

# For Your Information

**DATE:** December 14, 2010

**TO:** Assurity Producers

**FROM:** Todd Reimers, Sr. Vice President, Chief Marketing Officer

**RE:** Long-Term Care Sales Discontinued

After much thought and discussion, Assurity's senior management has decided to discontinue sales of our AssurityBalance® Long-Term Care Insurance (LTC) policy.

By exiting this line, we can focus more of our resources, including management's time, on our core disability income, critical illness, life, annuity and remaining specialty insurance products—both individual and worksite. While we have seen some momentum in sales of LTC this past year, production is significantly below the original projections established when we entered the LTC marketplace, and as a result, well below the production we need to contribute in a meaningful way to our company's bottomline. Unfortunately, we don't see a realistic way for sales to turn around enough to achieve a level which will be profitable for Assurity.

There are many financial challenges currently facing the LTC insurance industry, including underpriced products which are now experiencing premium increases—an activity that has hurt the reputation of the product with consumers. In addition, industrywide sales of LTC insurance have been dismal in recent years. While LTC sales were up 13 percent in the first half of 2010, LIMRA data shows LTC sales were 30 percent lower in the first half of 2009 than in the same period the year before. And, except for a 3 percent increase in 2007, LTC sales were down every year since 2002. Unfortunately most industry experts do not expect LTC sales to rebound for some time, if ever, for a whole host of regulatory, governmental and social demographic reasons.

We will continue to consider and promote products to help clients pay for long-term care expenses, including the nursing and home care features of our Accelerated Death Benefit, which is part of our life insurance products at no additional cost.

We greatly appreciate the efforts of Debbie Patterson on behalf of this product. During the next few months, Debbie will focus her work on winding down the LTC business. She has been offered another position at our company and is currently considering her options.

LifeCare Assurance Company, the organization that administers our long-term care, has been notified of our decision. LifeCare and Assurity will continue to maintain the block of business that has been sold by Assurity producers during the past 3½ years.

We will continue to accept applications sent to LifeCare through March 11, 2011. All applications currently being processed at LifeCare will continue to be processed.

If you have any questions, please contact the new business contact center at Ext. 4264.

