Filing at a Glance

Company: The Lincoln National Life Insurance Company

Product Name: Long-term care: Consumer and advisor attitudes - September 2008

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SERFF Status: Closed

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State Status: Filed-Closed

Filing Type: Form

Co Status:

Reviewer(s): Linda Bird

Author: Anabela Tavares

Disposition Date: 11/21/2008

Date Submitted: 11/19/2008

Disposition Status: Filed

Implementation Date Requested: On Approval

Implementation Date:

State Filing Description:

General Information

Project Name: Long-term care: Consumer and advisor attitudes - September 2008 - Survey

Status of Filing in Domicile: Authorized

Project Number: LCN0808-2020061

Date Approved in Domicile:

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Domicile Status Comments:

Explanation for Combination/Other:

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Submission Type: New Submission

Group Market Size:

Overall Rate Impact:

Group Market Type:

Filing Status Changed: 11/21/2008

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Corresponding Filing Tracking Number:

Filing Description:

RE: Lincoln National Life Insurance Company

NAIC Number 65676 FEIN Number 35-0472300

Advertising Filing

Form(s):

LCN0808-2020061 – Long-term care: Consumer and advisor attitudes
September 2008

Dear Sir or Madam:

Attached for your review and approval is the above-referenced advertising form. This is a Long-term Care survey regarding consumer and advisor attitudes about long-term care.

If you need any additional information, please contact me toll-free at 1-800-238-6252, Extension 2307. Thank you for your attention to this matter.

Sincerely,

Anabela Tavares
Product Compliance Coordinator
Telephone: 860-466-2307
Fax: 860-466-1348
E-mail: anabela.tavares@lfg.com

Company and Contact

Filing Contact Information

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Filing Company Information

The Lincoln National Life Insurance Company	CoCode: 65676	State of Domicile: Indiana
350 Church Street - MPM1	Group Code: 20	Company Type: Life
Hartford, CT 06103-1106	Group Name:	State ID Number:

(860) 466-2899 ext. [Phone] FEIN Number: 35-0472300

Filing Fees

Fee Required? Yes
Fee Amount: $25.00
Retaliatory? No
Fee Explanation:
Per Company: No

COMPANY	AMOUNT	DATE PROCESSED	TRANSACTION #
The Lincoln National Life Insurance Company	$25.00	11/19/2008	24030413

Correspondence Summary

Dispositions

Status	Created By	Created On	Date Submitted
Filed	Linda Bird	11/21/2008	11/21/2008

Disposition

Disposition Date: 11/21/2008

Implementation Date:

Status: Filed

Comment:

Rate data does NOT apply to filing.

Item Type	Item Name	Item Status	Public Access
Supporting Document	Certification/Notice		No
Supporting Document	Application		No
Form	Long-term care: Consumer and advisor attitudes - September 2008		Yes

Form Schedule

Lead Form Number:

Review Status	Form Number	Form Type	Form Name	Action	Action Specific Data	Readability	Attachment
	LCN0808-2020061	Advertising	Long-term care: Consumer and advisor attitudes - September 2008	Initial		0	LCN0808-2020061.pdf

Long-term care: Consumer and advisor attitudes

September 2008

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Introduction

As nearly 80 million Americans prepare to enter retirement, they are concentrating on accumulating enough savings and investments to last for what some experts say could be 20–25 years without salaried income.[1]

But have these same individuals considered what impact the potential need for long-term care could have on their assets or income? Have they given thought to what would happen to their income should a spouse require some form of long-term care?

These are important questions for today's advisors and consumers to consider. In 2008, the United States Department of Health and Human Services projected that 70% of Americans over age 65 will require some type of long-term care at some point in their lives.[2]

In order to better understand consumer attitudes and long-term care pricing, the *Lincoln Retirement*SM Institute commissioned a survey, which was completed in early 2008. Mathew Greenwald & Associates, a Washington, DC, public opinion research organization, examined attitudes and behavior concerning money management and long-term care in two separate surveys.

[1] 2000 Annuity Mortality Tables, Society of Actuaries

[2] Average national costs as of 2007. U.S. Department of Health & Human Services—National Clearinghouse for LTC Information, www.longtermcare.gov. March 26, 2008.

Lincoln Financial Group®

Methodology

The questionnaires for the studies were designed by Greenwald & Associates, in cooperation with The *Lincoln Retirement*℠ Institute. Respondents were asked about general financial planning goals, how planning for long-term care fit into those goals, their assessment of the risks involved with long-term care, how they planned or advised clients to deal with long-term care costs, and the involvement of other family members. A series of questions was also asked to gather demographic characteristics.

Information for the consumer study was gathered through 15-minute online interviews with a total of 1,011 respondents. To qualify for the study, participants had to be born between 1937 and 1957 and have a household income of at least $75,000 or household financial assets (excluding primary residence) of at least $250,000. The online interviewing for this survey was conducted using Synovate's online consumer panel and took place between December 20 and 26, 2007.

Information for the advisor study was gathered through 14-minute telephone interviews with a total of 226 respondents, including 75 wirehouse/regional advisors, 75 bank advisors, and 76 independent advisors. Quotas were instituted to insure the distribution of advisors by firm type. To qualify for the study, participants had to have been working as a financial planner or advisor for at least three years and to earn at least $50,000 from the sale of financial products. The telephone interviewing was conducted by trained, professional interviewers at National Research LLC, a subsidiary of Mathew Greenwald & Associates, in Washington, DC. Calling for this study took place between December 20, 2007 and January 7, 2008. The sample was selected from targeted lists provided by the *Lincoln Retirement*℠ Institute.

The *Lincoln Retirement*℠ Institute, an organization within Lincoln Financial Group, was created to conduct research, organize the intellectual capital of the company, and work with external thinkers on retirement subjects that are relevant to the Baby Boomer generation. Additional survey findings and research may be found at www.LincolnFinancial.com.

The margin of error (at the 95% confidence level) for the total number of respondents in the consumer study (1,011) is plus or minus 3 percentage points. For the advisor survey, the margin of error is plus or minus 11 percentage points for each advisor type (n=75/76). There are other possible sources of error in all surveys, however, that may be more serious than theoretical calculations of sampling error. These include refusals to be interviewed and other forms of nonresponse, the effects of question wording and question order, and screening. While attempts are made to minimize these factors, it is impossible to quantify the errors that may result from them.

To the extent possible, respondent data for the consumer study was weighted to reflect the makeup of the U.S. population age 50 to 70 by age and household income. Population statistics were obtained from the 2006 Current Population Survey published online by the U.S. Census Bureau.

Executive summary

The *Lincoln Retirement*℠ Institute survey discovered that Boomers (those born between 1946–1964) are doing what they can to prepare for a potentially long retirement. However, even as they put their financial plans into place, most are ignoring the potentially devastating expenses associated with long-term care. The "Overconfidence Effect" is often preventing them from acknowledging the emotional and financial tolls that long-term care challenges can bring.

The study also uncovered a dichotomy between what Boomers envision for their personal retirement futures and what they expect their peers to face in retirement relying on self-insuring to fund potential long-term care expenses.

The survey revealed the Overconfidence Effect may be rooted in baby boomers having a distorted view of their *own* potential need for long term care. When asked how *they* were preparing themselves for potential long-term care needs, Boomers were likely to say they are focused on such unreliable methods as maintaining a healthy lifestyle (54%), investing to get the highest possible return (40%) and saving additional money to cover long-term care expenses (39%), rather than heeding their own advice to other Boomers and purchasing insurance.

Many Boomers believe they are planning for long-term care; however, there is a lack of understanding concerning the limitations of long-term care funding sources. Nearly half of those surveyed state they will use Medicare (49%) and health insurance (45%) to help pay long-term care expenses. Yet in reality, these sources are likely to pay only a small fraction of the costs. Women and boomers under the age of 60 have a higher propensity to believe that Medicaid and/or Medicare are viable funding options.

The survey uncovered a divide between boomers' attention to retirement planning and daily health care expenses and their significant lack of consideration for a potential financial breakdown due to long-term needs. More than 80% of boomers surveyed say they know that long-term care costs could significantly reduce their retirement income and assets, yet most (73%) plan to use their savings or investments versus insurance to cover the costs. Furthermore, the cost of long-term care could force them to sell their home, a scenario that may have additional ramifications in today's economy.

Consumers were read a brief description of a life insurance product that would pay toward long-term care expenses and provide a money-back guarantee if it were funded with a single payment. They were then asked how likely they would be to consider purchasing it. Two-thirds reported they would be very (16%) or somewhat (51%) likely to consider buying the product.

When it comes to advisors, virtually all said that, when talking to their clients about financial planning, they bring up inflation, the number of years their clients might live in retirement, how much annual income they will need to maintain their desired lifestyle, and how much money they would like to leave to their heirs. However, advisors are considerably less likely to say they always bring up an inheritance than to say they always bring up the other three factors. They are also somewhat less likely to discuss health care expenses, nursing home expenses, and the expenses of nursing care or assistance provided at home.

Advisor observations of the financial impact of long-term care tend to mirror consumer expectations. Generally speaking, more than two in ten advisors surveyed report their average client has less than $250,000 in savings and investments, not including their primary residence. Almost half report average assets between $250,000 and $499,999, while between one-quarter and four in ten indicate their clients, on average, have assets of $500,000 or more.

Nearly half of advisors report that 50% or more of their clients could pay for a year of care in a nursing home without financial difficulty. Nearly half (four in ten) say that when their clients need long-term care, the impact on their client's financial situation is severe or moderate. Yet only about one in ten advisors think that their business would suffer a severe impact if more of their clients started needing long-term care — in fact, roughly two in ten think the impact on their business would be negligible.

Most advisors report that only a small minority of their clients age 65 and over currently have long-term care insurance. Most advisors report that only a small minority of their clients age 65 and over currently have long-term care insurance. Four in ten indicate that fewer than 10% of their clients have this type of insurance, while roughly one-third state that 10 to 24% of their clients have it.

Advisors were also read the brief description of a life insurance product that would pay toward long-term care expenses and provide a money-back guarantee if it were funded with a single payment. Almost all advisors said they would be likely to consider recommending the life insurance product described. About four in ten would be very likely, while more than half would be somewhat likely.

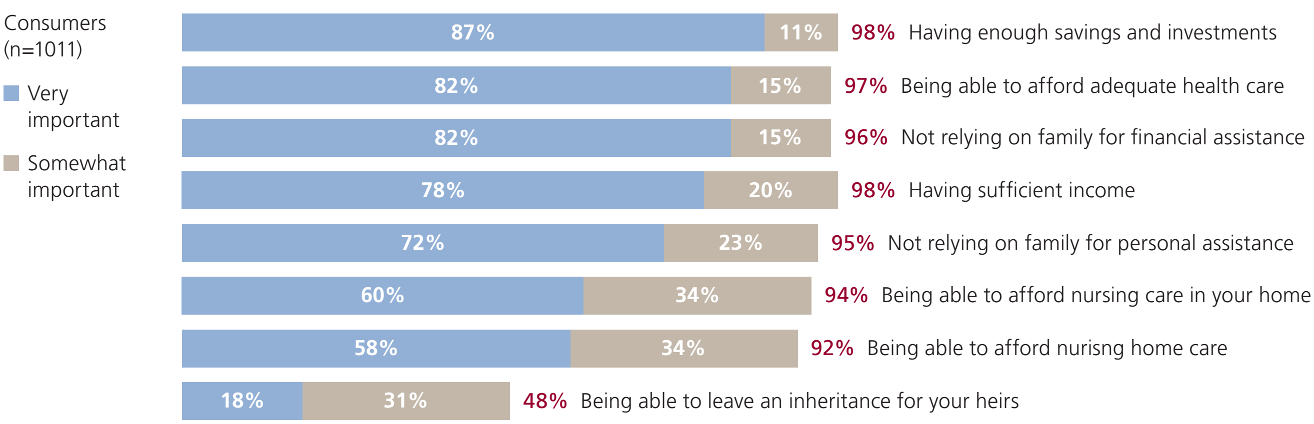
Key findings: consumers and advisors

The questionnaires for the studies were designed by Greenwald & Associates, in cooperation with the *Lincoln Retirement*SM Institute. Respondents were asked about general financial planning goals, how planning for long-term care fit into those goals, their assessment of the risks involved with long-term care, how they planned or advised clients to deal with long-term care costs, and the involvement of other family members. A series of questions was also asked to gather demographic characteristics.

Overall financial planning goals

Affluent consumers were asked to rate eight retirement planning goals. They ranged from having enough savings to last throughout retirement, to the potential need for long-term care, to the concern that they would become a burden to another family member. The desire to leave an inheritance was also listed as one of the goals.

How important are each of the following goals to you?



Consumers said that having sufficient savings and investments to last their lifetime was important (98%). They also felt strongly that being able to afford adequate healthcare was important (97%), as well as avoiding the need to rely on family members for financial assistance (96%).

Maintaining desired lifestyle

While they did not consider the ability to maintain their desired lifestyle as very important, 98% said that this was important to them. And 94% considered the ability to afford nursing home care to be important, although only 58% said it was very important.

Leaving an inheritance

Less than half of the respondents (48%) said that leaving an inheritance was an important financial goal. In fact, it ranked as last on the list of eight goals.

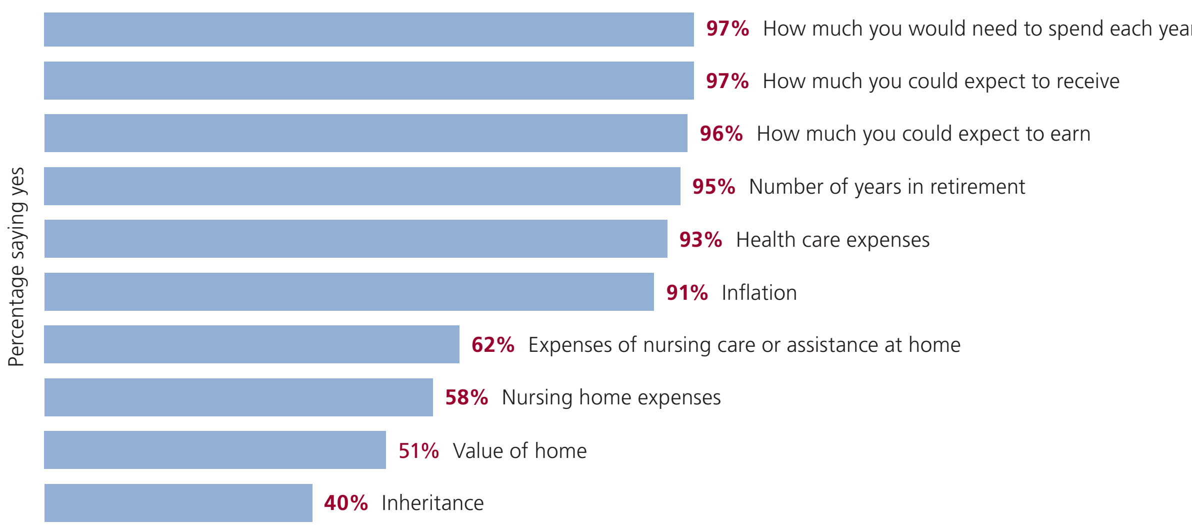
Long-term care

Approximately 6 in 10 (62%) said that they had considered the expenses of requiring assistance in their home or of receiving nursing home care (58%). Women were more likely than men to say they had considered long-term care, and the propensity to consider these types of expenses increases with age.

While the vast majority (95%) of affluent consumers say that their financial plan covers the source of income, replacement income should a spouse pass away (91% of married consumers), how much income they will need each year (89%), and how they will cover healthcare expenses (89%) only 65% have a plan that addresses long-term care needs either in their own home or in a nursing home.

When you calculated how much you would need, did you consider…?

Base: Consumers calculating amount needed for retirement (n=611)

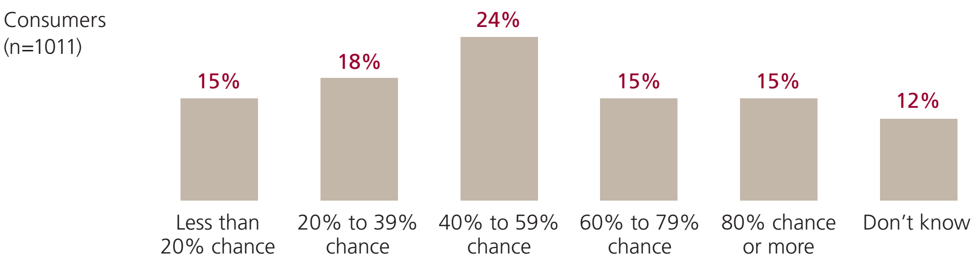


Assessing risk of long-term care

As stated on the previous page, 62% of consumers considered the expenses of potential long-term care. At the same time, more than 4 in 10 believe that the average 65-year-old has at least a 60% chance of requiring long-term care for three or more months at some point in their lives. This is consistent with the statistics presented by the U.S. Department of Health and Human Services in the introduction.

However, when it came to their own risk, just 3 in 10 believed that their chance of needing long-term care was 60% or greater.

About what chance do you think you have of needing long-term care for a period of three months or more at some point before you die?



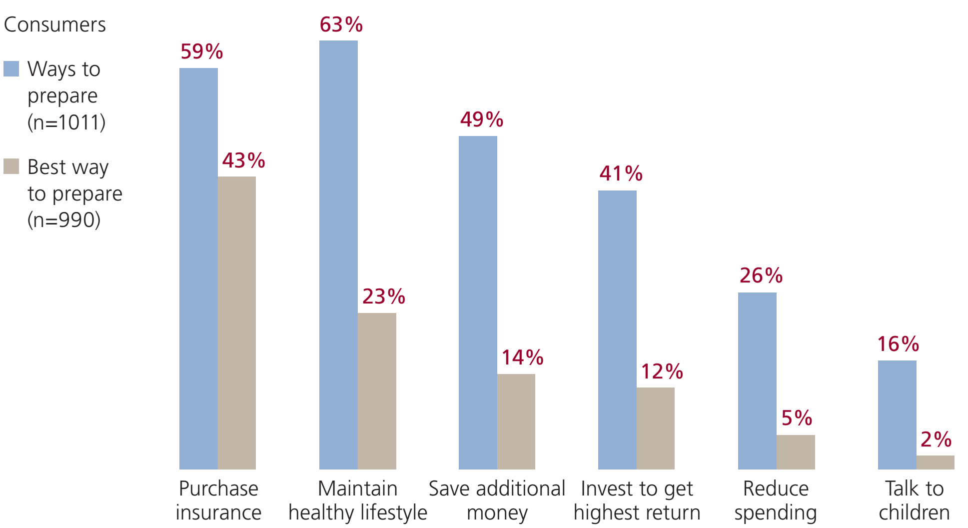
Preparing for long-term care

When it comes to preparing for the possibility of needing long-term care, about 6 in 10 said that living a healthy lifestyle (63%) was important. But only 23% believed that this would be the best way to prepare.

Purchasing insurance was mentioned by 59% of respondents, with women more likely than men to consider this the most important way to prepare. At the same time, 91% mentioned saving or investing, to get the highest possible return, in order to prepare for any long-term care need.

Those who already have long-term care insurance were more likely to say that insurance is the best way to prepare. Similarly, those who intend to purchase insurance feel that insurance is the best way to prepare for the future when compared to those who have no plans to purchase.

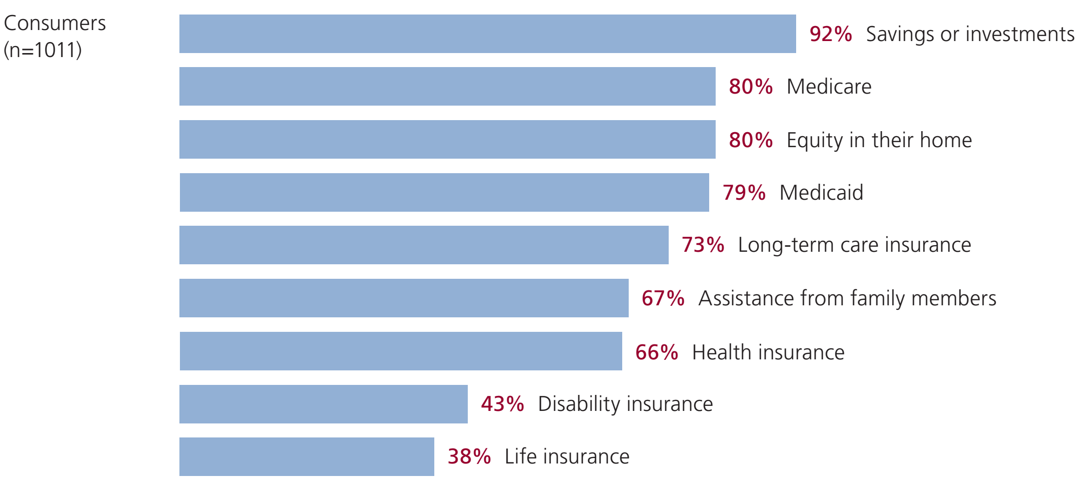
In general, how do you think people should prepare for this possibility [needing long-term care]? (Select up to three.) / What do you think is the best way to prepare for the possibility of needing long-term care (Select one.)



Paying for long-term care

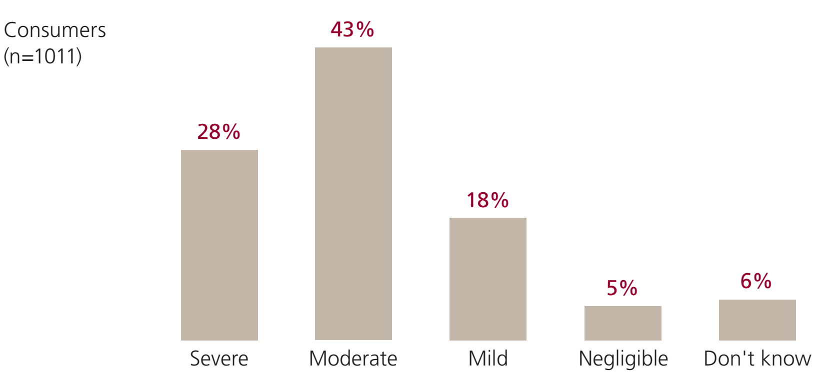
Most consumers believe that people use their own savings or investments (92%) to pay for long-term care. Other responses were home equity (80%), Medicare (80%), and Medicaid (79%). The likelihood of believing that people rely on Medicare or Medicaid was higher among those under age 60 than for older consumers.

What resources do you think most people use to pay for long-term care, either in a nursing home or at home? Do you think most people use…?



There does not appear to be complacency about the financial consequences of long-term care. Almost 3 in 10 state that the effect would be severe (28%), while more than 4 in 10 believe it would be moderate (43%). The expectation that the financial consequences of long-term care would be severe increases as financial assets decrease.

If you (or your spouse) were to need long-term care, do you think the impact on your assets and income stream would be…?



Long-term care insurance

The Greenwald study found that more than half of affluent consumers say they either own or intend to purchase long-term care insurance. Those over age 60, and those with financial assets of at least $250,000 are more likely to say they currently own long-term care insurance. This leaves almost half with no plans to purchase this type of insurance.

Among those who report that they own or intend to buy long-term care insurance, 72% say that it will be a separate policy. Just 10% state that it would be part of their health insurance, and very small percentages believe it would be part of some other type of insurance.

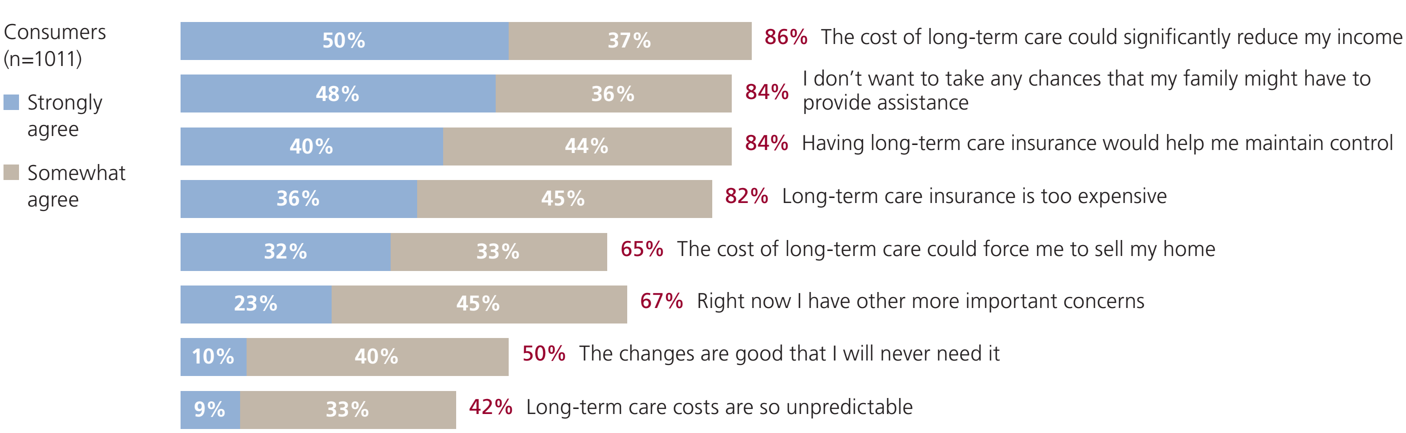
Reasons for purchasing long-term care insurance include:

- The cost of long-term care could significantly reduce their retirement income and assets.
- The desire to keep family members from having to provide long-term care assistance.
- The cost of long-term care could force them to sell their home.
- It would help the individual maintain control over care decisions.

Reasons for not purchasing long-term care insurance include:

- It is too expensive.
- Right now, there are other, more important concerns.
- There will probably be no need for long-term care.
- Costs are too unpredictable, so there is no use in planning for them.

Please indicate how strongly you agree or disagree with each of [these reasons].



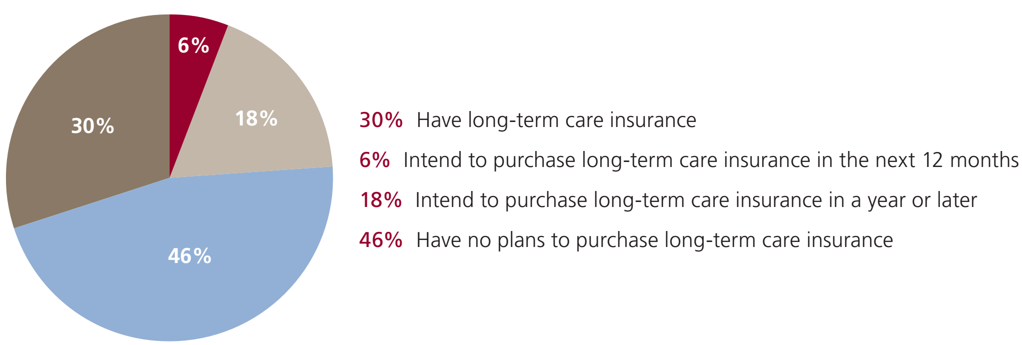
Linked-benefits life insurance

Consumers were read a brief description of a life insurance product that would pay toward long-term care expenses, and that would provide a money back guarantee if it were funded through a single payment. The respondents were then asked how likely they would be to consider purchasing it.

- Two-thirds would be very (16%) or somewhat (51%) likely to consider the product.
- Those who are married, those with household incomes of $75,000 or more, and those with experience with long-term care were more likely to consider buying this product.
- Younger consumers were more likely than older consumers to express interest.
- Those more likely to consider this product were those who already intended to purchase long-term care insurance.
- Interest in the product declined as the perceived financial consequences of needing long-term care decreased.

Do you currently…?

Consumers (n=1011)



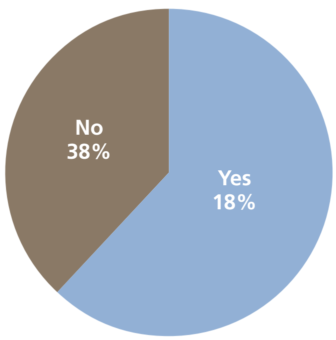
Talking to relatives about long-term care

More than 6 in 10 affluent consumers say they might look to children or other relatives for long-term care or support. This proportion is higher both for women and married consumers. However, only 33% have actually talked to their relatives about this topic.

Those who currently have long-term care insurance and a written financial plan were more likely to discuss the possible need for long-term care with relatives.

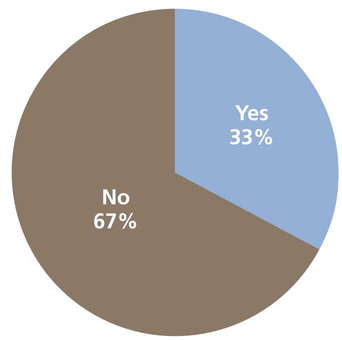
Do you have children or other relatives who you might look to for care or support if you ever needed long-term care?

Consumers (n=1011)



Have you talked to them about the possibility of needing long-term care?

Base: Consumers with relatives who might provide support (n=629)



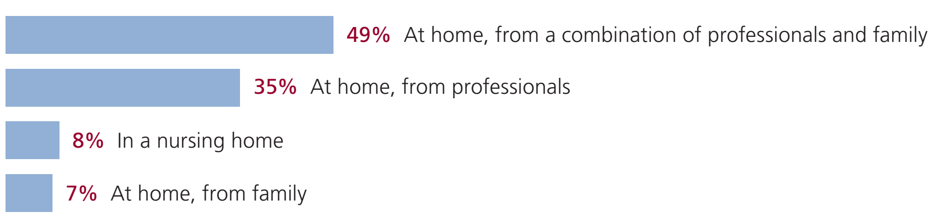
Preferences for receiving care

When it comes to preferences for receiving long-term care, the answer is perhaps not surprising. Almost all consumers reported that they would prefer to receive it at home, with more than one-third stating they would prefer to be in the care of professionals (36%) rather than family only (7%). This correlated somewhat with wealth: a larger share of those with at least $250,000 in assets prefer professional care only, while those with less than $250,000 are more apt to prefer a combination of professional and family care. And those with long-term care insurance prefer professional care only, while those without insurance prefer a combination.

Only 8% stated that they would prefer to receive care in a nursing home. Only those who are unmarried are somewhat more likely to prefer nursing home care.

If you needed long-term care, would you prefer to receive it…?

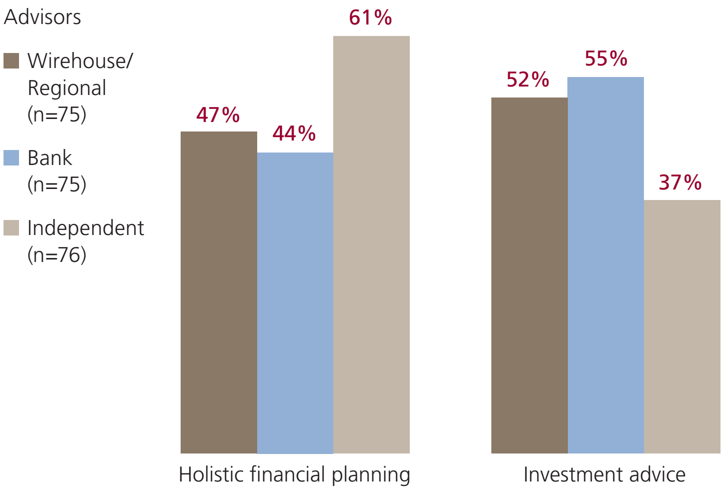
Consumers (n=1011)



Roughly half of the advisors interviewed said they provide holistic financial planning, developing complete financial plans based upon extensive analysis of the clients' assets, liabilities, and goals. Independent advisors (61%) were more likely than bank advisors (44%) to provide such comprehensive planning.

The remainder described their work as primarily providing investment advice, making asset allocation and diversification recommendations. More bank advisors (55%) than independent advisors (37%) primarily provide this service.

When you think about the work you do with your clients, would you say you primarily provide…?

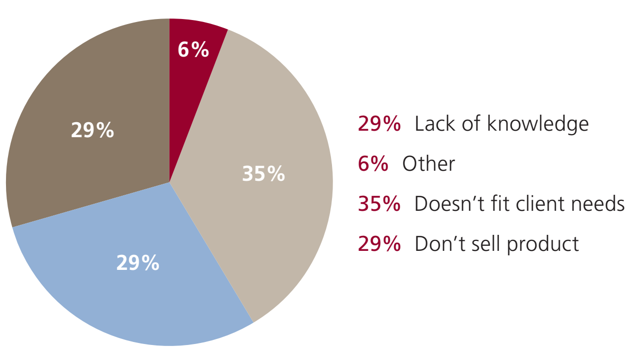


Talking to clients about long-term care

The large majority of advisors say they discuss the possibility of needing long-term care with their clients.

The few who say they do not discuss it expressed that it doesn't fit with their client's needs, either because the client is wealthy or young, they have a lack of knowledge about long-term care, or the product is not supported or sold by their firm.

Why don't you talk to your clients about long-term care?

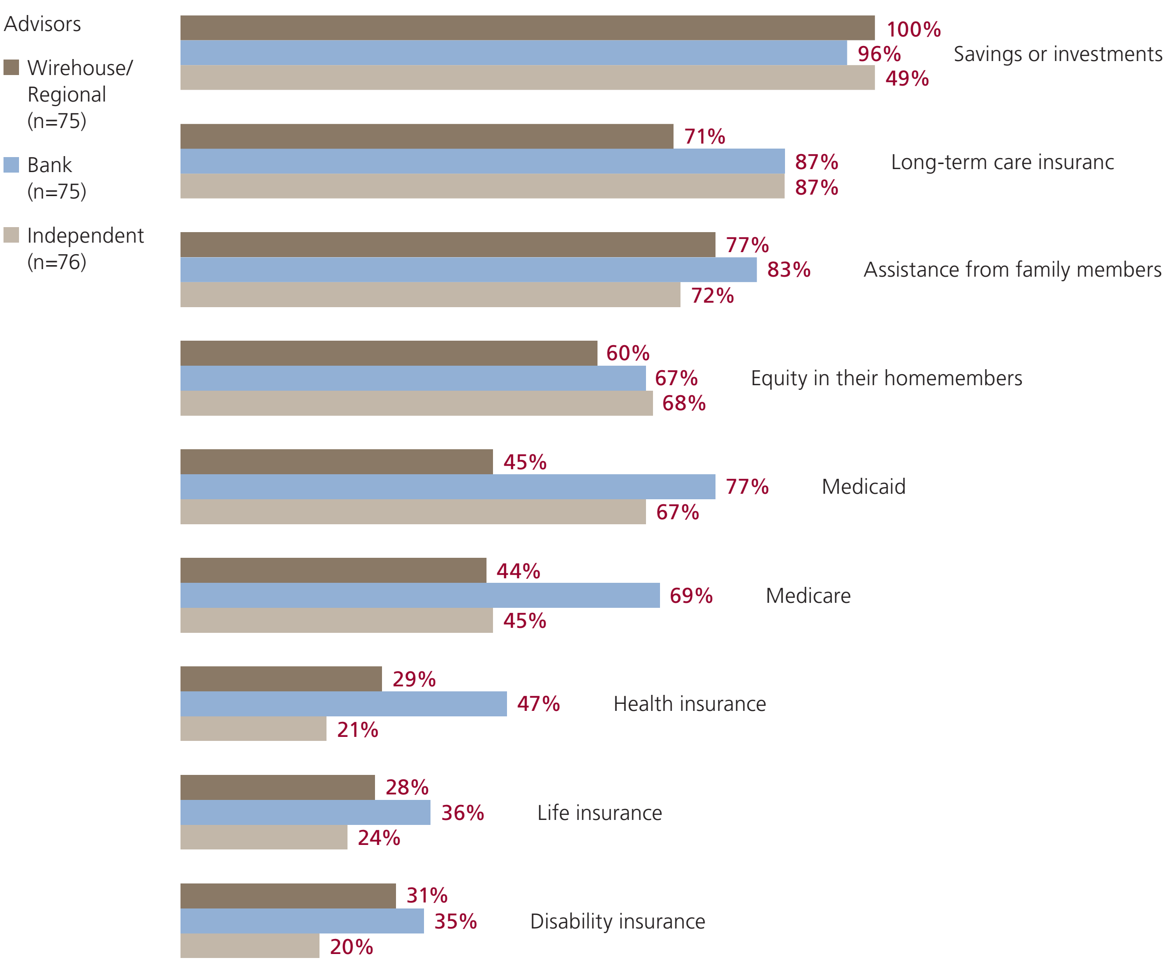


Resources used for long-term care

Almost all advisors stated that people typically use savings and investments to help pay for the costs of long-term care, either in a nursing home or at home.

Both bank and independent advisors (87% each) also believe that long-term care insurance is used to pay for long-term care. Fewer wirehouse/regional advisors think about long-term care insurance as a resource.

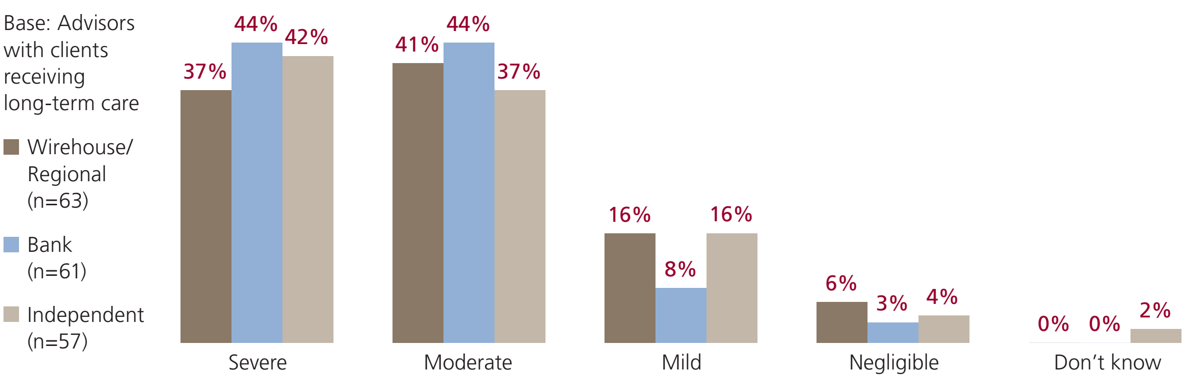
What resources do you think people typically use to pay for long-term care, either in a nursing home or at home? Is it through…?



Impact of long-term care on finances

Advisor observations of the financial impact of long-term care tend to mirror those of consumers. Roughly 4 in 10 advisors stated that the impact to a client's financial situation is severe or moderate.

Typically, when your clients need long-term care, do you find the impact on their assets and income stream to be…?

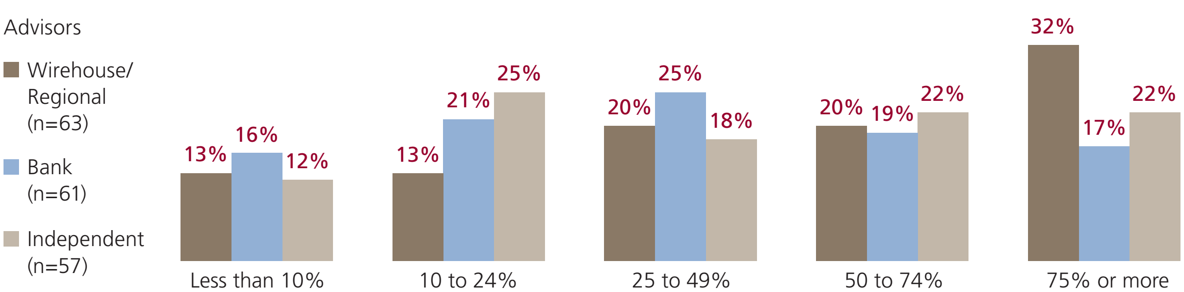


Impact on long-term care on advisor's business

Advisors in all channels believe that a client's need for long-term care would only "moderately" impact their business (43% wirehouse/regional; 41% bank; 47% independent). Only 1 in 10 think that their business would suffer a severe impact if more clients started to require long-term care.

Perhaps this is because nearly half of the advisors report that 50% or more of their clients could pay for one year of nursing home care without financial difficulty. Only a small proportion stated that less than 10% of their clients could afford one year of nursing home care.

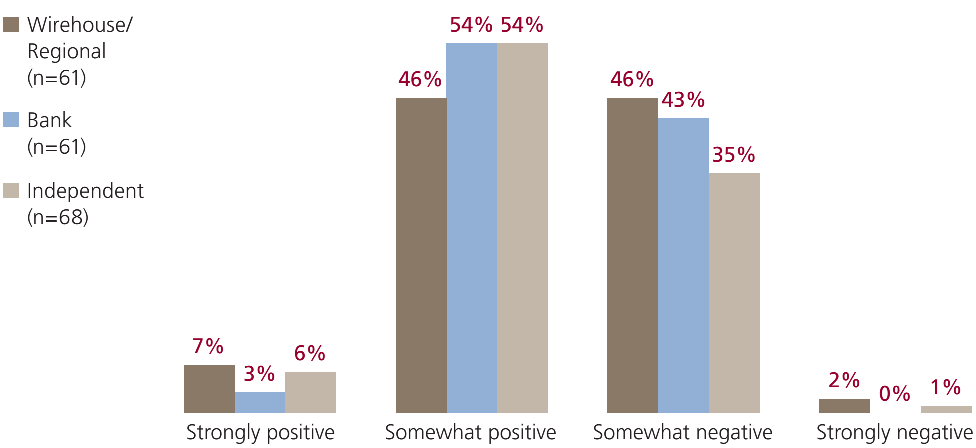
About what percentage of your clients do you think could pay for a year of care in a nursing home without financial difficulty?



Client reaction to advisor recommendation
More than half of the advisors who recommended long-term care insurance to their clients stated that the reaction was generally positive. However, the positive responses fall into the "somewhat positive" range, rather than the "strongly positive" range.

Less than half of the advisors reported a typically negative reaction. Again, the negative reactions fall into the "somewhat negative" rather than the "strongly negative" range.

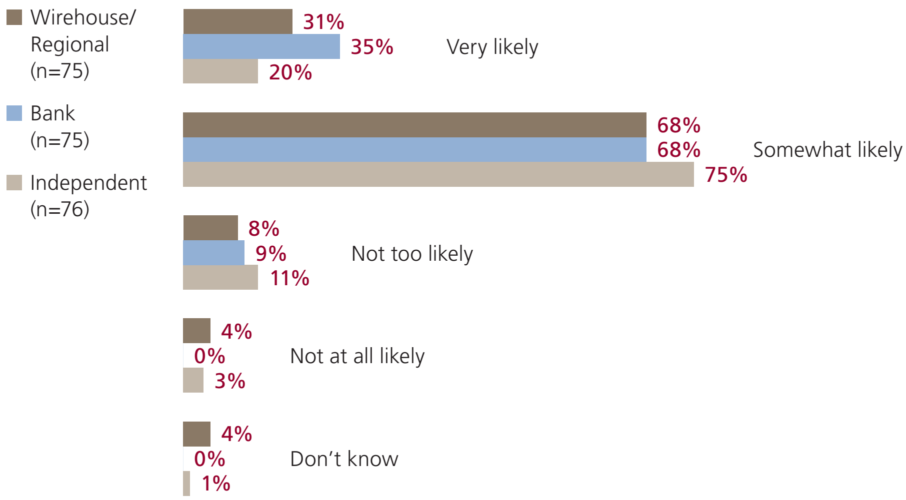
How do your clients generally react when you advise them to purchase long-term care insurance?



Likelihood and reasons for recommending long-term care insurance
Advisors were read a brief description of a life insurance product that would pay toward long-term care expenses, and that would provide a money back guarantee if it were funded through a single payment. The respondents were then asked how likely they would be to consider recommending it to their clients.

- Almost all advisors (97%), particularly those in the bank channel, said they would be likely to consider making a recommendation.
- The majority of advisors also believe it likely that their clients would consider purchasing the product.
- Those advisors who said their clients would be very or somewhat likely to purchase the product cited the money back guarantee was the primary reason.
- Other frequently cited reasons are a need for the product, an easy way to obtain long-term care benefits, providing another option for their clients, and the offer of a death benefit to heirs if the client doesn't use long-term care.

How likely do you think your clients would be to consider purchasing this product?



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May go down in value

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PRNT 10/08 **Z01**
Order code: LFG-LTC-WPR006

About The *Lincoln Retirement*SM Institute
The *Lincoln Retirement*SM Institute, an organization within Lincoln Financial Group, was created to conduct research, organize the intellectual capital of the company and work with external thinkers on retirement subjects that are relevant to the baby boomer generation. Please visit www.LincolnFinancial.com for additional survey findings, research, and other pertinent information.

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Rate Information

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