

Long Term Care International Projects

28 June 2016

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Agenda

- Overview of LTC paper by IAA Population Issues Working Group
- Joint Project of Institute des Actuaire (France)/Society of Actuaries (USA)

LTC Paper of IAA Population Issues Working Group

LTC Paper - Overview

Objective



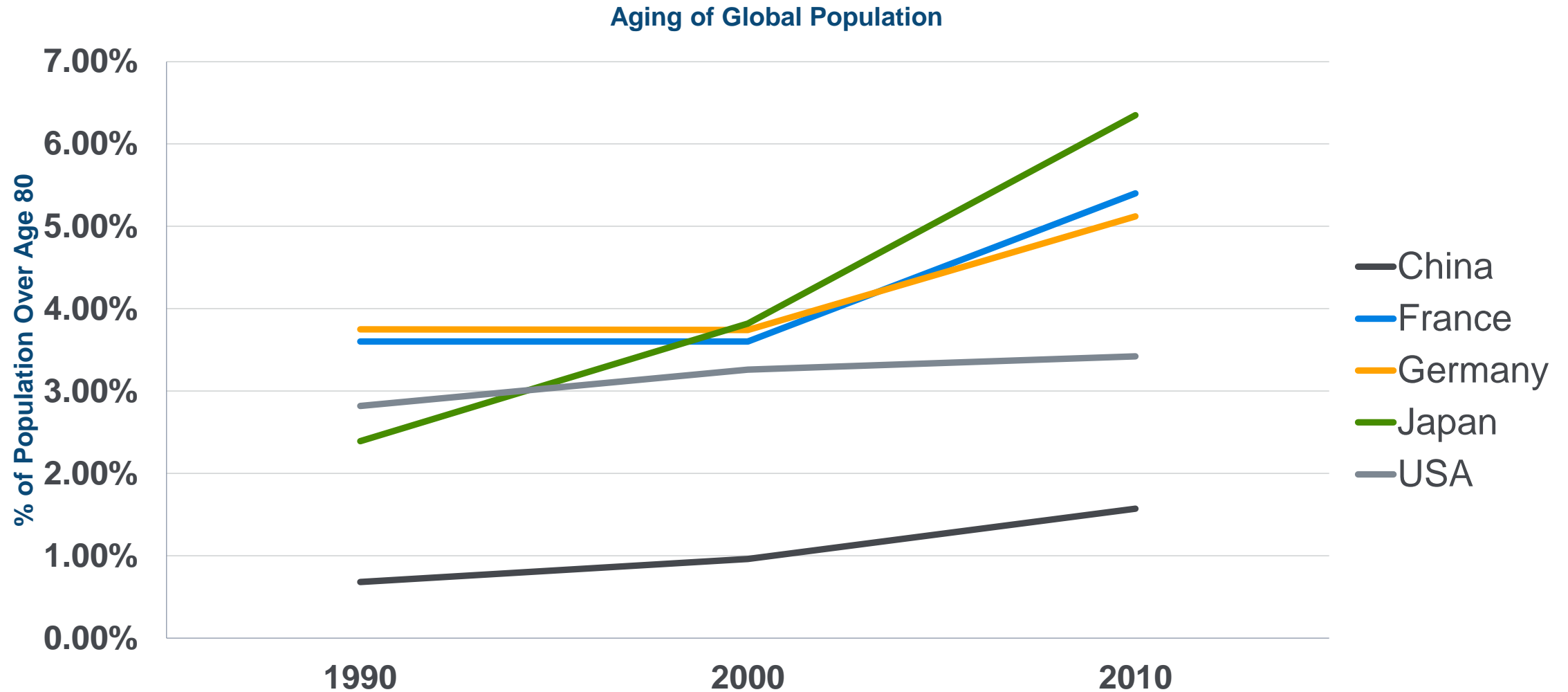
Target Audience



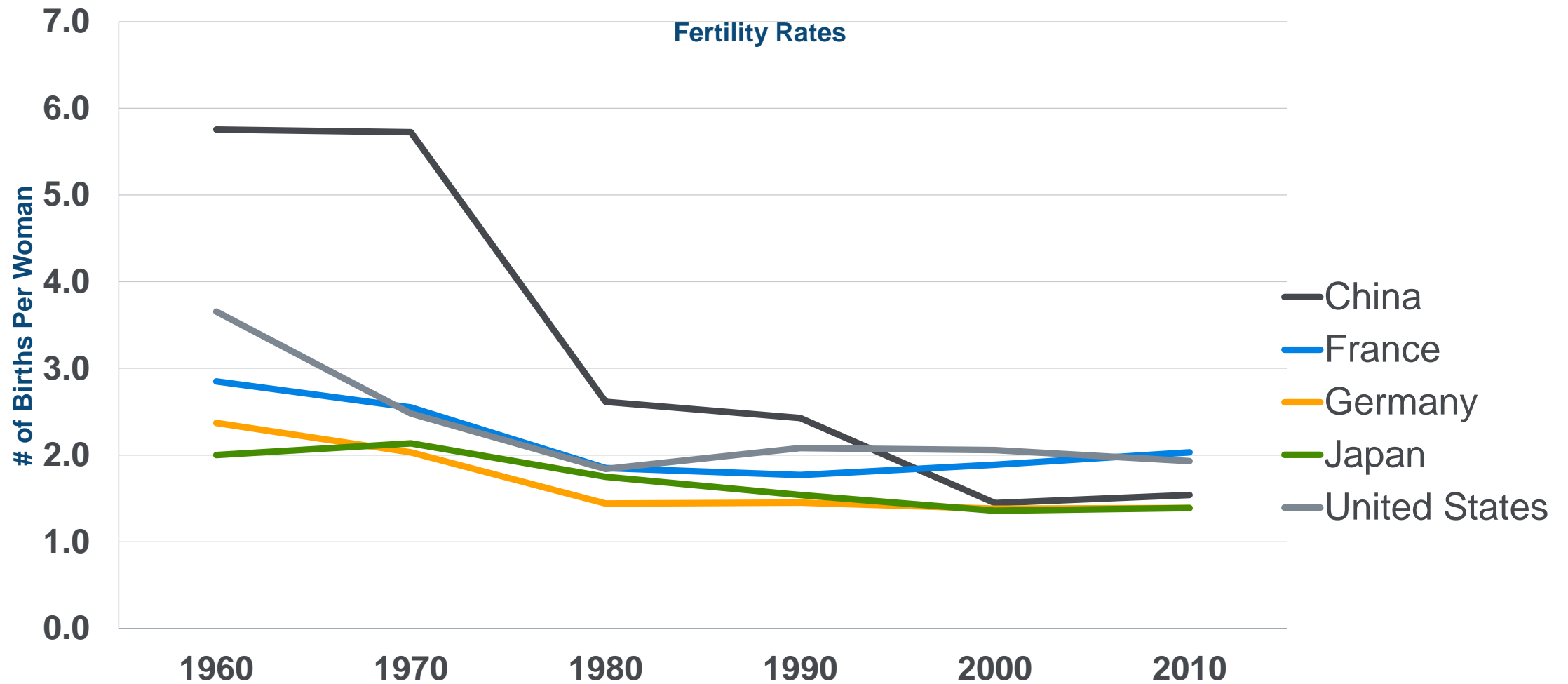
LTC Paper – Target Audience

- Actuaries
- Public policy makers
- Insurance companies
- Other finance professionals
- National actuarial associations
- Anyone with interest in LTC

LTC Paper – Motivation for the Project



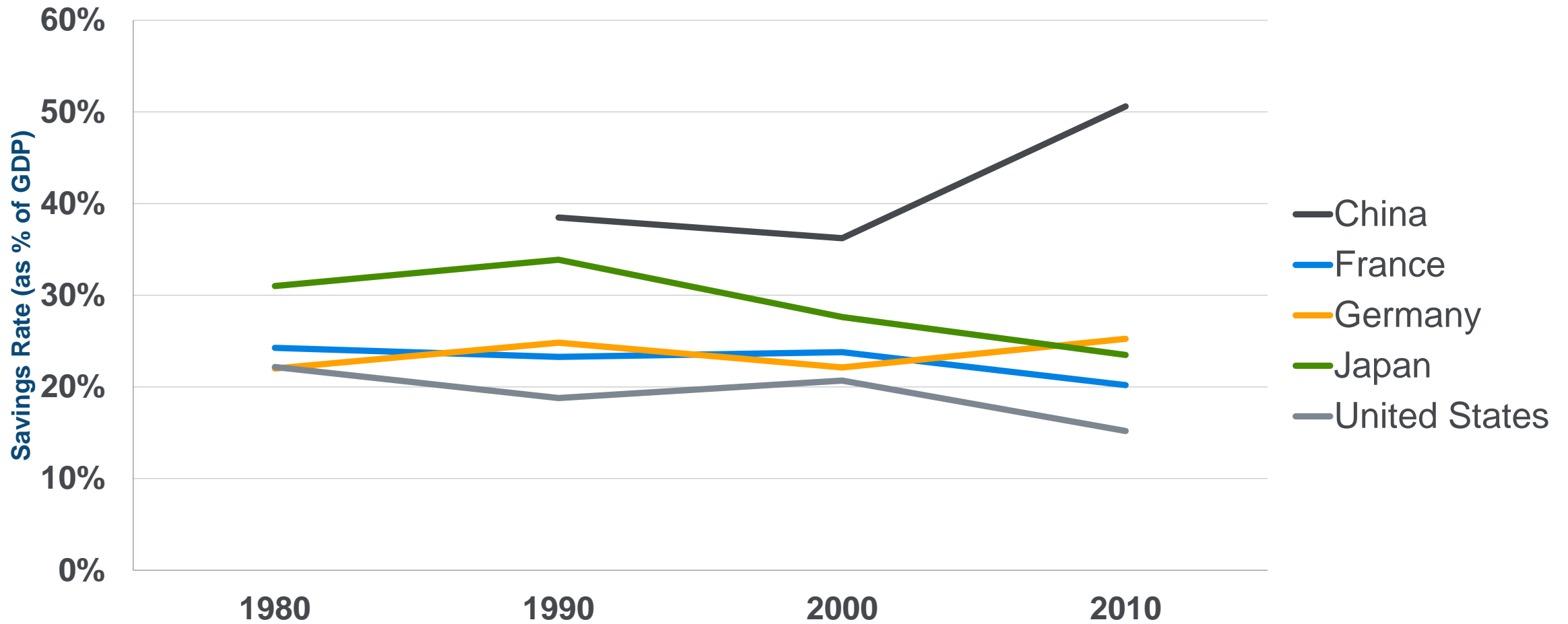
LTC Paper – Motivation for the Project



Source: <http://data.worldbank.org/indicator/SP.DYN.TFRT.IN/>

LTC Paper – Motivation for the Project

Global Savings Rates



Source: <http://data.worldbank.org/indicator/NY.GNS.ICTR.ZS>

LTC Paper – Motivation for Project

- Summary of Key Motivations for Project
 - Increase in exposure
 - Aging of population
 - Mortality improvement
 - Changes in societal norms
 - Decrease in fertility rates/smaller family size
 - Reductions in savings rates
 - Increasing cost of LTC services (more on this later...)

LTC Paper - Topics

1 **Structure for Providing LTC**

2 **LTC Needs & How Met**

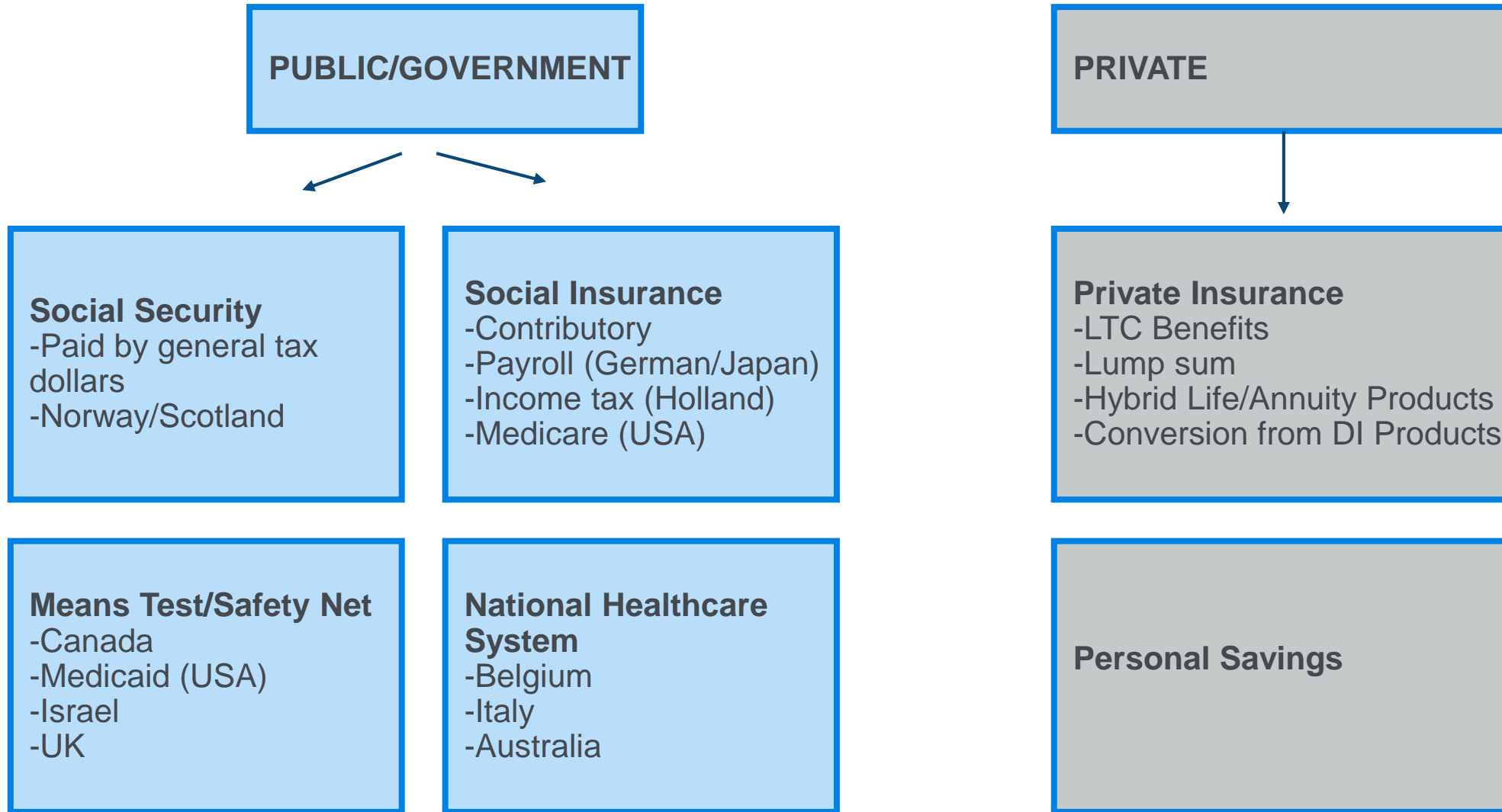
3 **Experience & Trends**

4 **Funding Sources**

LTC Paper – Experience & Trends

- Hugely complex subject...
 - Morbidity Improvement
 - Population vs. Insured Group
 - Incidence vs. Continuance
 - Attained age/durational patterns
 - Mortality improvement
 - Other trends
 - Obesity/diabetes
 - Treatment of Alzheimer's disease

Global Approaches for Funding LTC



Challenges of Public Sources of Funding

- Many systems are “pay-as-you-go”
 - Aging population puts funding stress on system
 - Fewer workers to fund payments
- May only cover partial costs
- Uneven coverage
- Disincentive for private savings
 - Even if/when coverage is inadequate

Challenges of Private Sources of Funding

- Pricing of insurance products
 - Underpricing puts strain on system/market failure
 - Pricing for profit margin may find little demand
- Inadequate/shrinking private savings

Comparison of Global Systems

	USA	Japan	Germany	France
Public	<ul style="list-style-type: none"> - Medicare (payroll tax) - Medicaid (means test) 	<ul style="list-style-type: none"> - State mandatory system 	<ul style="list-style-type: none"> - Mandatory state program, but can opt for private 	<ul style="list-style-type: none"> - More to come...
Private	<ul style="list-style-type: none"> - Well-developed insurance market - Standalone LTC - Hybrid Life/Annuity 	<ul style="list-style-type: none"> - Market small due to state system - Guaranteed premiums 	<ul style="list-style-type: none"> - Must cover the mandatory benefits OR provide supplemental coverage 	<ul style="list-style-type: none"> - More to come...

Joint Project of Institute des Actuaire & Society of Actuaries (USA)

Overview of Project

- Objectives
 - Learning
 - Exchange of knowledge
 - Share best practices/product designs
- Involved parties
 - Actuaries in both France & United States
 - Consultants
 - Company actuaries

Overview of Project

- Structure
 - General discussions
 - Workshops
- Progress-to-Date
 - Presentation at 2015 Society of Actuaries Annual Meeting (Austin, Texas)
 - Presentation to Institute des Actuaire (November 2015, Paris)

Benefit/Design Comparison

	USA	France
Eligibility & Triggers	2 of 6 ADL or cognitive impairment Frequent assessment of claim eligibility	ADL or cognitive Disability considered permanent
Benefit Design	Indemnity or reimbursement	Annuity or lump sum
Benefit Period	2-10 years or Lifetime	Lifetime only
Elimination Period	0-365 days (0-90 common)	90 days
Inflation	3% (compound); 5% (simple or compound) Only benefits increase (not premium)	Indexed or discretionary Both premium & benefits increase

Reserving/Valuation Comparison

	USA	France
Active Life Reserve	Locked-in; Assumptions subject to GPV Testing	Subject to change if interest or morbidity experience changes OR regulatory request
Interest Rate	Statutory maximum	Pricing, but subject to change
Lapses	Discretionary; subject to statutory maximum	None
Mortality	Discretionary; subject to statutory maximum	Pricing, but subject to change
Morbidity	Set by insurer	Pricing, but subject to change



Thank you

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