



SOCIETY OF ACTUARIES

**SOA 2010 Annual Meeting & Exhibit
Oct. 17-20, 2010**

Session 62 WS, After the LTCI Think Tank

Moderator:

Steven W. Schoonveld, FSA, MAAA

Presenters:

Amy Pahl, FSA, MAAA

Steven W. Schoonveld, FSA, MAAA

Sara Corrough Teppema, FSA, FCA, MAAA

After the LTCI Think Tank Session 62: Workshop

2010 Society of Actuaries Annual Meeting
October 19, 2010; 8:30 – 10:00

Roger Loomis, FSA, MAAA - ARC
Amy Pahl, FSA, MAAA – Milliman
Sara Teppema, FSA, MAAA - SOA
Steve Schoonveld, FSA, MAAA – LifePlans



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Agenda:

8:30 am	Welcome, Introduction and Expectations Segmenting and Defining the LTC Market Discussion
8:45 am	Survey, Results of Think Tank Survey, and Discussion of Areas of Challenges
8:50:20	Break
9:10 am	Workshop Round Tables: Distribution Product Environment Regulatory
9:40:30	Working Lunch – BYOL
9:41 am	Report Out & Resolve
10:00 am	Closing Comments



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Introduction





Consumers

Consumer's sing:

"What a drag it is getting old" RS

"I'll get by with a little help from my friends" B

But 6% says:

I Still Haven't Found What I Am Looking For U2

That Don't Impress Me Much ST

When they do buy, they ask:

"Will you still need me, will you still feed me,
when I'm 64" B



Distribution Ditties

Puzzled by Consumer Reaction:

"There must be some misunderstanding" G

Sung to Carriers:

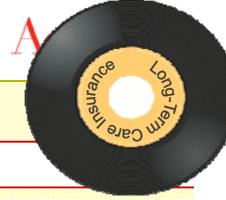
Don't You Forget About Me SM

With respect to Combination products

"Got to get you in to my life" B



LTCi Industry Classic Hits



30+ years of:

Stormy Weather	JL
High Hopes	FS

Sung by those that dabble in LTCi:

Shot In the Dark	OO
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Pleas of:

"I Want You To Want Me!"	CT
"The waiting is the hardest part"	TP
Slip Sliding Away	PS

Rate increases, claim denials, shrinking distribution:

"Where do we go now, where do we go now"	GR
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7

From Hope to Change

Actuaries
Risk is Opportunity!

"If you    me"



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8

Segmenting the Middle Market

Total Middle Market Households: 32,209 (Ages 45 to 74; \$50k to \$1,000k Net Worth; 25th to 85th percentile of all households)

Six segments profile the “Middle Mass” households:

- Total “Middle Mass” Households: 26,841 (25th to 75th percentile of all households) **Six segments profile the “Middle Affluent” households:**
- Total “Middle Affluent” Households: 5,368 (75th to 85th percentile of all households)



“Middle Mass” Segments

55 to 64 year-olds

	<i>Married (#1)</i>	<i>Single Female(#2)</i>	<i>Single Male(#3)</i>
# households	5.2 Million	2.5 Million	1.4 Million
Avg. Income	\$75,000	\$28,000	\$41,000
Assets	\$348,000	\$111,000	\$125,000

65 to 74 year-olds

	<i>Married (#4)</i>	<i>Single Female(#5)</i>	<i>Single Male(#6)</i>
# households	3 Million	1.9 Million	0.9 Million
Avg. Income	\$45,000	\$18,000	\$25,000
Assets	\$285,000	\$130,000	\$130,000



“Middle Affluent” Segments

55 to 64 year-olds

	<i>Married (#1)</i>	<i>Single Female(#2)</i>	<i>Single Male(#3)</i>
# households	1.0 Million	0.5 Million	0.3 Million
Avg. Income	\$132,000	\$58,000	\$79,000
Assets	\$1,300,000	\$415,000	\$465,000

65 to 74 year-olds

	<i>Married (#4)</i>	<i>Single Female(#5)</i>	<i>Single Male(#6)</i>
# households	0.6 Million	0.4 Million	0.2 Million
Avg. Income	\$93,000	\$43,000	\$54,000
Assets	\$1,100,000	\$480,000	\$490,000



Exercise

Consider the 4 household segments:

1. What risks do they face?
2. What LTC financing solution is available?



4 Household Segments

"Middle Mass" Market

55 to 64 year-olds

# households	9,100,000	51%
Avg. Income	\$56,857	
Assets net of home	\$74,575	

65 to 74 year-olds

# households	5,800,000	32%
Avg. Income	\$33,052	
Assets net of home	\$63,052	

"Middle Affluent" Market

55 to 64 year-olds

# households	1,800,000	10%
Avg. Income	\$102,611	
Assets net of home	\$274,500	

65 to 74 year-olds

# households	1,200,000	7%
Avg. Income	\$69,833	
Assets net of home	\$237,500	

1. What risks do they face?

2. What LTC financing solution is available?



Headlines



March 26, 2007

Aged, Frail and Denied Care by Ti

By CHARLES DUHIGG

CONRAD, Mont. — Many Rose Derks was a 65-year-old when she began preparing for the day she could not care for herself. Every month, out of her grocery fund, she set aside about \$100 for an insurance policy that promised to pay for room in an assisted living home.

On a May afternoon in 2002, after bouts of hypertension had hospitalized her dozens of times, Mrs. Derks realized it was time. She shed a few tears, watched her farm equipment dealer ship her farm equipment dealership.

At least, Mrs. Derks said at the time, she would not be a burden on her family.

But when she filed a claim with her insurer, Conseco, she waited too long. Then it said Beehive Homes was not a facility, despite its state license. Eventually, Conseco said Derks was not sufficiently infirm, despite her early-stage Alzheimer's disease.

After more than four years, Mrs. Derks, now 81, has spent a penny from Conseco, while her family has paid about \$100 a month. Daughter has sent Conseco dozens of bulky envelopes on the phone. Each time the answer is the same: C

INSURANCE NEWS

Denials

LTC Carriers Botch Few Claim

By TREVOR THOMAS

Published 10/11/2010

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Researchers say they could find few examples of private long term care (LTC) insurers wrongly denying claims

The researchers at LifePlans Inc., Waltham, Mass., a unit of Munich American Reassurance Company, Atlanta, have reported that finding in an LTC insurance claim determination review that was delivered in April and commissioned by the U.S. Department of Health and Human Services (HHS).

HHS posted the report Friday on the website of the HHS Office of the Assistant Secretary for Planning and Evaluation (ASPE).

An audit team of registered nurses from LifePlans examined about 1,200 claims submitted in 2007 and 2008 to 7 LTC insurers—Bankers Life and Casualty Company, Chicago, a unit of CNO Financial Group Inc., Carmel, Ind. (NYSE:CNO), a unit of Genworth Financial Inc., Richmond, Va. (NYSE:GNV), John Hancock Life Insurance Company, Boston, a unit of Manulife Financial Corp., Toronto (NYSE:MFC), Long Term Care Partners L.L.C., Portsmouth, N.H., which runs the group LTC insurance program for Federal employees, MedAmerica Insurance Company, Rochester, N.Y., a unit of MetLife Inc., New York (NYSE:MET), and a unit of Prudential Financial Inc., Newark, N.J. (NYSE:PRU).

LTC insurers approve the vast majority of claims submitted, but the



Trial Lawyers Include LTC Insurance in Report

The American Association for Justice (AAJ) has put "insurance denials" alongside "chemical restraints," "neglect" and "bed rail deaths" in a report on elderly Americans and the civil justice system.

"Loopholes in legislation have been exploited, and regulations and inspections have proven woefully ineffective.... The same is true of insurance companies that mislead and defraud vulnerable seniors. Insurance industry regulators protest that they can do nothing. Even when they do raise their hands, they more often than not strike deals to keep fines to a minimum and settlements secret."

"...he was just one of thousands of seniors who had their benefits cut by insurance companies that put profits before people,"

"Those companies had signed up a flood of seniors for long-term care insurance in the 1990s, but did not like the idea of paying the benefits they had promised. Many of these insurance companies had miscalculated the mortality rates."

Attorneys found and stopped insurance company efforts to hold down costs by terminating valid claims, the AAJ says.

The AAJ also includes accounts of efforts to persuade consumers to buy LTC insurance policies with misleading initial prices and to replace existing life insurance policies with new policies without a valid reason.



Public Perception



Think Tank Participants Survey Results

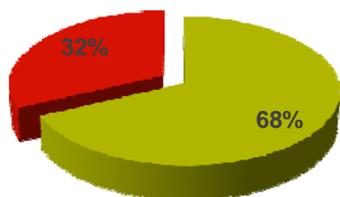


Objectives of the LTCi Think Tank, March 17th, 2010

1. Brainstorming session to propose growth solutions
2. Discussion on how the industry may influence LTC Public Policy
3. Open forum to allow for various industry viewpoints
4. Stronger understanding of Consumers and their hesitancy to purchase LTCi

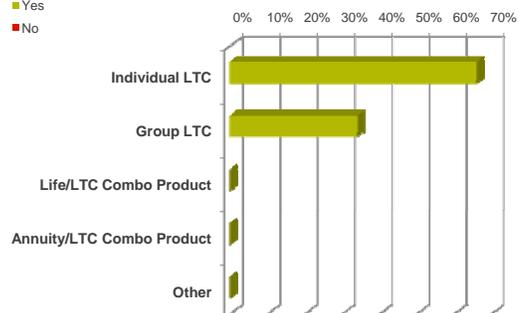


Do you own a LTC Policy?



About half of these are employer-sponsored products

■ Yes
■ No



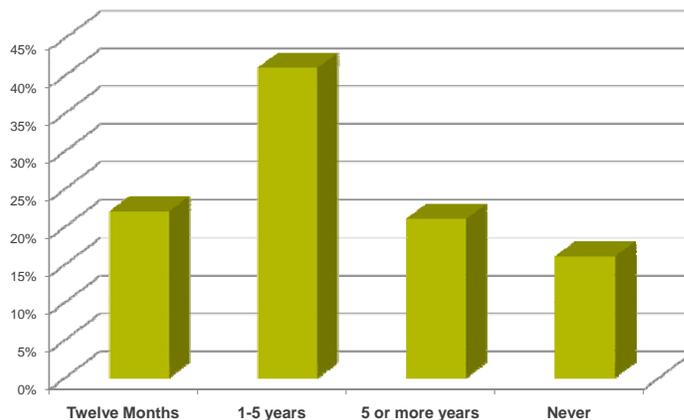
Survey says...

Current ILTCi products:

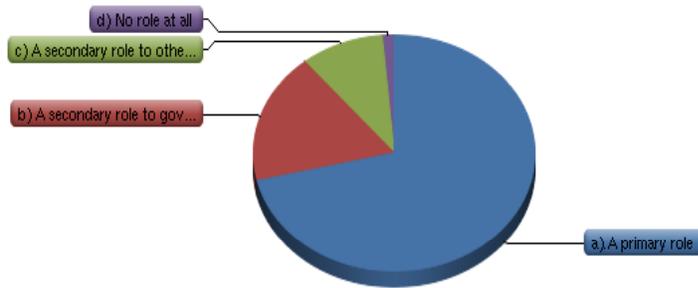
1. Satisfactorily address consumer need
Neutral
2. Are viable from a *carrier's* perspective
Neutral
3. Are viable from a *producer's* perspective
Neutral



A bill containing some form of US Federal government-provided LTCi is likely to be passed in the next...



What role should LTCi play in addressing the nation's LTC financing issues?



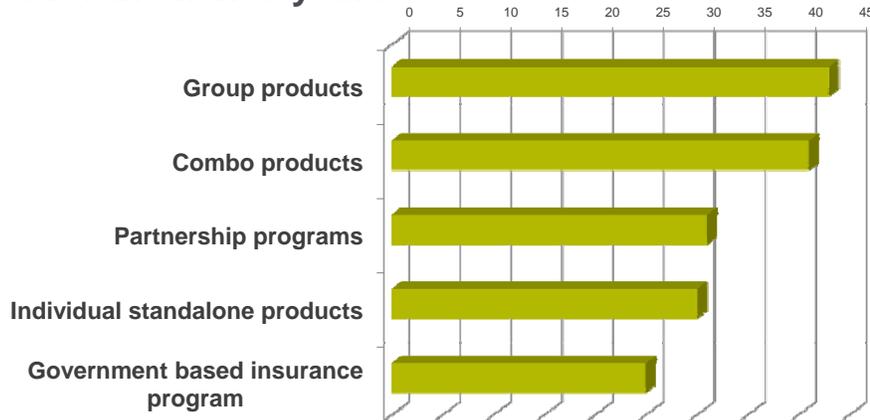
Survey says...

A primary obstacle in selling new policies is:

1. Perceived Consumer Responsibility **Agree**
2. Price **Agree**
3. Industry History **Neutral**
4. Distribution System **Neutral**
5. Benefit Design **Neutral**



Important drivers of LTCi growth over the next 5 years



Top Challenges to Market

- 1. PRODUCT**
 - Product design – simplicity
 - Affordability/price/value
- 2. ENVIRONMENT**
 - Regulation/government intervention
- 3. PERCEPTION**
 - Broaden the market
 - Awareness/education/public perception
- 4. DISTRIBUTION**
 - More producers



Workshop Discussions



4 Corners of Discussions

1. **PRODUCT BASED CONCERNS (Amy)**
 - Product design / operational issues / financial performance
 - Affordability/price/value
2. **THE MARKET ENVIRONMENT (Sara)**
 - Product regulation / government intervention (CLASS)
 - Broadening the market
3. **PUBLIC PERCEPTION (Roger)**
 - Awareness / education / public perception of private market
4. **DISTRIBUTION (Steve)**
 - New approaches / diminishing # of producers



Report Outs



Highlights of Proposed Think Tank Action Items



External Industry Potential Actions

- ◆ Revisit the NAIC Model Act to enable product innovation that can expand the market solutions for additional consumers.
- ◆ Encourage the Federal Charter option.
- ◆ Create a “Partnership Light” program.
- ◆ Create Medicare Plan E or L.
- ◆ Create a national reciprocal Partnership program.
- ◆ Lobby for awareness.
- ◆ Encourage mandatory training of producers on LTCI product lines.
- ◆ Address provider issues.
- ◆ Restore regulator confidence in the product.
- ◆ Provide an industry promoted solution to the public safety net, Medicaid, program.



Internal Industry Potential Actions

- ◆ Promote third-party thought leadership.
- ◆ Develop products that are simple and affordable.
- ◆ Increase distribution.
- ◆ Engage a spokesperson or mascot.
- ◆ Work on the industry trust issue.
- ◆ Increase the number of carriers selling LTCI.
- ◆ Sponsor research.
- ◆ Show the value proposition.
- ◆ Sell LTCI to fill the gaps under the CLASS Act.
- ◆ Create a nonprofit LTC information and data company (similar to MIB)
- ◆ Provide cheaper training.



Closing Comments

