



SOCIETY OF ACTUARIES

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# Industry Challenges/Challenges to the Industry

by Steve Schoonveld

Whichever way the math is performed, there is little dispute that a high number of individuals choose to forgo health insurance even when they can reasonably afford coverage. In my home state of Massachusetts, where a mandate has been implemented, a significant portion of the uninsured population choose to pay a penalty instead of the cost of insurance. Many can indeed afford to purchase coverage. I don't intend to delve into this topic; however, I cannot help but make comparisons with the Long-Term Care Insurance (LTCI) industry:

- Do individuals feel they are too young and too healthy to need insurance?
- Is their impression that care will be paid by another source?
- Are there competing priorities that are being addressed?
- Is the insurance too expensive for the benefits received?

Affordability is indeed a strong reason for the lack of coverage in both industries and one that cannot be ignored. While there are similar reasons for not choosing an insurance solution, one can surmise that there are similar ways in which to demonstrate the value of each product. Such approaches range from noting personal experiences and scare tactics to financial modeling to a personal needs and goals assessment. Unless a product line can be elevated to the general no-brainer status enjoyed by home, auto and health insurance, such a demonstration is vital in order to reach markets.

While a mandate is a likely outcome of the recent reform efforts in health insurance, it is unlikely at this time for private LTCI. So absent the stick of an individual mandate or a social insurance solution, what is an industry to do? What is a section to do?

We began this recent section year with three goals: to build community, to support the educational needs and to invest in research on behalf of the industry. Indeed we are well down a solid community building path that can tackle the challenges we face internally as well as those received externally.

On October 1, the council welcomed three affiliate members to the LTCI Section Council as well as chairpersons for the five section tracks:

## Affiliate Section Council Members

**Winona Berdine**  
**Ron Hagelman**  
**Denise Liston**

## LTCI Section Track Chairpersons

**Winona Berdine** and **Denise Liston**, Underwriting & Claims Track Co-Chairs  
**Steve Pike**, Marketing Track Chair  
**Jim Smith**, Management & Operations Track Chair  
**Mark Whitford**, Actuarial Track Chair  
**Ali Zaker-Shahrak**, Regulatory & Compliance Track Chair

The addition of the above members and chairs will enable the tracks to take advantage of the resources that create industry wide participation and community. Such resources include a track specific section of the new and improved section Web site, webcast capabilities, the funding of



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The CLASS Act  
would create a  
federal insurance  
program to help  
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functional  
impairments to  
remain  
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stay a part of their  
community.

research across the disciplines, and plenty of networking and educational opportunities. Sincere thanks to these volunteers who are breaking new ground for the section.

Also in October the council welcomed **Jay Bushey, Laurel Kastrup and Roger Loomis** as the three newly elected members of the LTCI Section Council. They join the affiliate members above and the six returning council members: **David Benz, Mark Costello, Roger Gagne, David Kerr, Amy Pahl** and **Al Schmitz**. Serving as council officers this year are **Mark Costello**, chairperson and **David Benz**, vice chairperson.

Please welcome the new council members by encouraging them with your suggestions to enable the section to better serve the industry.

One week in mid-July was quite active for the section. The first-ever section sponsored webcast was held entitled, "The Impact of the Economic Environment on Long-Term Care Insurance." Host and moderator **Malcolm Cheung** with presenters **Nyal Bischoff, Maureen Lillis** and **Ty Wooldridge** addressed the impact of the recession from a cross-section of marketing, claims and actuarial points of view. Attendance was very strong for the mid-summer scheduling of the webcast. Additional webcasts are planned with sponsorship by the tracks of the section.

The day following the webcast the American Academy of Actuaries (The Academy) released a comment letter titled, "Actuarial Issues and Policy Implications of a Federal Long-Term Care Insurance Program." The letter was written by a joint work group of the AAA Federal Long-Term Care Task Force and the Society of Actuaries' Long-Term Care Insurance Section Council and is reprinted in this issue. The letter, sent to each member of both the U.S. Senate and U.S. House of Representatives, addresses a series of concerns regarding the proposed Community Living Assistance Services and Supports (CLASS) Act.

The CLASS Act would create a federal insurance program to help adults who develop functional impairments to remain independent and to stay a part of their community. The legislation, initially sponsored by the late Senator Ted Kennedy, has been on many tables since 2005 and in various forms. The comment letter provided an independent assessment of the design and features of the program and gave recommendations that may enable such a voluntary program to be sustainable. Inquiries received by the work group have included various members of the press, research firms, congressional staffers and the Congressional Budget Office. The comment letter has been well received by both the Academy and Society organizations such that further joint efforts are planned to address similar public policy matters. Great thanks go to my colleagues on this team for their countless hours to provide not only a public service but a solid approach for similar shared endeavors.

As you can see, the LTCI Section has been very active in the past year and is set up well to meet the challenges of the industry.

With apologies to a local band with a city namesake, is the "future coming much too slow" for the industry? Many in the section would point to the low market penetration and the high carrier concentration rates and agree. I submit to you that the initiatives such as the CLASS Act are efforts to provide affordable solutions to the long-term care uninsured and are gaining momentum for this very reason. As I finish my time on the Section Council, I challenge you to remember, this is **YOUR** industry, **YOUR** section, **YOUR** Community. I implore of you to participate, to lead and to share with one another so that we may progress expediently towards a solid future for this industry. ■