

EssentialLTC

Product Introduction Guide



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The Company Behind EssentialLTC

National Guardian Life Insurance Company (NGL) is a mutual company, formed in 1910. It holds an A- (Excellent) rating from A.M. Best and maintains a surplus of \$303 million and licenses in 49 states and the District of Columbia.





About National Guardian Life Insurance Company (NGL)

NGL creatively tailors products, agreements and administration to fit the needs and capabilities of our partners. NGL specializes in providing individual and group insurance products in the health insurance marketplace. NGL works with our partners on a risk sharing basis to develop the right product solution for their distributions.

With unsurpassed experience of over 100 years in the industry, a diverse product mix and a history of financial strength and stability (\$3.8+ billion in assets, \$3.5 billion in consolidated liabilities and rated A- (Excellent) by A.M. Best), NGL is the go-to choice. NGL brings a dedicated team with a proven track record to every partnership with an emphasis on flexibility. Learn more at nglic.com.



Assets \$3.8+ Billion



Rated Excellent
by A.M. Best



Over 100 years in
the industry



Product Features



A Few of Essential LTC Features that Make the Difference

Lifetime Benefits

A Lifetime Benefit Period can provide your client with the comfort of knowing that they are covered for life, with no maximum benefit period.

Limited Pay (10 Pay & Single Pay)

Your clients will now again be able to choose between a Lifetime Payment— where premium payments are made over the life of the insureds – a 10 Pay option – in which premium payments are made for 10 years until the policy is paid up and no further premiums are due, and a Single Pay option, where a single premium payment is made at issue, after which the policy is paid up and no further premiums are due.

Joint Pricing

Joint policies are charged one price covering both individuals. The joint price costs the same as the female rate using the oldest age of the two individuals.

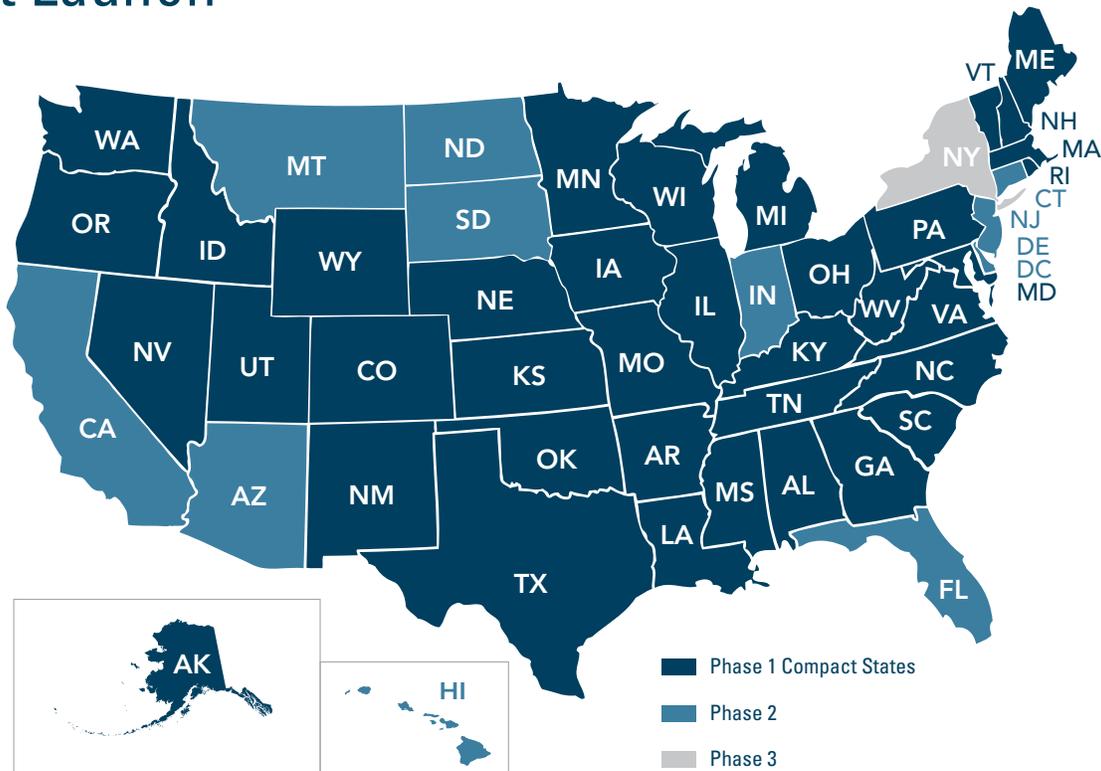
Step-Rated Cost of Living Adjustment

Put simply, this innovation means that clients start out with a lower overall premium. Each year, a nominal increase is added to the previous year's premium, so that every year, the premium grows modestly. This allows a more affordable entry point without sacrificing inflation protection.

"Reverse Combo"

This feature combines return of premium with or without claims offset and an optional surrender rider to protect the premiums your client pays into the policy (so if your client never uses the policy, his or her beneficiaries will receive up to 80% of what was paid into the policy) and to mimic the benefits of a life combo policy.

Product Launch





Pricing Advantages

EssentialLTC's competitive product design combines unique product features along with substantial price-cutting options.

Innovations include Lifetime Benefits, Limited Pay options, competitive Joint Pricing, low-initial-cost Step-Rated COLA, and a "Reverse Combo" feature to compete with Life combo products.



GOOD

		DBA		100		
		Coverage		Comprehensive		
		Elimination Period		90 Days		
3 Year (No COLA)*		NGL	Genworth	John Hancock**	Mutual of Omaha**	Transamerica**
Male						
50	422 (1)	909 (5)	654 (4)	446 (2)	494 (3)	
60	623 (1)	1,074 (5)	997 (4)	638 (2)	802 (3)	
70	1,364 (1)	2,249 (4)	2,306 (5)	1,431 (2)	1,798 (3)	
Female						
50	647 (1)	1,240 (5)	909 (4)	658 (2)	753 (3)	
60	957 (1)	1,385 (4)	1,441 (5)	985 (2)	1,222 (3)	
70	2,052 (1)	3,180 (4)	3,270 (5)	2,057 (2)	2,741 (3)	
Male & Female Couple the Same Age						
50	647 (1)	1,466 (5)	1,094 (4)	773 (2)	873 (3)	
60	957 (1)	1,862 (5)	1,707 (4)	1,136 (2)	1,417 (3)	
70	2,052 (1)	3,812 (4)	3,902 (5)	2,442 (2)	3,177 (3)	

() Rank - lowest to highest premiums

BETTER

		DBA		100		
		Coverage		Comprehensive		
		Elimination Period		90 Days		
3 Year (5% COLA)*		NGL	Genworth	John Hancock**	Mutual of Omaha**	Transamerica**
Male						
50	1,857 (1)	3,245 (5)	2,953 (4)	1,876 (2)	1,964 (3)	
60	2,031 (1)	3,486 (5)	3,333 (4)	2,032 (2)	2,213 (3)	
70	2,537 (1)	6,274 (5)	4,798 (4)	2,657 (2)	3,250 (3)	
Female						
50	2,847 (1)	5,158 (5)	3,973 (4)	3,233 (3)	2,993 (2)	
60	3,121 (1)	5,208 (5)	4,288 (4)	3,428 (3)	3,372 (2)	
70	3,817 (1)	9,040 (5)	6,470 (4)	4,349 (3)	4,952 (2)	
Male & Female Couple the Same Age						
50	2,847 (1)	5,068 (5)	4,848 (4)	3,577 (3)	3,470 (2)	
60	3,121 (1)	5,816 (5)	5,334 (4)	3,822 (2)	3,910 (3)	
70	3,817 (1)	10,635 (5)	7,888 (4)	4,904 (2)	5,741 (3)	

() Rank - lowest to highest premiums

BEST

		DBA		100		
		Coverage		Comprehensive		
		Elimination Period		90 Days		
Lifetime (5% COLA)*		NGL	Genworth	John Hancock	Mutual of Omaha	Transamerica
Male						
50	3,714	LIFETIME BENEFITS UNAVAILABLE BY THESE CARRIERS ACROSS ALL PRODUCT LINES				
60	4,062					
70	5,074					
Female						
50	5,694	LIFETIME BENEFITS UNAVAILABLE BY THESE CARRIERS ACROSS ALL PRODUCT LINES				
60	6,242					
70	7,634					
Male & Female Couple the Same Age						
50	5,694	LIFETIME BENEFITS UNAVAILABLE BY THESE CARRIERS ACROSS ALL PRODUCT LINES				
60	6,242					
70	7,634					

*Based on premium listed in 2015 Broker World Survey, pages 24-25. **Premiums are adjusted to the best rate class.



How to Build an EssentialLTC Policy

EssentialLTC isn't just another stand-alone long term care insurance (LTCi) product. After an extensive look at life insurance combo products with long term care riders, we realized that the products being offered to clients were deficient – carrying lower death benefits, lower long term care benefits, but with higher premiums. Because long term care insurance is governed by a different set of regulations, we are in the unique position to offer a better choice. EssentialLTC was the natural result.



EssentialLTC starts with a base 2 or 3-year long term care insurance policy, to which the following can be added:

- Benefit Extensions (the standard 1-, 2-, 3-Year, or Lifetime Benefits) – available only with 3 year benefit period
- Joint Pricing (lower premiums when two policyholders from the same household are combined)
- Inflation Protection (3% or 5% compound, level pay or step-rated)

While these features are being offered less often in the industry today, and that alone sets EssentialLTC apart, our newest innovation propels this product ahead of the life insurance combo product.

EssentialLTC's "Reverse Combo" feature adds:

- Return of Premium (with or without claims offset)
- Cash Surrender Option (please note: this is available as part of ROP rider, if desired)

Fundamentally, when the "Reverse Combo" feature is added to the base product, EssentialLTC becomes an LTCi policy with a life insurance rider – offering a return of premium with higher long term care benefits but with lower premiums.

Traditional Life Policy

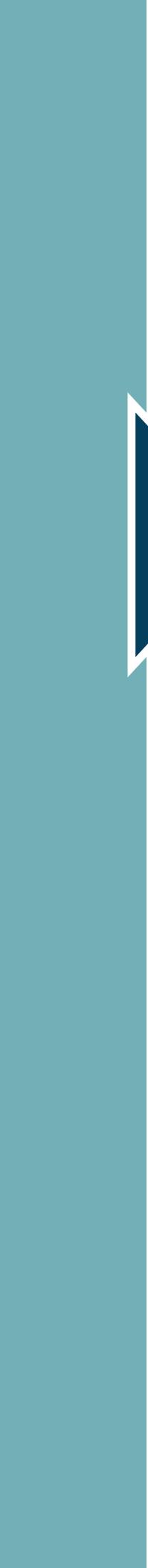


▲ higher premiums

EssentialLTC



▼ lower premiums



Product Summary



(as filed in select states)

Product Basics

Plan	Individually-underwritten, Tax-qualified, Reimbursement
Available Coverages	Comprehensive or Facility Care Services Only
Rates	Gender-distinct rates. Joint rates are available.
Available Issue Ages	40-79 (age nearest birth date)
Number of Insureds	Single or Joint. Joint policies are available for two individuals who reside in the same household. If related, policyholders must be of the same generation (i.e. siblings).
Daily Benefit Amount	\$50 to \$300 (\$10 increments)
Payment Period Options	Lifetime, Single Pay, 10 Pay
Elimination Period	0, 30 , 90, 180 days (cumulative and vanishing)
Benefit Period	2 year, 3 year (Benefit Extension Riders are available with a 3 year benefit period, resulting in either a 4 years, 5 years, 6 years, or Lifetime benefit period)
Underwriting Rate Classes	Preferred Plus, Preferred, Standard
Benefit Triggers	Chronically ill as defined in the policy with certification from a Licensed Health Care Practitioner
Employer/Association Group Discount	5% Discount
Waiver of Premium/Joint Waiver of Premium	Waiver of Premium included in base contract for Facility Care Services
Additional Product Features	<ul style="list-style-type: none">• Respite Care* - Maximum of 30 days per calendar year• Bed Reservation Care* - Maximum is 30 days per calendar year• Emergency Response System* - Reimburse charges up to \$50 per month• Caregiver Training* - Maximum Lifetime Benefit of 5 times the daily benefit• Coverage Outside of the U.S., U.S. Territories and Canada - up to 30 days per calendar year

Riders/Endorsements

Compound 3% Inflation Protection Rider	On each anniversary, the Daily Benefit Amount will increase by 3% of the previous year's Daily Benefit Amount, with corresponding increase in the Benefit Amount.
Compound 5% Inflation Protection Rider	On each anniversary, the Daily Benefit Amount will increase by 5% of the previous year's Daily Benefit Amount, with corresponding increase in the Benefit Amount.
Step-Rated Compound Inflation Protection Option Rider	When a compound rider is selected, the premium increases by the same amount on each policy anniversary. Choose between a 3% or 5% Step-Rated Inflation Protection Rider.
Waiver of Premium Rider	Premium payments are waived once payment of benefits begin for either Facility Care Services or Home and Community Care Services (HCCS).
First Day HCCS Rider	When HCCS coverage is included, benefits begin on the first day of claim for HCCS only.
Shared Benefit Amount Rider	Provides a third benefit pool, available to either or both insureds who have exhausted their benefit pool under the base policy.
Benefit Period Extension Rider	Extends base 3 year benefit period to either 4 years, 5 years, 6 years, or to a Lifetime Benefit Period.
Full or Limited Return of Premium Rider (available with or without Optional Policy Surrender)	Upon the death of the insured while policy is in force (last to die under joint coverage), the total of premiums paid (with or without claims offset) will be paid to the beneficiary. These full or limited return of premium riders can also include the option to surrender the policy. Surrender value is up to 80% of premiums paid, less benefits paid.
Shortened Benefit Period Nonforfeiture Rider	If policy lapses for nonpayment of premium after the policy has been in force for 3 years, coverage will continue and benefits are payable equal to the greater of total of premiums paid, or 30 times the Daily Benefit Amount in effect at the time of lapse.

*Benefits paid will be subtracted from the Total Benefit Amount



Competitor Matrix

When comparing EssentialLTC against its competitor's, you'll find advantages in the EssentialLTC product not offered by competing carrier's products.



COMPANY NAME	NGL	MUTUAL OF OMAHA*	TRANSAMERICA*	JOHN HANCOCK*	GENWORTH*
Policy Marketing Name	EssentialLTC	MutualCare Secure Solution	TransCare III	Performance LTC	Provided Choice Flex3
Jurisdictions LTCI Available	Compact States (at launch)	All States & DC	All States & DC	All States & DC (except NH)	All States & DC (except MA, NH, VT)

Policy Ranges

Issue Age Range	40-79 (Age Nearest Birthday)	30-79	18-79	18-75	40-75
Elimination Periods	0, 30, 90, 180	90, 180, 365	0, 30, 60, 90, 180, 365	30, 60, 90, 180, 365	30, 90, 180, 365
Daily, Weekly or Monthly Benefit Range	\$50-\$300	\$1,500-\$10,000/Month	\$50-\$500	\$50-\$400	\$50-\$300
Benefit Periods and/or Pools	2, 3, 4, 5, 6, Lifetime Benefits	2,3,4,5	\$18,250 - \$1,095,000	2,3,4,5,6	2,3,4,5

Limited Pay Policies

Fixed Periods	Single Pay,10	NA	NA	Might Be Able to Use Flex Account to Pay-Up	NA
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Return of Premium Upon Death (ROP)

ROP Design #1	Net (100%, claims deducted)	Net, 3 x MMB	Automatic; Net, Death Before 67	Automatic; Net, Death Before 65	NA
Other ROP Design(s)	Gross (100%, claims not deducted)	NA	Net, 100%	NA	NA

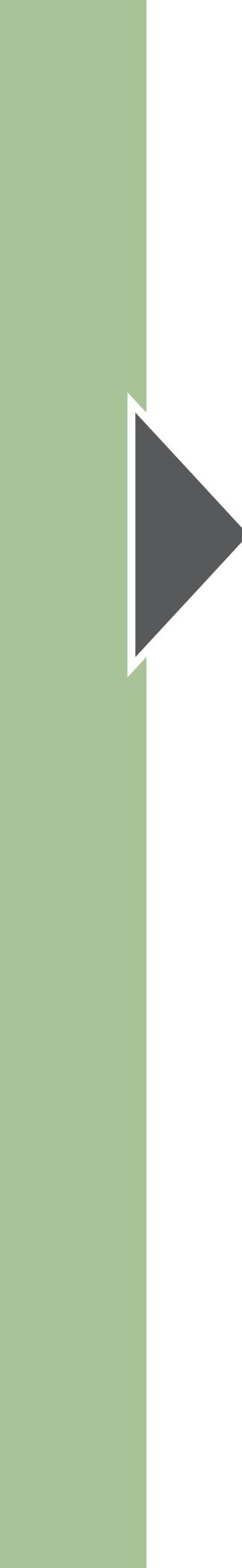
Premiums

Gender Distinct or Unisex Pricing	Gender Distinct (for single insureds)	Gender Distinct	Gender Distinct	Gender Distinct	Gender Distinct for Single People
Preferred Discount	20%	15%	10%	10%	"Pfd Best" = 95%x "Pfd"; "Pfd" = 79%-93%x "Sel"; "Std" = 125%x "Sel"
Two Spouse, Two Partner Discounts	Joint Policy Design Female LTCi Premium at the Older Insured's Age	30%, 30%	30%, 30%	30%, 30%	29%-46% for M&F Couple
Requires Identical Coverage	Yes	No	No	No	No
If Spouse is a Surprise Decline	Single Person Price	One Spouse Price	One Spouse Price	Single Person Price	Smaller Both-Buy Discount
Maximum Best UW Class & Spouse Discount	52% (Same Age Individuals)	40.50%	37%	35%	Varies Widely, up to 43%

Other Riders & Features

Shared Care Benefit	Permanent Extra \$, Third Pool	Permanent Extra \$	Extra Cost ends If Partner Dies. If Pool Depleted, Spouse < 91 & No Clm in 2 Yrs, Can Buy 2 Yr BP	Extra Cost Ends If Partner Dies. If Pool Depleted, Spouse <91 & No Claim in 2 Yrs, Can Buy 2 Yr. BP	Extra Cost Ends If Partner Dies
Benefit Increase Options	3%, 5% or 3%, 5% step-rated (to keep initial premium low)	3%, 4%, 5%	5%	3%, 5%	2%, 3%, 4%, 5%

* Source: Broker World Survey, 2015



“Reverse Combo” versus MoneyGuard II

The “Reverse Combo” feature, which is built by using a stand-alone base product and adding Return of Premium and Cash Surrender Option riders, competes with traditional life with long term care rider products.

Advantages

- More LTC benefits than Life Combo products
- 80% of premium is available as a cash surrender option after the fifth year
- Single/10 Pay/Lifetime Pay and all inflation protection options offered
- Lifetime benefits available
- All stand-alone rider and premium options are available in any combination



REVERSE COMBO

Joint Policy Age - 60
Single Premium - \$100,000
COLA - 3%
Benefit Period - 3 Year / Extension
LTC Daily Benefit - \$135 per day per person

Duration	LTC Maximum Benefit	CSV	Death Benefit
1	\$295,560	\$10,000	\$100,000
2	\$304,472	\$20,000	\$100,000
3	\$313,560	\$40,000	\$100,000
4	\$322,966	\$60,000	\$100,000
5	\$332,655	\$80,000	\$100,000
10	\$385,639	\$80,000	\$100,000
15	\$447,061	\$80,000	\$100,000
20	\$518,266	\$80,000	\$100,000
25	\$600,813	\$80,000	\$100,000
30	\$696,507	\$80,000	\$100,000

MONEYGUARD II

Male and Female Age - 60
Single Premium - \$100,000
COLA - 3%
Benefit Period - 3 Year / No Extension
LTC Daily Benefit - \$74/Male, \$82/Female

Duration	LTC Maximum Benefit	CSV	Death Benefit
1	\$173,490	\$80,000	\$178,800
2	\$178,695	\$80,000	\$173,600
3	\$184,056	\$80,000	\$169,200
4	\$189,577	\$80,000	\$168,388
5	\$195,265	\$80,000	\$168,388
10	\$226,365	\$80,000	\$168,388
15	\$262,419	\$80,000	\$168,388
20	\$304,216	\$80,000	\$168,388
25	\$352,670	\$80,000	\$168,388
30	\$408,841	\$80,000	\$168,388

DIFFERENCES

Between Reverse Combo and MoneyGuard II

Duration	LTC Maximum Benefit	CSV	Death Benefit
1	\$122,070	(\$70,000)	(\$78,800)
2	\$125,732	(\$60,000)	(\$73,600)
3	\$129,504	(\$40,000)	(\$69,200)
4	\$133,389	(\$20,000)	(\$68,388)
5	\$137,391	\$0	(\$68,388)
10	\$159,274	\$0	(\$68,388)
15	\$184,642	\$0	(\$68,388)
20	\$214,050	\$0	(\$68,388)
25	\$248,143	\$0	(\$68,388)
30	\$287,666	\$0	(\$68,388)

Comparison based on a quote from policy form LCN 201104 dated 11/25/2013, using the variables listed in the table.



Pricing Stability

Current pricing makes it unlikely that rate increases will be needed, given that:

- Lapse rates are approaching zero, leaving little or no downside.
- Data is now based on 16x the policy data and 70x the claims data used in comparison to when long term care insurance policies first began to be issued.



Year	Pricing Lapse Rate	Pricing Interest Rate	Likelihood of a Future Rate Increase*
2000	2.8%	6.4%	40% chance
2007	1.1%	5.9%	30% chance
2014	0.7%	4.6%	10% chance

**Based on a 2015 SOA pricing study*





Underwriting

Diligent and thorough underwriting is in fact a benefit to agents. The administrator, LifeCare Assurance Company, maintains the highest threshold for policy issue because this underwriting style provides for:

- ✓ lower premiums (or richer benefits)
- ✓ lower loss ratios (which is the ultimate measure of effective underwriting)
- ✓ stable premiums
- ✓ high issue rates





Cumulative Loss Ratios are Half of the Overall Industry

Company Group	Est. Loss Ratio (%)	2014 Lives In Force
Northwestern Mutual	11.9	213,930
LifeCare Partners Combined	23.6	217,571
State Farm	26	129,810
Prudential	28	239,816
UNUM Group	31.9	1,015,749
New York Life	33.8	138,569
Mutual of Omaha	38.5	165,182
John Hancock Group	39	959,111
MetLife Group	40.4	606,104
Ameriprise Financial Group	46.7	130,476
Genworth Group	47.1	1,346,419
C N A Group	52.1	416,267
AEGON Group	55.8	290,268
Conseco Group	64.8	362,306
Total of above 14 companies	45.2	6,231,578



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Long Term Care Policy Form: ICC16-NLTC100P

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