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A Primer on Some LTCI Pricing Challenges

by Jim Berger & Yang Ho

Editor's Note: This is part one of a two-part article. It will be concluded in the next issue of Long-Term Care.

Actuarial challenges in product pricing are not unknown to other lines of business, but they take on new meaning and significance when pricing long-term care insurance (LTCI). A discussion of some of the elements of importance in pricing should illuminate issues that all pricing actuaries should keep in mind.

Gender

One common practice in this "unisex priced" world is the use of unisex data. Male and female frequency and average length of stay tables, along with the assumed mortality and lapse rates, are combined by applying the expected sales mix by gender for each age at issue. Then the income statement for a given issue age cohort is calculated to show the cash flows and the loss ratio development.

Different claim cost streams are developed for each issue age, since the gender mix should be expected to change as the block ages, e.g., $q(70)$ is not equal to $q(60+[10])$. In other words, unique incidence rates for each issue age are necessary, even after the impact of underwriting has worn off. Females have lower involuntary lapse rates (death) but their claim cost curve tends to be steeper, thus requiring

unisex pricing to use separate issue age claim cost streams.

One of the concerns with unisex pricing is that the reserves are then unisex. If the anticipated gender mix does not materialize as assumed at issue or changes by a different pattern than anticipated over the course of the product's life, the reserves do not adapt. This weakness should indicate to the pricing actuary the need to have sex distinct reserves even if the pricing is done on a unisex basis.

Of course, the alternative is to develop separate male and female

income statements at each pricing age and then combine them.

Sex distinct pricing has an added advantage of more transparent sensitivity tests to differing claim costs, lapse rates, and gender mix. This can be helpful, for example, when considering the pricing of the married couples' discount.

The block's experience, unlike what may be assumed in pricing, should be expected to develop uniquely for each gender.

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2000 Annual Meeting Long-Term Care Insurance Sessions

by **Greg Gurlik**

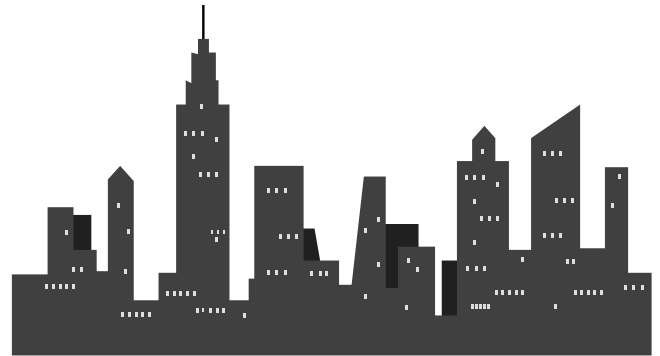
Although we are still two months away from the full slate of LTCI sessions planned for the SOA's 2000 Spring Meeting in Las Vegas, planning has already begun for the 2000 Annual Meeting, to be held October 15-18 at the Sheraton Chicago.

Your LTCI Section Council and you, its members, have shown tremendous enthusiasm for the LTCI sessions at recent SOA meetings. We intend to maintain and build on that enthusiasm to offer another full slate of sessions at the Annual Meeting. However, your Council needs your help to make those sessions as successful as possible.

Now is your opportunity to suggest speakers or to volunteer to present or share your ideas. Maybe you belong to another SOA Section and would like to learn more about how the activities of that Section pertain specifically to LTCI. Maybe you have strong feelings about what type of sessions — panel discussions, workshops, teaching sessions, interactive discussions — provide the best opportunity for session attendees to learn and share ideas

about the evolving LTCI market. Whatever your input, we want to hear from you.

Please contact me, any of your LTCI Section Council representatives, or your LTCI Section



Newsletter Editor with your thoughts. Let's start a tradition of excellence for SOA Annual Meeting LTCI sessions!

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NAIC Activities

by William C. Weller

Editor's Note: This is a summary of the National Association of Insurance Commissioner (NAIC) discussions through December. Discussions continue and this report is necessarily dated by the time this issue of Long-Term Care is published. The NAIC reports in each issue give the reader background and knowledge of recent developments.

Long-term care insurance (LTCI) issues were discussed during meetings on August 23-24 in Kansas City and October 1 and 3 in Atlanta, a conference call on November 19, and at the NAIC meeting in San Francisco December 3 and 5. The principal focus of these discussions was again rate adequacy (or the avoidance of rate increases) and changes to the NAIC models dealing with LTCI based on the Health Insurance Portability and Accountability Act of 1996 (HIPAA). On December 5, Senator Joseph Dunn from California reported on the activities during 1999 on his bill to address LTCI rate increases, as well as its prospects in 2000.

Rate Stability - Rate Regulation

Issues surrounding the methods to increase rate stability (defined by most regulators as the elimination of the need to increase premiums after issue) during the August meeting discussions were wide-ranging. Considerable discussion focused on potential changes described in the first Newsletter based on the NAIC's Filing of Rates For Additional Benefits Individual and Group Health Insurance Forms Model Regulation. Much discussion also occurred on the expectation of

the actuarial certification, the amount of work underlying that certification, and the ways in which that can be satisfactorily reviewed.

It was noted that the actuary must have a very good idea of the company's business practices (or anticipated practices) regarding the key elements of LTCI to meet the *Actuarial Standards of Practice* (ASOPs). The availability of this material as part of the review is thus another key issue, given its very confidential nature.

Discussion time at the Atlanta meeting was much shorter and focused more on developing an approach to continue moving the open issues to resolution. It was decided that a subgroup of regulatory actuaries and interested parties (industry representatives and funded consumer advocates) would be appointed to address issues in four categories:

1. Areas where there appears to be enough general agreement to complete specific language
2. Areas that received substantial discussion in Kansas City but require further discussion to reach general agreement
3. Areas outlined in comparable July 30 drafts (from NAIC and HIAA/ACLI) that did not receive substantial discussion in Kansas City
4. New areas included in a September 10, 1999, NAIC draft

Other non-model concepts were also discussed with the expectation that they would receive further comment by the December meeting.

Finally, there were concerns raised about the limitations of the existing rules relating to "Guaranteed Renewable" coverage.



The laws and regulations limit changes to premiums. However, the potentially lengthy period between original issue and the need for reimbursement for LTC services may significantly change the ways in which benefit eligibility is established and the ways in which LTC needs are provided.

During the November conference call, several changes were agreed to relating to the provisions a commissioner may utilize in the event of rate increases. Additional drafting assignments were made.

The December meetings were used to allow the regulators to define the areas that needed to be included in addition to changes to the NAIC Models. They agreed to the following:

- The development of an NAIC LTCI Regulatory Guidance Manual to list key assumptions, indicating their relative importance
- The development of consumer aids to better understand the impact of rate increases and adding a focus on the rate history of other LTCI products of the same company
- Not to develop a program that would be used by regulators to "calculate" the LTCI premiums based on the carrier's assumptions submitted in a filing

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A Primer on Some LTCI Pricing Challenges

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Underwriting Classes

Another pricing realm that deserves extra attention is the experience of preferred and standard risks, and also substandard risks where applicable. One should expect the claims to develop differently for each class not due only to morbidity but also due to differences in mortality, underwriting selection, and lapses.

It may be reasonable to expect preferred and standard risks to have the same ultimate claim costs, but even this is unclear. If preferred insureds are considered better risks due to lifestyle issues, these lifestyle differences may persist throughout the remainder of the preferreds' lives.

Once again, reserve assumptions should be in sync with pricing assumptions. Risk classification by preferred/standard/substandard can vary more greatly than even the male/female mix, as underwriting is refined and the marketplace exerts pressures for new underwriting rules.

Of course, the challenge here is to know if a company has significant knowledge (through experience or otherwise) to make sense of this dichotomy/trichotomy and is able to differentiate the risks accurately. Every effort should be made to avoid being targeted in maybe the more weakly priced sections of the rate book. While theory points us down one road, practicalities of cost vs. benefit must be considered.

Disability Model?

For an integrated plan, a proper model should theoretically recognize the existence of two (or more) modes of care (e.g., home care and nursing home care) and the transitions

between these sites. The disability income product line might appear to be a model in this regard, as it has two methods of disablement: accident and sickness. Unfortunately, LTCI is much more complicated.

While it would be very unlikely for the disability income beneficiary to move from disablement by accident directly to disablement by sickness, or vice versa, it would be common for the LTCI claimant to start with a community-based care benefit and then move to a facility benefit. This indicates a semi-Markov model, at least with regard to policies with both community-based and facility care features. The difficulty is the complexity of implementing this semi-Markov model.

benefits offered or in combination with limited experience data.

The disability income model may look to do a reasonable job, but ultimately it would be best to recognize LTCI for what it is — a unique product needing unique thinking.

Claim Continuance

Another modeling challenge arises from the concept of continuance of claim. One practice is to develop claim costs by taking frequency times the average length of stay (ALOS) for each mode of care at each age and then adding the claim costs per mode to gain the total claim cost per age. The ALOS should be discounted with interest due to their significant lengths.

"Risk classification by preferred/standard/substandard can vary more greatly than even the male/female mix..."

Not only would the model itself be very complex, but also where would the data come from that possessed any degree of credibility? Thus, even though a proper model is known, practicality dictates that the combination of the community-based and facility care claim costs be made before the model is run. Anticipated pricing methods thus dictate desirable statistical methodology. Experience should be studied so as to develop combined claim costs for integrated policies.

The values will be derived from experience data for those companies with sufficient experience, while others will develop it from published data adjusted for the

This does a reasonable job of showing the cashflows, except that the disabled life reserve (DLR, a term borrowed from disability insurance) and its corresponding drag on earnings are not properly recognized. This earnings drag can be roughly modeled by using a lower discount rate for the average lengths of stay. This is not a perfect method.

Also, the claim expense reserve should be considered in any evaluation; it is not considered as part of the DLR and is not deductible for tax purposes.

The better approach is to use continuance tables, though the complexity of the model increases. Then the DLR is adequately reflected while the ALOS is not

used; the continuance allows the proper discounting in the cash flows, depending on the purpose of the discounting. For example, ALOSs may be discounted at the reserve interest rate, at the investment earnings rate, or at the hurdle rate.

While the use of continuance certainly complicates the model, our experience is that a spreadsheet model is only slightly more difficult to implement and is worth the effort. Though the DLR can be estimated when needed (for example, for filing in New York), the proper model solves this issue and gives a clearer understanding of the cash flows. Note that using continuance in the model allows for a better comparison of the actual experience of claims payments with the expected experience from the pricing model.

Lapse

While the accuracy and detail selected for the model must be appropriate for the purposes at hand, the inputs to the model must also reflect a measure of reality. While we can simplify assumptions to price LTCI, we may miss important insights if we simplify too much.

Lapses, arguably the most critical assumption for this lapse-supported product, should be examined in detail. For example, ultimate claims assumptions should be increased when using higher ultimate lapse rates, thus accounting for antiselection in lapsation.

A thorough understanding of lapses can shift the pricing of various benefit features. Customers who purchase inflation protection may be less likely to lapse. Married couples may have lower claim costs, but they may also have lower lapses, at least while both are alive. What about males and females, older ages vs. younger ones, facility only vs. integrated

products, policy size, and even variations by region of the country? All can affect lapsation.

Mortality

Mortality is often assumed to be according to a given table, say the 83 GAM; but mortality should improve over the life of the block. If the actuary feels positive about the claim experience, shouldn't mortality be assumed to improve? Also, shouldn't mortality be adjusted by the selection factors during the select period, though perhaps not to the level of life insurance? And while the 83 GAM may have certain desirable properties, it is not clear that it has the desired mortality level, not to mention any provision for mortality improvement.

As pricing is done in a world that determines premiums as the "best" balance between expected profits and competitive pressures, an understanding of all these sensitivities is helpful in seeing where a block of business may be most at risk of being out of balance.

(Part II to come in the next issue.)

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NAIC Activities

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Finally, the date for a two-day meeting was set (January 13 and 14), possibly in Dallas. This meeting would focus on continued draft changes to the NAIC Model. The latest model is available on the NAIC web site (<http://www.naic.org>), then go to "Papers/Model Laws/Drafts" and look under "Draft Model Acts and Regulations for the Long-Term Care Insurance Model Regulation (rating)."

HIPAA

The latest HIPAA draft should be available on the NAIC web site (same as above but with "HIPAA changes").

The final issue relating to HIPAA apparently was resolved in December. HIPAA requires the reporting of "Claim Denials" with little definition of what this is to include and to whom the report is to be made. The NAIC Model defines many of these issues, but still leaves a number to each company to determine. The Model defines a "denial" and attaches a format for reporting both certain "not-paid" claim requests (e.g., not paid during the elimination period) and other denials, including appropriate denials in several categories.

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Suitability and Long-Term Care Insurance

by Dearborn Publishing

Editor's Note: This article is taken from the first chapter of a course on LTCI Suitability, which will be published by Dearborn Financial Publishing this year.

What makes a long-term care insurance (LTCI) policy suitable? Some people believe suitability is determined by assessing a prospect's financial status. For these people, a sale is suitable when a prospect has a certain amount of assets and income. For example, the prospect may have retirement funds and an estate to protect. At a minimum, the prospect must be able to afford the policy.

Other people equate suitability with education. A sale is suitable when a prospect understands how an LTCI policy works and why he or she is purchasing it. Market conduct investigations that resulted in multi-million dollar fines against insurance companies have focused attention on this aspect of the LTCI policy sales process.

To still others, the essential component of a suitable sale is the identification of a prospect's needs and the matching of appropriate policy features and benefit levels to those needs. To these people, the measure of a suitable sale is when a claim is filed and the insured receives the type and level of benefits needed.

An LTCI policy is a complex and evolving product that is difficult to understand, design and manage. Furthermore, it's a new product to consumers, agents, insurers and insurance regulators.

Here, we'll explore the meaning of suitability and the related concerns of each of these players. These concerns arise from the questions,

uncertainties and confusion surrounding a relatively new and rapidly evolving product. We'll start with consumers.

Concerns of Consumers

A LTCI policy is so new to most consumers that they have no personal experience to guide them in investigating and purchasing the product. Their parents didn't own LTCI and few, if any, of their friends have a LTCI policy. Practically no one knows anyone who actually received benefits from a LTCI policy. On the other hand, many people know someone who needed LTC and had to pay for it out of their own pocket, with dire consequences.

The decision to buy LTCI is difficult to make because it is a new, evolving and complex product; yet prospects must understand it to make the many decisions involved in designing a policy that meets their needs. The process is made more difficult for prospects because they have no experience to guide them in choosing the right policy.

Articles in popular magazines are inconclusive about whether or not LTCI is a need as the insurance industry claims, or a waste of time and money. Too often, these articles give mixed messages that are confusing.

The National Association of Insurance Commissioners (NAIC) has published *A Shopper's Guide To Long-Term Care Insurance* that provides many helpful tips on LTCI. The guide must be given to consumers for disclosure purposes in many states. Remarkably, this guide is also unconvincing when it comes to deciding whether the purchase of LTCI is a wise decision or not.



Few companies provide education to consumers on why to consider purchasing LTCI, and fewer still guide them in choosing a suitable policy. Too often companies that do try to educate consumers mix their educational material with sales literature, a practice that causes confusion and is unappreciated by consumers.

Some of the best information about LTCI is on the Internet. However, this information presents all sorts of credibility issues to consumers, especially seniors who are leery of information in cyberspace. Is the information factual? Is it honest and objective? Also, while many prospects for LTCI are computer savvy and do access the Internet regularly, they are not ready to buy insurance on the web...yet.

Consumer advocates advise consumers to speak to many agents before deciding to buy a particular LTCI policy. Of course, this results in confusion and uncertainty about whether or not they will buy from the "right" agent and the "right" company. Other than using a financial rating, few LTCI prospects know how to evaluate an insurance company.

The purchase of a LTCI policy requires a prospect to search his or her innermost feelings about a subject that is difficult to consider in private, let alone in front of a stranger. Consumers don't want to go through that experience repeatedly with various agents they hardly know.

What should a consumer do? Go through the experience repeatedly with various agents or purchase the policy from the first agent the consumer trusts? Faced with this choice, many consumers simply procrastinate. They delay the purchase decision, and that indecision may be the worst decision for a consumer.

Concerns of Life Insurance Agents and Financial Planners

Because LTCI is so new and evolving so rapidly, life insurance agents and financial planners face many of the same issues consumers face. They have concerns about whether or not their clients need LTCI policies, which company is the best to use, and how one identifies quality products. Their clients are asking them about the advisability of purchasing LTCI, and they don't know what advice to give them.

Agents read the same magazine articles consumers read. They also read *NAIC's Shopper's Guide to Long-Term Care Insurance*. Because the primary insurers with which many life insurance agents have done business for many years do not offer LTCI, agents are forced to conduct their own analysis to identify which company offers the best product for their clients.

Wholesalers are touting their wares to these agents, promoting different LTCI products. Some of these products only cover home care. Some are presented as riders to life insurance policies. Some cover only certain types of facilities, and others are comprehensive, covering everything.

It seems like everyone has advice to give, but there are no easy answers. Some say an insurer's financial strength and ratings are essential. Others recommend finding the policy with the best features. Some represent companies with cheap rates. All companies are trying to find their niche in this market, which has an untapped potential. Everyone seems to be jockeying for position. Many attorneys seem to favor the transfer of assets and reliance on

expensive? Is it worth the price? How does the elimination period work? Should an agent recommend a tax-qualified or non-tax-qualified policy? What distinguishes a reimbursement from an indemnity plan?

Because they don't know the answers to such questions, they don't talk about LTCI. They continue selling the products they've always sold. They've decided not to take the time to learn about a product surrounded with so much complexity and uncertainty. Meanwhile, a huge

"Agents are seeking reliable and objective information that will give them a solid foundation for selling LTCI with comfort and confidence. They're not finding such information. Instead, they read trade journals that publish articles about companies that under-price their product to gain market share, with the intention of raising rates in the future."

Medicaid. As a result, many agents are confused and fearful of not getting it "right."

Agents are seeking reliable and objective information that will give them a solid foundation for selling LTCI with comfort and confidence. They're not finding such information. Instead, they read trade journals that publish articles about companies that under-price their product to gain market share, with the intention of raising rates in the future. Such articles make agents believe all companies are engaged in similar practices, and they don't want their clients to be subjected to frequent or large premium increases. Other articles throw fuel on the fire of the debate that's raging over whether it's better to purchase a tax-qualified or a non-tax-qualified LTCI policy.

Agents are also unsure about how to design a LTCI plan. They have many questions about it. For example: Why is inflation protection so

and lucrative opportunity awaits agents with the know-how to take advantage of the challenge of LTCI.

Agents who are taking advantage of this opportunity are finding that the LTCI sales process can be used to acquire a prospect's trust. Once that trust is established, it is easy to take the next step and look at the client's overall financial situation and the opportunities available for additional products and services.

Concerns of Insurance Companies

Several big issues face insurance companies. One is whether or not to offer an LTCI. Another involves defining the characteristics of an LTCI product to offer. Still another concerns the appropriate pricing of an LTCI product. All these issues must be resolved amidst considerable uncertainty.

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Suitability and Long-Term Care Insurance

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The decision-makers at these companies read the same articles that are read by consumers and agents. Everyone — consumers, agents, insurers — wants to know whether or not LTCI is a viable product. The evidence favoring such a product is building. A growing number of insurance companies realize that LTCI provides benefits that are definitely needed by their clients. With increasing longevity, more of these clients are cashing in their life insurance policies and their annuity to pay for LTC services, and that isn't good for the insured or the insurer. LTCI is a solution to that problem.

Everyone is aware of the demographic shift described as the graying of America. In 1997, there were approximately 34 million people in the United States age 65 or older, and this group is living longer than ever before. This older population will burgeon between the years 2010 and 2030 when the baby boomers (those born between 1946 and 1964) reach age 65. By 2030, there will be about 70 million older persons in the United States, more than twice their number in 1997. People over 65 will represent 13% of the population in 2000 and 20% of the population in 2030.

Add to this the fact that the group over age 85 is the fastest growing segment of the entire population.

The odds of entering a nursing home and staying for a longer period increase with age. An average nursing home stay today costs approximately \$48,000 a year, and the average length of stay is 2.5 years.

Given these numbers and trends, LTCI is a product that it will make increasing sense to purchase.

Everyone has an opinion about what aging people want and need, and quite often these opinions don't jibe with reality. For example, many insurers believe these people need less life insurance so they are searching for ways to diversify their product offerings. However, it's a known fact that the majority of people are grossly underinsured for life insurance.

Some companies think LTCI is an easy sale because so many people don't own it, but LTCI isn't suitable for all companies and all distribution systems.

Is it suitable to offer a product that has so many unknowns? Is LTC an insurable event?

Insurance is for a dreaded event — like a death, a robbery, or a car crash. Some people think the likelihood of a LTC claim is so high that it cannot be properly priced.

Should an insurance company offer a product with so many unknowns — so much uncertainty? Data used to price LTCI are based on the costs of using services, not on how insureds act when they need LTC services.

Few companies have enough experience to price their product based on their own data. There is so much that is not known in this area. Do people want strangers coming into their homes to help them when they are unable to care for themselves? Or would such people prefer to move to a facility where others perform household chores and health care or where other services are available?

Introducing a new product like LTCI is a complicated process for an insurance company. The company must carefully design and price the product to meet the needs of its distribution system and provide

financial returns commensurate with the risk undertaken. Then the insurance company must struggle to gain approval of the product in various states. State-specific modifications must be made, and multiple disclosure forms and booklets must be prepared. Advertising material must be submitted to state insurance departments, which invariably require modifications before they can be used. This isn't an easy process for companies. Considerable resources must be devoted to these processes to achieve success.

Then, companies must make sure their products are sold in a suitable manner. Some companies and regulators pursue suitability by making agents complete suitability worksheets; they are required in many states. However, many people question whether the worksheet is an accurate measure of a true suitability assessment. Other companies test their agents' product knowledge and ability to identify the need for LTCI.

Having gone through this process, insurers then find out that demographics don't buy policies, well-informed individuals do. Redesigning a distribution system and motivating the systems' agents to sell a much different product is difficult. One must provide extensive training using multiple media to help agents understand why and how to offer LTCI in a suitable way.

Concerns of Regulators

Regulators try to balance the needs of insurance companies and the public when drafting regulations and legislation and approving an insurance company's policy forms, disclosure documents, and advertising materials. Insurance regulators have been the most vocal in expressing their concerns about



suitability. They have seen the product evolve from one that mirrored Medicare's requirements for benefits to today's policies that provide meaningful benefits.

In the middle 1980s, a company could offer a product that was conditionally renewable and required a three-day prior hospitalization in order to qualify for benefits. Just 15 years ago, some states had no LTCI regulations, and the regulations of those states that did have them were weak.

qualified plan. On the horizon are more stringent regulations regarding rate stability.

Regulators have seen a few companies enter the LTCI business and then leave it by selling their block of business. Eventually, the insureds in the sold blocks are subjected to the undesirable practice of having their rates raised. Regulators don't want to see this happen too frequently. State insurance departments exist to minimize this type of activity.

- When agents provide the factual information and disclosures consumers need to make an informed decision?
- When companies fulfill their promises to provide meaningful benefits and stable premiums while still able to stay in business?
- When regulators maintain a trustworthy marketplace and foster innovation?

A "yes" answer to each of these questions would seem to satisfy all the players and create a perfect market.

(Part II to come in the next issue.)

"Regulators are striving to hold companies accountable for making suitable sales and fulfilling the promises made to insureds at the time of sales."

Today every state reviews products and forms, and many states have rate approval authority and review advertising filings. Companies have to modify their contracts, disclosure documents, and advertising materials to comply with regulations. Thankfully, the days of offering illusionary benefits in a contract that was cancelable are long gone.

Today's LTCI policy typically covers skilled, intermediate, and custodial care in state-licensed nursing homes, as well as home health services provided by state-licensed or Medicare-certified home health-care agencies. Many policies also cover adult day services and other care in the community.

Companies today are also required to offer inflation protection and a nonforfeiture option and included a third-party notification of lapse, a guaranteed renewable contract, and other consumer friendly features. The Health Insurance Portability and Accountability Act of 1996 (HIPAA) made consumer protection a large part of the requirements of a tax-

Regulators are striving to hold companies accountable for making suitable sales and fulfilling the promises made to insureds at the time of sale. Congress has conducted investigations of LTCI sales practices. State market conduct exams and rating agency investigations have begun to include LTCI. Suitability and agent conduct are frequently part of the writeup of these evaluations. It is essential agents remain aware of what they are saying and not fudge the truth to make a sale.

Suitability of Concern to All

This brief overview of some of the major concerns of consumers, agents, insurance companies, and regulators gives you some sense of the many uncertainties surrounding LTCI. It's all very confusing. What is the right way to go with LTCI? What makes a LTCI sale suitable? Is it suitable:

- When consumers make an informed decision and the policy meets their needs and budget, now and in the future?

Results of HIAA's 1999 Study of LTCI Contract Reserves

by William C. Weller

The majority of long-term care insurance (LTCI) is written using a level premium assumption. One result is that contract or active life reserves are generally established for statutory accounting. Similar liabilities are also recognized in GAAP statements. In most companies, the reserves are determined by applying pre-determined factors to the inforce.

One positive result from this approach is that future reserve expectations are available, and these expectations for different companies can be compared. HIAA has reported on two prior such studies in the *Health Section News* (April 1992 and August 1996). We are now pleased to report the latest results in this newsletter.

Procedure

A standardized questionnaire was mailed to companies identified as selling LTCI in 1998. Companies

were asked to provide ratios of the active life reserve at specified future policy durations to the current gross premium for four issue ages (55, 65, 75 and 80). Companies were to base their calculations on a plan with benefits and triggers as close to a standard set as possible. Ratios were requested separately for coverage with and without inflation protection. Issue age and duration were to be adjusted if the company was not using a one-year full preliminary term method.

Survey Responses

Twenty-two companies provided results. Eight used sex-distinct reserves; 14 used unisex reserves. As with prior studies, the number of companies reporting ratios for issue age 80 was lower (16). Of these, five used sex-distinct reserves and 11 used unisex reserves.

For purposes of analysis, the unisex companies were separated into

two groups based on the ratio at duration 8 for issue age 65. The seven with lower ratios at this one point were one group, and the seven with higher ratios were the second group.

Results are averages of the ratios, so each company within a group has equal weight. In addition, a lower ratio does not necessarily mean a lower reserve, nor is a higher ratio always more conservative.

Results

Two tables and three charts (based on median values) are shown on pages 11 and 12 — two charts, one for age 65 (with and without inflation protection), and the other for age 75 (without inflation protection). For further comparisons, see Tables I and II. A full set, similar to those presented in the August 1996 *Health Section News*, is available from the author (e-mail is bweller@hiala.org) and are not provided here due to size constraints.

Table I - Average Ratios for Issue Age 65

	<u>No Inflation Protection</u>				<u>With Inflation Protection</u>			
	<u>Dur 3</u>	<u>Dur 8</u>	<u>Dur 13</u>	<u>Dur 18</u>	<u>Dur 3</u>	<u>Dur 8</u>	<u>Dur 13</u>	<u>Dur 18</u>
Unisex - low 7	1.09	4.29	8.05	12.67	1.68	6.99	14.20	24.60
Unisex - high 7	1.50	6.39	11.70	16.20	2.01	9.12	18.18	28.17
Unisex - average	1.30	5.34	9.87	14.44	1.85	8.05	16.19	26.38
Female	1.55	6.59	11.76	16.10	2.11	9.52	17.77	25.97
Male	0.97	4.15	7.20	10.30	1.30	5.96	11.23	16.79

For comparison purposes, the results of the prior studies were:

Unisex (1995)	1.6	6.3	11.4	15.4	2.2	9.3	18.9	29.1
Unisex (1991)	1.1	5.1	9.3	12.7	Not reported in 1991			

Table II - Average Ratios for Issue Age 75

	No Inflation Protection				With Inflation Protection			
	<u>Dur 3</u>	<u>Dur 8</u>	<u>Dur 13</u>	<u>Dur 18</u>	<u>Dur 3</u>	<u>Dur 8</u>	<u>Dur 13</u>	<u>Dur 18</u>
Unisex - average	1.05	3.50	5.19	5.48	1.34	5.11	8.76	11.27
Female	0.93	3.24	4.51	4.56	1.15	4.533	6.99	7.66
Male	0.57	2.05	3.01	3.18	0.74	3.00	4.95	6.80
For comparison purposes, the results of the prior studies were:								
Unisex (1995)	1.0	3.1	4.3	4.3	1.4	5.1	8.2	9.9
Unisex (1991)	0.7	2.4	3.5	3.5	Not reported in 1991			

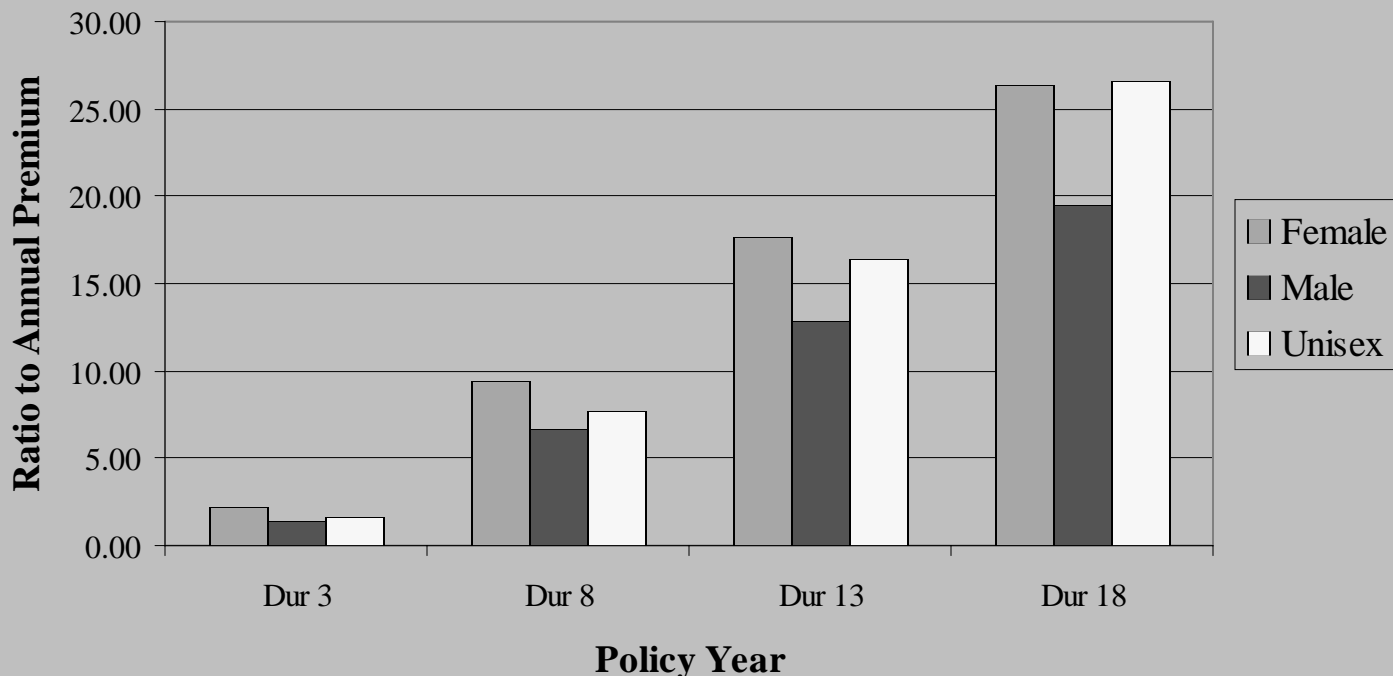
There has always been a considerable spread in the ratios reported. The difference between the highest reported value and the lowest value

for each age/duration combination has been compared to the mean value. These results have routinely been in excess of 100%.

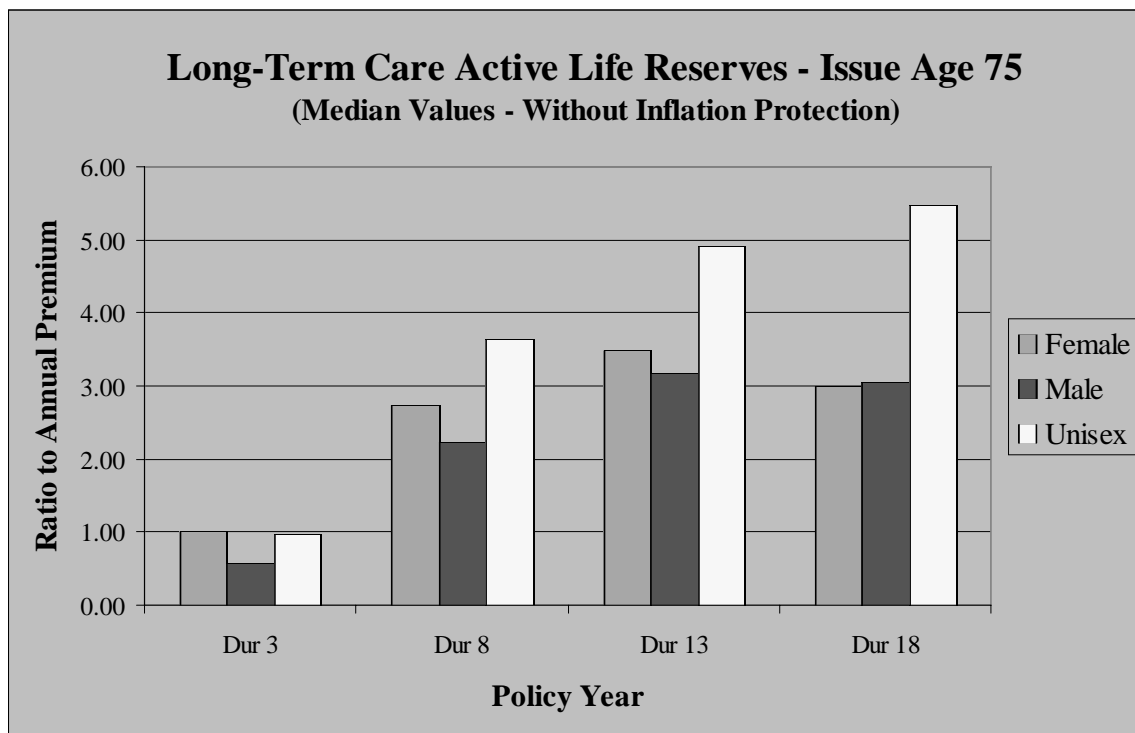
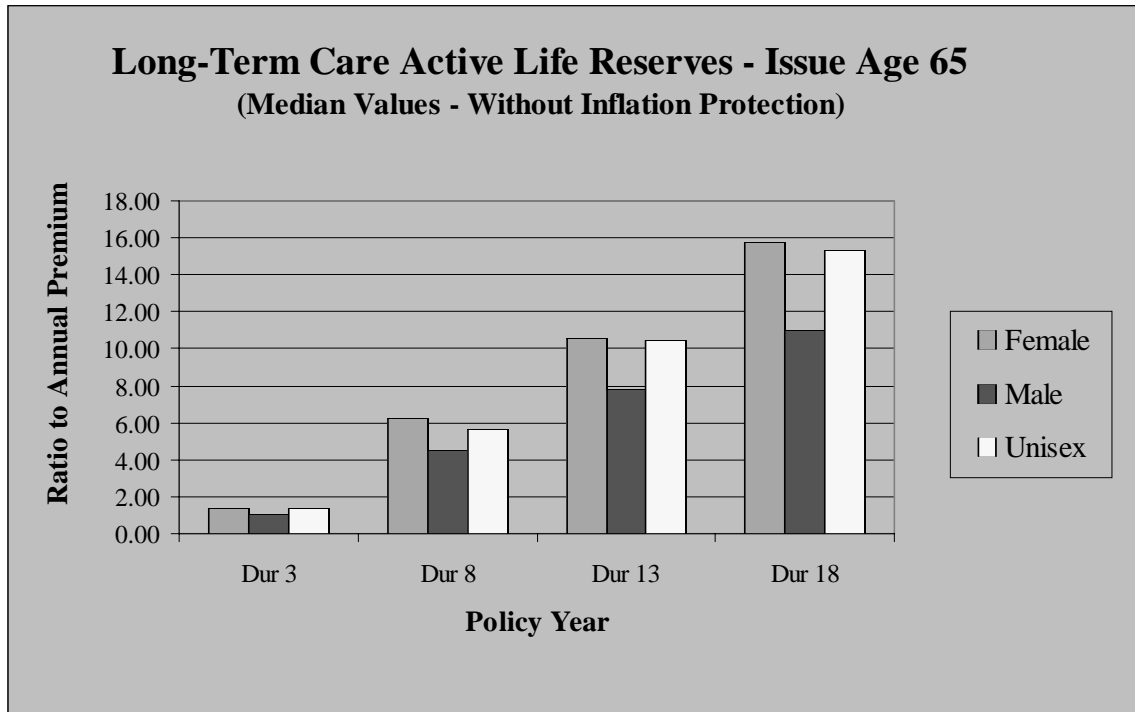
These data are provided for the reader's consideration and a feel for the reserves that exist. Each is free to draw their own conclusions.

(continued on page 12)

Long-Term Care Active Life Reserves - Issue Age 65
(Median Values - With Inflation Protection)



LTCI Contract Reserves Results of HIAA's 1999 Study
continued from page 11



William C. Weller, FSA, MAAA, is assistant vice president & chief actuary at Health Insurance Association of America, and a member of the LTCI Section Council. He can be reached at bweller@hiaa.org.

LTCI Section Minutes - Breakfast Meeting

San Francisco Annual Meeting, Tuesday, October 19, 1999

Council members present:

Jim Glickman, Chairperson
Loida Abraham, Vice Chairperson
Amy Pahl, Secretary
Gary Brace, Treasurer
Mike Abroe

Council members not available:

David Dickson
Greg Gurlik
Bill Weller
Andrew Herman
Bart Munson, Newsletter Editor

SOA staff liaison present:

Lois Chinnock

Minutes

Jim called the meeting to order and welcomed all those in attendance. As required by the SOA, Jim read the "Anti-Trust Disclaimer."

Amy reviewed the roles of each of the Council members as summarized in the minutes of the initial June 16 Section meeting.

- **Mike Abroe**
Spring, 2000, Health, Pension & LTCI Meeting (in Las Vegas)
Coordinator for LTCI sessions
Organizer for newsletter articles on group LTCI topics
Liaison to Health Practice Committee
- **Bill Weller**
NAIC and other regulatory activities liaison
Organizer for newsletter articles on national LTCI conferences and other LTCI activities
- **Loida Abraham**
Organizer for newsletter articles on LTCI marketing and sales
- **Amy Pahl**
Liaison to E&E committee and contact for developing LTCI study materials

Organizer for newsletter articles on LTCI education issues

- **Andrew Herman**
Organizer for newsletter articles on LTCI pricing and product development
- **Greg Gurlik**
Annual Meeting October 2000 (in Chicago) coordinator for LTCI sessions
- **David Dickson**
Organizer for newsletter articles on LTCI reinsurance
- **Bart Munson**
Newsletter editor

Mike provided an update of planning activities for the Spring 2000, Health, Pension & LTCI Meeting. The meeting will be May 22 - 24 at Bally's in Las Vegas. An LTCI session is scheduled for every time period. A list of topics is available, and volunteers are being sought to present at those sessions. In certain circumstances, where the appropriate presenter is apparent, they are being assigned to session topics. A second planning meeting is scheduled for November 2 when topics will be finalized, and moderator suggestions will be submitted.

Jim mentioned that the first Section newsletter had been distributed to Section members and that additional copies were available at the SOA Exhibit Hall booth. He requested feedback on the newsletter, including suggestions for frequency.

Debbie Jay of the Society spoke briefly of ways the Section may utilize the SOA Web site. One option is called list-serve, which allows for members to communicate with other Section members. Another is a bulletin board offering a forum for LTCI-related questions and answers.

Jim explained that the LTCI Section would like to lead the



way in organizing a home-office interdisciplinary LTCI conference, which could include specialty tracks featuring underwriting, actuarial, claims, marketing, and administration personnel. The conference would also feature substantial networking time for discussion among the various company participants. The hope is that such a conference could be coordinated for early 2001.

Gary provided a brief treasurer's report. The SOA pays for the first two years of routine expenses for any new Section. There are currently over 300 members, which has generated \$3,026 in dues.

Following the business session, the group divided into seven sub-groups for round table discussions.

The seven topics:

1. CCRC Opportunities — Moderator Gary Brace
2. Combination Products (Annuity LTCI & Disability Income LTCI) — Moderator Loida Abraham
3. Regulatory Issues — Moderator Sam Morgante
4. Valuation and Financial Reporting — Moderator Cathy Charles
5. LTCI Experience Studies — Moderator Mike Abroe
6. Turnkey LTCI Programs —

(continued on page 14, column 1)

LTCI Section Minutes

continued from page 13

Moderator Jim Glickman

7. Substandard Facultative

Reinsurance —

Moderator Gary Corliss

At the conclusion of the sub-group discussions, the moderator of each group provided a brief report of items discussed.

CCRC Opportunities —

Discussion centered on insurance opportunities in the CCRC market along with regulatory implications of insurers becoming involved in the CCRC risk management market.

Combination Products (Annuity LTCI & Disability Income LTCI) —

Feedback from Tom Foley suggested that regulators are not in favor of combination products. Pricing challenges, regulatory obstacles and agent training issues were identified as special considerations in offering combination products. In general, there was considerable interest expressed, although few companies

are offering these products.

Regulatory Issues —

NAIC and state activity was the center for discussion, including issues surrounding rate stability of both initial filings and needed rate increases.

Valuation and Financial Reporting —

A primary point of discussion was understanding one's data, whether it be used in source of earnings analysis, claim reserves, or cash flow testing. Many inquired as to the appropriate method of setting assumptions when little or no company experience is available. Investment earnings is a key factor to the success of a product.

LTCI Experience Studies —

There was general consensus that there is a shortage of credible, timely data. Discussion involved the types of studies that would be desirable, including a study of experience differences based on benefit trigger

or plan of care.

Turnkey LTCI Programs —

There are a number of resources available in getting a LTCI program started; however, companies new to LTCI are often not prepared for the sales challenges and training obstacles of the market.

Substandard Facultative Reinsurance —

Underwriting is the selection and classification of risk where, over time, the process has moved from an accept/reject decision to rating into one of four or five classifications. Reinsurance is a possible solution when a company wants to offer, but does not want to participate in, the risk of all classes.

Jim thanked those in attendance for their interest and participation and the meeting was adjourned.

San Francisco Annual Meeting



Members of the first Long-Term Care Insurance Section Council take time from the Section breakfast in San Francisco to pose.

L to R — Mike Abroe, Jim Glickman (Section chairperson), Loida Abraham, Amy Pahl, Gary Brace

Other Council members not pictured here are David Dickson, Greg Gurlik, Andrew Herman, and William Weller

Reinsurance for Long-Term Care Insurance

by Gary L. Corliss

Reinsurance, in its simplest terms, is insurance for an insurance company. From its earliest days in London, insurance was consummated through a pooling of interests by those who were glad to contribute a small sum of money to protect themselves financially in the event that a catastrophe struck one of their ventures. This pooling of interests has expanded globally to cover almost every risk of mishap imaginable to an individual or his properties.

Mishaps can also occur to insurance companies. Thus, the advent of reinsurance.

How does reinsurance work? Simply, the insurance company pays the reinsurance company a portion of the premium received from its insured customers. Later, the reinsurance company pays the insurance company for reimbursement of benefits to its claimants.

Why Reinsure Long-Term Care Insurance?

Nearly all the major U.S. writers of long-term care insurance (LTCI) and the majority of those writing long-term care policies around the globe have in the past, or are now, reinsuring some portion of their LTCI portfolios. There are various reasons why they do so, primarily:

- stabilization of earnings
- access to surplus for growth
- access to knowledge
- access to functional services

Stable earnings are important in today's financial services world. Direct writers understand the need for impeccable financial statements. Rating agencies react favorably to predictable financial results. They react unfavorably to wide swings in results. Rating agencies frequently

recommend reinsurance to LTC insurers.

Customers are more comfortable placing their security with a well-rated company. Financial analysts and potential investors likewise will choose to invest where corporations demonstrate smooth earnings growth. LTC reinsurance can help remove the bumps in earnings.

Access to surplus for growth is the second reason. Since the concept of Risk Based Capital arrived for insurance companies, access to capital and use of surplus have become very important. An insurer should grow its LTCI portfolio rapidly in order to achieve a spread of risk.

Where there are large initial expenses (due to first year marketing and underwriting costs), the LTC reinsurer can assist in making funds available so that the writing company does not deplete its own capital. Thus the insurer's surplus position is enhanced — not disadvantaged — due to rapid and expensive growth.

Access to knowledge about the LTCI products and processes is probably the single greatest reason an insurer would have a partnership with an LTC reinsurer. A quality reinsurer will have a number of reinsured LTCI clients. If the reinsurer is close to its many clients, it will have extensive information about the real workings of the LTCI industry. Without divulging confidential information, the reinsurer can help its clients avoid difficulties that other companies have experienced.

The reinsurer's knowledge may relate to risk issues (e.g., how to determine premium for a new shared care benefit or determine impact on select morbidity factors due to underwriting worksite employees) or it could be called on to



generate successful marketing strategies, develop internal processing activities, or assist with various training concerns.

Lastly, access to functional services (e.g., pricing, filing, underwriting, and claim adjudication) can make or break the profitability of an LTC insurer. A new entrant to the LTCI market place can inexpensively secure "best practices" from a reinsurer with a broadly experienced staff. LTCI direct writers already in the market can gain access to services or assistance on difficult filing, underwriting, or claim situations.

Types of Reinsurance

All reinsurance arrangements do not operate in the same manner, so it's important to understand the types of reinsurance available. Different forms of LTC reinsurance serve different purposes. An insurer should select the type or combination of types that best suits its objectives.

Although many reinsurance arrangements are possible, only four forms are commonly available to direct writing companies.

Proportional quota-share is the most widely offered form of LTC reinsurance in the United States.

(continued on page 16, column 1)

Reinsurance for Long-Term Care Insurance

continued from page 15

In this arrangement, the insurer and reinsurer share in all the risks of the product, including claim and benefit costs, persistency, investment, expense and mortality risk. A reinsurer also shares in the impact of mandated benefits and state regulation on the profitability of the reinsured policy forms.

The extent of the risk sharing is proportional to the reinsurance ceded. For example, in a 60/40

relationship, the insurer retains 60% of every claim and cedes 40% of every benefit payable.

Excess-of-loss reinsurance is a subset of proportional claim-only reinsurance. It is used when the insuring company is concerned with a single aspect of the claim risk. For example, the carrier may be willing to accept many claims, but only those of short duration. If the claims

are lengthy or large, the insurer may want to reinsure all or a significant portion of the benefit payments.

ular year for all the policies of a specific policy type will be protected against exceeding a certain amount, the stop-loss point.

The stop-loss point is expressed as a percentage of expected claims. For example, the reinsurer may cover claims for a calendar year if they exceed 150% of a certain amount, called the attachment point. Based on the mix of policy features, attained ages, sex, and policy duration, it may be determined that the insurer should have \$210,000 of incurred claims for the calendar year. In this case, the 150% attachment point would be \$315,000. If claims incurred in the reinsured year were to require benefit payments of \$400,000, the reinsurer would pay \$85,000 of the \$400,000. The reinsurer incurs the liability in for the year in which the claim began but makes payment after the insurer's payment of the first \$315,000.

For insurers advancing into the LTCI market, significant risks can be substantially lessened with a sound reinsurance partner. Access to expertise, varied services, and financial protection offer direct writers a level of assurance that may facilitate their entry into or expansion in the long-term care insurance market.

Gary L. Corliss, FSA, MAAA, is executive officer at AUL Reinsurance Management Services in Avon, CT. He can be reached at gcorliss@dhgroup.com.

"Proportional quota-share is the most widely offered form of LTC reinsurance in the U.S.

In this arrangement, the insurer and reinsurer share in all the risks of the product, including claim and benefit costs, persistency, investment, expense and mortality risk."

relationship, the insurer retains 60% of the risk and cedes 40% of the risk from the first dollar expended. The reinsurance premium is calculated by subtracting an expense allowance from the gross premium paid for those covered. The allowance covers the ceding company's expenses for commissions, marketing, state and local premium taxes, overhead, selection and issue, administration, and claims processing. The reinsurance premium covers claim benefits and the reinsurer's expenses and profit.

Proportional claim-only reinsurance protects the insurer from adverse experience in claim benefits only, including the risks of higher claim frequency and longer claim duration than expected in the pricing. Coverage for both risks is important for a new product in which the incidence rate and the length of claims are still unpredictable. As with proportional quota-share, the extent of the risk sharing is stated

are lengthy or large, the insurer may want to reinsure all or a significant portion of the benefit payments.

The excess-of-loss approach may apply to time or benefit amount. One insurer, for example, may be willing to retain the risk for all claims paid after the elimination period and during the first year of benefit payments for any one insured. In this case, in a \$100-per-day policy that incurs a claim of 1,000 days, the insurer would pay the first \$36,500 in benefits, and the reinsurer would pay the remaining \$63,500 in benefits as they came due. For the same claim scenario, if the carrier were content to accept \$50,000 maximum benefit per insured, the assuming reinsurer would cover the continuing payments of the second \$50,000.

Portfolio aggregate stop-loss reinsurance provides potentially high reimbursement with a low probability of need. With this arrangement, the carrier's claim losses for a partic-

Federal Legislation Relating to Long-Term Care Insurance

by Loida R. Abraham

Over the past year, Congress and the Administration began paying closer attention to the issues relating to financing long-term care (LTC) services for individuals in need. Federal attention began early in 1999 with the President's State of the Union proposal to provide tax credits to family caregivers and to launch a nationwide educational campaign on long-term care insurance (LTCI).

It continued with the introduction of a myriad of federal bills pending in Congress that relate to the LTC issue. There is now broad recognition that LTC costs — whether for nursing homes, personal care, assisted living, or some combination — represent a potential budgetary crisis for individual families and for federal and state governments under the Medicaid program.

While Congress is seeking to address the financial risks of LTC, few Americans are doing anything to address what they see as a very big problem — financing LTC. Indeed, a study prepared by the National Council of Aging and the John Hancock Mutual Insurance Company determined that most Americans hold many misperceptions of key LTC facts, including the cost of such services, who needs them, and who will pay for them. Most Americans erroneously believe that Medicare will cover these costs. Most do not understand that to qualify for Medicaid coverage, a family must nearly exhaust its income and assets.

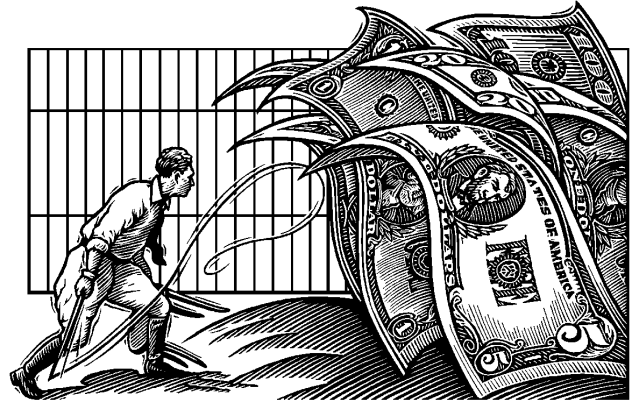
This article describes the different approaches that are under consideration in Washington, D.C., to address LTC costs. The key proposals include an above-the-line deduction from federal income taxes for premiums to

pay for LTCI and the creation of a LTCI program for federal employees.

Above-the-line tax deduction

One of the most significant proposals pending in Congress would provide individuals with an above-the-line deduction from federal income taxes for premiums to pay for LTCI. The proposal is based on the rationale that planning for LTC should be a critical part of the retirement security plans of all Americans. Tax incentives are considered an effective way to encourage people to plan for their future needs.

Several bills were introduced throughout the year on a bipartisan basis by members in the House of Representatives and Senate. Senators Grassley (R-IA) and Graham (D-FL) introduced "The Long-Term Care Affordability and Availability Act of 1999" (S. 35), which would provide a 100% tax deduction for premiums. Representatives Johnson (R-CT) and Thurman (D-FL) introduced "The Long-Term Care and Retirement Security Act of 1999" (H.R. 2102), which would provide the above-the-line deduction over a phased-in period based on the number of years a person has held the insurance policy. Individuals could deduct 50% of the cost of their policy the first year. The percentage would increase each year thereafter. H.R. 2102 would also provide a tax credit for LTC services and caregivers, as first



proposed by the President.

Versions of these LTCI bills have been amended to other legislative vehicles that have moved through the legislative process. These bills include the Republicans' comprehensive tax package (which was later vetoed by the President), comprehensive patient protection legislation, and a minimum wage package that included several tax provisions for the business community.

All the proposals are intended to make LTCI policies more affordable and attractive to the general public, so that middle-income Americans begin to protect against the catastrophic costs associated with long-term illnesses.

While there is broad support for the legislation, the tax deduction is somewhat costly. The Congressional Budget Office (CBO), which must estimate the impact of public policy changes on the federal budget before their consideration, has attached a cost of \$3.3 billion over five years and \$7.3 billion over ten years. This makes it very difficult to advance the proposal on its own. If the tax deduction legislation passes, it likely

(continued on page 18, column 1)

will be enacted as an amendment to another larger bill.

Long-Term Care Insurance For Federal Employees

The second major initiative under consideration in Congress is the creation of a LTCI program for federal employees. Currently, federal employees do not have the option to purchase LTCI through an employer-based plan. Congress is hoping that such a federal program will serve to educate and encourage the general public to purchase LTCI coverage as well as to assist federal employees directly. Whether such a

without her support. She has introduced her own measure, "The Federal Civilian Uniformed Services Long-Term Care Insurance Act of 1999" (H.R. 1111), which enjoys the bipartisan support of more than 120 cosponsors.

Most of the legislative action has occurred on the House side, which has held a series of hearings on the matter.

In general, there are two approaches to the federal program. One version would allow all insurance companies to compete for the federal employee's business at the retail or "street" level. This

The Outlook

It is clear that there is broad support in Washington for proposals that encourage individuals to invest in LTCI. Whether these proposals are successful in the next session of this Congress will depend on considerations that are mainly procedural and political, rather than substantive.

Next November, control of the House of Representatives, possibly the Senate, and the White House is at stake. Whether either party in Congress will be willing to provide a legislative victory to the other will depend on how strong they perceive the public's demand to be.

Moreover, in the case of the above-the-line tax deduction, it will depend on whether another tax package or health care package can advance.

With regard to the federal employee program, it will depend on how vigorously the federal workforce, retirees and insurance companies seek such legislation.

Loida R. Abraham, FSA, MAAA, is general director at John Hancock Life Insurance Company in Boston, MA and vice-chairperson of the LTCI Section. She can be reached at: labraham@jhancock.com.

"Currently, federal employees do not have the option to purchase LTCI through an employer-based plan. Congress is hoping that such a federal program will serve to educate and encourage the general public to purchase LTCI coverage as well as to assist federal employees directly."

federal program is successful will depend in large part on how the bidding process is structured and how it addresses many critical contractual, statutory, and administrative issues.

Several bipartisan bills have been introduced in both the House and Senate relating to this federal program. The main players in the debate are Representative Joe Scarborough (R-FL), chairman of the House Government Reform Subcommittee on Civil Service; Representative Elijah Cummings (D-MD), the ranking Democrat on the Civil Service Subcommittee; and Representative Constance Morella (R-MD), a key member on the subcommittee. Morella has positioned herself as the swing vote on the Civil Service Committee, because the chairman cannot advance his bill

is currently the committee chairman's approach. Another model, which has the support of most of the major insurance companies, is reflected in a modified version of the Morella bill. It would require companies or consortia of companies to compete for one federal contract, and the winning company or consortium would provide group coverage to the federal workforce.

Proposals also provide tax credits for individuals who provide LTC services to their family members.

The Administration also plans to conduct a nationwide campaign to educate people to the importance of planning for their LTC needs and for the first time, to include explanatory material in a Medicare mailer sent to millions of seniors every year.

Chairperson's Corner

by James M. Glickman

Welcome to our second LTCI Section newsletter and first for the year 2000. Here are several items I'd like to emphasize for you.

Our Section is well into our first year, and we have lined up a full slate of stimulating LTCI sessions for the SOA Spring meeting in Las Vegas. Planning has also started for the SOA Annual meeting in Chicago.

This July, *Brokers World* magazine will be publishing its 2nd Annual Long Term Care Insurance Survey. Last year's highly successful survey was co-sponsored by the National Association of Health Underwriters (NAHU) with the assistance of our newsletter editor, Bart Munson. Due to staffing changes at NAHU, they will not be participating this year, so the Section offered to replace them as co-sponsor of the *Brokers World* survey.

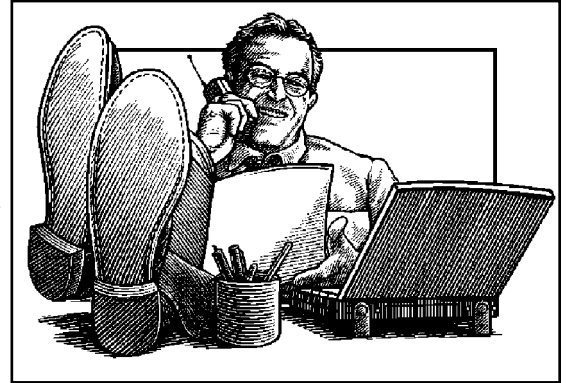
Work is continuing towards bringing to fruition a national LTCI conference. Tentatively dubbed,

"The First Intercompany Long-Term Care Insurance Conference," it will feature five educational tracts:

- 1) Actuarial
- 2) Marketing
- 3) Claims
- 4) Underwriting
- 5) Compliance/Government Relations

In addition, the conference will feature an exhibition hall where both insurers and vendors can display their wares for an audience that will include many of the major LTCI national marketing organizations and most of the major LTCI insurers. Also, substantial time is planned for networking.

On the technology forefront, we have an LTCI Section Web page on the SOA Web site. Unfortunately, we still need someone interested in spearheading the design and content to be provided on this site. Since the Society provides the Web designers and programmers, it is only necessary for this person to



provide the time and creativity. If anyone is interested in volunteering for this most important role, please get in touch with me or with any of the other members of the Section Council.

As a final note, I would encourage all who are interested to join the Section and participate in determining its direction. As of February, our membership has grown to 475 from our original 200 when the Section was formed last year.

James M. Glickman, FSA, is president and CEO of LifeCare Assurance Company in Woodland Hills, CA. He can be reached at Jim_Glickman@Lifecare.to.

CALL FOR VOLUNTEERS TO PARTICIPATE IN LTCI SECTION

The Long-Term Care Insurance Section is asking for members to volunteer in areas of interest or expertise, in order that collectively we can meet our mission and help define our future role.

We currently have a specific need for one person to represent our Section on the Seminars Subcommittee of the Health Practice Committee. There's need for another person to coordinate with the SOA on creating and designing our Web page as well as determining how to best utilize SOA communication methods, such as blast e-mails. If you are interested in one of these positions, please contact any member of the Section Council.

Also, please indicate below your interest in volunteering for any of these various Section activities:

- 1) Contributing newsletter articles;
- 2) Speaking at Society meetings on LTCI issues (Please indicate any specific issue you feel qualified to speak about.);
- 3) Assisting with LTCI study note materials;
- 4) Helping organize/recruit speakers for SOA meetings and seminars;
- 5) Serving on LTCI experience/valuation committees;
- 6) Other.

Editor's Column

by Bartley L. Munson

The exuberance and naivete of youthfulness is hardly a trait of the LTCI market or for many of us who work in it. However, our newsletter is certainly in its youthful stage, if not even infancy. Thus, while this offer may smack of those youthful traits, let us try something.

Try what? Let us urge you, the readers, to respond to articles you thoughtfully consume in the pages of this newsletter — and write the editor — with reactions, different opinions, contrary beliefs, agreement, or even only a loud “Amen.” If you will do that, we (the authors, the Section Council, other respondents we can corral, or — if worse gets to worse — the editor himself) will respond. We promise. Well, I promise for them, whoever they may be, and I do for myself, if it comes to that.

I recognize that is not normally

done for Section newsletters. But it should contribute to our shared information and education in this still-new and challenging LTCI area of practice for actuaries. Though the intended quarterly spacing of newsletters may seem to delay such interchange, most subjects are not so timely as to preclude useful interactions at that pace — and it gives us all a chance to make it an even more useful newsletter.

A particular example of an article in this issue that surely will generate thoughts as you read it (not to exclude others) is “A Primer on Some LTCI Pricing Challenges”.

It touches on many challenges we LTCI actuaries think about — or should think about. It's written by two actuaries who have worked in that pricing role.

This is the kind of article that should generate some thoughts. Let us hear them. This should make your newsletter more appealing and more useful. Agree? Then, please take up the challenge and let us hear from you.

The most efficient route for all is to me: e-mail (bartmunson@itol.com); fax (920) 743-9255; address (Bart



Munson, Munson & Associates, 1034 Memorial Drive, Sturgeon Bay, WI 54235).

So please send me a brief — even lengthy — message on anything that has appeared in this issue (or in the prior one). It is a standing, sincere offer and promise that we will publish and answer. Give us a chance to deliver on this promise, on our exuberance. We hope we're not naive to believe you will help us in this way to have the best possible newsletter.

SOA Spring Meeting Long-Term Care Insurance Track

This Spring's SOA meeting with the health insurance emphasis has a full track of LTCI sessions running throughout the three-day meeting. LTCI actuaries will find a full agenda addressing their interests and needs.

- Opportunities in Continuing Care Retirement Communities
- Valuation and Financial Reporting of LTCI
- Outsourcing LTCI Administrative Functions
- Reinsurance of LTCI
- Valuing LTCI for Acquisition
- LTCI Combination Products
- LTCI Rate Stability Issues
- Pricing New LTCI Benefits

The meeting is May 22 - 24 (Monday - Wednesday) at Bally's Hotel, Las Vegas, Nevada. The eight sessions are scheduled, in this order, from 10:30 Monday morning through noon on Wednesday. Though not structured to be a follow-up to last June's SOA meeting in Seattle, this meeting undoubtedly will build on what was widely viewed as a very successful track for LTCI actuaries last year.

For registration, watch for materials from the SOA office, scheduled to be mailed to all SOA members, or visit the Web site (www.soa.org).