Long-Term Care News

August 2017
Issue 45

Q&A with an Experienced Insurance Professional New to Long-Term Care: Clark Himmelberger

WHAT IS IT LIKE BECOMING AN LTC ACTUARY?

In some ways it feels like getting traded from the New England Patriots to the Cleveland Browns. In my 30 years of life insurance experience, I've never before sat in an industry conference and had a regulator speak up and tell the audience that my line of business was a failure. And at my first actuarial meeting after becoming an LTC actuary, I listened to a rating agency executive basically say that LTC was viewed as the worst insurance line of business of all the insurance lines of business.

For all of LTC's issues, though, it is fascinating working with LTC. For those contemplating a rotation or permanent placement in a LTC position, I have to say it has its share of plusses.

> My two years of LTC experience have helped me better appreciate the wisdom of the actuarial forefathers.

I think one of the things that makes LTC fascinating is that it isn't traditional short-term health insurance and it isn't traditional long-tail life insurance. It's long-tailed health insurance and there isn't a long history of long-tailed health products. I think it helps a lot to have a multi-discipline background to contribute to understanding how the product really works. Years spent working with long-tail life insurance coverages and years spent analyzing the financial leverage of the level term lapse rate assumption are directly applicable to facets of the long-term care insurance product. If the LTC department you're moving to is largely made up of longtime health insurance executives, your experience in long-tailed life insurance will be useful. I think familiarity with cash flow testing and experience study development and analysis helps a life actuary contribute early on to the company's LTC operations while product knowledge is on the short side of things.

Two things stuck with me in my early months in LTC. The first was the amount of lapse support in the product. I used to think that life insurance was the longest-tailed insurance coverage but I now have come to think that LTC is even a longer-tailed product. I know the real-world order is disability comes before death, but when I compare the claim costs for life insurance compared to LTC (probably healthily impacted by the cost of living benefit increases inherent in the LTC) LTC is longer. Couple that with the fact that non-forfeiture benefits are near non-existent on standalone LTC coverage and lapse support becomes a much bigger issue for LTC compared to traditional life insurance.

The second is that health insurance has no safe harbor premium guarantee like life insurance. When rates are filed as Guaranteed Renewable, the sky's the limit for premium increases. Insurance regulator reaction to severely underpriced insurance coverages seem to be to artificially limit premium increases rather than focus on what the right premium level is. I still have a hard time getting my head around the simultaneous existence of one insurance company getting approved by a state's regulator to sell LTC insurance for X and another insurance company being denied a rate increase to a premium that is less than X. I guess maybe that's just the sin of being an early entrant to a market.

My two years of LTC experience have helped me better appreciate the wisdom of the actuarial forefathers toiling without computers that shaped the mature life insurance line of business. Non-forfeiture laws didn't always exist on the life insurance side and I think providing risk mitigating structures in the design of insurance coverages are what helps take a newbie insurance coverage phase to a mature insurance coverage phase and a much more stable line of business.

The frustrating thing about moving to a new line of business is the change from having immediate answers to questions to "I'll have to look that up" for even what are the most basic of questions. The nice thing about LTC is that enough similarities exist with life insurance that life in the new line of business is not completely foreign. ■

Clark Himmelberger, FSA, MAAA, is a senior actuary at LifeSecure Insurance Company in Bright, Michigan. He can be reached at *chimmelberger@yourlifesecure.com*