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Q&A with an Experienced Insurance Professional New to Long-Term Care: Janine Halldorson

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Editor's Note: New for 2017, we are introducing a series of articles by experienced industry professionals who are relatively new to long-term care (LTC). We will get their perspective on similarities and differences between LTC and their prior lines of business, and what they think of LTC. Our first article is an interview with Janine Halldorson, a vice president at Prudential, and leader of their LTC Experience Analysis team.

Hi Janine. Why don't you start by telling us a little bit about your background?

I started my career with Prudential straight out of college. I began working in Individual Life Insurance (ILI), specifically with the solutions development team. I then worked in pricing on the UL and Term products before moving into ILI Experience Analysis in 2005. For about 10 years, my work focused mostly on mortality and lapse assumptions on a fairly large assumptions team, until I took a position in LTC as leader of their new Experience Analysis group in 2015. For me it was quite a transition!

LTC is like a community. I was impressed with the tight knit feel of the industry conferences I attended.

What similarities did you notice when you started in LTC?

The concepts of developing assumptions are similar, with mortality and lapses existing in both businesses. They of course, however, mean very different things with regard to claims between the two lines! LTC products are lapsed supported, similar to some UL plans in ILI. Also, there are shock assumptions

related to rate increases, but LTC shock lapses are not nearly as large as shock assumptions in the Level-Term world that I was used to, though still very meaningful to reserves.

And so what are some of the differences that you have seen between LTC and life business?

There are clearly a number of differences. First, LTC is a relatively young business compared to individual life insurance. Generally, it's been around for approximately 30 years versus more than 100 years for life insurance. This has many implications when comparing experience analysis functions and the industry influence on assumptions.

As I mentioned earlier, mortality in ILI is probably one of the biggest assumptions with more deaths being adverse while in LTC, more deaths are favorable to loss recognition margins.

One of the most influential assumptions within LTC are the morbidity assumptions. We, like many LTC companies, take a total claims cost view in our modeling. This presents different challenges and is certainly different from the way ILI is modeling its products. I left the world of FAS 97 and entered into a world of FAS 60, where assumptions are frozen unless you fail LRT. For the most part, as our Disabled Life Reserves are updated and refreshed regularly with new best estimate assumptions. Under FAS97, the morbidity analysis takes on a different meaning since you are looking at assumptions relative to a margin (i.e., is there margin, yes or no?) rather than immediate financial impacts (do we want to update assumptions based on our best estimate in light of what it would mean to our financials?).

What led you to take a role in LTC, and what kind of reaction did you get from co-workers?

Actually, I got some interesting remarks about moving from a large organization that had open and closed block assumptions to a much smaller closed block of business. It was a great opportunity to push myself a little out of my comfort zone, since I had lived and breathed ILI products for so long. This book of business, while closed, is challenging and complex.

What kind of differences and challenges did you see in your day-to-day activity when you moved to LTC?

The products are unique and can vary greatly within a company and across the industry. Due to the various features of the LTC plans, these assumptions are extremely complex and entirely new to me.

Unlike ILI, there aren't industry published tables specific to LTC. This makes it quite different when looking at assumptions that aren't fully credible using company experience.



Another aspect of LTC assumptions that was very different than my previous role was the differences in experience analysis tools. We are working with systems conversions and enhancing tools in a different way since this is a closed block of business. The industry exploration of predictive analytics is also interesting and exciting.

As far as other challenges, a recently published NAIC study stated that the total potential value of inforce policies are \$1.98 trillion, with more than 73,000 filing new claims. Our LTC claims are still in the infancy stage so what will the claims pattern be like for us? We are one of the few companies that had sold cash, or indemnity benefits, as opposed to reimbursement, so what does that mean for assumptions and modeling? How can we gain benefits of industry experience where we aren't credible if data doesn't really exist?

While LTC is a relatively small slice of Prudential, it is still very much an important slice. It's a challenging and exciting time to be able to be working with the LTC Experience analysis group. I feel like my background in ILI has positioned me well for this role. I'm still learning and there is still much to do!

What has been your experience with your new LTC colleagues?

One of the more interesting aspects for me was the industry itself. LTC is like a community. It's generally small and it seems everyone really knows each other. I was impressed with the tight knit feel of the industry conferences I attended. I have learned

so much from my colleagues within LTC at Prudential and I am grateful to be part of this team.

And finally, what kinds of things do you think about that aren't directly experience related, but will most impact LTC claims in the future?

There are a lot of really interesting questions about future LTC claims. People are living longer but what does that mean? Are more people becoming disabled in their older ages? Are more people staying disabled longer? Will government programs designed to handle some costs be enough? Will baby boomers overwhelm the system and the care facilities? Will technology innovate the world of home health care to keep people from going into nursing facilities? Those are just a few that I look forward to finding out the answer to! ■



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