



SOCIETY OF ACTUARIES

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Industry Check-Up

by David R. Benz



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I am in the middle of reading *Those Guys Have All the Fun: Inside the World of ESPN*. The book details the rise of ESPN from the days when its survival seemed a day-to-day question to its current domination of the world of sports. The authors identify nine key milestones along ESPN's climb. One can roughly group those nine milestones into four categories: investment, legitimacy, execution and promotion. So, how is our industry doing in those areas?

INVESTMENT

Through the 1990s our industry grew steadily, attracting a number of new insurers into the market. While sales were concentrated among a smaller number of industry leaders, there were years with over 100 companies offering long-term care insurance (LTCI). Those days are past as supply has contracted significantly in the last dozen years. Right now, LTCI is viewed somewhat negatively by many insurance company executives and rating agencies leading to few new entrants. On a positive note, carriers are packaging long-term care coverage with life insurance and annuities, demonstrating recognition of the need and desire to provide a solution, even if it is not a traditional stand-alone product.

LEGITIMACY

There are two sides to this coin. The continued existence of the industry in itself somewhat validates the idea there is a risk society faces and a solution the private market can offer. Public-private partnerships—in promotion and the offering of solutions—show widespread approval for a role for the private sector. Finally, after many years of sales declines, we see upward movement that may be signaling more consumer interest and acceptance of our products. However, the threat of negative publicity from rate increase and claim handling actions remind us that we hold the public's trust very lightly these days.

EXECUTION

As with any new industry, our past is littered with “learning experiences.” Underwriting, pricing, marketing and claims adjudication certainly had their share of challenges. The great news is that those remaining in the industry have been able to learn from the past and use that to develop responsibly priced and marketed products that are underwritten and adjudicated using the current industry best practices. We need to continue to build on these strengths. We may need to develop new products and approaches to reach untapped markets. I believe we have the expertise and passion within this industry to move it beyond our past to new heights.

PROMOTION

Attendees at past ILTCI conferences heard the call for an industry “Got Milk?” campaign. Now, with the “3in4 Need More” effort, we get our chance to see if an effort not affiliated with a specific company can raise awareness and drive people to take action. Additionally, the industry may be able to capitalize on publicity around CLASS¹ to have discussions with the public about long-term care risks and the actions they can take. The challenge will be to take increased awareness and help consumers take positive action toward protecting their futures.

It certainly is an interesting time for our industry as we face a future with trials and hope. I believe we are up to the challenge.

END NOTES

¹ Editor's Note: The CLASS Act is the Community Living Assistance Services and Supports program. It is part of the Patient Protection and Affordable Care Act (2010), as amended by the Health Care and Education Reconciliation Act of 2010.