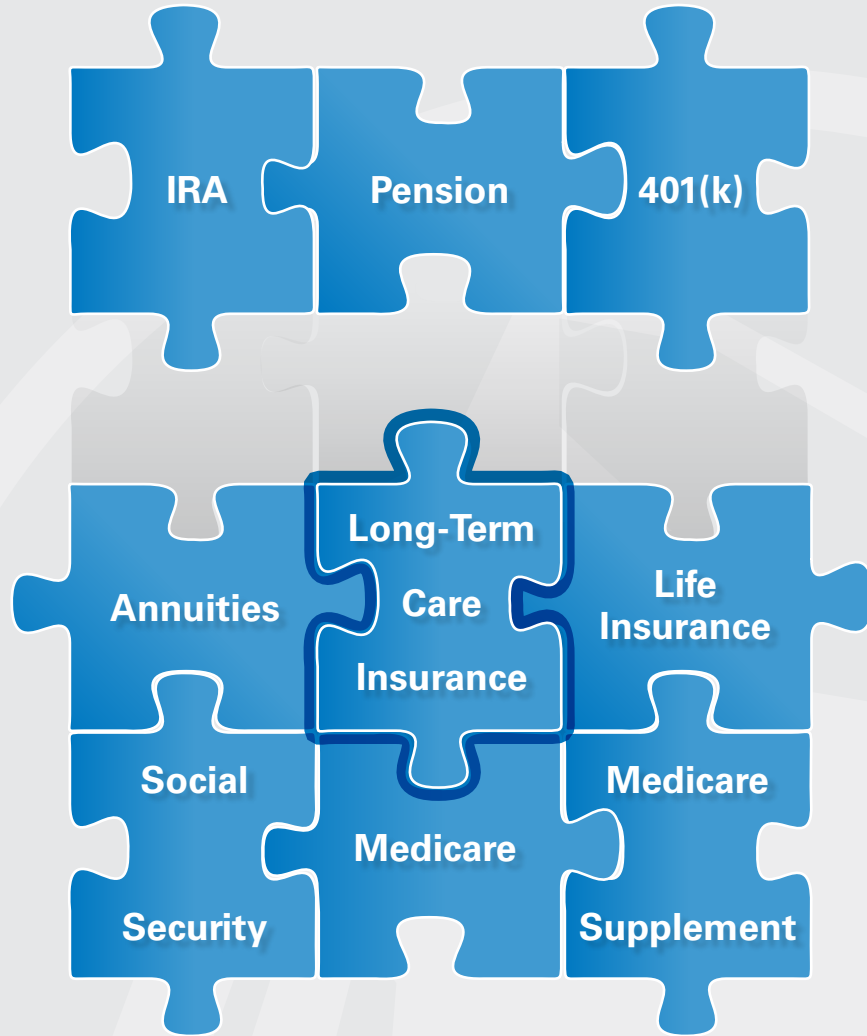


Long-Term Care Insurance:

A Piece of the Retirement & Estate Planning Puzzle



Prudential

Welcome



We're pleased to introduce our Long-Term Care Consumer Study, *Long-Term Care Insurance: A Piece of the Retirement & Estate Planning Puzzle*, which looks at consumer attitudes, knowledge, and experience relative to long-term care and long-term care insurance. The information contained in the study allows us to gain deeper insight into Americans' understanding and views about:

- > The importance of proper retirement planning,
- > The costs of long-term care services and insurance,
- > The level of preparation required in the event that a need for care arises, and
- > The willingness to discuss the various planning options available.

There's no question that as baby boomers age and approach retirement, one critical component to their financial plan—sometimes overlooked with dire consequences—is how to protect retirement savings, income, choice, and independence from the impact of a long-term illness or disability. Our 2010 *Cost of Care Study* revealed rising costs for both care in the home and in a facility, all of which can quickly deplete funds that took a lifetime to build. That's why proper planning is so important and that's what makes this study so revealing.

Our findings are varied and far reaching. The study clearly indicates that Americans are concerned about their need for long-term care services, yet aren't confident about their ability to cover the related costs. The level of concern respondents have correlates directly with their caregiving experience, underscoring the physical, emotional, and financial impact that caregiving has on an individual's family.

We also found that despite years of publicly and privately funded efforts to raise consumer awareness about the importance of long-term care planning, Americans seem to understand almost all other forms of insurance better than they do long-term care insurance. Greater education is still needed about the actual costs of long-term care and realistic funding options. The positive news is that consumers acknowledge they should know more about long-term care planning options, indicating an appetite for this information.

Finally, of those in our study who own long-term care insurance, most have a high degree of confidence that they will be able to pay for their future long-term care needs, while those without long-term care insurance are notably less confident. This highlights one important reason Americans should consider long-term care insurance when planning for retirement...peace of mind.

I hope you'll take a few moments to review this study in its entirety as we share with you the insight and perspective that we've gained.

Sincerely,

A handwritten signature in black ink that reads "Malcolm Cheung". The signature is fluid and cursive, with the first name being more prominent.

Malcolm Cheung, Vice President
Long-Term Care Insurance

About the Study

Background

This survey was commissioned as a companion to the 2010 Prudential Long-Term Care Cost Study to examine consumer perspectives regarding the costs associated with extended care services and the various methods of funding those expenses.

Objectives

Specifically, the study measures attitudes towards and knowledge of long-term care insurance among Americans. The survey also explores concerns about needing extended care services, confidence in being able to pay for such services in the future, perceived methods of funding the expenses associated with long-term care, and the misperceptions about and barriers to purchasing long-term care insurance.

Methodology

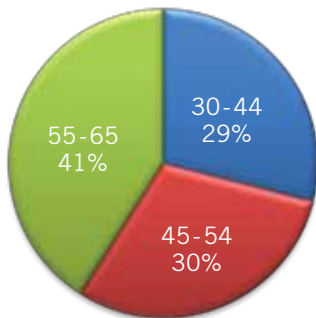
A total of 983 Americans were polled in February 2010. The margin of error is +/- 3% at a 95% confidence level.

Those interviewed needed to meet the following criteria:

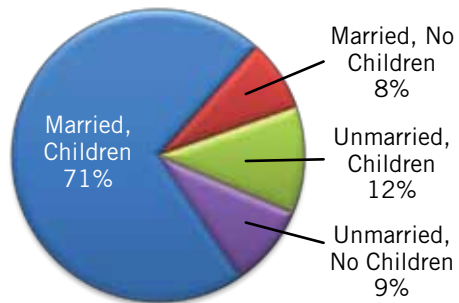
- Age 30 or older
- At least \$50,000 in annual household income

Respondents are online panelists invited by MRops, an independent market research firm, to participate in the study.

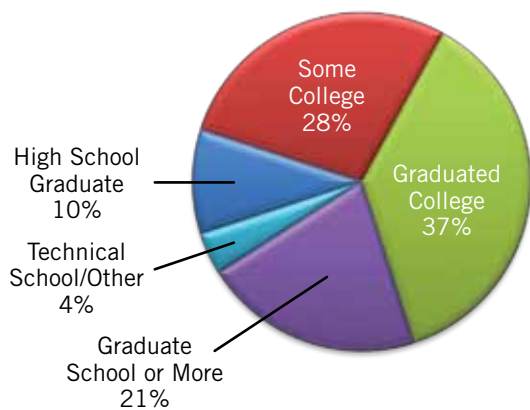
Age



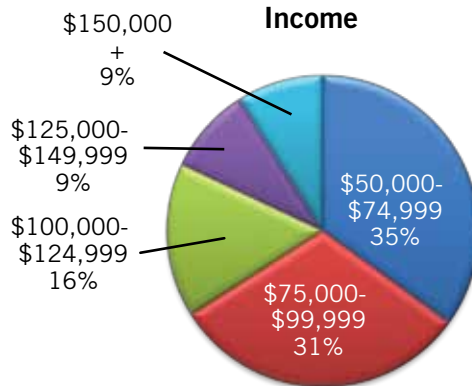
Marital/Children Status



Education



Income



A majority of Americans are concerned about needing long-term care services someday

The level of concern about requiring extended care services in the future varies somewhat by life stage.

Among adults between the ages of 30 and 65, 71% are at least somewhat concerned about the possibility of requiring extended care services at some point in their lives. And their concerns appear to be well-founded.

According to the U.S. Department of Health and Human Services, 70% of individuals over age 65 will require at least some type of long-term care services during their lifetime.

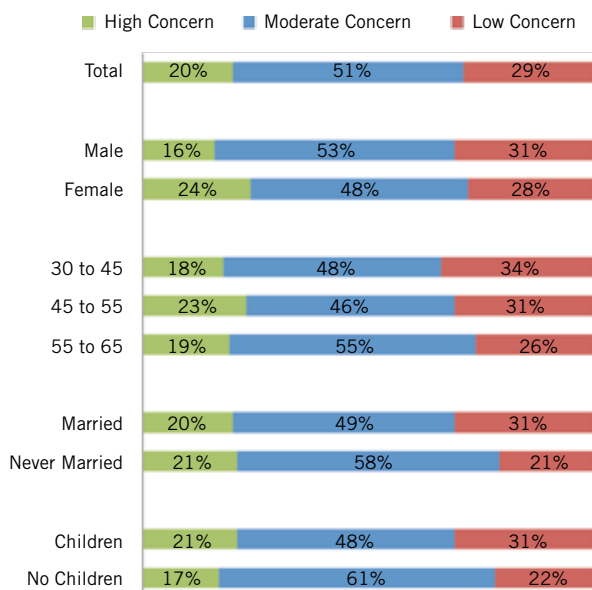
- Concerns about long-term care are prevalent, regardless of age or other demographic factors. Americans who are closest to retirement age are slightly more concerned about the possibility of needing extended care services compared to those under age 55.
- Women and those who are single and with no children also tend to be somewhat more concerned.

Most Americans are not prepared to handle the expense associated with long-term care.

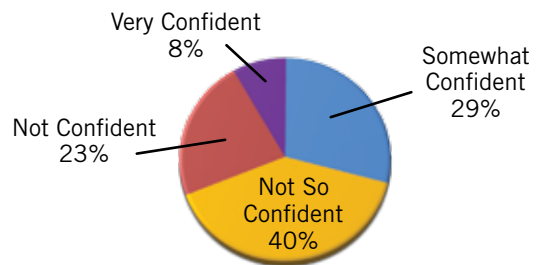
Nearly two-thirds (63%) of Americans are not confident in their ability to pay for extended care if they were to need it today. Less than 10% are “very confident” they could handle the costs associated with care in a nursing home, assisted living facility or in-home care.

- Even among those who are closest to retirement age (55-65), 58% are not confident that they could pay for long-term care.

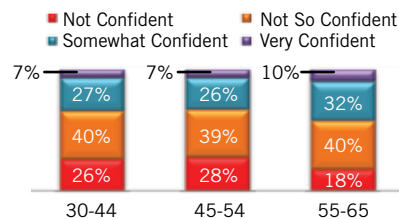
Degree of Concern about Long-Term Care in Future



Confidence in Ability to Pay for Long-Term Care Expenses



Confidence in Ability to Pay for Long-Term Care Expenses



Knowing someone who has required long-term care services greatly increases the level of concern

Nearly two-thirds of Americans between the ages of 35 and 65 say they know someone who has required long-term care services.

Indirect experience – knowing someone who needed long-term care services – most often involves grandmothers (38%) and grandfathers (23%), and mothers (23%) and fathers (19%).

Only 8% have personally needed extended care services for a chronic illness or a serious injury. Among those who have required care, 67% received home health care, 21% received care in a nursing home, and 12% were cared for in an assisted living facility.

Even indirect experience with long-term care raises awareness and concern about one’s own chances of needing extended care someday.

Caregivers certainly understand the potential physical and emotional toll of providing

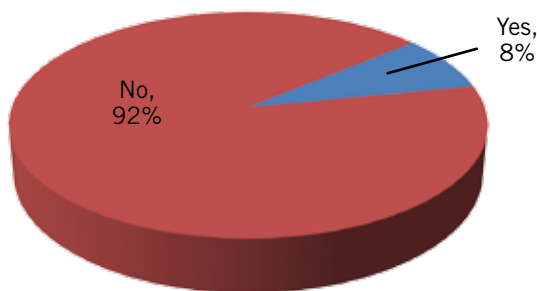
extended care services to a loved one. But a person’s appreciation of the issues surrounding long-term care are even heightened among those who simply know someone who has required long-term care services.

Adults who know someone who experienced a chronic condition which required long-term care services are much more concerned about personally needing extended care in the future.

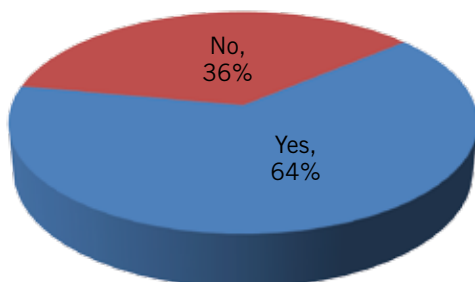
Among those with indirect experience, 78% are at least somewhat concerned about needing long-term care in the future (compared to 58% of those with no experience).

- Those who have personal or indirect experience with long-term care services also are more likely to have purchased long-term care insurance (21% vs. 11%).

Personally Required Long-Term Care

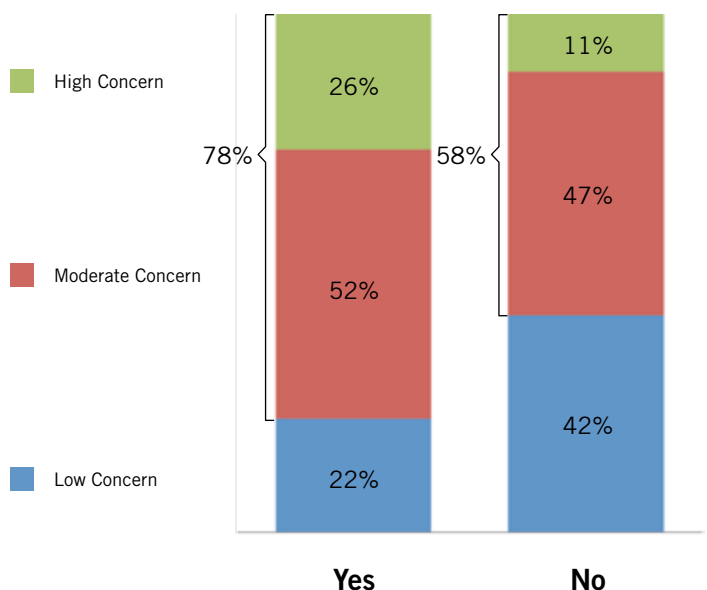


Know Someone Who Required Long-Term Care



Degree of Concern about Needing Long-Term Care in Future

Know Someone Who Has Required LTC Services...



Lack of knowledge leads to misperceptions about the costs and funding sources for long-term care services

Americans tend to overestimate the costs associated with long-term care, which amplifies their level of concern about paying for it.

On average, consumers believe that the U.S. average rate for a semi-private room in a nursing home is \$450 per day, which is more than double the actual average of \$215. And 25% say they have no idea of the cost.

Consumer perceptions trend higher than actual 2010 daily rates in each of four U.S. geographic regions – gaps between perceived and actual costs are equally large in all but the West.

Most believe that Medicare, private health insurance and personal assets/savings will pay for any future long-term care expenses.

Misperceptions persist about the role and level of coverage of private health insurance and government programs such as Medicare and Medicaid in funding long-term care expenses. More than one-third of adults believe that these programs will cover any future extended care costs.

Many Americans expect that their personal assets/savings (35%) or income (30%) will cover any future long-term care expenses.

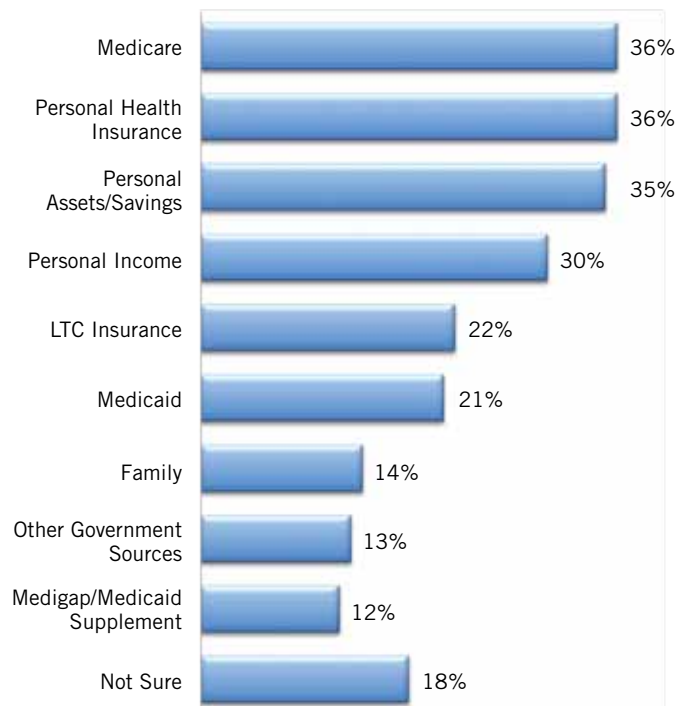
- Unfortunately, most retirees face the risk that their basic out-of-pocket healthcare costs in retirement will exceed or seriously deplete their financial assets. Recent research conducted by the Center for Retirement Research at Boston College indicates that even at the peak of the stock market in 2007, only about 20% of households approaching retirement had accumulated sufficient savings to cover the average projected costs for healthcare in retirement. Add in the average cost of an extended nursing home stay and retirement savings can become severely compromised.*

Meanwhile, less than 1 in 4 Americans mention long-term care insurance as a potential source of paying for any extended care services they may require someday.

Nursing Home Average Daily Rates (Semi-Private Room)

Region	Consumer Perception	2010 Prudential Cost of Care Study	Gap
US Average	\$450	\$215	+ \$235
Northeast	\$553	\$284	+ \$269
Midwest	\$434	\$178	+ \$256
South	\$467	\$175	+ \$292
West	\$407	\$237	+ \$170

Consumer Perceptions of Funding Sources for Long-Term Care**



*Source: Planning for Retirement: The Lifetime Distribution of Healthcare Costs, March 2010, conducted for Prudential by the Center for Retirement Research at Boston College

**Multiple responses allowed

Americans say long-term care insurance is important but they don't believe they should buy it until they are retired

Two-thirds of adults ages 35-65 believe that long-term care insurance is important; 17% say it is “essential.”

Despite the lower cost of coverage at younger ages, LTC insurance is of greatest interest and importance to adults who are closest to retirement age (55-65).

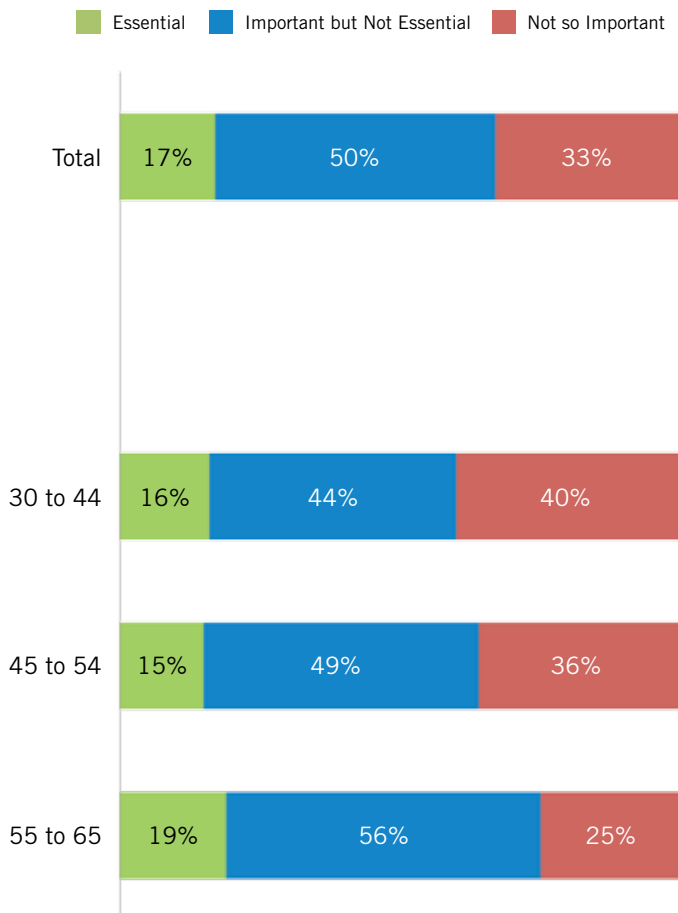
On average, one in six consumers report owning a long-term care insurance policy (17%); another 9% say they are likely to buy it in the near future. Even among those who consider it “important,” only 25% say they currently own LTC insurance.

Four in ten think that long-term care insurance is something to be purchased after age 60.

Among adults who do not currently own long-term care insurance, 40% say that they believe the right time to buy it for themselves is after age 60; another 22% believe the right time is between ages 50 and 59.

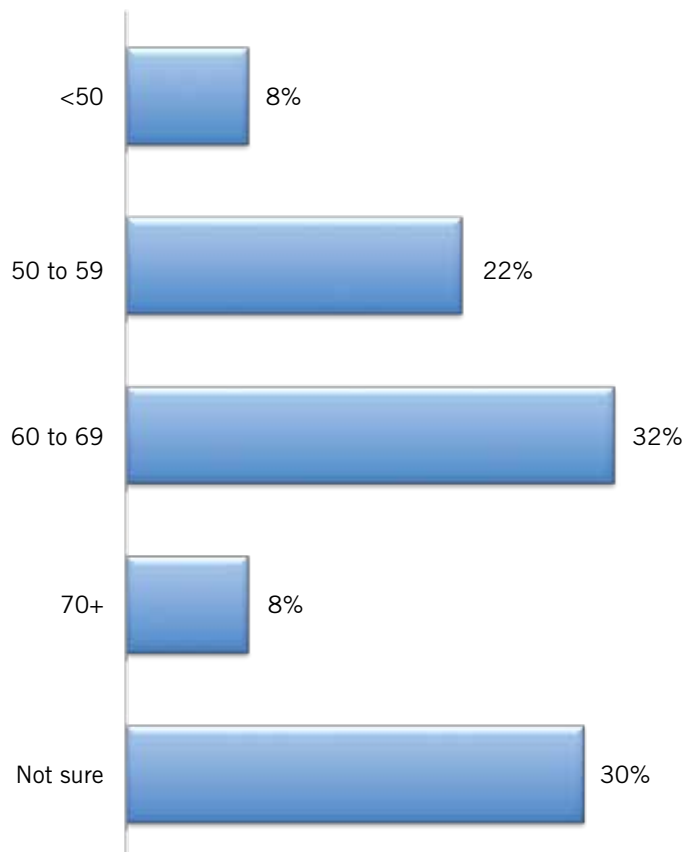
Further education may be helpful – only 8% of adults between the ages of 30 and 65 who do not currently own long-term care insurance believe that it should be purchased before age 50 when, in fact, the coverage would be more affordable. Another 30% are unsure at what age they should buy.

Importance of Having LTC Insurance



Age at Which Consumers Think They Should Buy Insurance

Among Those Who Do not Own LTCi



Life stage (e.g., age, marital status) plays an important role in how people view the value of long-term care insurance

Ideally, Americans want to be financially prepared for the unexpected and do not want to become a burden on their families should they require extended care services someday.

Among those who have purchased LTC insurance, most say they bought the policy because they do not want to be a burden on family members or they want to be prepared for worst-case scenarios.

- Individuals between 45 and 54 years of age are more likely than others to have bought LTC insurance because they did not want to be a burden on their family.
- Those between ages 30 and 44 are the most likely to say that they purchased LTC insurance because they wanted to be prepared for worst-case scenarios.

If an individual hasn't planned properly for funding future long-term care needs and does not have the financial means to cover the expenses, family members may be required to help pay the cost or they may need to take on the role of caregiver if they cannot afford formal caregivers.

Married individuals have the most favorable view of long-term care insurance and its value.

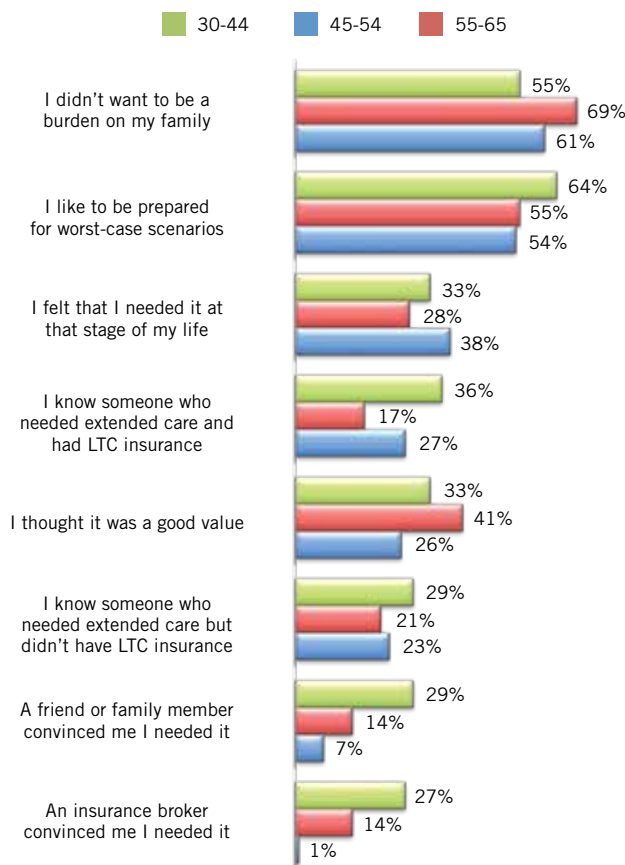
Adults who are married with children are the most likely to feel that long-term care insurance is a "good value."

Protecting one's family – financially and from the responsibility of caregiving – clearly is among the top reasons for having purchased long-term care insurance.

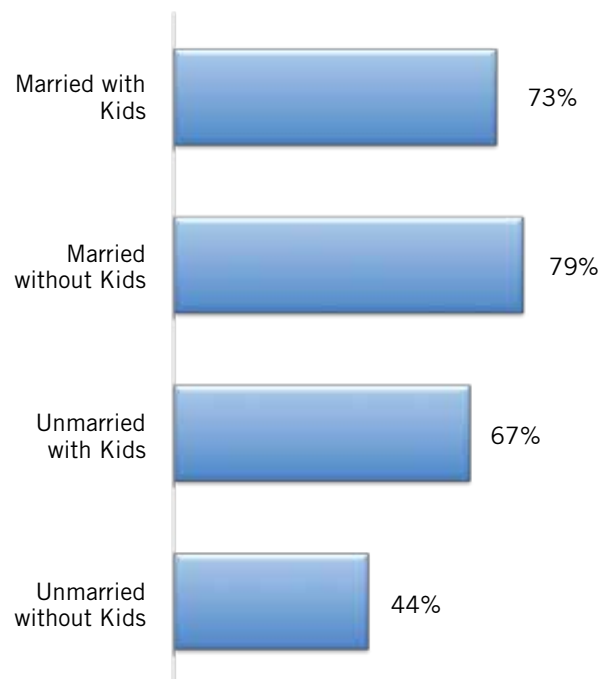
- Among LTC insurance owners, 84% are married and 86% have children.
- Among those who are married, 85% say their main reason for purchasing LTC insurance was to not be a burden on their family.

More so than other LTC insurance owners, younger individuals (ages 35-44) are more likely to be influenced in their buying decision by having known someone else who needed extended care services.

Primary Reasons for Having Purchased Long-Term Care Insurance



Think Long-Term Care Insurance Is a "Good Value"



Misperceptions about long-term care insurance are an obstacle for many Americans to further researching and considering coverage for themselves and their families

Consumers greatly overestimate the average cost of long-term care insurance.

According to the Life Insurance Market Research Association International (LIMRA), the average annual premium for an individual long-term care insurance policy in 2009 was \$2,207. Naturally, this amount varies significantly by age of the policyholder, with those under age 40 paying an annual premium of \$881 compared to \$2,249 for those between ages 60 and 64. Premiums can also vary a great deal based on the features included in the policy, such as inflation riders and return of premium benefits.

Those surveyed estimated the average annual cost of a long-term care insurance policy was around \$3,900, well above the actual cost of owning a policy – even for the oldest age group included in this study.

About 4 in 10 Americans say they are unsure about the cost of long-term care insurance and couldn't venture a guess.

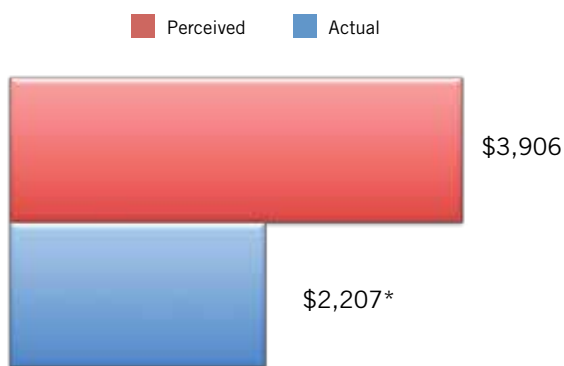
Lack of understanding about the role and costs of long-term care insurance are barriers to consumers learning more about the product.

Americans agree that, in general, long-term care insurance is important. However, most feel that it is “for someone else” or “it's not for me right now.” It is a decision that many put off due to other more immediate needs and expenses.

In fact, 55% state that “other expenses” take a higher priority and 44% say long-term care insurance is “too expensive.”

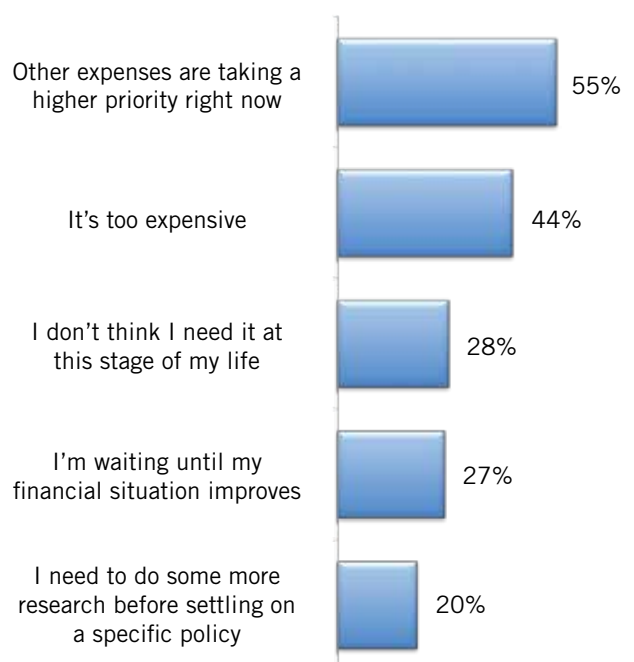
- Of consumers between ages 35 and 44, 49% do not feel that they need long-term care insurance at this stage of their lives (compared to 23% of others). The cost benefits of buying at a younger age are clearly not well understood.
- Those closest to retirement (ages 55 to 65) are more concerned than others about the cost of long-term care insurance; 50% cite this as the main reason they have not purchased it. Many pre-retirees do not understand the potential “cost of waiting” in terms of higher premiums and the greater chance of not passing medical underwriting requirements in their 50s or 60s.

Annual LTC Insurance Premiums



*Source: LIMRA International

Primary Reasons for Not Owning Long-Term Care Insurance



Greater awareness and education are needed about the role of long-term care insurance in retirement and estate planning

Not surprisingly, Americans are much more familiar with other forms of insurance, such as auto, homeowners and health, than they are with long-term care.

Just over one-third of adults surveyed feel they know at least a moderate amount about long-term care insurance, but only 7% say they know “a lot” and 12% say they have “no knowledge at all” – considerably worse than other types of insurance.

- Low awareness and understanding of long-term care insurance contribute to low ownership. LTC insurance ranks among the least utilized forms of insurance in the U.S. despite recent trends pointing to longer life expectancy and greater utilization of extended care services.
- Even among adults who previously needed long-term care services, LTC insurance ranks sixth out of nine possible methods used to pay for extended care services, with personal assets/savings being among the top mentions.

Most adults agree they should know more about long-term care insurance and are confused by policy features.

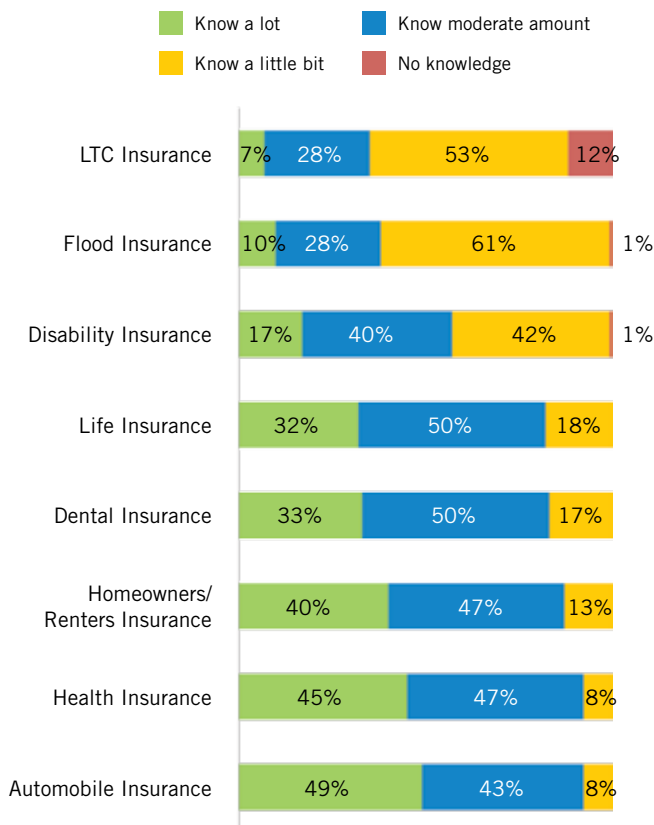
Adults under age 55 – who are less likely to own long-term care insurance – are more likely to agree that they should know more about it.

In addition, consumers who have had personal or indirect experience with long-term care services and those who are “highly concerned” about potentially needing extended care someday are more likely to agree that they should learn more about long-term care insurance.

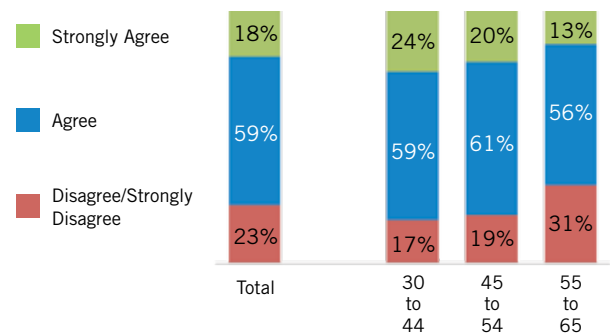
Many have trouble understanding the various policy options and features and what would be best for their needs, so they simply do not purchase any policy.

Others (36%) mistakenly believe that their health insurance, Medicare or Medicaid will pay for their extended care expenses when, in fact, only limited services are covered by those programs and insurance policies.

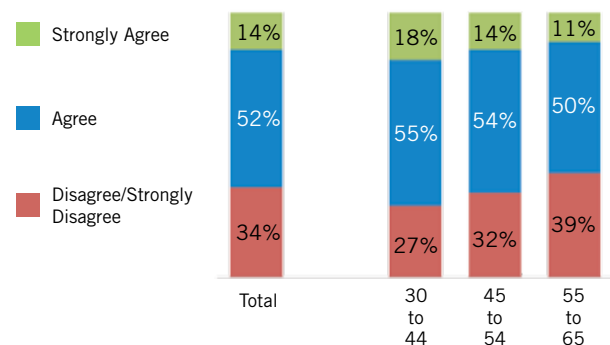
Knowledge of Insurance Products



“I Should Know More About LTC Insurance Than I Currently Do”



“I Don’t Always Know Which Policies Cover Which Situations”



Long-term care insurance can help protect retirement savings and provide peace of mind

Most Americans age 30 to 55 feel challenged about saving enough money to live comfortably in retirement.

On average, 8 in 10 adults surveyed by Prudential in January 2010 expressed some level of concern about their ability to retire comfortably. Among those closest to retirement (age 45-54) but with time left to increase their savings, only 9% are “highly confident” that they will be able to save enough to maintain their standard of living in retirement.

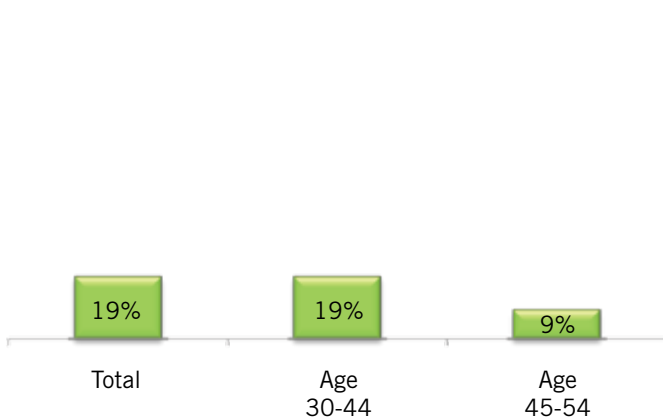
For those already anxious about meeting their retirement savings goals, the unexpected costs associated with future extended care services would further erode whatever retirement nest egg they have accumulated – unless they planned for that possibility by purchasing long-term care insurance.

Without long-term care insurance, one’s retirement savings and personal assets are at greater risk of being insufficient.

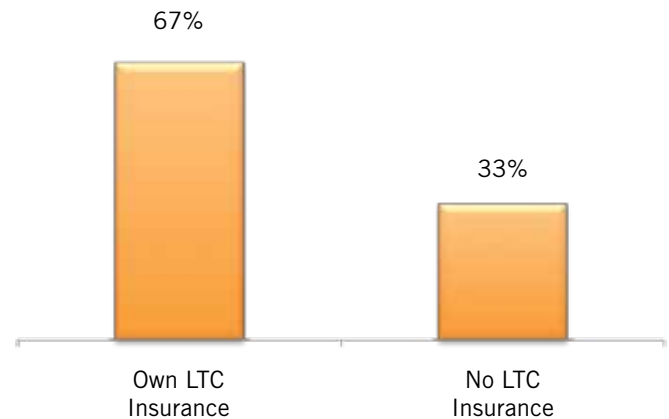
Nearly everyone who has purchased long-term care insurance agrees on its importance in protecting retirement savings and personal assets. And even those who currently do not own long-term care insurance recognize that it is important to retirement planning, with more than 6 in 10 rating it as “highly important” coverage to own.

Owning long-term care insurance offers peace of mind about avoiding financial hardship should the need arise in the future for extended care services. Those who currently have long-term care insurance are twice as likely to be “highly confident” about their ability to pay for future extended care services without having to deplete their personal assets or retirement savings.

“High Confidence” in Ability to Save Enough for Retirement*



“High Confidence” in Ability to Pay for Future Long-Term Care Expenses



*Source: The New Economic Reality and the Workplace Retirement Plan, Prudential Research, January 2010

