



SOCIETY OF ACTUARIES

Article from:

The Actuary

May 1995– Volume 29, No. 5

First LTC experience study completed

by Gary L. Corliss

The first Intercompany Study of the Long-Term Care (LTC) Experience (1984-1991) Committee has been completed. It is the first public report on experience of lives insured under private insurance plans and resulted in some interesting findings, including some that we did not expect.

Scope of data

Since 1987, the committee has been gathering and refining the quality of the data secured from 10 insurers. Data was collected as available on policies in force between January 1, 1984, through December 31, 1991. Claims incurred during this time from all policies in force were followed from claim inception through either claim termination or June 30, 1992, whichever is earliest.

The 10 insurers provided information on either 100% of their insureds or a substantial, but representative, portion of their insureds. Sample sizes were selected to protect the confidentiality of any one company's experience. Records were submitted on more than 50 different policy forms. Over 80,000 exposure records were gathered. There were almost 100,000 claim payment records on greater than 13,000 claimants. Just under \$200 million in benefits were reported as paid. Due to the types of policies in force during the exposure period, the majority of claims submitted were for nursing home care.

The average age of the exposure file of inforce policyholders was 67, and the average age at the time of claim incurral was 77. Female insureds represent 62% of the exposure and 64% of the claims.

Report contents

Four main sections in the report cover morbidity, claim characteristics, persistency, and home care. Each section reports on areas for which sufficient data is available, which were sex, issue age, attained age, elimination period, policy duration, and issue year.



Expected findings

The compiled data verifies some long-held expectations on long term care:

- Claim incidence rates rise steeply by attained age.
- Lapse rates generally decrease as duration increases.
- Lapse rates generally increase as age at issue increases.
- Average number of home care visits per week is 3½.
- Males use home care more often and longer than females.

Findings not expected

Some results were contrary to expectation:

- Male and female results are more similar than expected in incidence and duration of claims and persistency of policies.
- Claim continuance appears to increase as age of claimant increases.
- There is little difference in amount or length of claim by sex.
- Only 17% of the known closed claims ended due to death.

Other interesting results

Some other results of interest from this report are:

- Claim incidence rates have fallen as issue year increases.
- Over five durations, incidence rates generally peak in the third duration.
- Persistency rates have increased over time.

- Company lapse and morbidity rates vary widely.
- Incidence rates for zero day elimination period policies are 85-95% of the admission rates reported in the general population data from the 1985 National Nursing Home Survey (NNHS).
- Continuance rates are generally 25% or more above the 1985 NNHS.
- Persistency is greater for policies that have a longer elimination period.
- The smaller the number of claims for a company, the longer and costlier the claim.
- Alzheimer's and nervous system claims were most frequent and costly.
- Cancer and injury claims are frequent but inexpensive claims.

This report is not the end of the Intercompany Study. It is just a first step toward gathering, analyzing, and understanding a small portion of the numerical results of LTC insurance. This report is based on experience found in early policy durations in simple and general terms by companies that have a variety of styles of marketing, sales, underwriting, processing, and administrative practices for their forms of coverage.

More than 20 of the largest writers of LTC have agreed to contribute to the next exposure period. LTC products being sold have evolved quickly over the past decade, and intercompany LTC experience knowledge will grow over the next decade.

For a copy of the complete LTC report (150 pages), send \$30 to the Books and Publications Department of the Society of Actuaries. This report will be included in the next *TSA Reports* volume.

Gary L. Corliss is executive officer at Duncanson & Holt in Avon, Conn., and chairperson of the SOA Long-Term Care Experience Committee.