



New to LTC

By Sisi Wu

With almost five years' experience in the long-term care (LTC) insurance industry across two carriers, I am honored to have this opportunity to share my personal experience with the industry from the perspective of a relative newcomer.

More than four years ago, I landed in an LTC valuation actuary role after finishing a strategic project. At the time, I had been in my actuarial career for almost 10 years. I had experience across several actuarial functions and product lines but not in the more traditional actuarial function of valuation and not with LTC, so the opportunity to work on LTC valuation seemed to be a good way to fill a "gap" in my resume as I continued to work toward being a well-rounded actuary. While I knew it would be exciting work, it didn't take long to realize that LTC had something special that would keep me in the industry.

In March 2016, I attended my first annual Intercompany Long Term Care Insurance (ILTCI) Conference. Different from an annual meeting of the Society of Actuaries where the majority, if not all, attendants are actuaries, ILTCI has attendants from across a variety of disciplines in the LTC industry including claims, underwriting, regulatory, compliance, marketing, operations, producers and advisers. Two things I specifically remember from that conference are a presentation on claimant fraud and a comment that actuaries are to blame for all the trouble the LTC industry is facing now. Being new to LTC, I was shocked to hear the various cases in which LTC claimants had committed fraud and the financial impact it was costing. And the comment about actuaries getting LTC assumptions wrong as the product was first launched made me uncomfortable but curious at the same time. I wanted to understand what went wrong and what could be done to alleviate the problem.

Gradually, I learned more and more about the challenges facing the LTC industry. For many reasons, key assumptions used in pricing the products many years ago have not unfolded as expected. More policyholders are hanging onto their LTC policies, and policyholders are living longer and needing more benefits, just to name a few. To be able to continue paying claims as promised in the policies, carriers have started requesting premium rate increases. To mitigate the financial impact of the increases



on policyholders, carriers are offering multiple benefit reduction options as alternatives to accepting the higher premium charge.

In November 2016, I attended an education session held by a state Department of Insurance on LTC premium rate increases. The session started with a presentation by an LTC industry expert explaining the mechanism of actuarial reserves and how actual experience being worse than the original assumptions would lead to reserves deficiency and the necessity to charge higher premiums. It then opened the floor to questions from the policyholders who mostly shared their confusion and frustration about the potential rate increase. I remember a couple in their late 50s saying they had just received a rate increase notification letter and felt they had no choice but to pay the higher premium because they wanted to keep the policies. Another policyholder questioned the commissioner of insurance about why the department would approve a rate increase filing. While I thought those were natural reactions and totally understandable, I realized how important it was to continue educating policyholders and regulators, and to provide more options to policyholders when implementing a premium rate increase. That was my first time meeting policyholders and listening to them gave me a new perspective on who my work was serving and impacting.

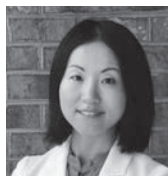
The world's population is aging at a faster rate than ever before and people are living longer. According to the website *seniorliving.org*, every day until 2030, 10,000 baby boomers will turn 65.¹ An often-cited statistic from the U.S. Department of Health and Human Services reminds us that 65-year-olds today have a 70 percent chance of needing long-term care services at some point in their remaining years.²

While there are different ways to pay for the LTC expenses, one of the most prevalent private financial options is LTC insurance. I strongly believe that LTC insurance is solving a critical need in our society. I frequently hear stories about how having an LTC policy helped families obtain the proper care for the policyholder and at the same time protected the families' assets. These stories make me proud to be in the LTC industry and it encourages me to keep working on what I do every day and to do even more. As a valuation actuary watching the claims experience emerging month to month and seeing the impact to reserves from periodic assumptions updates, I know first-hand that, among other challenges, the industry is still facing the reality of higher-than-expected cost of claims especially for older LTC products. The good news is that there is more awareness and understanding now about the underlying causes of the challenges facing the industry and there are more initiatives under way from various angles to come up with solutions. In one of the most recent developments, the National Association of Insurance Commissioners formed a new LTC task force with six workstreams tackling LTC industry solutions impacting carriers, policyholders and state regulators.

I have had the honor of being a friend of the Society of Actuaries' LTCI Section Council since 2016, and I attended two more LTC industry conferences these past two years. All these experiences, together with my day-to-day interaction with my colleagues, have provided me opportunities to appreciate the

effort, creativeness and thoughtfulness of so many talented professionals working together to address challenges with existing products and shape how we move forward. While there is no easy answer, with the combined effort of so many disciplines in the industry, I am hopeful that we will find solutions for LTC and it will continue to provide a vital service for policyholders and society. And I am proud to be one of the actuaries in this endeavor! ■

The views expressed in this article are those of the author and do not necessarily reflect the official policy or position of Genworth Financial Inc.



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ENDNOTES

- 1 SeniorLiving.org. The Baby Boomer Generation. Accessed May 14, 2019. <https://www.seniorliving.org/life/baby-boomers/>.
- 2 LongTermCare.gov. How Much Care Will you Need? U.S. Department of Health and Human Services. Accessed May 14, 2019. <https://longtermcare.acl.gov/the-basics/how-much-care-will-you-need.html>.