



Hartford Bicentennial UL Freedom and LifeAccess:  
A Single Strategy for Two Needs of a Maturing Nation

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# Agenda

- Hartford Bicentennial UL Freedom
- The Perfect Storm – Current and Future Conditions
- Current Market Products
- Another Market Option
- The Idle Assets Story
- Competitive Environment

# Hartford Bicentennial UL Freedom

- Available with LifeAccess Accelerated Benefit Rider (LifeAccess)
- Improved No Lapse Guarantee pricing at younger ages (18-49, with a focus on 25-45)
- Age nearest birthday
- Bicentennial UL Freedom retains competitive position of Advanced UL
- Now you can offer guaranteed protection for death benefit purposes and a rider to help with potential chronic illness needs (all guarantees within the policy are based on the claims paying ability of the issuing company)



# The Perfect Storm – Current and Future Market Conditions

## Mounting Concerns:

- Chronic illness and the rising costs associated with a chronic illness are mounting concerns for many Americans
- Baby Boomers are aging, and many are caring for older parents
- Care is increasingly rationed - those with money will get better care
- The needs and costs of these needs can't be predicted
- Some policies are often expensive, and benefits are only paid if the critical care is needed
- By 2030, half the U.S. population will have one or more chronic conditions.  
*Source: Medical Panel Expenditure Survey, 2001*
- 89% of Americans say it is difficult to get adequate insurance for chronic conditions.  
*Source: Chronic Illness, Impact and Interventions, fifth edition, 2002*
- Long-term care spending is expected to increase by up to 4 times over the next 40 years.  
*Source: GAO, "Long-Term Care Financing", 2005*



# Current Market Options

- Self-Funding
  - Assets must be invested for liquidity vs. returns
  - Extremely difficult to predict amount needed
  - If assets pass in estate, potential tax Issues
- Stand-Alone Long-term Care (LTC) Policy
  - Often restricted to allowed expenses
  - “Use it Or Lose It”



# Another Market Option – LifeAccess

Life insurance with LifeAccess can help meet two important needs in one policy:

- The death benefit may create a legacy for heirs, provide liquidity for estate taxes, or replace the income of a primary income earner in the event of death
- LifeAccess is available if the insured becomes chronically ill
- For either need, benefit is fully guaranteed not to lapse under the Policy Protection Rider
- Receiving benefit payments under the rider will reduce the death benefit available to beneficiaries



# Another Market Option – LifeAccess

## LifeAccess ABR Overview:

- For use by an insured that becomes certified as chronically ill and otherwise satisfies the terms of the rider
- Provides access to an accelerated death benefit
- Can be used for family care, any services or needs that the insured may have during their illness
- Eligibility triggers are:
- Failure of two of six activities of daily living (ADL's) , or
  - Cognitive impairment and under supervision
  - Annual physician certification
- Not long term care insurance or health insurance
- Available only at issue, and charges apply

# Another Market Option – LifeAccess

If the insured qualifies under the rider there are no restrictions on benefit use

LifeAccess is not a reimbursement plan:

- Payment is made directly to the policyowner
  - No proof of expenses is required
  - The benefit payment may be received income tax-free and is paid monthly
  - The accelerated death benefit proceeds can be used to pay for any care, services or need that may arise during an illness.
  - Whether benefits are taxable depends on the insured's particular situation, including whether qualified expenses are incurred, benefits are being received under similar contracts, or qualified expenses are reimbursed
  - The rider may not cover all the expenses associated with a chronic illness
- In addition:
  - May not cover all the expenses of a chronic illness
  - Chronic illness benefits will reduce death benefits available to beneficiaries





# Another Market Option – LifeAccess

The LifeAccess benefit amount can be used for any purpose, for any need

For example:

- Home remodeling to accommodate handicap access
- Income replacement for a spouse or family member who leaves their job, changes a job or takes a reduced salary to provide care
- Income to pay assisted living costs
- Fun activities or recreation
- Transportation



# The Idle Assets Story

- The Idle Asset idea can help you embark on the road to increased sales, in markets you already serve
- Reposition idle assets to provide increased potential inheritance and/or funding for chronic illness expenses
- With three simple questions, you can be on your way:
  - Do your clients need death benefit protection?
  - Are your clients concerned about becoming chronically ill?
  - Do your clients have funds set aside as an idle asset, in part for that concern?

# The Idle Assets Story

## Target Client Profile

- Age 60 and above
- Has a life insurance need
- Are not planning to use idle assets during their lifetime
- Concerned about critical/chronic illness expenses
- Is serious about increasing the amount of wealth passed to heirs

# The Idle Assets Story

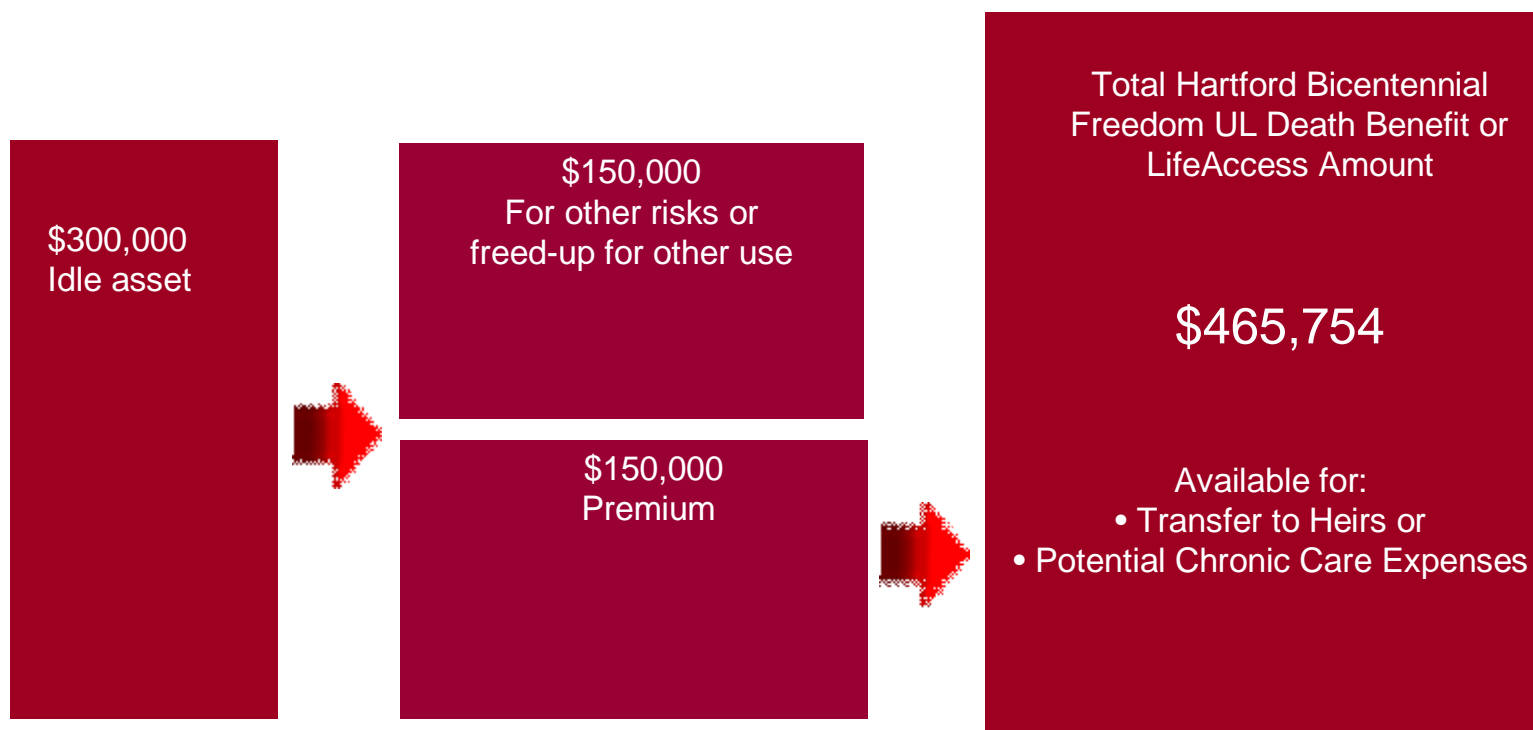
- Risk Protection
  - Death benefit protection
  - Protection against the risks associated with the cost of a chronic illness event through the acceleration of the death benefit
- Leverage Assets
  - Increase the legacy that can be left to beneficiaries or increase the amount of money that can be used to pay for the cost of a chronic illness need
- Free up Assets
  - The unused portion of idle assets are freed up to:
    - Protect against other lower cost risks,
    - Be invested more aggressively,
    - Or be used for anything else.

The Rider can accelerate up to 100% of the death benefit during the life of the insured in the event the insured becomes chronically ill, in need of services that are likely to be permanent and otherwise qualifies under the rider. The maximum monthly benefit under the Rider is 2% of the Death Benefit at the time of initial claim, not to exceed the IRS per diem limitation.



# The Idle Assets Story

## Asset repositioning for a female age 65

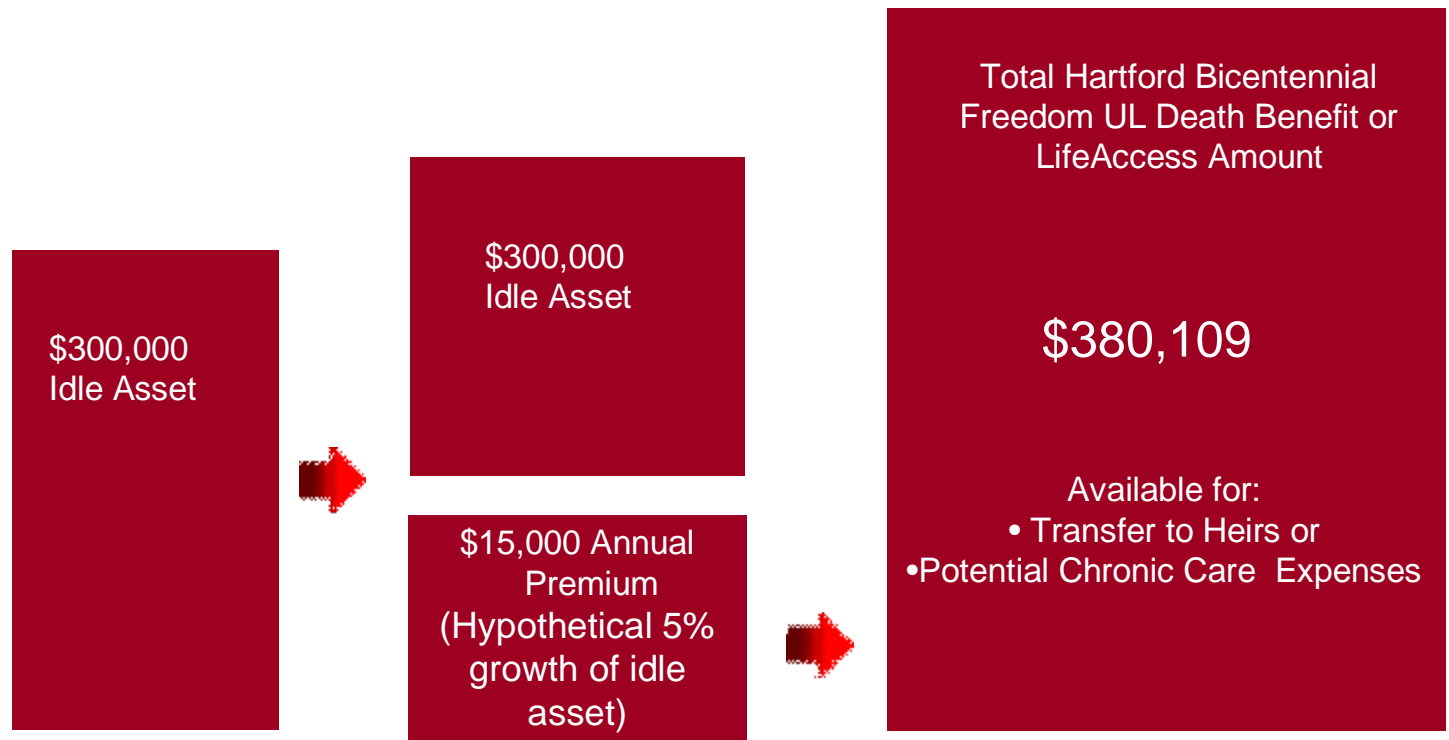


\$150,000 Single Premium

(Hartford Bicentennial Freedom UL, Standard Risk Underwriting Assumption, Policy Protection Rider, Guaranteed Policy Charges)

# The Idle Assets Story

## Asset repositioning for a female age 65



\$15,000 Annual Premium for 10 Years, and keep principal available

(Hartford Bicentennial Freedom UL Standard Risk Underwriting Assumption, Policy Protection Rider, Guaranteed Policy Charges)

# Competitive Environment

## The Hartford LifeAccess Advantage

**Family Care** – The LifeAccess benefit is an indemnity payment that can be used for any purpose, including paying family members for administering care

**Non-medical expenses** – Actually receiving LTC-related expenses is not a requirement for benefit payments under LifeAccess

**No receipts** – To receive a benefit payment, there is no need to submit receipts or other proof that care has been received



# Why is Family Care an advantage?

- Similar products allow home health care, however they reimburse or pay indemnity payments only when there is an actual medical expense
- Health care professionals generally do not help with some very basic activities, like:
  - Home maintenance
  - Shopping
  - Managing money
  - Everyday living expenses can also add up quickly when someone has limited mobility.
- Family care can help by:
  - Allowing family members to leave work/reduce hours to provide care
  - Paying for assistance for activities most people take for granted
  - Paying for transportation or travel





# Competitive Environment

## Concern

Condition considered permanent and likely to need services for life

- Some short-term illnesses are covered by LTC policies but the vast majority of related products in the market require that an insured be chronically ill for at least 90 days (including The Hartford)
  - Consider these statistics (Source: The National Nursing Home Survey: 1999 Summary)
    - Only 13% of all nursing home discharges were the result of the patient's recovery, and of those, the average stay was only 36 days
    - 86% of patients discharged from nursing homes received help with 2 or more ADLs at the time of discharge
- Other assets can be used for short-term illness versus chronic illness needs – not life insurance
- An individual's decision to purchase a policy will depend on a variety of factors, including a comparison of features and benefits, some of which are not represented here.



# LifeAccess Technical Detail

*Benefit Payment:* monthly or annual lump sum (discounted)

*Waiting Period:* 90 days from receipt of valid written certification

*Max Monthly Benefit is the lesser of:*

- 2% of the death benefit
- Monthly equivalent of current IRS per diem (\$270 for 2008, capped at 4% annual growth)

*Claim impact on policy:*

- Death benefit reduced dollar for dollar
- Account value reduced proportionally
- Once policy value is insufficient to cover monthly deductions, policy charges are waived (policy will not lapse)
- Withdrawals will cause the rider to terminate

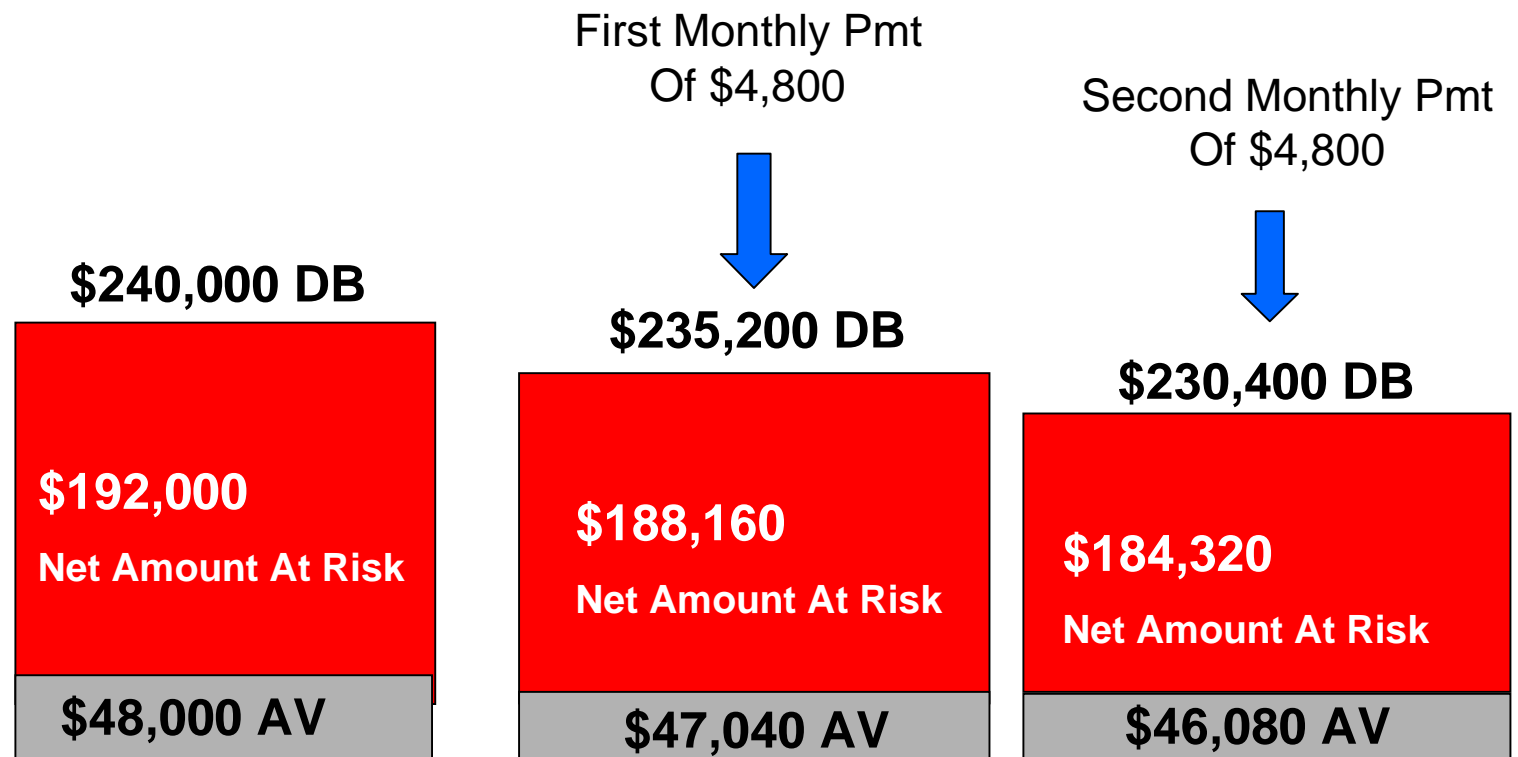




# Life Access Technical Detail

## How Monthly Payments Work

- \$240,000 Face Amount, Level DBO
- Monthly Benefit = \$4,800 ( $\$240,000 \times 2\%$ )



# LifeAccess Technical Detail

## Calculation of Monthly Benefit

- \$1,000,000 death benefit
- Age 75
- Monthly benefit amount test:
- 2% of DB monthly = \$20,000
- IRS Per Diem
- @\$270 per day (January – 31 days) = \$8,370
- @ \$270 per day (February – 28 days) = \$7,560

***Monthly Benefit Amount***



# Life Access Technical Detail

## Calculation of Monthly Benefit

- \$300,000 death benefit
- Age 75
- Monthly benefit test:
  - 2% of DB monthly = **\$6,000**
  - OR
  - @ \$270 per day (January – 31 days) = \$8,370

***Monthly Benefit Amount***



# Life Access Technical Detail

## Underwriting:

- Policy and Rider underwritten at the same time
- LifeAccess Rider underwriting decision based on morbidity factors, which may differ from the life underwriting (mortality factors)
- LifeAccess underwriting decision is approved/declined (no rating)
- Possible that life policy is approved, but LifeAccess declined

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*Hartford Bicentennial UL Freedom* is a flexible premium universal life insurance policy. HLI policy form # HL-15908(04)(NY). HLA policy form # LA-1252(04) and may include state variations. Features may vary by state.

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