

# **SOUTHWEST ACTUARIES CLUB**

## **Current State of Long Term Care**

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# **INTRODUCTION**

- **Standalone Division of AEGON USA in Bedford, TX**
- **100% LTC, \$400+ million of Premium inforce. (Mostly “organic”.)  
\$80+ million annual submitted premium.**
- **400+ Employees with high level LTC expertise**
- **Perform all functions except investments, corporate filings,  
Mainframe IS**
- **Primary sales from LTC specialist agents**

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# **THE OPPORTUNITY**

- **Baby Boomers: 48% Increase in ages 55-64 from 2000 to 2010**
- **Average Age of LTCI Issues is 60.  
(>75% Issues <age 65)**
- **LTC Problem Recognition due to their Parents. (>age 75)**
- **HIPAA and Federal Employees**
- **Financing: OOP, Medicaid, LTCI  
(By 2030, > \$½ million average)**
- **Care Providers: Enhanced by ALF, HHC Availability**
- **Product Acceptance: Comprehensive “One Pool”  
featuring HHC, ALF, NH**

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# **THE CHALLENGES**

# **History of Product Line Issues:**

**Underwriting (Cognitive, Upper Age Antiselection)**

**Nursing Home/Facility Definition (ALF)**

**Assisted Living Dilemma**

**Home Health Care Dynamics**

**Tax Qualified vs. Non-Tax Qualified (Triggers)**

**Comprehensive vs. Standalone Coverage**

**Agents' Commission Adjustments (including Bonuses)**

**Rate Increases**

# **Pricing Issues:**

**Lapses (ALR Effect)**

**Mortality**

**Investment Income**

**Morbidity**

**Surplus Strain (RBC)**

**Reinsurance**

# **Distribution Issues – Scale:**

**LTCI Expertise Needed**

**“Sold, not Bought”**



# **Affinity Relationships:**

**Employers (EPA, ECO, Voluntary)**

**Associations**

**Broker/Dealers**

**Banks/Financial Institutions**

**Financial Planners**

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# **OTHER BARRIERS TO SUCCESS**

# **Regulatory:**

- **Product Filing Difficulties**  
(50 state variations)
- **Future Definition Changes**  
(covered facilities/providers, triggers)
- **Rate Stability Regulation**  
(“moderately adverse” company and state interpretation)
- **Rate Increase Difficulties**

# **Legal Environment:**

- **Older Age Protectionism  
(Underwriting, retroactive reg changes)**
- **Claims “Expectations”**
- **Rate Increase Litigation**

# **Actuarial Requirements:**

- **Strong Database Skills and Utilization**
- **Reserve Expertise: ALR, PVANYD, IBNR**
- **Embedded Value and Cash Flow Work**

# SUMMARY

Tremendous Potential for Companies  
with the Proper Tools and Expertise  
to React to Future Challenges