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Chairperson's Corner

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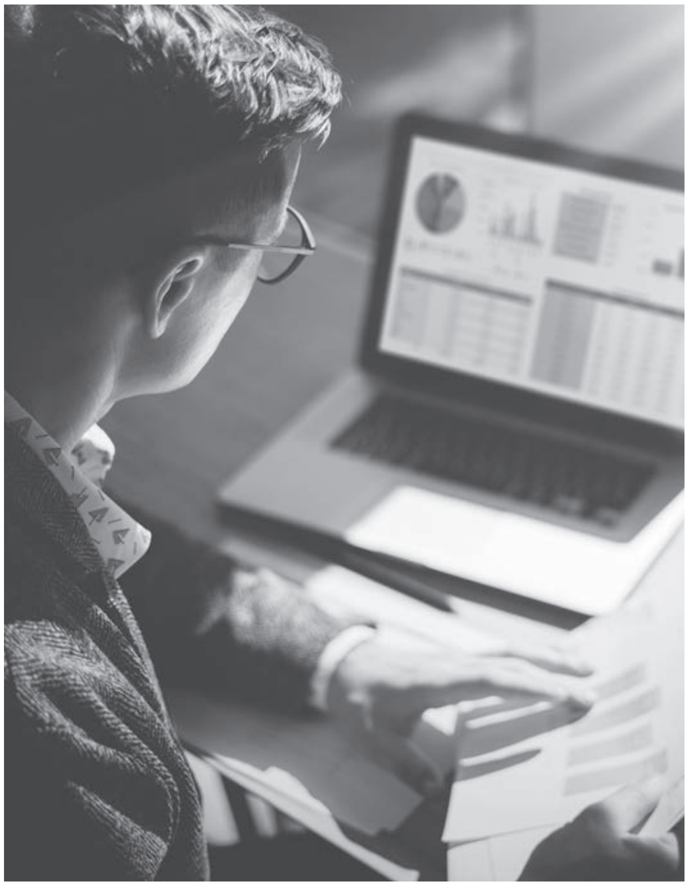

This has been an eventful year in the long-term care insurance (LTCI) industry. LTCI actuaries have always focused on assumptions, and those assumptions are increasingly placed under the microscope. This heightened attention comes from company management, regulators, and industry analysts, among others.

Assumptions form the basis for many important company actions: new product pricing and product development, re-pricing, reserve setting, etc. Some companies have the volume of data and resources that allow them to capture the trends in assumptions and the interactions between them. For instance, companies may assume that the trend in morbidity (which is related to policyholder healthiness) correlates with the trend in mortality, and they may see this in their own data. Other companies may not have the benefit of credible data, and have to rely on other industry sources to develop these assumptions.

An NAIC subgroup has reviewed LTCI company Actuarial Guideline 51 (AG51) submissions from year-end 2017. That subgroup is scheduled to release a public report the same month that this newsletter is published. The focus of that report will be on the assumptions that companies have used in determining asset adequacy.

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In 2018 many investment firms and Wall Street analysts have published reports discussing companies with LTCI liabilities. My read of these reports is that they usually fail to look at LTCI risks with the same nuanced perspective that trained LTC actuaries do. Nevertheless the reports are the basis of investment decision-making. To that end, it is imperative for actuaries to communicate our assumptions and our methods coherently and clearly to each of our stakeholders.

I expect the SOA, with the heavy assist of LTC actuaries, to increase efforts to collect and analyze data to inform the LTCI industry's critical actuarial assumptions. Additional information and analysis will help LTC actuaries to better understand what it is they're assuming when testing cash flows, pricing traditional and combination products, and estimating future morbidity.

These times are ripe for collaboration between actuaries of different disciplines. I think there are many lessons that we may learn from our friends in the SOA's Health Section about morbidity, e.g., we should be eager to learn how a Medicaid actuary understands nursing home stays for long-term care claimants. There are also emerging predictive analytical techniques that we need to learn to better understand interactions between assumptions, and the change in assumptions over time.

The SOA and this section have always focused on providing the education and practical tools necessary to help LTC actuaries succeed in their job, and I expect that focus to strengthen in the coming years. ■

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