The Future of Long Term Care Insurance – A CEO’s Perspective

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Topics

The Future of Private Long Term Care Insurance

- My Perspective on the Private LTCI Market
- The Necessary Components of a Robust Market
- Genworth’s Commitment
The Underlying Risk of LTCI

The Ability To Adjust Pricing is Critical

- Duration – Claims 20-25 Years After Issue
- Interest Rates, Persistency, Morbidity & Mortality
- Historical Practices Shaping Consumer/Regulator Perspective
- Inconsistent and Unpredictable Regulatory Environment

The Result: Few Remaining Carriers
The Need For Private Market Solutions

Long Term Care Insurance Plays a Critical Role

- $60 - $80 Trillion of “True” Entitlement Liabilities
- Ratio of Less than 3 Workers Per Retiree
- Insufficient Retirement Savings
- Entitlement Programs Already Under Considerable Strain

We Need a LTC Model and Regulations that Encourage New Entrants
New LTCI Model and Regulatory Framework

The Boomers’ “Perfect Storm” – A Financing Crisis

• 10,000 Baby Boomers Turning 65 Every Day
• 70% of People Turning 65 Will Need Some Form of LTC
• > 50% of Boomers think LTCI is unnecessary
  – Most Boomers believe that LTC Expenses are covered by Health Insurance, Medicare of other sources

• The Avg. Cost of 3 Years of NH Care Today - ~$250,000
  – In 25 years, care could cost $500k - $600k (with inflation)

Strong Need for Americans to Start Planning NOW for LTC
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Product Innovation and Pricing Assumptions Key

- Product Needs to Evolve – Simple, Affordable Coverage
  - Leverage Demand for Hybrid Products with Life, Savings and LTC Components
- Public Policy and Regulatory Support is Necessary
- New Products Should Include Conservative Assumptions
- Prompt Product Approval Important to Ensure Current Experience & Assumptions
  - Approval in 90 Days

Education & Awareness Among Regulators and Consumers Is Important
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Regulatory Framework Needs to Evolve

• Frequent Evaluation of Actual & Projected vs. Pricing Assumptions
  – Should Lead to Smaller Rate Increases Earlier in Product Lifecycle – Prompt Approval is Necessary (6 Months)

• Every 5 Years that a Necessary Rate Increase is Delayed, the Amount of the Increase Needed Doubles
  – Some Regulators, However, Require Companies to Wait Until Further Experience Develops – Will Lead to Larger Increases

• Companies & Regulators Must Learn from the Past & Manage LTCI Differently in the Future

How the Regulatory Framework Evolves will Likely Determine the Future
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Conclusion

• The Industry Should Focus on How to Dramatically Expand the Number of Americans who Purchase LTCI
• 115 million Americans aged 40-75 – only 7.4 million own LTCI
• Product Innovation and Regulatory Framework is Critical to Market Expansion
• Policymakers, Regulators, Consumer Groups & Other Interested Parties Need to Work Together to Create a Robust Private Market

Private LTCI Plays a Critical Role in the Future of LTC Financing