

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 LTCL

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 or 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