



SOCIETY OF ACTUARIES

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SOA LTC Experience Committee Completes 5th Report

by Gary L. Corliss



The fifth Intercompany Report prepared by the SOA LTC Experience Committee has been completed. Previous reports were published in 1995, 2000, 2002 and 2004. The five reports of this committee sponsored by the SOA and prepared by the SOA Long-Term Care Experience Committee, along with reports of 2004 and 2006 also sponsored by the SOA and prepared by LIMRA staff, are the only publicly published reports of experience on lives insured under private LTC insurance plans in the United States. Data for this report has been gathered from, combined with and analyzed from 24 organizations.

This report reaches a major milestone in reporting on a full two decades of exposure—20 years of experience—Jan. 1, 1984 through Dec. 31, 2004. Insurers provided information on 100 percent of their issued policies. Data was managed such that, wherever possible, each company's exposure was roughly in line with their percentage of the industry so as not to distort overall results.

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Claims incurred on policies during this timeframe were followed from claim inception through the earlier of claim termination or June 30, 2005. Allowing a six-month period to report incurred claims allows for the capture of most of the incurred, but not reported claims occurring on or before Dec. 31, 2004.

Data gathering for this report used a two-record reporting format (rather than the previous three-record approach). In total, this format requested fewer fields. This change was made in hopes of making it easier for non-participating companies to become contributors. The compiler mapped prior records provided for this study under the three-record formats to the new format. The new format and additional participating companies required the SOA LTC Experience Committee and the compiler to spend extensive time scrutinizing and scrubbing the data to ensure that it was as clean as possible. While the process has been daunting and tedious, the committee believes this report provides the best aggregation of industry results to date.

Results in this report have benefited from the increased number of contributors. There is an increased volume of policies, claims, deaths and lapses. Also, committee members consider the quality of the data to be improved. As readers compare this report to the previous reports, they will notice the largest changes from previous reports are in the Voluntary Lapse, Total Termination and Mortality Sections.

The LTC Experience Committee attempts to bring new information or observations into each successive report. This report provides information never before included in these reports on the marital condition. As a group, participating companies have not been able to provide information on the marital status of their insureds at time of issue. However, several

companies were able to provide us with a marker on their policy records when a marital discount was made to the premium. Each section in the report has some information on marital status based on a marital discount. No companies reported marital discounts on their group submissions. Thus, the information on marital discounts is only on individual policy records where the insurer issued policies both with and without marital discounts.

Two other new items should be pointed out. One is in the Morbidity Section and the other is in the Cause of Claim Section. In Appendix D, there is a pivot table labeled D2a. That pivot table will allow users to select different scenarios that they are interested in considering. Information is available by underwriting type, policy duration, attained age, issue age and elimination period.

The Cause of Claim Section has almost tripled in size. The section covers those circumstances where payments have been made for nursing home benefits, home and community benefits and for all or total benefits. This additional delineation has been made for two reasons. The finer separation is made possible because of the increase in the number of companies that have the ability to provide information on home and community benefits. However, there are some companies, primarily early contributors that did not separate their claims into nursing home or home and community benefits. Those claims not separated between nursing home and home care (about 25 percent) are included with all other claims under the total category.

Exposure records have increased steadily with each report. This report has information on 6.5 million policies. Years of exposure have doubled to 25 million years. Exposure distribution continues to lengthen to longer durations than in

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previous reports. The numbers in parentheses below are the comparable results from the previous report.

- 35 percent of the exposure was in the first two policy years (43 percent)
- 28 percent of the exposure was in the third to fifth exposure years (24 percent)
- 69 percent of the exposure remains on individual insureds (69 percent)
- Average issue age of all insureds in the database is 59 (61)
- Average issue age of individual insureds is 64 (67)
- Average issue age of group insureds is 46 (47)
- Average attained age of the insureds in the database is still 64 (64)
- Female insureds represent 57 percent of the exposure (59 percent)

Claimants virtually doubled from 95,000 in the 2002 report to just over 172,000 in this report. The percentage of claims having some home and community care significantly increased (just under half) from that in the prior report.

- 55 percent of the claims only paid for nursing home care (80 percent)
- 26 percent of the claims only paid for home care (15 percent)
- 19 percent of the claimants paid for both nursing home and home care (5 percent)
- 96 percent of the claims are closed
- Average attained age on incurral date of claim was 78.9 years (79.9)
- Average length of all claims is 2.04 years (1.87)

The compiled data continues to verify previously reported findings:

- Incidence rates rise steadily by attained age and policy duration
- Mortality rates increase steadily by attained age and policy duration

- Morbidity and mortality selection is apparent in early policy durations
- Alzheimer/dementia claims remain the dominant and growing cause

New findings in this report:

- Group lapse rates for longest durations continue to decrease
- Voluntary lapse and total termination rates dropped significantly
- Marital status demonstrates unique results

Other general results of interest:

Incidence Rates

- Overall incidence rate is .64 percent (down from .69 percent)
- Female to male ratio of incidence rates continue to increase
- Incidence rates are generally inverse to elimination period and attained age—except above age 75.

Claim Continuance

- Generally increases with increasing age at claim until about age 90
- Average length of claim extended modestly to 1040 days (914)
- 66 percent of nursing home claims end in death (68 percent)
- About half of home care claims end in death and half in recovery

Cause of Claim

- Alzheimer's claims are the most frequent, longest, most expensive, for ages after 65, for both genders and all incurral year cohorts since 1988
- Nervous disorders is leading cause for nursing home claims under age 65
- Cancer is leading cause for home care claims under age 65

Mortality

- Overall mortality rate slipped slightly from 1.1 percent to 1.0 percent
- Mortality rate decreased from last study at all ages under 85
- Male mortality remains about 40 percent greater than female
- Mortality is considerably lower than 83 GAM, A2000, and 2001 VBT
- Mortality select period looks to be at least 10 years
- Disabled lives mortality has increased to 23 times that of active lives
- Disabled lives mortality for LTCI is roughly 200 percent greater than disability

Voluntary Lapse Rates

- Average annual lapse rates dropped noticeably to 5.5 percent (7.4 percent)
- New participating company experience lower over most durations
- Lapse rates now decrease for 13 durations (nine policy years previously)
- Lapse rates now flatten much more at later durations than previously
- Group insurance lapses start out higher, then drop below individual rates after 10 years

Total Termination Rates

- Average annual total termination rates dropped to 6.8 percent (8.9 percent)
- For issue ages over 70, total termination rates increase steadily
- Mortality rates exceed lapse rates at attained ages 85 and older

Home Care

- Average number of visits were 3.2 per week (4.3)
- Cancer has largest number of visits per week at 4.0
- Nervous system disorders cause longest claims

Limited vs. Unlimited Benefit plans

- Incidence rates are not consistently different by benefit period
- Voluntary lapse rates are not consistently different by benefit period

The complete report is available online at <http://www.soa.org/research/research-long-term-care.aspx>*



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| Publication Month: | Articles Due: |
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| April | January 8 |
| September | June 19 |
| December | September 24 |