



February 24, 2011

Important ILTC Product and Pricing Changes Beginning April 5, 2011

Prudential Long-Term Care remains as secure in our core business strategy today as we were when we first entered the LTC market in 1986. We believe part of what has contributed to our success, despite the challenging long-term care insurance (LTCi) market, is our constant review of our LTC experience and our pricing discipline, among other factors.

After a careful review and analysis of our long-term care block of business, we continue to be in a strong position to serve our clients well and continue to market a product that provides this important protection for Americans. However, we are making some important changes to our individual LTC products and pricing and as a valued partner in the long-term care insurance business, we want to make you aware of the impending changes.

We are taking the following actions, which are described in more detail below:

- Effective **Tuesday, April 5, 2011**, we will be discontinuing certain LTC3 SM riders and optional features. We will also be introducing some new LTC3 Inflation options pending state Department of Insurance approvals.
- We are changing the premium rates for *new business* on LTC3 SM policies (also known as a rate refresh), subject to state approvals. These new premium rates will take effect in states that have approved them on **Tuesday, April 5, 2011** (see below for details). Other states will follow and will be announced as we receive approvals.
- In April 2011, we'll begin filing an in-force rate increase for our first and second generation products, ILTC1 SM and LTC by Design SM. We expect the first increases to take effect in October 2011.

Discontinuance of Certain Optional Riders and Features of LTC3 Effective April 5, 2011

After a thorough review of our product features in relation to our claims experience and risk profile, we have deemed it necessary to make changes to our LTC3 product. For ALL LTC3 applications received in the Home Office after **Monday, April 4, 2011**, from ANY state, **regardless of the date the application was signed**, the following restrictions will apply:

- *Full Cash Benefit Rider and Flexible Cash (50/50) Benefit Rider to Be Discontinued*
Although sales of these two riders occur on a very small percentage of our LTC3 business, a review of our LTC experience shows a disproportionate percentage of claims on policies with these optional riders. Therefore, we will no longer offer or issue LTC3 policies with either the Cash Benefit Rider or the Flexible Cash Benefit for applications received in the Home Office after **Monday, April 4, 2011**. However, the Cash Alternative Benefit will continue to be included as a base policy feature. Producers should note that this does not affect existing LTC3 policyholders whose policies include these riders.

- *Unlimited/Lifetime Benefit Option to Be Discontinued*
The Unlimited/Lifetime Benefit Option will no longer be available with LTC3 for applications received in the Home Office after **Monday, April 4, 2011**. Producers should note that this does not affect existing LTC3 policyholders whose policies include an Unlimited/Lifetime Benefit Option.
- *Changes to 150% HHC Option*
The 150% HHC option will no longer be compatible with the 10-year Benefit Period and will not be available with simplified underwriting for Employer-Sponsored Program (ESP) multi-life cases.

LTC3 applications received after **April 4, 2011**, that contain any of the above discontinued options or features, will NOT be issued as submitted. In such instances, the producer would be notified via the status report and asked whether any other policy changes should be made prior to processing.

We are also adding three new features to our LTC3 product which will give producers and clients more options and price points. We plan on introducing these new options at the same time as the rate refresh. See below for more information.

LTC3 Change in Premium Rates for New Business (Rate Refresh)

We have filed refreshed rates with the State Departments of Insurance for LTC3 **new business only**. This action will not impact existing LTC3 policyholders or our other individual LTC product, LTC EvolutionSM.

- The average percentage of increase for the refreshed LTC3 new business rates is 22%.
- The Guaranteed Purchase Option (GPO) and the No Inflation option rates are not changing.
- Premiums for the 2-year Benefit Period will decrease by 3%.
- Premiums for the 3-year Benefit Period will decrease by 5%.
- The percentage increase to LTC3 new business for Limited Pay will be roughly the same as the increase for Lifetime Pay.
- We are awaiting state approvals before putting the refreshed rates into effect. The earliest we anticipate implementing the new rates is **Tuesday, April 5, 2011**. Once a state approves our new rates, we will announce it in a field communication giving you at least 30 days' notice. Our existing LTC3 rates can be used for ANY LTC3 application **submitted prior to April 5, 2011** or at any time thereafter in a state that has not yet approved the refreshed rates.

In states where we implement the Rate Refresh we will also be introducing three new features:

- 2% Compound No Max Inflation Option

- 4% Compound No Max Inflation Option
- 1-Year Benefit Period (*not available in FL, MA, MD, NV, NY, OR*)

We feel these new features will give producers and clients more choices and price points. We expect to introduce these new features state by state at the same time as the Rate Refresh.

In-force Rate Increase for ILTC1 and LTC By Design

An in-force rate increase for our first generation product, ILTC1, sold between late 1998 and June 2004, will go into effect on **October 1, 2011** or later, in states yet to be determined, based on state approval* of our filings.

An in-force rate increase for our second generation product, LTC By DesignSM, sold between September 2002 and November 2009, will go into effect on **October 1, 2011**, or later, in states yet to be determined, based on state approval* of our filings.

We will begin filing these in-force rate increases with the states by **April 30, 2011** and anticipate the first increases (in states that approve the increases) to be effective on the first modal premium due date on or after **October 2011**.

The increases we are requesting are as follows. The actual rate increase that is implemented may vary by state, depending upon regulatory approval*.

ILTC1

Without Cash Benefit Rider
18%

With Cash Benefit Rider
32%

LTC By Design

Without Cash Benefit Rider
15%

With Cash Benefit Rider
30%

For producers doing Multi-Life business in Florida, please see separate communication regarding discontinuance of LTC By Design.

- *Communications and Advance Notification*
We will inform you of our state filing progress of the in-force rate increases for ILTC1 and LTC By Design through regular field communications. As each state approves the new rates, we will distribute a detailed field communication. Included with the communications will be supporting materials as described below.
- *Policyholder Notification of ILTC1 and LTC By Design Rate Action*
Policyholders will receive a letter not less than 60 days prior to implementation notifying them of the new premium rate. The letter will provide benefit change options to help reduce the impact of the premium increase and will provide policyholders with customer service contact information. You will receive individual copies of letters just before they are mailed to your clients. A sample copy of the policyholder letter will be attached to future communications and is attached below for your review.

- *Client Lists for ILTC1 and LTC By Design In-Force Policyholders*
You may request a list of your clients who purchased ILTC1 and LTC By Design policies so you can see which of your clients are affected by this action. To request a copy of your client list, please send an email to:

PruLTC@Prudential.com

- *Producer Support and Materials*

We've developed a [Producer Toolkit](#) with information on the ILTC1 and LTC By Design in-force premium increases to help you answer your clients' questions. The Rate Action Field Toolkit includes background information; a summary of the steps and timeline for this rate action; and in-depth answers to producer and policyholder questions. In the regular field communications, we will also include the toolkit, a sample copy of the letter and a change form. We've also designated a special telephone line just for rate action inquiries.

If you have any questions about this action, you may contact the special customer service hotline we've set up at **(877) 214-6583** Monday through Friday from 8:00 a.m. to 8:00 p.m. ET.

Illustration Software Updates

As the states approve the refreshed rates, PruQuote will be updated accordingly. The discontinued or incompatible features will also be updated effective **April 5, 2011**. Simply click the "Check for Updates" button once you open the software. As always, the software can also be downloaded from PruXpress.com.

Informational Teleconference

We invite you to learn more about this impending action by joining us for an informational teleconference that will cover all of the above changes being made in Prudential Long-Term Care.

Topic:	Managing in a Dynamic LTCi Market
Date:	Thursday, March 10, 2011
Time:	12 p.m. ET, 11 a.m. CT, 10 a.m. MT, 9 a.m. PT
Dial-In Number:	1-800-230-1085
Call Name:	Prudential Long-Term Care

* Some states don't formally approve, but only authorize rate increases.

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0196646-00001-00

