



GenworthSM
Financial

Built on GE Heritage

LTCI PLANNING AND SALES TECHNIQUES

JANUARY 2005

Long Term Care Insurance Products are Underwritten by General Electric Capital Assurance Company, and in NY, by GE Capital Life Assurance Company of New York.



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GENWORTH FINANCIAL COMMITMENT TO LONG TERM CARE INSURANCE*

Genworth Financial's Long Term Care Insurance Division*

- “Recently expanded its LTC insurance sales team of wholesalers, retail point of sale specialists and internal sales staff to over 140 professionals.”

LTCI Division

- Genworth Financial committed its sales force to the CLTC accreditation and supports Harley Gordon’s efforts to educate the brokerage and consumer groups.
- The Genworth Financial LTCI Division & CLTC philosophy: The future of LTCI is in it being sold by professionals. Professionals like you. The companies believe that LTCI is sold when you don’t sell LTCI – you sell a plan.

Opportunity Awaits

Size of Opportunity

61,000,000 People Over 50 Years Old¹
 X 60% Eligible for LTC²
 X \$1758 Average Annual Premium
 = \$64,342,800,000 Market

Being Siphoned Through An Eye Dropper

\$64,342,800,000 Market
 X 90% Haven’t Bought³
 = \$58 Billion Untouched

Demographic Age Wave

People Are Living Longer
 26% of U.S. Population Over Age 65

Tidal Wave of 76 Million

Baby Boomers Coming

- Baby Boomers Are Aging
- Every 7 Seconds Another Turns 50
- And, 60% of Them LTC Eligible
- \$13 Million LTC Premium Potential Per Day!!

60+ million people are over 50, assume 60% eligible for LTC, x average premium — consider that only 10% have bought LTC — add to that people are living longer, tidal wave of baby boomers and there’s a potential of \$13 million in LTCI premium per day!

This is an untapped market. Baby boomers are aging faster than we can write the business (LTCI).

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¹ 2000 Census Bureau

² 1998 Life Plan Inc. Study

³ February 12, 2001 ACLI Statistics

LT CI ENVIRONMENT

The future is planning. Genworth Financial's LTCI Division is thinking outside the box.

The Industry:

- has a tough history
- is not enamored with how it has been sold
- product is perceived as marginal
- premium increases
- has a lack of carrier commitment

We understand why many of you don't sell LTCI.

You've observed some changes amongst carriers in the industry, Genworth's Long Term Care Insurance Division, however is committed to this business as supported by our history

- 30 years in the business
- While we reserve the right to raise future premiums for all policyholders by state and class, we have never had to do so on any policy issued by us, since we helped pioneer long term care insurance 30 years ago. And, premiums will never increase due to changes in health status or age.
- We are committed as can be seen by getting Harley Gordon aboard and this training, etc...you believe that LTCI is an important product in retirement planning

It's a Matter of Competence and Confidence

We know that LTCI may not be your sole focus in business but we want to help build

the same credibility, competence and confidence you have in your current area of expertise when you're working with a client on a LTCI Plan. You're not likely to talk about LTCI unless you:

- Understand the role it plays in your client's family and finances
- Understand the alternatives to LTCI and can confidently handle objections
- Understand how to properly implement the product to maximize benefits for your client
- Belief in the process – 3 Steps
- Understanding how to apply the steps effectively

Let me give you an example –

- A family member suffered a stroke and for 5.5 yrs required 24 hr care in his own home – his caregiver spent \$85,000/yr to run a "nursing home" for one person – he did not have LTCI.
- In addition to the financial impact that had, it also impacted the family. She had 2 teenagers at home, was a "stay at home mom" prior to the stroke. She had to juggle caring for her family, meeting the carpool schedules, and going to her father's home 30 min away every day. You can imagine what a toll that took on all parties.

The competition or alternatives to LTC is a client's belief that someone, somewhere, somehow will _____.

Consider the example of the broker not being able to handle the objection of the client who thinks Medicare will pay for custodial care at home. The agent sticks to his story that it won't. The client tells him it does. The agent didn't understand that it did prior to BBA'97 because home care providers figured a way to make a custodial condition look like skilled or rehabilitative care. Don't argue with your client, agree with them.

Now to help you feel as comfortable with this approach as you do when you sell life insurance we're going to introduce you to an approach we'll refer to as "bridging"

Old Thinking...

The subject of long term care is presented by sales people who talk about it as a problem that requires Long Term Care Insurance.

This starts the discussion of why professionals do not discuss LTCI – they believe it is a hustle product sold by salesmen.

Look at the text regarding: no discussion of a plan rather focus on selling the product. You want to compare the selling of LTCI to the selling of life insurance. That is focus on the plan not the product. Remember that traditionally the emphasis was on the opposite because salesmen not professionals sold it.

And it's done by scaring people into submission.

Continued on next page

- You might live a long life – just look at the statistics"
- "You won't get into a good nursing home unless you have plenty of money"
- "Do you really want your kids to provide personal care for you?"

Have you heard this conversation?

"My father died at 60"

"But you could live a long life"

"I won't"

"But look at the statistics"

"I'll be one of the 57% who doesn't go"

"But what if you did, it could cost you"

"I'll put a gun in my mouth, or I'll Kevorkian myself"

"What?"

"Ok, if I do go, my lawyer told me I'm entitled to Medicaid"

"But Medicaid is welfare"

"That's not what she said"

"You won't have choice!"

"Yes I will"

If the only option is to sell Long Term Care Insurance as a stand alone product then only through establishing need by scaring people

Professionals Will Pass

New Thinking...

To be successful you need to learn

- Selling LTCI is not much different than selling Life Insurance
- It's easier to sell a new product when it reminds you of a familiar one

Just as people learn by bridging between what they already know and what they are learning, the selling process works the same way.

Think about how you sell life insurance and use this foundation when selling/offering LTCI. It's easier to sell a product when it reminds you of something you already know.

We will review how you can "bridge" the concept with what you already know about life insurance.

Looking at the 3 steps at a high level – here's how the "bridging" works.

- Planning for long term care is a critical component in your client's retirement plan
- The principles for establishing the need for the plan are similar to that for establishing a need for a retirement plan

THE 3-STEP PROCESS

1. Establish the Need

LTC: It must be established beyond a reasonable doubt that the client believes he may live a long life, and if he does may need care

Life: He believes that he may die during working years

2. Impact on Family and Finances

LTC: It must be established beyond a reasonable doubt that the client understands the impact providing care may have on his family and best thought out retirement plan. This allows for the drafting of a plan.

Life: Impact an unexpected death may have on his family

3. Lack of Financing Options

It must be established beyond a reasonable doubt that nothing may adequately pay for that plan except long term care insurance.

LTCI: Prepare for objections regarding government programs providing for care

Think about comparing the three-step process to establishing the need for life insurance. In place of "...he believes that he may die during working years" with..." he may live a long life and when he does may need care" ...

- If you (the broker) can not you won't have much of an opportunity to make a sale
- If the client says "I am not going to live a long life," – ask him, why he if doesn't believe that, then why does his/her retirement plan go out to age 90 and why he has asked you to make sure he doesn't outlive his assets.

- If the client still insists he won't live long, ... explain how people are living with diseases today, that in years past were certain death sentences (cancer, heart disease, etc)
- The person **MUST** fundamentally believe that he could live, get old, need assistance, and possibly get sick before he dies. Otherwise, there is not possibility of moving on and making the sale.
- If this doesn't happen, you should probably leave.

In Step 2 substitute ..."the impact an unexpected death may have on his family"" with ..."the impact providing care may have on his family".

- Get into personal experiences of your own, or clients – what it does to the family.

It's generally accepted in Step 3 that the client understands that nothing is likely to pay except cash. That is not the case with paying for care. Remember, many believe that a federal program will pay. Explain that this will be covered later in the presentation.

Establishing a plan for LTC

Our Goal

By using the 3 steps and bridging the knowledge you currently have around selling life insurance our goal today is to:

- Help you sell a plan for long term care.
- Done correctly, the sale of LTCI becomes self-evident.

STEP ONE

It must be established beyond a reasonable doubt that the client believes he may live a long life... and when he does... he quite possibly will need care

Sounds obvious. What's important is how you gain your client's agreement. Previously, "selling" LTCI has been perceived as an argumentative process. You're not going to argue with the client, this will be a discussion based on some commonly held beliefs.

- Most of us in this room believes we may live a long life – period
- When you do, it's likely, you'll need care
- Your clients believe it as well. That's why they make you promise they may not outlive their life savings!

The first one is that the person believes that he/she will live a long life.

- When You Don't Die
 - You Live
 - When You Live, You Get Old
 - When You Get Old, You May Get Sick
 - When You Get Sick, You May Need Care

This is a good set of buzzwords. There's a cadence and inherent common sense to the statement

In the good old days, when you had a heart attack - you died. If you were diagnosed with cancer, you died. Today, that is not necessarily the case.

People may also say that they are healthy and they don't get sick. Well, that's true... they don't get sick... ...Until they do.

The good news is you get to live...the bad news is you get to live.

If the client argues this point there can be no possibility of putting together a plan for care and protecting it with LTCI.

Leave Immediately

We recognize you may have a relationship with this client so "leaving" would not be appropriate. But you get the idea, recognize that they are not prepared to talk about it at this time. When will they be prepared?

STEP TWO

It must be established beyond a reasonable doubt that the client understands the impact providing care could have on his family and best thought out retirement plan.

This allows for the _____.

Step 2 is establishing that growing old requires care and it will have an impact on the family. It's not about the client; it's a family issue.

Old Thinking...

"**You** don't want to be a financial burden"

"**You** want the choice of where your care will be given"

"**You** want to get into a good nursing home. You may not be able to if you're on Medicaid"

"**You** want to pass money to your children. You may not be able to if you go to a nursing home"

It's not about you... _____

Think for a moment about what happened in the "Good Old Days" if you had...

- A Stroke
- A Heart Attack
- Cancer

"You Died"

The point is to start the process of

Continued on next page

establishing that clients believe they are going to live a long life without resorting to telling it through the endless recitation of numbers and statistics.

Long term care has little to do with your client. It's a Family Issue.

- It's not "Who Will" take care of your client – but "What Providing" that care could do to his family and finances
- Families typically provide the majority of care
- Caregiver stress may result in severe tension
- Long term care rarely brings families together
- "It may tear them apart"

When I say it's a family issue, what do I mean?

- It's not "who" will take care of your client, his family may, but rather what providing the care could do to his family and finances
- Families provide the majority of care. "Family" is defined as children which often means the daughter
- Caregiver stress results in severe tension between the siblings because the responsibility is not shared equally
- Long term care rarely brings families together – it can tear them apart

Long term care rarely brings families together. The caregiver gets sick, trying to do it all. People may go to nursing homes when the caregivers wear out. You must speak to the client about the true impact long term care can have on the family financially, emotionally and physically. Long

term care insurance never replaces what families do. It builds on existing infrastructure of support thus allowing the caregivers to provide the care better and longer.

The client may tell you that he is not going to end up in a nursing home. Agree with him. But be sure to follow up and say, "But don't confuse that with getting sick and needing care." Be prepared for other objections.

Old Thinking... Step Two

Do you know what that would do to your career?"

"Yes I do. I'm prepared to do whatever it takes to provide for my parents"

"What about the impact on your family?"

"What about it? I told you, I'll take care of them"

"How would it make you feel if you had to provide personal care to your mother?"

"I'll get back to you"

The old thinking on how to deal with a classic objection:

The child will object to LTCI by stating "I'll take care of mom"

Overcoming this objection only leads to another debate...

New Thinking... Step Two

Child Objection: "I'll take care of my mother."

Your Response: "I know you will. I need to talk to you about a way it can be done better and longer."

This is the new thinking! Bye bye old

Continued on next page

thinking statistics. Talk to them about the 3 steps and it's impact on finance and family.

Clients could possibly look to LTCI for an ex-wife. They most likely are looking to LTCI not for the ex-wife, but for his children. They may take care of their mother if she gets sick. With LTCI the father may be able to provide a way for his children to take care of their mother, better and longer.

Children don't want to take care of their parents -- but they will.

How can LTCI help them?

- Allows them to provide the care better and longer
- Turns them into proponents of LTCI
- Helps preserve sibling relationships

Do you want to take care of your parents?

"Will you?" "Of course you will."

The point is, no one wants to take care of them, but they may. And don't bring up the bad stuff." So do you want to provide personal care to your mother?" ... Just leave it at "Of course you will take care of your mom, I want to show you how you may be able to do it better and longer."

How can LTCI help them?

- Allows them to provide the care better and longer by helping to pay for the type of services children find the most embarrassing and difficult to perform
- Turns them into proponents of LTCI -- many will even pay for the cost
- Helps preserve sibling relationships

LTCI can help the children provide care better and longer. But it is something you have to plan for. What this means is that it is important to get the children to participate in the sale.

This is especially true if your client would typically be classified as not suitable financially, his/her child could be on the hook for the care and will probably end up paying for it.

Do you know what this does? It allows you to spend quality time with your loved one.

So how is this like building a life plan? Let's see how to "bridge" step 2 with your life insurance experiences.

| | |
|---|---|
| <p>Life Insurance</p> <p>I Need to Talk to You About the Consequences an Early Death Could Have on Your Family</p> | <p>LTC Insurance</p> <p>I Need to Talk to You About the Consequences That Living a Long Life Could Have on Your Family</p> |
|---|---|

You're Not the Problem When You Die During Working Years

You're Not the Problem When You Get Sick

| | |
|---|---|
| <p>I Need to Put Together a Plan to Protect Your Family From the Risk of an Early Death and Protect It With Life Insurance.</p> | <p>I Need to Put Together a Plan to Help Protect Your Family From One of the Greatest Risks You Face After Retirement – Not Dying. That Plan Must Be Protected With LTCI.</p> |
|---|---|

Step Two – Here's the Bridge

The bridge is comparing how the agent does the life insurance sale and how the LTCI sale uses similar concepts.

It's very similar to selling life insurance. Your job is to talk about the impact LTC could have on the family and get the client to think about developing a plan to help protect their current plan and enable the family to provide care better and longer.

Life insurance will not keep you from dying. LTCI will not keep you from getting sick. It helps the family take care of the loved one. Consequences can be so severe – there is no better choice but to buy life insurance, right? Same with LTCI.

Establish the need and understand the possible impact upon the family. When you've addressed their objections and gained understanding move on to step three.

STEP THREE

It must be established beyond a reasonable doubt that almost nothing will adequately pay for care except assets and income otherwise allocated for retirement

Here is a recap of the first two steps:

Step One

Establish the Need

It must be established beyond a reasonable doubt that the client believes he may live a long life, and if he does may need care

Step Two

Impact on Family and Finances

It must be established beyond a reasonable doubt that the client understands the impact providing care may have on his family and best thought out retirement plan. This allows for the drafting of a plan.

Now Step Three

Lack of Financing Options

It must be established beyond a reasonable doubt that nothing may adequately pay for that plan except long term care insurance.

- The portfolio has been structured to provide assets and income for retirement.
- You have made it clear that principal must be preserved because of the possibility of something happening in the future.
- And during working years it has been protected by insurance

Think about the following:

- Have you not structured your clients' portfolio to provide assets and income for retirement?
- Have you also made it abundantly clear that principal must be preserved because of the possibility of something happening in the future?
- Have you also made sure that during working years the portfolio has been protected by Insurance?

Yes, of course you have!

Ask you client what they have done to protect their retirement portfolio? You can also ask yourself how have you helped your client protect their retirement portfolio?

| Asset & Income Portfolio | Asset & Income Protection Portfolio |
|-------------------------------------|--|
| Car | Auto Insurance |
| Home | Homeowners |
| Family & Kids | Life & Health Insurance |
| Wealth (Estate Issues) | More Life & Health Insurance |
| Salary | DI Insurance |
| Retirement Portfolio | ????? |

Client has protected all assets their whole life. The question is why would they stop with the most important asset at this stage of their life?

Ask the client what have they done to protect their retirement portfolio?

Up until now we've done a great job of putting a wall around the things that are so important to us.

Old Thinking

The situation is your client is about to retire and you're reviewing the retirement plan you previously established with them. At the pre-retirement meeting you typically would.

- Recommend how to position the client's portfolio to meet retirement needs
- Suggest purchasing a Medi-Gap Policy
- Listen to your client's concerns about not having enough and remind them that you calculated the payout based on living to age 90
- Remind them that the DI and term policies are no longer in force

And...

It's time for your client to retire, typically at this time you may have recommended Medi-Gap policies with premiums: About \$1400 per year covering no more than \$8000 to \$10,000 with an average payout of \$800/year.

Compare this to LTCI premium and payout – yet the typical comment has been "LTCI... you can self-insure."

Have we been offering all of the pieces of the puzzle to help offset potential risks?

What happens if we miss that one piece of the puzzle?

Old Thinking

Send Them off to Live the Next 35 Years of Their Life Exposed to One of the Greatest Risks of All...Not Dying.

When you don't die, what happens?

- When You Don't Die...
 - You Live
 - When You Live, You Get Old
 - When You Get Old, You Often Get Sick
 - When You Get Sick, You May Need Care

When you live, how are you going to fund living longer?

You rarely discuss how the client will pay for the care. As a result, the client is forced to rely on a federal or state insurance program or pay out of pocket.

Funding Options

- Medicare
- Medicaid
- The Veterans Administration
- Self-funding
- Long Term Care Insurance

Few of us consistently offer a plan for living long lives and how to pay for it.

Did your parents have a plan? Did they think they would get sick? What options are available in case they or you do?

Step Three – Funding Options - or Are They?

Medicare - Health Insurance For:

- Skilled Care
- Rehabilitative Services
- Skilled Home Care

Will Medicare Pay for Custodial Care?

- Home Care: No
- Adult Day Care: No
- Assisted Care Living: No
- Nursing Home Care: *

* A portion up to 100 days of care and only for skilled or rehab services

Medicaid: Health Insurance Program Based on Financial Need

Will Medicaid Pay for Custodial Care?

- Home Care: *Yes
- Adult Day Care: *No
- Assisted Care Living: *No
- Skilled Nursing Home: Yes

* Most states have a home and community based program that makes limited funds available to keep people in the community. Services are linked and accompanied by long waits. It is unlikely an elder law attorney will tell a client that this program is a viable way to pay for care.

Medicare did pay for custodial care prior to 1998 because of the way providers billed Medicare (fee for service). Medicare went flat fee in 1998 taking away the incentive to bill for care by classifying the patient as needing skilled or rehab when he really needed custodial care.

Custodial Care was covered prior to 1998, but now custodial care is covered only if its given incidental to giving skilled care. Check and see if the client had a prior experience and educate them on the facts about Medicare. This way, you can increase the broker/agent's confidence.

“Medicare does not pay for Custodial Care, Unless it Did”

Always remember – if the client says it is, it is.... Don't tell them they are wrong, just agree and use the energy to turn that belief into a sale. Similar to how you get out of a riptide – don't fight it and you should survive the ordeal. The same with “arguing” a clients belief or experience.

Medicaid will pay for custodial care but generally in the one place your client doesn't want to go and is not likely to need... a Skilled Nursing Home. Never talk negatively about Medicaid.

This takes the argument out of Medicaid being a viable option to LTCI. It isn't. It is only competition to LTCI when it comes to paying for nursing home care.

- which the client does not want to go to, or is likely to need.
- if prospect tells you his attorney suggested the program will pay for a good nursing home, agree:

“He’s right, it will. But my clients tell me that they don’t plan on going to a facility and they’re right. The chances of needing nursing home care are remote. But please don’t confuse that with getting sick and needing care.”

Never talk negatively about Medicaid.

“I’m a Veteran. The VA will pay for my care...”

- In 2001, the Federal Long Term Care Insurance Program was launched, recognizing that the VA does not offer comprehensive long term care to most beneficiaries

Benefits are primarily allocated for those with severe service related illnesses under their Priority Group system.

A report by the GAO made clear that even though the Veterans Millennium Health Care Act guaranteed access to long term care benefits, almost none of the 139 VA facilities surveyed offered comprehensive coverage. What coverage there was, was rationed based on funding and the vets ability to contribute to the cost.*

*GAO Report: VA Health Care: Better Data Needed to Effectively Use Limited Nursing Home Resources, Hrd-97-27, 1996

Self-funding the cost of long term care:

“I have \$1,000,000. I don’t need Long Term Care Insurance.”

Please don’t confuse have money with getting old and needing care. They are two different concepts.

The Potential Impact

In 5 years, a lifetime of savings could be depleted.*

| | |
|------------|-----------|
| Year One | \$500,000 |
| Year Two | \$424,450 |
| Year Three | \$340,095 |
| Year Four | \$246,243 |
| Year Five | \$142,156 |
| Year Six | \$27,047 |

*Assumptions: \$500,000 principal earning 5% net of expenses, LTC costs of \$ 57,700/year, 5% inflation, spouse requires \$42,850 annual withdrawal w/a 5% inflation increase each year. All earnings and withdrawals occur at the beginning of each year. Does not take into account any additional income the spouse may be earning.

This is an example of the effect of long term care cost on a \$500,000 portfolio over a six-year period. You are typically talking to couples; they could go through \$500,000 in care. What happens if your portfolio declines?

This example shows what could happen to a portfolio needing long term care over a six-year period. Those on fixed incomes must rely on the absolute preservation of principle. This is a perfect example of why clients tell professionals they can't afford to touch principal.

Your client isn't even sick yet and he is worried about having enough to live on.

Importance of Funding for LTC

Perhaps the greatest threat to the best thought-out and executed retirement plan is not dying. You need to assure them that living a long life is a possibility and they need to plan for the possibility.

If Your Client Is Wealthy

Why your wealthy clients didn't purchase LTCI...

They:

- didn't understand the risk of needing long term care
- understood the risk but didn't connect the event happening to them
- must absolutely connect the two. If not... clients will always self-insure an event they fundamentally don't believe will happen to them

Why your wealthy clients bought LTCI...

They:

- understood the risk, probably from prior experience
- connected that risk directly to themselves
- will always spend pennies to protect dollars when the above belief is firmly established

This information helps you to play on the intelligence of the client. This protection plan is important. Many of you have wealthy clients who may have bought LTCI. What did they understand?

FINAL ANALYSIS

LTCI can allow your client's retirement plan to execute for the purpose for which it was intended... Retirement... Not Paying for Long Term Care.

So we've just gone over the mindset change that has worked to drive increased revenues

OPPORTUNITIES AND SALES IDEAS

Do you have clients in a 2nd marriages?

Ask clients in a second marriage.

“How are you holding assets?”

Many hold their assets separately

“What’s your plan for distributing them at death?”

“To Our Children From a Previous Marriage”

“Have you thought about providing care for each other when you become ill?”

“We’ll take care of each other”

Then Ask the Money Question.

This information could make you money. It gives you an opportunity to approach lawyers and accountants involved in the pre-nuptial business.

Of course, you will take care of each other. But, have you thought about who will pay for it?”

Tell the client that he/she has a pre-nuptial to keep their assets separate. Do you really believe that the wealthy wife/husband wants to spend their money taking care of the other? They do this for the children... so they could have a good relationship with one another.

Not only does LTCI allow you to execute your retirement plan

In 2nd marriages, LTCI acts as a firewall. It helps allow the couple’s plan for retirement and asset distribution upon death to execute properly.

It also allows you to better execute your estate plan and will.

Approaching The Singles Market

This is a void waiting to be filled within LTCI marketplace²

Divorced, single, and widowed people are within the singles market. They have the following in common:

- No significant other to rely upon
- More than half of the population within the 40-65+ age group
- Many have never been contacted; haven’t thought about the risk
- Many erroneously believe the government will provide

2 John Wane and Lenny Anderson, Veteran LTC Insurance Marketers, Sept. 2004

This group has basically been ignored, great target market to apply the 3 Step Process you’ve just learned.

WRAP - UP

You know how to Plan vs. Sell

Use what you've learned, lean on the resources provided.

So what's next?

Begin immediately; make a list of 5 potential LTCL clients and target when you can set up appointments.

Genworth Financial's Long Term Care Insurance Division wants to continue to improve and the best way we can do that is by listening to you and learning from your feedback.

