



Overview and History of LTC Market

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Timeline of Major Market Changes

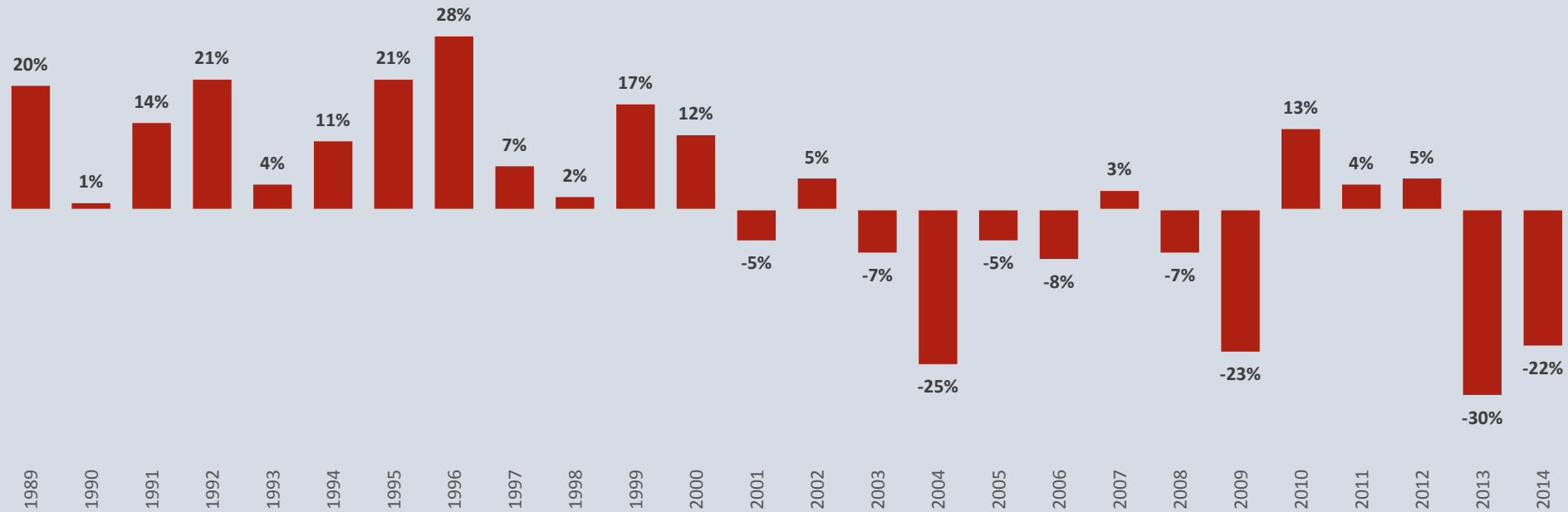
Relatively New Coverage - Due To Increasing Life Expectancies & Growing Elderly Population



Individual Long-Term Care Sales

In 2014, individual LTCI sales were \$316 million

Individual Long-Term Care Insurance Sales Trends*



*Percent change in premium

Source: LIMRA, *Individual Long-Term Care Insurance Annual Review*, ongoing

Individual and Group LTC Insurance Market

2014 LTC Insurance In Force

	Lives	Growth Rate*	Premium (000)	Growth Rate*
All LTCI Business in Force ^	>7,350,000	-1%	~12,100,000	1%
<i>All Individual LTCI Business</i>	>4,800,000	-1%	~10,000,000	1%
<i>All Group LTCI Business</i>	>2,300,000	-1%	~ 2,100,000	2%

^ Includes LIMRA estimates for non-participants

* Percent change from same period prior year

Source: LIMRA, 2014 Long-Term Care Insurance Annual Reviews.

Top Individual Writers (Broker World Surveys)

2004 Top Writers

<u>Rank</u>	<u>Company</u>	<u>Production (\$millions)</u>
1	Genworth	153
2	John Hancock	114
3	MetLife	86
4	Bankers Life & Casualty	62
5	MassMutual	25
6	Allianz	24
7	UNUM	20
8	Lincoln Benefit	19
9	Prudential	19
10	Penn Treaty	18

2014 Top Writers

<u>Rank</u>	<u>Company</u>	<u>Production (\$millions)</u>
1	Genworth	90
2	Northwestern	57
3	John Hancock	32
4	Mutual of Omaha	31
5	Transamerica	16
6	New York Life	15
7	Bankers Life & Casualty	12
8	LifeSecure	11
9	MedAmerica	10
10	MassMutual	10

Changes in Carrier Landscape

Out of market since 2004:

- MetLife
- Allianz
- UNUM
- Lincoln Benefit
- Penn Treaty
- Physicians Mutual
- Equitable L&C
- State Life
- Kanawha
- AFLAC

More recently departed:

- Prudential
- CUNA Mutual
- AIG
- American Fidelity
- Berkshire
- American General
- Humana
- MedAmerica

Back in the market:

- Thrivent
- Aegon

New carriers:

- LifeCare

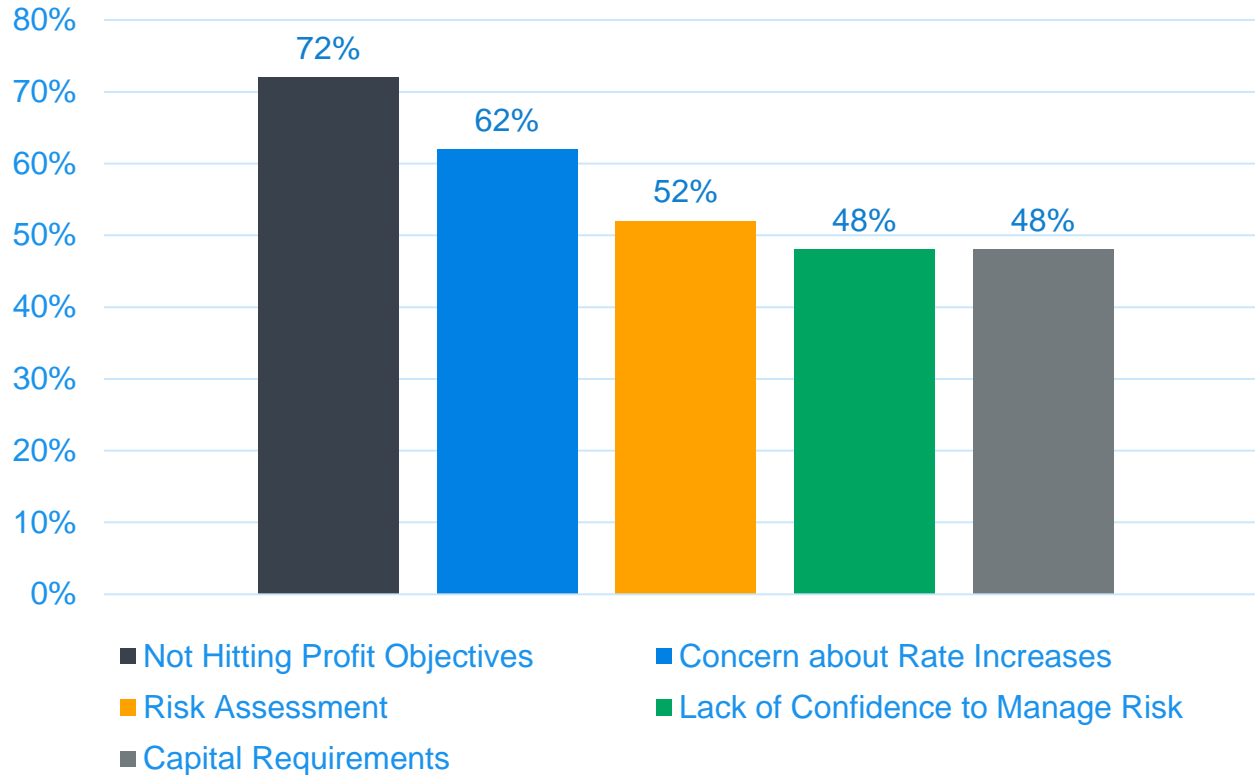
Source: Annual LTC Insurance Surveys, Broker World Magazine

Review of Primary LTC Insurance Product Risks

Risk	Management of Risk	Comments
LTC morbidity higher than expected	Primary management lever is rate increases	Critical to continuously monitor Morbidity trends positive (variable by company) Milliman LTC Guidelines are converging
Persistency higher than expected	Primary management lever is rate increases	Primary reason for most rate increase filings Current pricing lapse rates very low – therefore more limited downside risk Mortality becoming more known
Interest Rate Risk	Hedging opportunities Product design	Limited ability to receive rate increases based on interest rates different than expected (also depends on loss ratio)
Regulatory Risk	Limited ability to manage	Regulatory risk relative to rate increases is a major concern for many companies Concern over limitation on product innovation and reserve and capital requirements

Survey of Companies that Exited Market

Reasons Cited for Exiting Market



LifePlans/SOA Survey of 29 companies who have exited the market.

Companies had initially measured success by growth; secondly, by profits.

62% of companies took rate increases before exiting; 55% changed product design.

Only 10% have not taken rate increases.

Caveats and Limitations

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