

Long Term Care Insurance – an industry perspective

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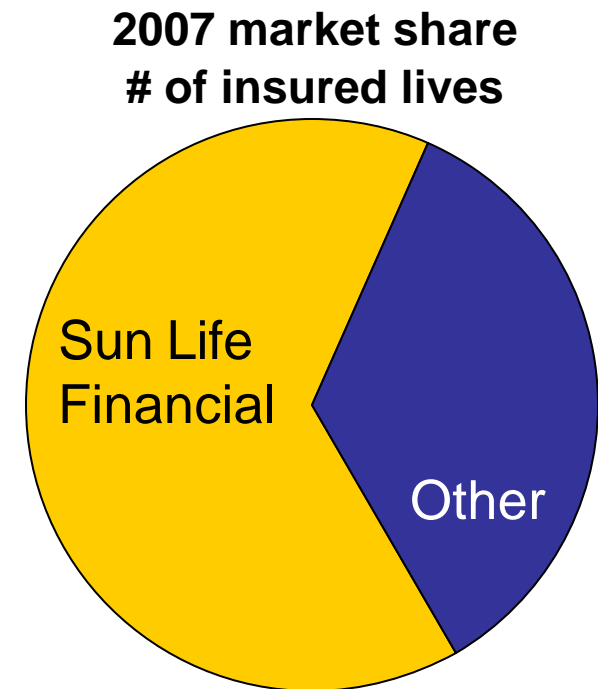


Market realities

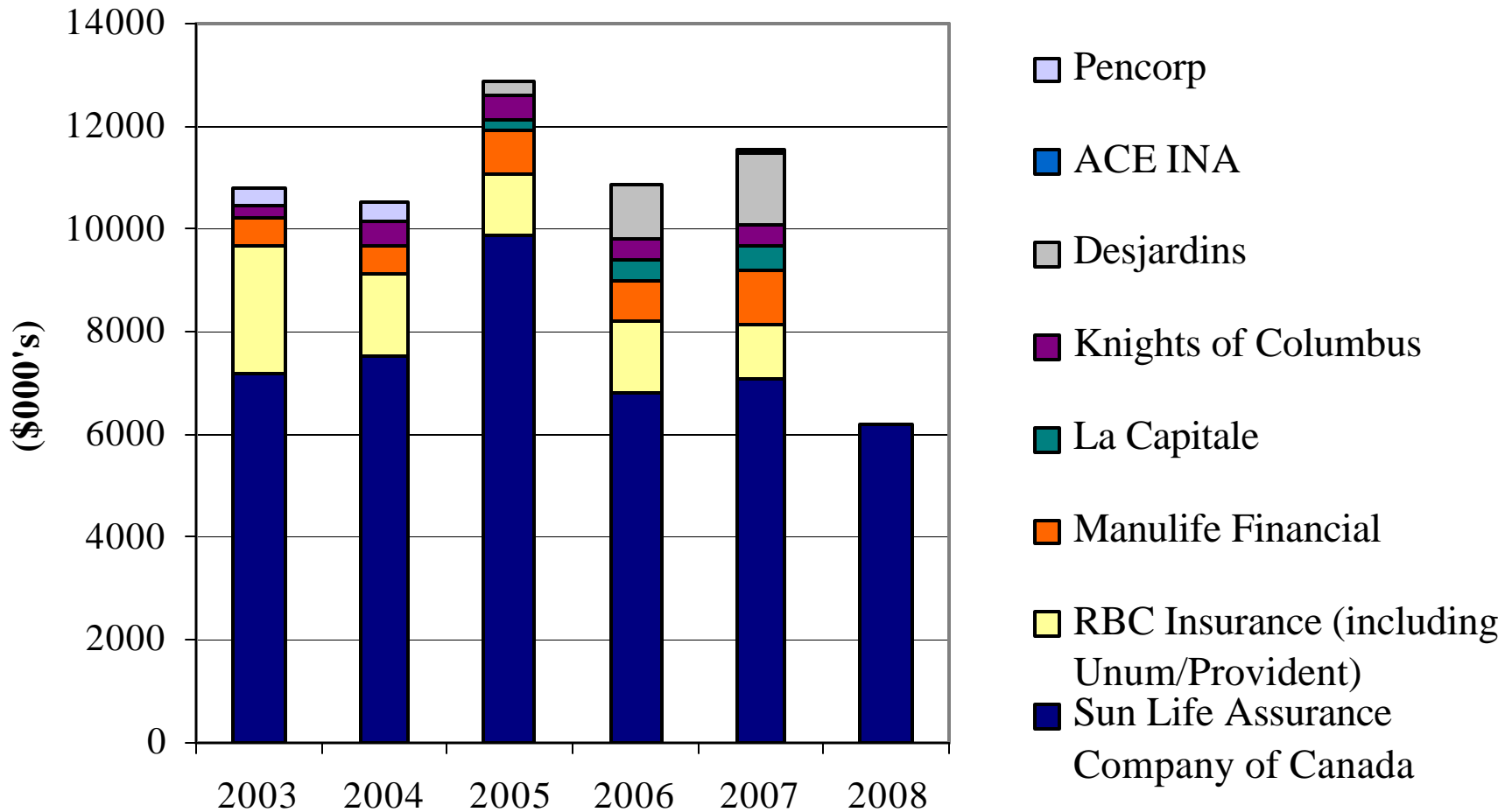
- Market still in infancy
- Life \$1B, CII \$100M, LTCI \$10M
- Majority of Canadians don't know about LTCI
- Fewer than 1% of Canadians own LTCI *

Lack of broad penetration by industry

- SLF started selling LTCI in 1999
- As of year-end 2008:
 - Over 32,700 policies in force
 - More than \$43 million in annual in-force premiums
 - Paid over \$8.7 million in claims
- 2007 market share*
 - 61% of new premiums
 - 58% of in-force premiums

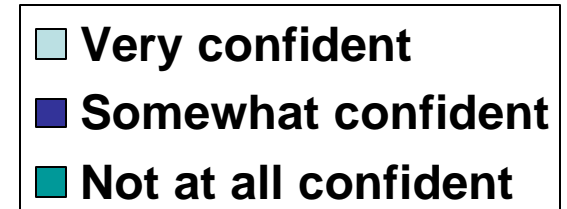
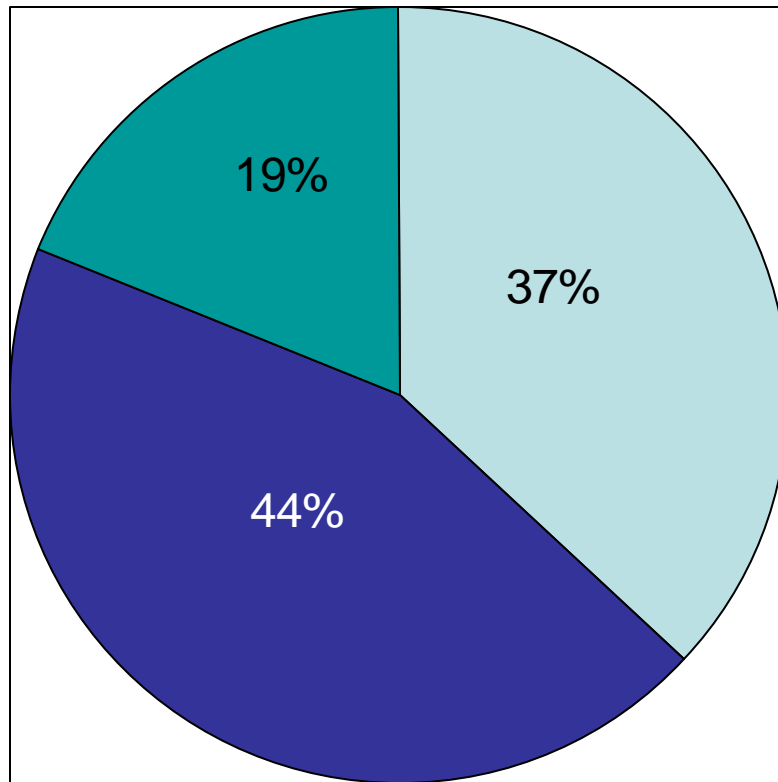


Sales trends - Canada

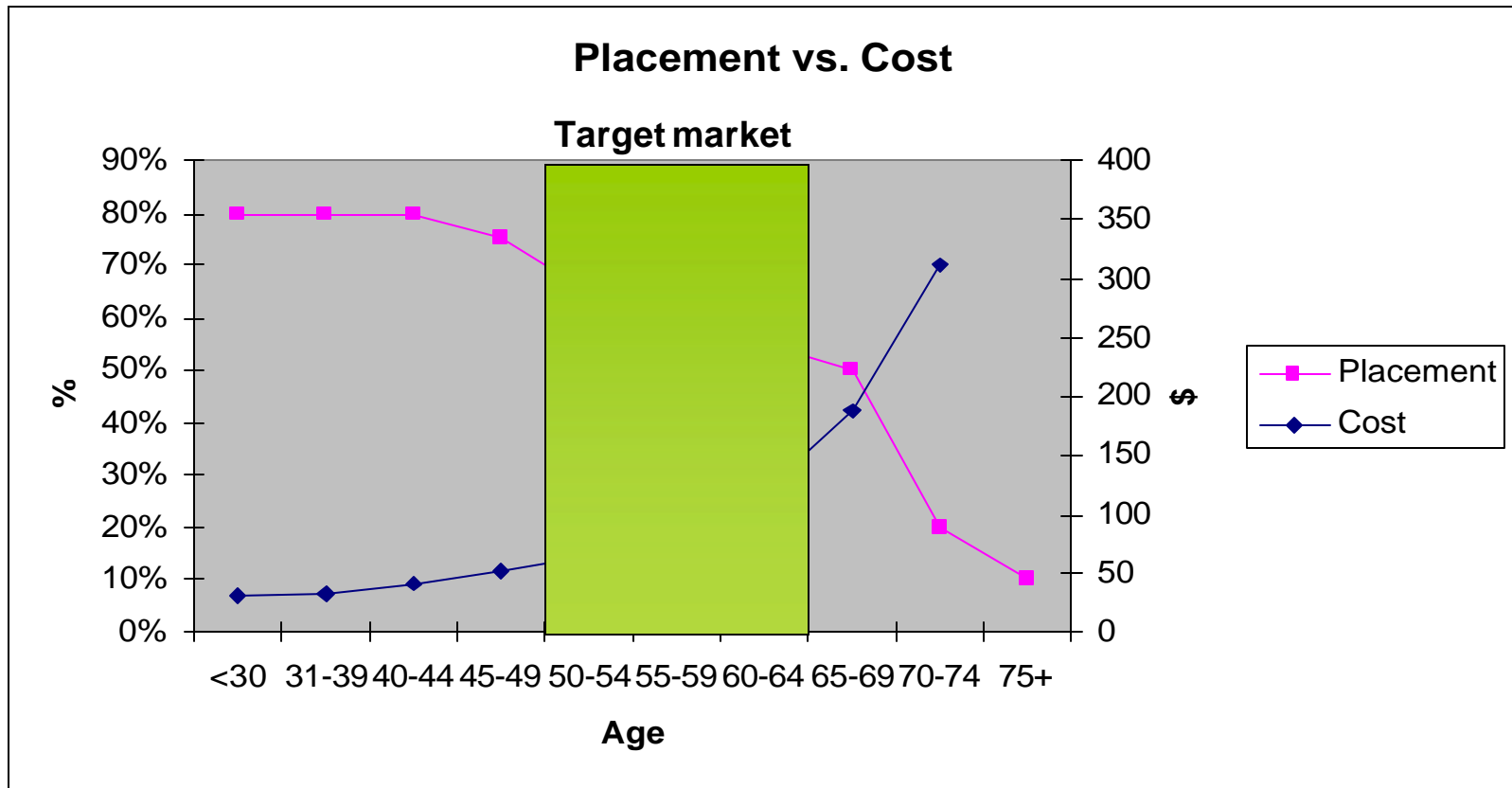


“Now, thinking about when you are receiving retirement income ... would you say you are very confident, somewhat confident, or not at all confident that you will ... **Be able to take care of medical expenses?**”

Canadians – aged 30 – 65



Placement rate and target market



Source: Sun Life

Cost: Based on \$500 weekly benefit, with 90 day waiting period, 250 week benefit period.

Consumer purchase patterns

- **For 2008 issued policies (comprehensive benefit):**
- policies issued for males 53%: females 47%
- median base weekly benefit - \$500
- policies with unlimited benefit period - 85%
- life pay premiums 44% : limited pay premiums - 56%
- average age at purchase - 44.7
- buyers in target market age (50 - 65) - 34%
- buyers in secondary market age (40 - 49) - 26%
- buyers under age 40 - 36%

Claims experience – U.S.

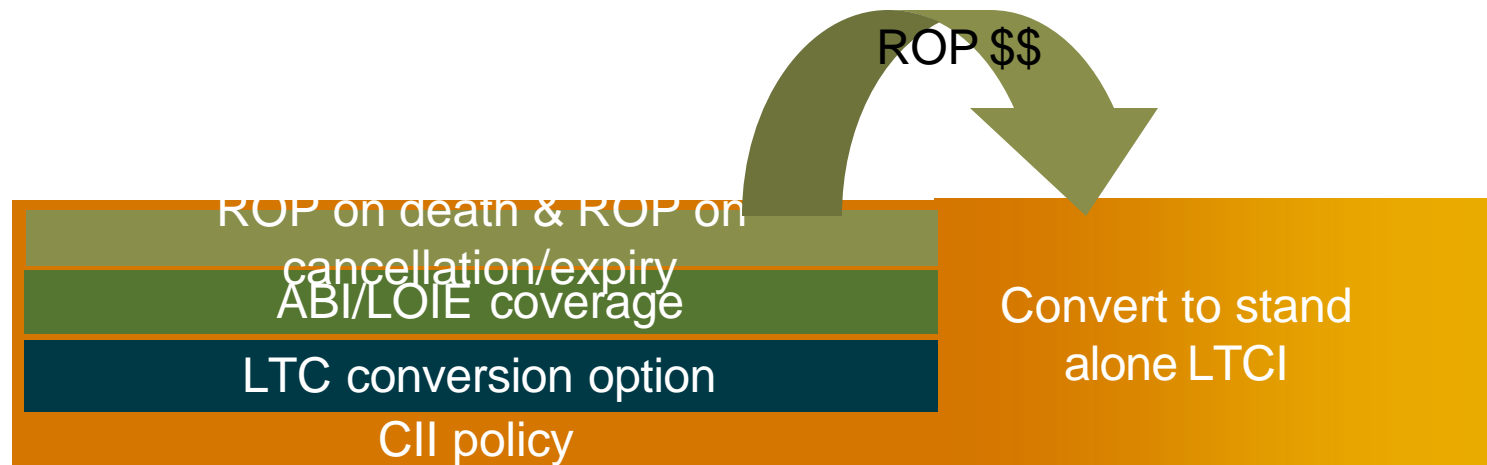
- 65% of claimants were female
- 96% of claimants were age 65 or older at start of claim
- Alzheimer's claims - most frequent, longest, most expensive for ages 65 and up

Percentage of claims* lasting at least 1, 2 or 5 years

Years	Percentage of claims
1 year	65%
2 years	46%
5 years	18%

*For claims with waiting period of 90 days or greater

Recent Innovations: LTC conversion option



- Buy CII with LTC conversion option and ROP on cancellation
- Convert between ages 60 and 65; use ROP to fund

Emerging Innovations

- Linking wealth or asset products with insurance component
 - Address longevity risk caused by more rapid depletion of assets due to health event or long term care needs
 - Leverages propensity to plan for retirement but not ill-health
- Private industry will continue to seek innovative solutions to meet needs of majority of Canadians

Policy Challenges and Opportunities

- Government has been slow to respond to new and emerging products – Tax Act does not contemplate new products
- Opportunity to release accumulated value with legislation change.
 - Accelerated benefits – allow for tax free payment for health needs from life insurance
- Partnership with private sector to bring its substantial resources and expertise to bear on the issue