	$531,454		$9,363		$548,195
18	78	$548,195		$9,363		$565,774
19	79	$565,774		$9,363		$584,232
20	80	$584,232		$9,363		$603,612
21	81	$603,612		$12,719		$620,438
22	82	$620,438		$12,719		$638,105
23	83	$638,105		$12,719		$656,655
24	84	$656,655		$12,719		$676,133
25	85	$676,133		$12,719		$696,584
26	86	$696,584		$12,719		$718,059
27	87	$718,059		$12,719		$740,607
28	88	$740,607		$12,719		$764,282
29	89	$764,282		$12,719		$789,141
30	90	$789,141		$12,719		$815,243
31	91	$815,243		$16,534		$838,645
32	92	$838,645		$16,534		$863,216
33	93	$863,216		$16,534		$889,016
34	94	$889,016		$16,534		$916,107
35	95	$916,107		$16,534		$944,551
36	96	$944,551		$16,534		$974,418
37	97	$974,418		$16,534		$1,005,778
38	98	$1,005,778		$16,534		$1,038,706
39	99	$1,038,706		$16,534		$1,073,281
40	100	$1,073,281		$16,534		$1,109,584

** Does not account for taxes on investment account*

* Male 61 $7,100 month, 5-year benefit period and 3% compound inflation, Female 62 $5,800 month, 5-year benefit period and 3% compound inflation (Virginia).

MUTUAL of OMAHA INSURANCE COMPANY

MutualCare Secure Solution

Long Term Care Insurance Policy Premium Quote

Designed for:	Male	Female
Issue Age:	61	62
Sex:	Male	Female
Rate Class:	Preferred	Select
Issue State:	Florida	Florida

NURSING HOME/ASSISTED LIVING FACILITY/HOME HEALTH CARE BENEFITS

	Male	Female
Package Plan:	MutualCare Secure Solution	MutualCare Secure Solutions
Maximum Monthly Benefit Amount:	$10000	$10000
Policy Limit ($Months):	$600,000/ 60 Months	$600,000/ 60 Months
Assisted Living Facility:	100%	100%
Home Health Care:	100%	100%
Cash Benefit - 30% of Home Health Care:	$2400	$2400
Calendar Day Elimination Period:	90 Days	90 Days
Inflation Protection Benefit:	**No Inflation Protection**	**No Inflation Protection**
OPTIONAL BENEFITS:		
Partnership Qualified*	No	No
Nonforfeiture Benefit – Shortened Benefit Period	No	No
Waiver of Elimination Period – Home Health Care	No	No
Shared Care	Yes	Yes
Security Benefit**	No	
Return of Premium at Death Benefit	No	No

PREMIUM MODE:	**Male**	**Female**	**Combined**
Annual	$3,208.25	$6,749.52	$9,957.77
Semi-annual	$1,636.20	$3,442.25	$5,078.45
Quarterly	$ 834.15	$1,754.87	$2,589.02
Monthly/BSP	$ 288.74	$ 607.46	$ 896.20

(Partner Both Applying = Male and Female's $4,267.62 Annual SAVINGS)
Lifetime Premium Option

This is a proposal, not an offer, and is subject to satisfying Mutual of Omaha's underwriting requirements. This policy may not cover all of the costs associated with long-term care incurred by you during the period of coverage. Premium rates may be subject to increase. A medical exam may be required for coverage. Please carefully review the accompanying outline of coverage for full description of policy benefits and policy limitations and exclusions. There is an additional cost for premium payments made more frequently than once a year.

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Cost of Care

Genworth

Care Costs 1

Florida - State Median

Monthly Cost	2017	2041
Home Health Care		
Homemaker Services	$3,670	$7,460
Homemaker Health Aide *Based on annual rate divided by 12 months.*	$3,813	$7,751
Adult Day Health Care		
Adult Day Health Care *Based on annual rate divided by 12 months.*	$1,408	$2,862
Assisted Living Facility		
Private, One Bedroom *As reported, private, one bedroom.*	$3,100	$6,302
	125% = $3,900	
Nursing Home Care		
Semi-Private Room	$7,908	$16,075
Private Room *Based on annual rate divided by 12 months.*	$8,882	$18,055
	70% = $6,200	

The information shown above is based on a specific scenario generated by the Genworth 2017 Cost of Care. Future years are calucated by assuming an annual 3% growth rate. For more information and location comparison, visit genworth.com/costofcare.

Illustration 4

MUTUAL *of* OMAHA INSURANCE COMPANY

MutualCare Secure Solution

Long Term Care Insurance Policy Premium Quote

Designed for:	Male	Female
Issue Age:	61	62
Sex:	Male	Female
Rate Class:	Preferred	Select
Issue State:	Florida	Florida

NURSING HOME/ASSISTED LIVING FACILITY/HOME HEALTH CARE BENEFITS

	Male	**Female**
Package Plan:	MutualCare Secure Solution	MutualCare Secure Solutions
Maximum Monthly Benefit Amount:	$6000	$6000
Policy Limit ($Months):	$288,000/ 48 Months	$288,000/ 48 Months
Assisted Living Facility:	100%	100%
Home Health Care:	100%	100%
Cash Benefit - 30% of Home Health Care:	$1800	$1800
Calendar Day Elimination Period:	90 Days	90 Days
Inflation Protection Benefit:	**3% Compound (Lifetime)**	**3% Compound (Lifetime)**
OPTIONAL BENEFITS:		
Partnership Qualified*	Yes	Yes
Nonforfeiture Benefit – Shortened Benefit Period	No	No
Waiver of Elimination Period – Home Health Care	No	No
Shared Care	Yes	Yes
Security Benefit**	No	
Return of Premium at Death Benefit	No	No

PREMIUM MODE:	**Male**	**Female**	**Combined**
Annual	$3,119.00	$6,605.94	$9,724.94
Semi-annual	$1,590.69	$3,369.02	$4,959.71
Quarterly	$ 810.94	$1,717.53	$2,528.47
Monthly/BSP	$ 280.71	$ 594.53	$ 875.24

(Partner Both Applying = Male and Female's $4,167.84 Annual SAVINGS)
Lifetime Premium Option

*Coverage may meet the requirements for participating in a Long-Term Care Partnership Program. Under this Program, the policyholder may be able to protect assets from Medicaid spend-down requirements through a feature known as 'asset disregard'. This is not a guarantee of Medicaid eligibility nor of any ability to disregard assets for purposes of Medicaid eligibility. States do not take part in company-specific marketing plans nor endorse specific company policy and certificate forms. Please contact the company or your state insurance department with any questions regarding state availability of this Program.

This is a proposal, not an offer, and is subject to satisfying Mutual of Omaha's underwriting requirements. This policy may not cover all of the costs associated with long-term care incurred by you during the period of coverage. Premium rates may be subject to increase. A medical exam may be required for coverage. Please carefully review the accompanying outline of coverage for full description of policy benefits and policy limitations and exclusions. There is an additional cost for premium payments made more frequently than once a year.

**** Pays a benefit equal to 60 percent of the reimbursement benefits payable each month (excluding the cash benefit).**

Mutual of Omaha Insurance Company, 3300 Mutual of Omaha Plaza, Omaha, Nebraska 68175

Presented by: Bob Gertie
Date: January 2, 2018
Version: v1.27
Policy Form: LTC13

Chart 3

Retain Asset to Fund LTCi

$332,500 starting

LTCi Premium every 10-years: 30% Investment Rate: 5%

Year	**Age**	**BOY Account Value**	**-**	**LTCi Cost***	**=**	**EOY Account Balance***	
1	61	$332,500		$9,724		$338,915	
2	62	$338,915		$9,724		$345,650	
3	63	$345,650		$9,724		$352,723	
4	64	$352,723		$9,724		$360,149	
5	65	$360,149		$9,724		$367,946	
6	66	$367,946		$9,724		$376,133	
7	67	$376,133		$9,724		$384,729	
8	68	$384,729		$9,724		$393,756	
9	69	$393,756		$9,724		$403,233	
10	70	$403,233		$9,724		$413,185	
11	71	$413,185		$12,641		$420,571	
12	72	$420,571		$12,641		$428,326	
13	73	$428,326		$12,641		$436,470	
14	74	$436,470		$12,641		$445,020	
15	75	$445,020		$12,641		$453,998	
16	76	$453,998		$12,641		$463,425	
17	77	$463,425		$12,641		$473,323	
18	78	$473,323		$12,641		$483,716	
19	79	$483,716		$12,641		$494,629	
20	80	$494,629		$12,641		$506,087	
21	81	$506,087		$16,433	**$223,650**	$514,137	**CNF****
22	82	$514,137		$16,433		$522,589	
23	83	$522,589		$16,433		$531,464	
24	84	$531,464		$16,433		$540,783	
25	85	$540,783		$16,433		$550,567	
26	86	$550,567		$16,433		$560,841	
27	87	$560,841		$16,433		$571,628	
28	88	$571,628		$16,433		$582,955	
29	89	$582,955		$16,433		$594,848	
30	90	$594,848		$16,433		$607,336	
31	91	$607,336		$21,362		$615,272	
32	92	$615,272		$21,362		$623,606	
33	93	$623,606		$21,362		$632,356	
34	94	$632,356		$21,362		$641,544	
35	95	$641,544		$21,362		$651,191	
36	96	$651,191		$21,362		$661,320	
37	97	$661,320		$21,362		$671,956	
38	98	$671,956		$21,362		$683,124	
39	99	$683,124		$21,362		$694,850	
40	100	$694,850		$21,362		$707,163	

** Does not account for taxes on investment account*

* Male 61, Female 62 $6,000 month, 4-year shared care benefit period (8-years total) and 3% compound inflation (Florida).

** Contingent non-forfeiture provision activated