

Long-Term Care Program LTC4 Product Pricing



LTC4 Pricing Strategy

- Premiums (base plan and all options) were developed consistent with an LTC Fund target margin of 10 percent.
- Premiums were developed to create a balance between the expected inflows (premiums and investment income) and the expected outflows (claim payments and expenses).
- Calculations rely on assumptions on the expected investment returns, claim payments, and expense levels.
- Claim payment assumptions were developed to include type of plan, age at claim onset, gender, benefit period, and claim duration.
- Assumptions were carefully selected including utilizing past claims experience and revised benefits structure of the new long-term care product.

LTC4 Pricing Assumptions

Morbidity

- Utilized the 2012 valuation morbidity assumptions which were based on CalPERS experience from 1995 through July 2012 and industry data.
- Modifications were made to reflect the additional benefit features.
- Future morbidity is assumed to improve by 1 percent per year for 20 years from the issued date.
- Reflected long-form underwriting of the Program that started in calendar year 2000.

LTC4 Pricing Assumptions

Mortality

The Annuity 2000 table was used with the following adjustment factors:

- Reflects CalPERS LTC Program experience
- Selection factors by policy year grading from 0.46 to 1 over 10 years.
- Attained age factors to adjust the assumed mortality table to the CalPERS LTC Program actuarial historical experience.
- Mortality improvement factors were used for the first 20 years of the projected results.

LTC4 Pricing Assumptions

Lapse

- Lapse Assumptions are based on the CalPERS historical experience.
- The lapse rates included the exhaustion of benefits.

Net Investment Earning Rate

- The assumed net investment rate is 5.75 percent which was set by the CalPERS Board in September, 2012.

LTC4 Pricing Assumptions

Expense

- Uses additional expense assumptions in conjunction with the modifications to the 2012 valuation assumptions including:
 - Marketing
 - Underwriting
 - Application processing
 - Premium payment via credit card

Benefits Comparison – LTC3 vs LTC4 Comprehensive, Base Plan

BENEFIT	LTC3	LTC4
Assisted Living/Residential Care	70%	100%
Home & Community Care	70%	100%
Daily Benefit Amount (DBA)	\$130, \$140, \$150, \$170, \$200, \$250	\$150 to \$400 in \$10 increments
Independent Providers	No*	Yes
Stay-At-Home	No	Yes
International	No	Yes
Marital Discount	No	Yes
Minimum Benefit Period	Lifetime, 6-year, 3-year	10-year, 6-year, 3-year

*allowed only under alternative care provision

Benefits Comparison – LTC3 vs LTC4

Optional Benefits

OPTIONAL BENEFITS	LTC3	LTC4
Automatic Compound Inflation Protection*	5 percent	5 percent or 3 percent option
Automatic Simple Inflation Protection*	Not available	5 percent or 3 percent option
Benefit Increase Option (BIO)*	Included in Base	Optional
Non-forfeiture Benefit	Optional	Optional
Paid-Up Survivor Benefit	Not Available	Optional
Return of Premium Death Benefit	Included in Base	Optional
Restoration of Benefit	Not Available	Optional

*policies may have either inflation protection or BIO, but not both.

LTC4 Premiums

- **Base Premium Classes**
 - Base Premiums are unisex, level (not increasing every year), and payable for the life of the policy.
 - Base Premiums vary by issue age, marital status (if both spouses apply), maximum daily benefit, benefit duration, and elimination period.
- **Optional Benefits**
 - Optional Benefits are priced as factors of the Base Premium and level of inflation protection chosen.
 - Specific factors vary by benefit chosen, benefit duration, and issue age.
- **Issue Age Range**
 - The issues ages are from 18 to 79 based on actual age at application.

Key Issue Age Rates Comparison

3 Year Benefit Period

-Annual Rates -

Single Policy - \$200 Daily Benefit Annual Premiums at Issue Age for:	3 Year Benefit Period			
	Age 40	Age 50	Age 60	Age 70
Base Plan without Options	\$ 663	\$ 1,044	\$ 1,838	\$ 3,697
Add Optional Benefits:				
• 3% Compound Inflation Option	\$ 720	\$ 1,142	\$ 1,621	\$ 2,115
• 5% Compound Inflation Option	\$ 1,680	\$ 2,316	\$ 2,763	\$ 3,056
• 3% Simple Inflation Option	\$ 402	\$ 719	\$ 1,199	\$ 1,801
• 5% Simple Inflation Option	\$ 686	\$ 1,237	\$ 1,966	\$ 2,682
• Benefit Increase Option*	\$ 20	\$ 31	\$ 55	\$ 111
• Return of Premium Death Benefit Option	\$ 30	\$ 45	\$ 51	\$ 14
• Non-Forfeiture Option	\$ 50	\$ 68	\$ 119	\$ 169
• Restoration of Benefit Option	\$ 36	\$ 59	\$ 106	\$ 221
• Paid-up Survivor Benefit Option	\$ 44	\$ 79	\$ 175	\$ 402

Note: All Optional Benefit premiums are in addition to the Base premium. The Optional Benefit premiums listed here are prior to the selection of an Inflation Option. The specific Inflation Option will determine the Optional Benefit premium. Therefore, the Optional Benefit premiums listed above are for illustrative purposes and are not additive.

*Premium shown allows participant to receive the BIO. Premium for the actual BIO offer will vary based on age at time of offer.

Key Issue Age Rates Comparison

6 Year Benefit Period

-Annual Rates -

Single Policy - \$200 Daily Benefit Annual Premiums at Issue Age for:	6 Year Benefit Period			
	Age 40	Age 50	Age 60	Age 70
Base Plan without Options	\$ 853	\$ 1,436	\$ 2,703	\$ 5,602
Add Optional Benefits:				
• 3% Compound Inflation Option	\$ 960	\$ 1,479	\$ 1,908	\$ 2,098
• 5% Compound Inflation Option	\$ 2,311	\$ 3,115	\$ 3,499	\$ 3,436
• 3% Simple Inflation Option	\$ 513	\$ 904	\$ 1,342	\$ 1,679
• 5% Simple Inflation Option	\$ 934	\$ 1,645	\$ 2,421	\$ 2,907
• Benefit Increase Option*	\$ 26	\$ 43	\$ 81	\$ 168
• Return of Premium Death Benefit Option	\$ 39	\$ 62	\$ 75	\$ 21
• Non-Forfeiture Option	\$ 65	\$ 93	\$ 176	\$ 256
• Restoration of Benefit Option	\$ 40	\$ 69	\$ 133	\$ 287
• Paid-up Survivor Benefit Option	\$ 56	\$ 108	\$ 258	\$ 609

Note: All Optional Benefit premiums are in addition to the Base premium. The Optional Benefit premiums listed here are prior to the selection of an Inflation Option. The specific Inflation Option will determine the Optional Benefit premium. Therefore, the Optional Benefit premiums listed above are for illustrative purposes and are not additive.

*Premium shown allows participant to receive the BIO. Premium for the actual BIO offer will vary based on age at time of offer.

Key Issue Age Rates Comparison

10 Year Benefit Period

-Annual Rates -

Single Policy - \$200 Daily Benefit Annual Premiums at Issue Age for:	10 Year Benefit Period			
	Age 40	Age 50	Age 60	Age 70
Base Plan without Options	\$ 940	\$ 1,569	\$ 2,923	\$ 5,862
Add Optional Benefits:				
• 3% Compound Inflation Option	\$ 1,345	\$ 2,133	\$ 2,928	\$ 3,501
• 5% Compound Inflation Option	\$ 3,088	\$ 4,225	\$ 4,964	\$ 5,174
• 3% Simple Inflation Option	\$ 773	\$ 1,414	\$ 2,229	\$ 2,989
• 5% Simple Inflation Option	\$ 1,345	\$ 2,393	\$ 3,623	\$ 4,517
• Benefit Increase Option*	\$ 28	\$ 47	\$ 88	\$ 176
• Return of Premium Death Benefit Option	\$ 42	\$ 68	\$ 81	\$ 22
• Non-Forfeiture Option	\$ 72	\$ 102	\$ 190	\$ 268
• Restoration of Benefit Option	\$ 27	\$ 46	\$ 87	\$ 179
• Paid-up Survivor Benefit Option	\$ 62	\$ 118	\$ 279	\$ 638

Note: All Optional Benefit premiums are in addition to the Base premium. The Optional Benefit premiums listed here are prior to the selection of an Inflation Option. The specific Inflation Option will determine the Optional Benefit premium. Therefore, the Optional Benefit premiums listed above are for illustrative purposes and are not additive.

*Premium shown allows participant to receive the BIO. Premium for the actual BIO offer will vary based on age at time of offer.

Example Application of Rates

Policy Characteristics: - Issue Age: 50 - \$200 Daily Benefit - 6 Year Benefit Period		Annual Premiums		
		Single Policy	10 Percent Marital Discount	25 Percent Marital Discount
Base Plan		\$ 1,436	\$ 1,292	\$ 1,077
Add Optional Benefits	Options Selected			
• Inflation Protection	3% Simple	\$ 904	\$ 814	\$ 678
• Return of Premium Death Benefit	Not Selected	\$ 0	\$ 0	\$ 0
• Nonforfeiture Benefit	Not Selected	\$ 0	\$ 0	\$ 0
• Restoration of Benefit	Yes	\$ 112	\$ 101	\$ 84
• Paid-Up Survivor Benefit	Yes	\$ 0	\$ 0	\$ 138
Total Annual Premium		\$ 2,452	\$ 2,207	\$ 1,977

Notes:

- 1) Marital Discount applies when both spouses apply for coverage. If both pass underwriting, a 25 percent discount is applied. If only one spouse passes underwriting, a 10 percent discount is applied.
- 2) Discounted premiums shown are rounded values and are for illustrative purposes only.

Comparison to Other Carriers Single Policy

Based On:		Annual Rate by Age			
- \$200 Daily Benefit Amount - Base Plan Without Options					
Base Period / Plan		Age 40	Age 50	Age 60	Age 70
3 Year	CalPERS LTC4	\$ 663	\$ 1,044	\$ 1,838	\$ 3,697
	John Hancock	\$ 756	\$ 1,170	\$ 1,980	\$ 4,320
	FLTCIP	\$ 326	\$ 558	\$ 1,066	\$ 2,280
6 Year	CalPERS LTC4	\$ 853	\$ 1,436	\$ 2,703	\$ 5,602
	John Hancock	\$ 918	\$ 1,404	\$ 2,394	\$ 5,328
	FLTCIP (5 year)	\$ 384	\$ 665	\$ 1,290	\$ 2,761
10 Year	CalPERS LTC4	\$ 940	\$ 1,569	\$ 2,923	\$ 5,862
	John Hancock	\$ 1,206	\$ 1,926	\$ 3,330	\$ 7,272
	FLTCIP	N/A	N/A	N/A	N/A

Note:

-John Hancock Custom Care III LTC-11 2012 rates

-FTCIP-Federal Long-Term Care Insurance Program 2012 rates. FTCIP provides benefit durations of 3 and 5 years, and life time benefits.. Federal Lifetime rates not shown.

Comparison to Other Carriers Combined Policy Showing Marital Discount

Based On:		Annual Rate by Age			
- \$200 Daily Benefit Amount - Base Plan Without Options					
Base Period / Plan		Age 40	Age 50	Age 60	Age 70
3 Year	CalPERS LTC4	\$ 994	\$ 1,566	\$ 2,756	\$ 5,546
	John Hancock	\$ 1,092	\$ 1,690	\$ 2,860	\$ 6,240
	FLTCIP	\$ 652	\$ 1,116	\$ 2,132	\$ 4,560
6 Year	CalPERS LTC4	\$ 1,280	\$ 2,154	\$ 4,054	\$ 8,404
	John Hancock	\$ 1,326	\$ 2,028	\$ 3,458	\$ 7,696
	FLTCIP (5 year)	\$ 768	\$ 1,330	\$ 2,580	\$ 5,522
10 Year	CalPERS LTC4	\$ 1,410	\$ 2,354	\$ 4,384	\$ 8,794
	John Hancock	\$ 1,742	\$ 2,782	\$ 4,810	\$ 10,504
	FLTCIP	N/A	N/A	N/A	N/A

Note:

-John Hancock Custom Care III LTC-11 2012 rates

-FTCIP-Federal Long-Term Care Insurance Program 2012 rates. FTCIP provides benefit durations of 3 and 5 years, and life time benefits.. Federal Lifetime rates not shown.