

# LONG-TERM CARE INSURANCE – HOW BIG OF A RISK

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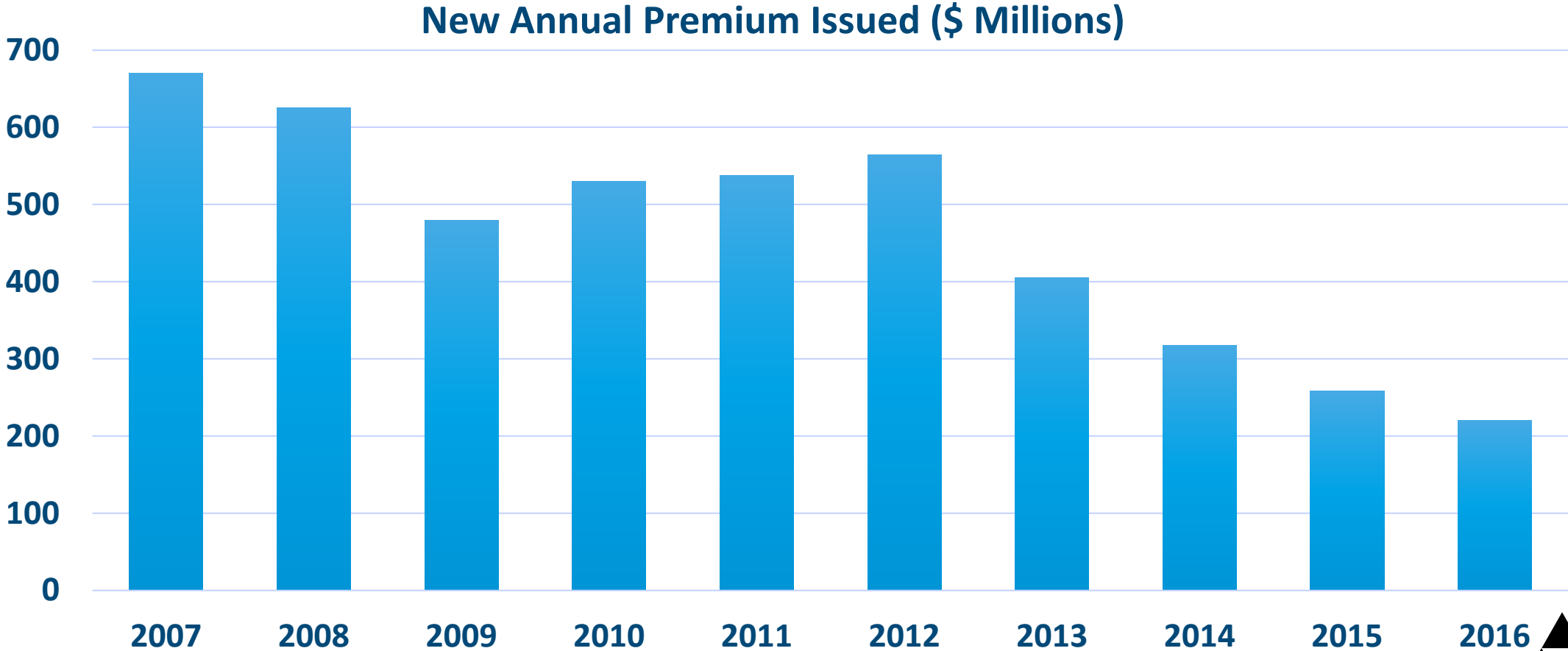
# Agenda

- Sales and Premium Increase Data
- Understanding Premium Rate Increases
- Essential Criteria in LTC Reform



# LTC Insurance Sales

(Stand-alone market)



Source: 2008 – 2017 Broker World Surveys



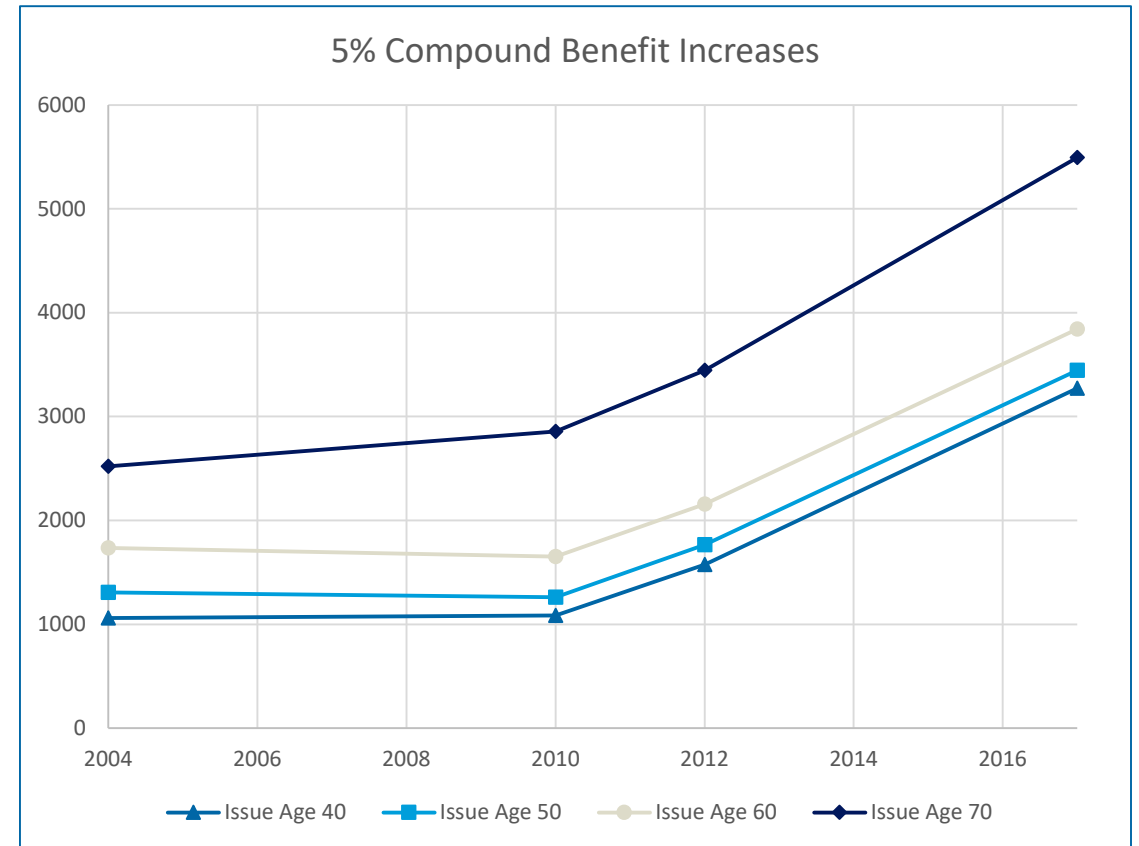
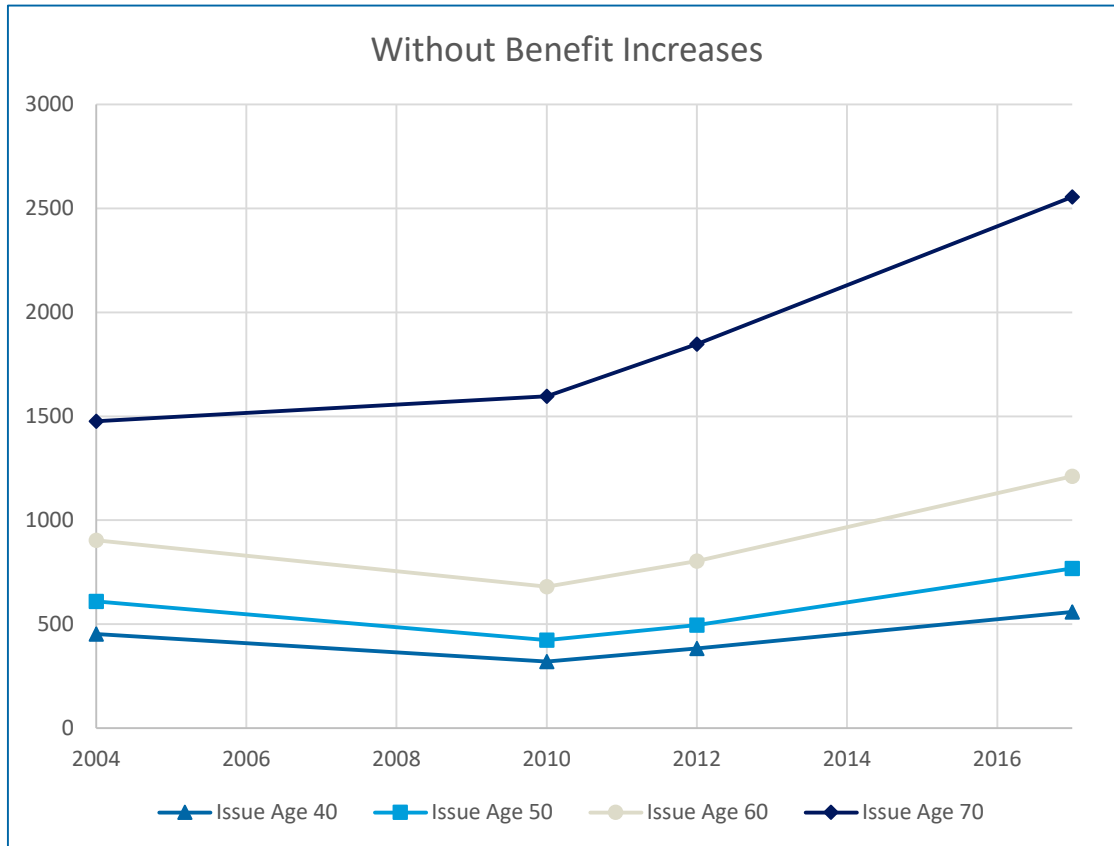
# Carrier Ranking by 2016 Annualized Premium (\$ Millions)

Rank	Carrier	2016 Sales	2015 Sales	2014 Sales
1	Northwestern	\$56.2	\$61.8	\$57.2
2	Mutual of Omaha	\$43.0	\$39.1	\$31.1
3	New York Life	\$18.7	\$16.2	\$15.2
4	LifeSecure	\$16.7	\$9.5	\$11.1
5	Transamerica	\$16.5	\$24.7	\$15.5
6	John Hancock	\$15.8	\$21.9	\$32.3
7	Genworth	\$12.1	\$33.0	\$89.6
8	Thrivent	\$11.5	\$9.7	\$9.6
9	MassMutual	\$11.1	\$11.3	\$10.2
10	Bankers Life & Casualty	\$5.0	\$7.0	\$11.5
	<b>Total Industry</b>	<b>\$220.5</b>	<b>\$258.0</b>	<b>\$317.0</b>



# Premium Rates Trends

- 90 Day Elimination / Three-Year Benefit Period
- \$100/day, Single Insured\*

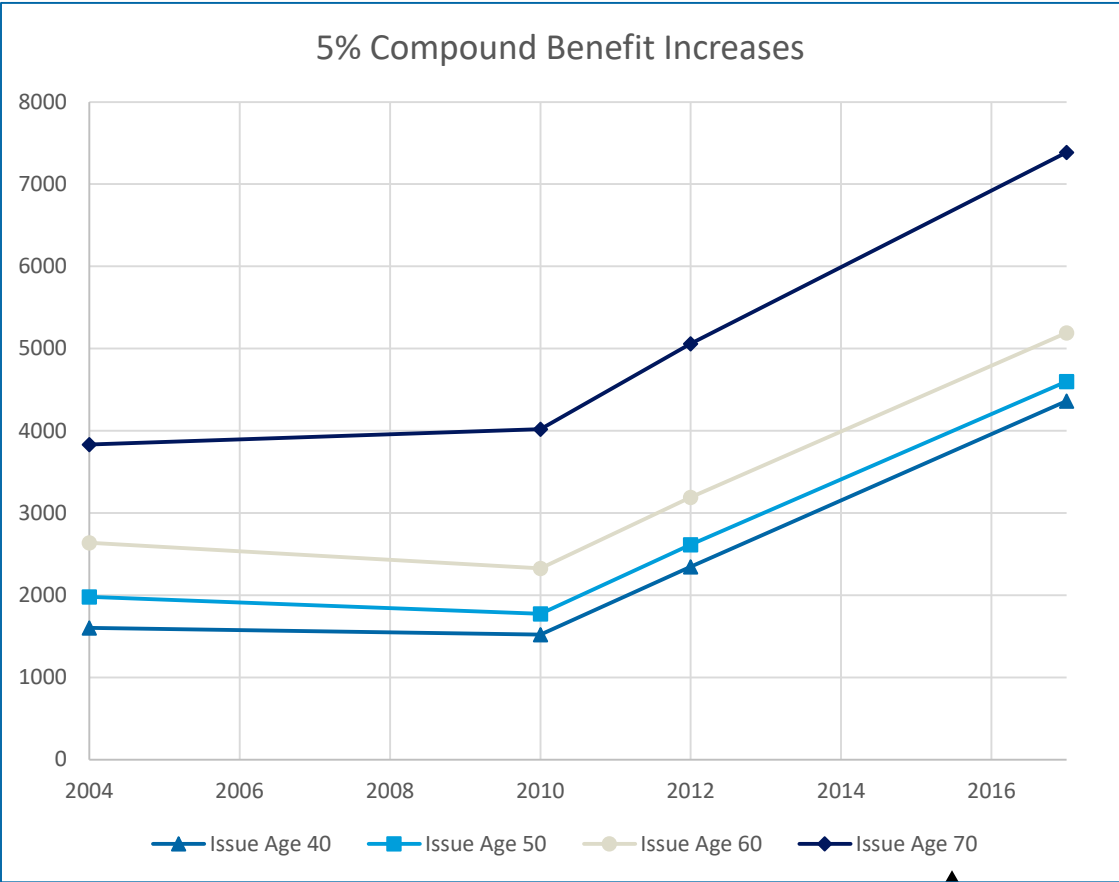
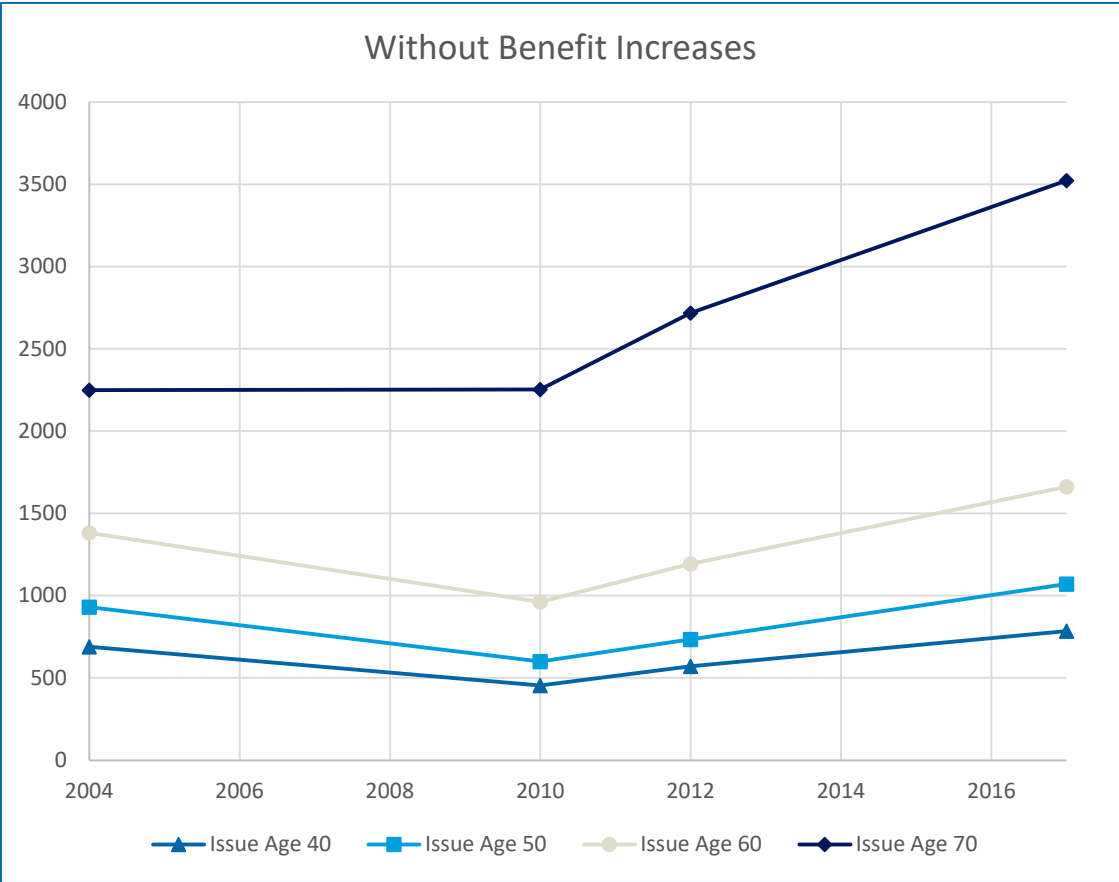


Source: 2004 – 2017 Broker World Surveys  
 \*2017 premium weighted 60% Female / 40% Male



# Premium Rates Trends

- 90 Day Elimination / Three-Year Benefit Period  
 - \$100/day, Male & Female Couple the Same Age

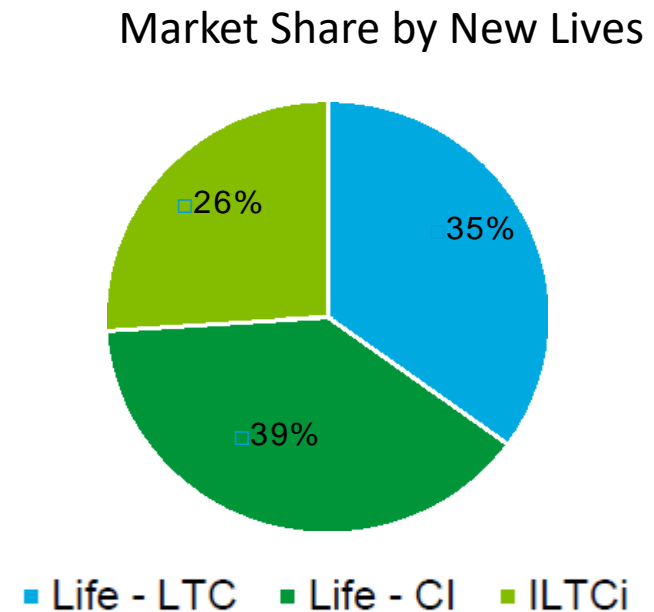
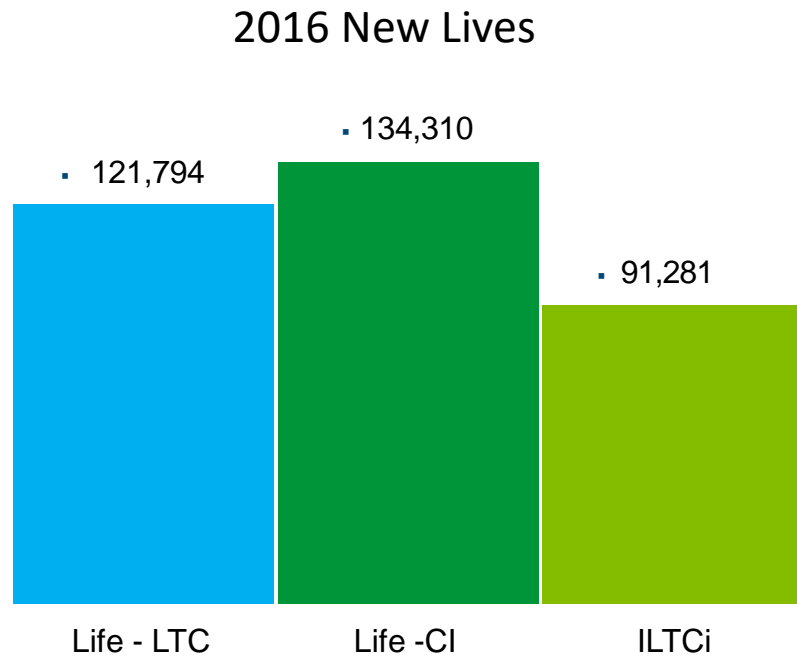


Source: 2004 – 2017 Broker World Surveys



# Individual Long-Term Care Solutions

- Sales for 2016 are estimated at over 340,000 new lives for the LTC solutions market. Life combination products account for the majority of new lives covered.



# Summary of Historical Rate Increase Filings

Nationwide Rate Increase Filings						
Year Increase Requested	Number of Approved Increases	Number of Disapproved Increases	Number of Pending Increases	Number of Unknown Status	Average Increase Requested	Average Increase Approved
2007	4,106	27	0	79	24%	21%
2008	2,910	46	0	91	26%	21%
2009	4,034	190	0	62	28%	21%
2010	4,465	94	0	295	27%	23%
2011	3,178	186	13	172	26%	19%
2012	3,322	193	5	221	42%	26%
2013	2,789	100	12	293	38%	25%
2014	2,786	68	121	445	56%	32%
2015	3,501	191	177	621	39%	22%
2016	1,256	27	401	828	46%	20%
Total	32,978	1,127	729	3,119	34%	23%





# Summary of Requested and Approved Rate Increases 2007- 2012

## Nationwide Rate Increase Filings - 2007 - 2012

Requested Range	Number of Requested Rate Increases	Number of Approved Rate Increases	Average Rate Increase Requested	Average Rate Increase Approved	Percent Approved	Distribution of Requested Rate Increases
0-10%	1,235	1,175	8%	8%	95%	5%
10.1-20%	6,777	6,522	17%	16%	96%	29%
20.1-30%	8,771	8,084	25%	21%	92%	37%
30.1-40%	3,823	3,408	38%	26%	89%	16%
40.1-50%	1,438	1,359	45%	33%	95%	6%
50.1-60%	524	480	56%	38%	92%	2%
60.1-70%	75	73	64%	31%	97%	0%
70.1-80%	646	580	76%	50%	90%	3%
80.1-90%	233	187	89%	49%	80%	1%
90.1-100%	34	34	95%	60%	100%	0%
>100%	133	113	148%	38%	85%	1%
Total	23,689	22,015	29%	22%	93%	100%



# Summary of Requested and Approved Rate Increases 2013 - 2016

## Nationwide Rate Increase Filings - 2013 - 2016

Requested Range	Number of Requested Rate Increases	Number of Approved Rate Increases	Average Rate Increase Requested	Average Rate Increase Approved	Percent Approved	Distribution of Requested Rate Increases
0-10%	684	634	9%	9%	93%	5%
10.1-20%	3,504	2,869	17%	15%	82%	26%
20.1-30%	1,792	1,419	25%	20%	79%	13%
30.1-40%	1,712	1,277	36%	26%	75%	13%
40.1-50%	1,170	878	46%	27%	75%	9%
50.1-60%	1,846	1,285	57%	34%	70%	14%
60.1-70%	399	286	65%	27%	72%	3%
70.1-80%	811	502	76%	33%	62%	6%
80.1-90%	378	272	87%	36%	72%	3%
90.1-100%	776	616	98%	58%	79%	6%
>100%	541	291	136%	68%	54%	4%
Total	13,616	10,332	44%	26%	76%	100%



# Understanding Premium Rate Increases on Private LTCI

## Factors Affecting LTC Premium Rate Increases

- Projections 50 years into future
- Mortality
- Voluntary lapses
- Interest rates
- Morbidity
  - Incidence, length of claim (recoveries / deaths), cost of services

## Uncertainty

- Service providers
- Medical practice
- Family composition
- Mortality or morbidity improvement
- Others



# Understanding Premium Rate Increases on Private LTCI

## Differences Between Current and Past LTCI Policies

- New business pricing levels
- SOA study of assumptions used in 2000, 2007, 2014
- Risk of future rate increase lower for new policies
  - Lower downside of assumptions
  - More experience data
  - Increased margins for adverse experience

*Source: American Academy of Actuaries, Issue Brief June 2016*



# Understanding Premium Rate Increases on Private LTCI

## Determining the Need for LTC Rate Increases

- Policies sold under minimum loss ratio requirements vs. rate stability certifications
  - Loss ratio policies – rate increase if lifetime loss ratio exceeds greater of 60% or original priced for loss ratio
  - Rate stabilization – rate increase if past and projected experience exceeds original or previously approved moderately adverse margin (MAE), subject to 58/85 requirements and future MAE certifications
- Credibility of data
- Time period from sale of policy to claims is significant

## Filing and Approval Process

- Different amounts and timing by state
- Larger rate increase impacts



# Essential Criteria for Long-Term Care Financing Proposals

- Why LTC Reform?
  - The need for LTC financing is on the rise as the baby boomer generation ages
  - Private LTC insurance only accounts for 5% of the LTC financial sources in America today
  - Financial burden will fall increasingly on individual income and assets and on the Medicaid system

*Source: American Academy of Actuaries, Issue Brief, November 2016*



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# Essential Criteria to Consider in Long-Term Care Reform

- Coverage
  - Number of people enrolled with coverage
  - Subsets have varying needs and ability to afford
  - System type: largest driver of level / make-up of coverage
  - Design elements to address mix by population attributes
  
- Comprehensiveness of Benefits
  - Location of care
  - Eligibility of care
  - Level of care
  - Limits of total coverage

*Source: American Academy of Actuaries, Issue Brief, November 2016*



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# Essential Criteria to Consider in Long-Term Care Reform

- Understandability and Choice
  - Must balance ease of understanding with flexibility
  - Recognize that needs of individuals / families vary widely
  - Simpler reform designs?
  - Complex reform designs?
  - Education
  - Controls
  - Consumer options





# Essential Criteria to Consider in Long-Term Care Reform

- Affordability
  - Individual vs. family unit purchaser
  - Working years vs. retirement
  - Taxes and other expenditures
  - Guarantees / limits
  - Program required payment structure
  - Perceived value of coverage
  
- Quality of Care
  - Quality measurement and assessment framework
  - Quality incentives
  - Quality awareness



# Essential Criteria to Consider in Long-Term Care Reform

- Cost Control and Risk Management
  - A risk evaluation system should be developed prior to program implementation
  - Cost controls should be established that allow for alignment of interests of all stakeholders
  - Performance of the program should be evaluated based on the predefined criteria, and cost controls should be modified as needed

*Source: American Academy of Actuaries, Issue Brief, November 2016*



# Essential Criteria to Consider in Long-Term Care Reform

## 7. Financial Soundness / Sustainability

- Can consumers be confident that the program will indeed deliver what was promised?
- Is the program too complex or too simplistic?
- Does the financial program make appropriate use of the funds invested?
- Can the designers ensure that the program interacts well with existing private insurance and public programs?

Source: American Academy of Actuaries, Issue Brief, November 2016



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# Reform Discussions

- Bipartisan Policy Center
- Center for Long-Term Care Reform
- Leading Age
- Long-Term Care Financing Collaborative
- Mercatus Center George Mason University
- MN Department of Human Services
- National Association of Life Underwriters
- National Association of Insurance Commissioners
- Scan Foundation
- Society of Actuaries
- WA State

