



Article from

Long-Term Care News

December 2015

Issue 40

Up Front with the SOA Staff Fellow

By Joe Wurzburger

It has been roughly one year since my role began as staff fellow at the SOA, and what a whirlwind that year has been. Financing long-term care remains a significant challenge to society, and the SOA's Long Term Care Section has asserted itself as a key player in addressing this challenge.

There are several questions concerning our industry that the LTC Section addressed head-on during 2015:

1. Are LTC insurance products, currently being sold, priced appropriately?
2. How can LTC actuaries and state regulators work together more collaboratively?
3. What can the U.S. LTC industry learn from elsewhere in the world (and vice versa)?
4. What are some concrete, innovative ideas that can positively impact the future of the LTC industry?

Let's take a look at these one-by-one.

1. Are LTC insurance products, currently being sold, priced appropriately?

Earlier generations of LTC policies had to be priced with little to no prior data on which to base assumptions. As a result, a significant portion of these early-generation policies have experienced at least one round of rate increases. While LTC actuaries have more experience data to more appropriately create assumptions and thus accurately price products, the rate increases on earlier products have become very visible in the media and are often misunderstood. Many people believe that buying a LTC insurance policy today is risky because they think it is highly likely that their policies will also experience rate increases.

A subcommittee of the LTC Section took it upon themselves to dispel this myth. They collected key assumptions used by a majority of marketplace insurers. Then they applied multiple techniques including statistical analysis, predictive modeling, and actuarial judgment. With this process, the group has been

able to show that current generation LTC products are unlikely to need rate increases.

The results are fascinating and have wide-ranging implications. For consumers, they hopefully instill some confidence in buying the product. For companies who exited the market (or never entered in the first place), hopefully this study provides some inspiration to get back in the market.

These findings have been presented several times already, including at the 2015 ILTCI Conference and at the SOA's Health and Annual Meetings. The next step is the creation of a formal report among other steps to give this study a wider dissemination.

2. How can LTC actuaries and state regulators work together more collaboratively?

The LTC Section took advantage of several opportunities to have a dialogue with regulators. Open communication between the two parties is important due to the complicated nature of the product.

In August, the Minnesota Department of Commerce held a hearing on LTC and invited the SOA LTC Section to participate. Vince Bodnar and I presented at the event and came away very impressed by the event itself, appreciative of the opportunity to participate, and encouraged by the open dialogue that this fostered between various stakeholders: regulators from many states—not just Minnesota—along with consumers, actuaries, brokers/agents, etc.

Additionally, the LTC Section hosted two free webcasts for regulators. The first of these occurred in late July and presented a somewhat basic "LTC 101" type of message. Then in response to feedback from the regulators themselves, a follow-up webcast occurred in October and focused on combo products. Feedback from the two webcasts was favorable, and we hope this open dialogue between the section and regulators continues.

3. What can the U.S. LTC industry learn from elsewhere in the world (and vice versa)?

A very exciting project that has been ongoing throughout 2015 has been the collaboration between American and French LTC actuaries. I always enjoy the chance to work with other actuarial organizations, and this project has provided a great opportunity to work with France's Institut des Actuaire.

Through a series of regular calls, LTC actuaries from the United States and France have taken turns teaching each other about their respective country's LTC markets, providing invaluable opportunities to learn from each other. As the project has evolved, three subgroups have also formed to focus on specific

aspects of actuarial work in each country: pricing, reserving, and risk monitoring.

This group has shared some of the lessons they've learned in various forums, including at the 2015 SOA Annual Meeting & Exhibit in October and again in Paris in November. Plans for 2016 are taking shape and should continue to provide insight into similarities and differences between the world's two largest LTC markets.

4. What are some concrete, innovative ideas that can positively impact the future of the LTC industry?

As it turns out, I spent my actual one-year anniversary with the SOA at the LTC Think Tank, at which this question took center stage. Innovation really was the key word as a diverse group of leading LTC professionals (not just actuaries) converged near Chicago to participate in a 1.5-day exercise in collaboration, innovation, and brainstorming.

Participants were encouraged to strive for quantity of ideas on day one—there was to be no judgment. On day two, these ideas were narrowed down to a more manageable number and built out in a way that would make them actionable. From there, further work is being done to consolidate and organize these into four to six concrete ideas that can positively impact the LTC industry.

From here, next steps are being determined but are likely to include a report and multiple presentations (meetings, webcast, etc.). The amount of creative energy in the room for those two days was beyond my (already high) expectations, and every effort is being made to continue the momentum from the event so that the results are real and noticeable in the profession.

These are just a few highlights from a year about which the LTC Section should be very proud. If each subsequent year can meet (or dare I say exceed?) this lofty precedent, it will confirm for me what I think I already know: I'm very fortunate to have this role. These are exciting times for the LTC industry, and those of us lucky enough to be right in the thick of it are in for a thrilling ride.

Here's to another exciting year in 2016. ■



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