

Actuarial

Opportunities From Emerging Demographic and Attitudinal Trends

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16th Annual Intercompany Long Term Care Insurance Conference



- Vince: Demographic Trends
 - Generations primer
 - Purchasers of LTCl
 - Effects on care landscape
- Lauren: Attitudinal Trends & Innovation
 - Risk control and tolerance
 - Social capital and connectedness
 - Design thinking

DEMOGRAPHIC TRENDS

Past and Future Trends in Long-term Care

Presented By:

Vincent L. Bodnar, ASA

Chief Actuary

LTCG





Generations Primer



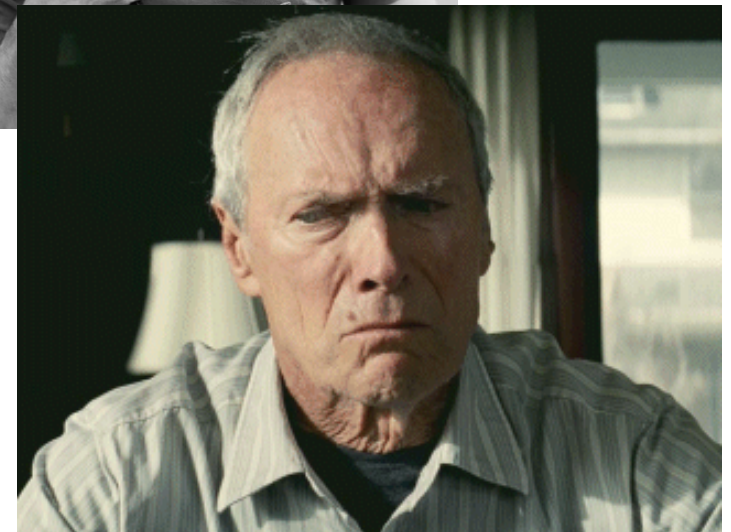
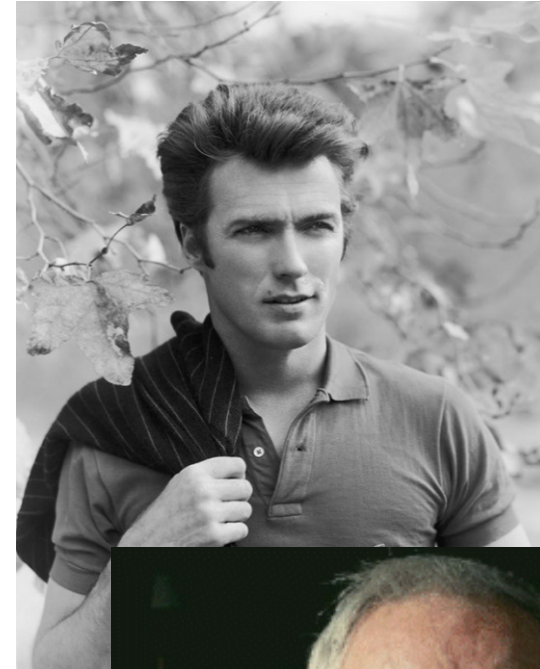
- Born 1900-1924
- Also called “G.I.” or “Greatest” Generation
- Survived the Great Depression and won World War II
- Valued self-sacrifice
- Weekly religious service: 51%
- Average of 2.4 children
- Low divorce rate: 20%



The Silent Generation



- Born 1925-1944
- Born into a time of crisis: Great Depression and WWII
- Served in Korea and Vietnam
- Compliant; honored their elders and loyal to old institutions
- Weekly religious service: 51%
- Average of 3.3 children
- Wanted a different childhood for their kids





- Born 1945-1964
- Also called the “Me” Generation
- Served in & protested Vietnam War
- Grew up with, but rejected traditional values and religion
- Weekly religious service: 38%
- Average of 2.0 children
- 40%+ divorce rate
- Redefined retirement





- Born 1965-1980
- The MTV Generation
- First to use PCs
- Grew up during prosperous times
- First generation of divorced parents
- Fought in the Gulf Wars
- Weekly religious service: 34%
- Embrace social diversity
- Average of 2.0 children
- High rate of single parenting





- Born 1980-2000
- Grew up in the internet age
- Socially liberal
- Weekly religious service: 27%
- “Spiritual but not religious”
- Embrace moral relativism
- Technology savvy
- Disappearance of blue collar work and shrinking middle class
- Children of “helicopter parents”
- Waiting to get married; even longer to have children

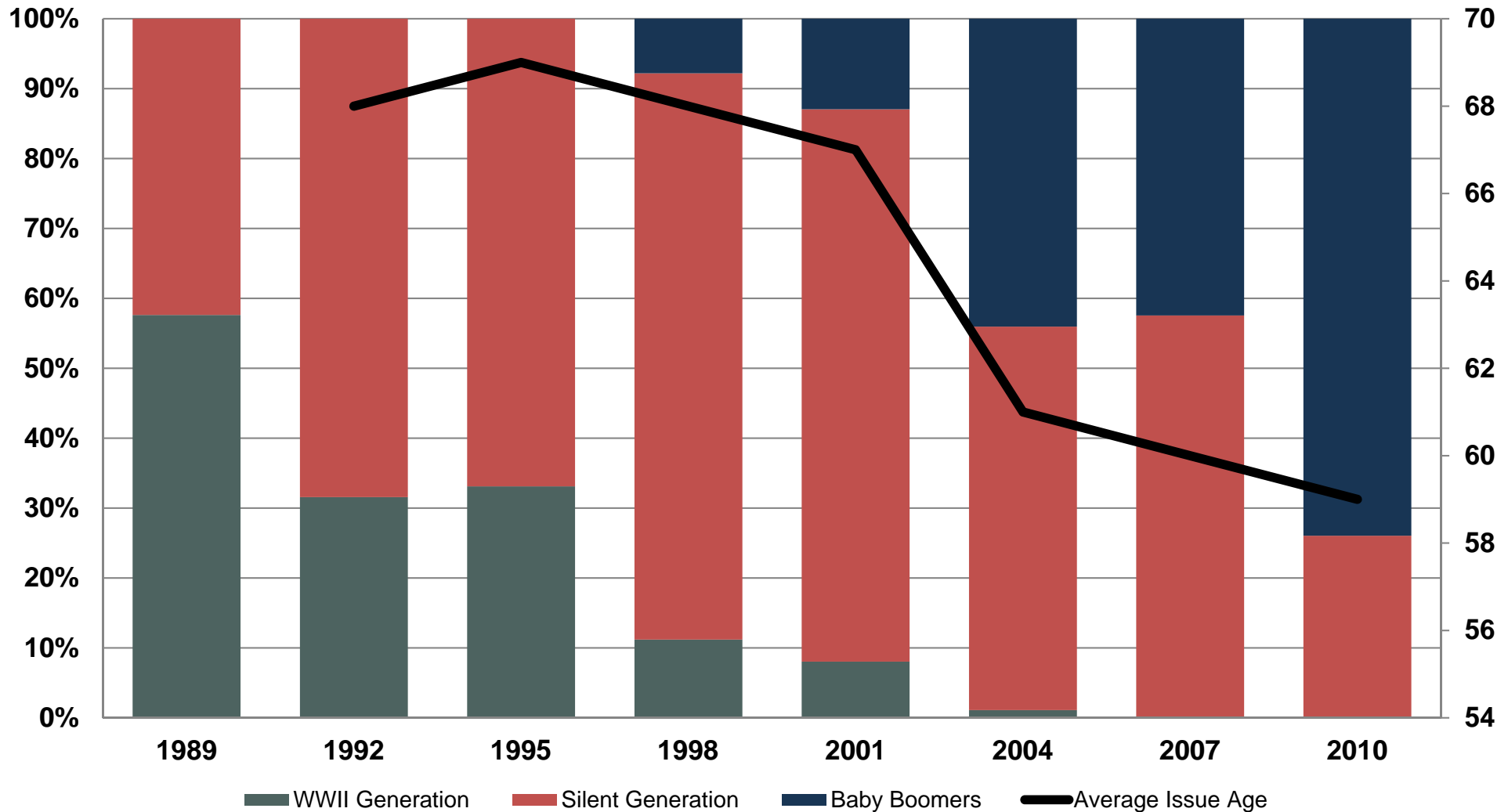




Purchasers of LTCI



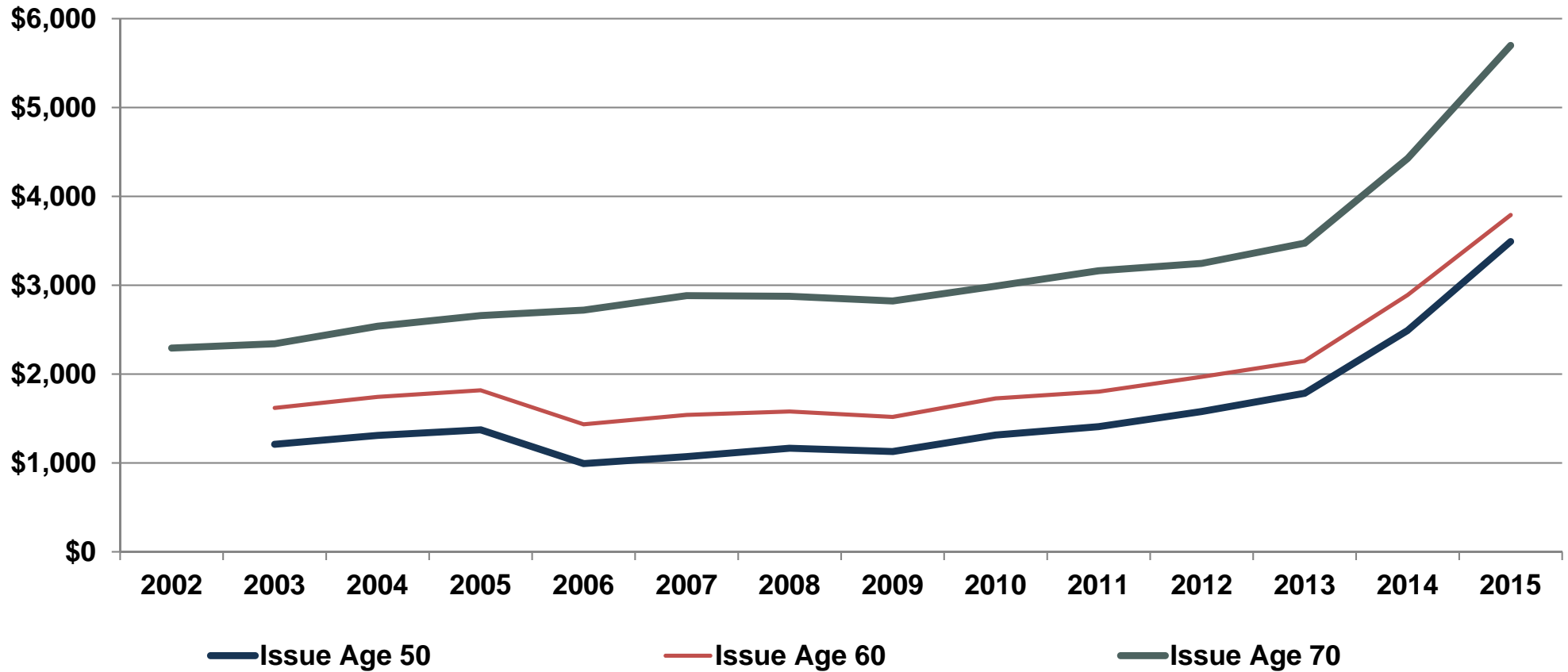
LTCI Issues by Generation and Average Issue Age by Year



Source: 2000-2011 SOA Long Term Care Intercompany Experience Study and AHIP: Who Buys Long-Term Care Insurance in 2010-2011



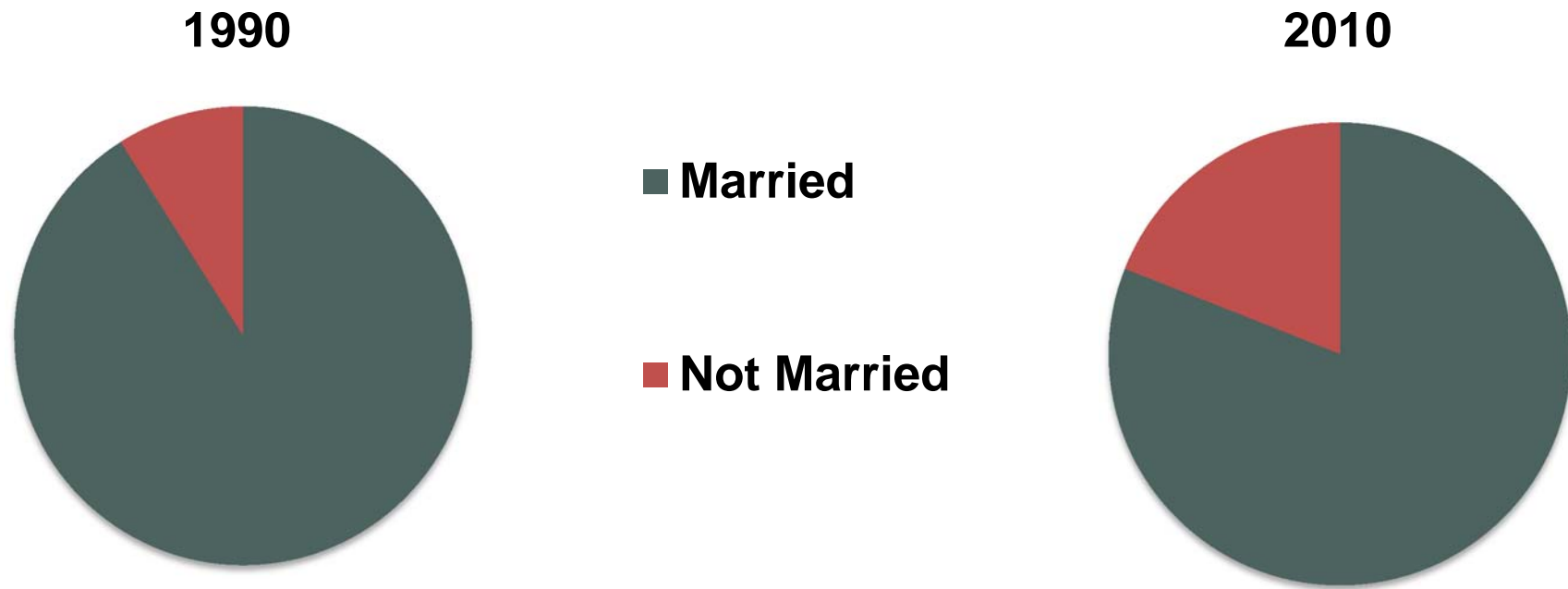
Average Market Premium - 3 Year Benefit Period with BIO



Source: 2002-2015 Broker World Surveys



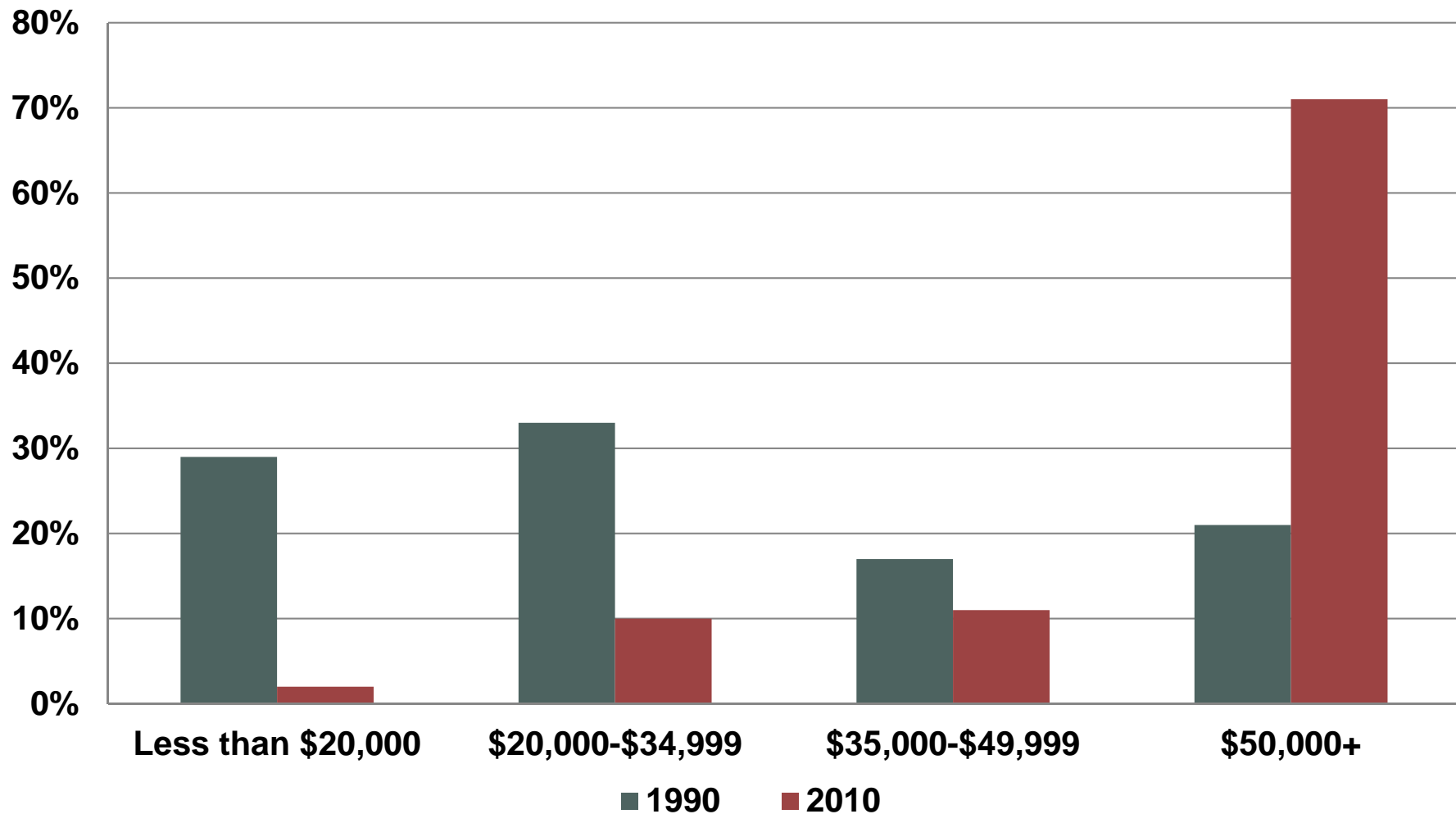
Marital Status of Individual LTCI Buyers



Reflects overall trend of less marriages



Income of Individual LTCI Buyers



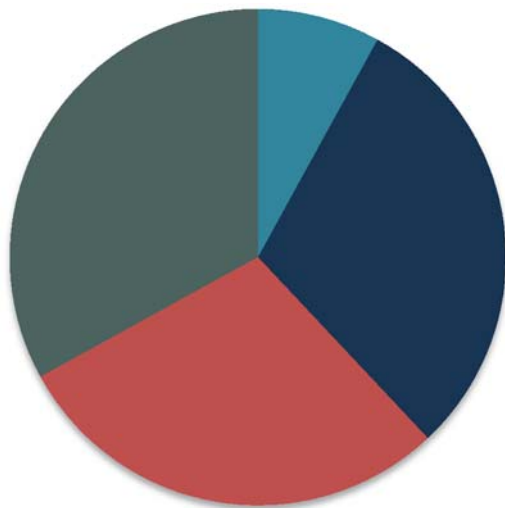
PA hearing consumer question: "Is LTCI only for the 1%?"

Source: AHIP: Who Buys Long-Term Care Insurance in 2010-2011



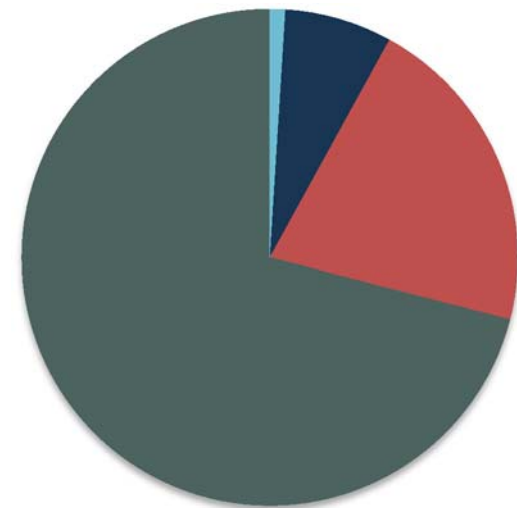
Education Level of Individual LTCI Buyers

1990



- Less than High School
- High School Graduate
- Post High School
- College Graduate

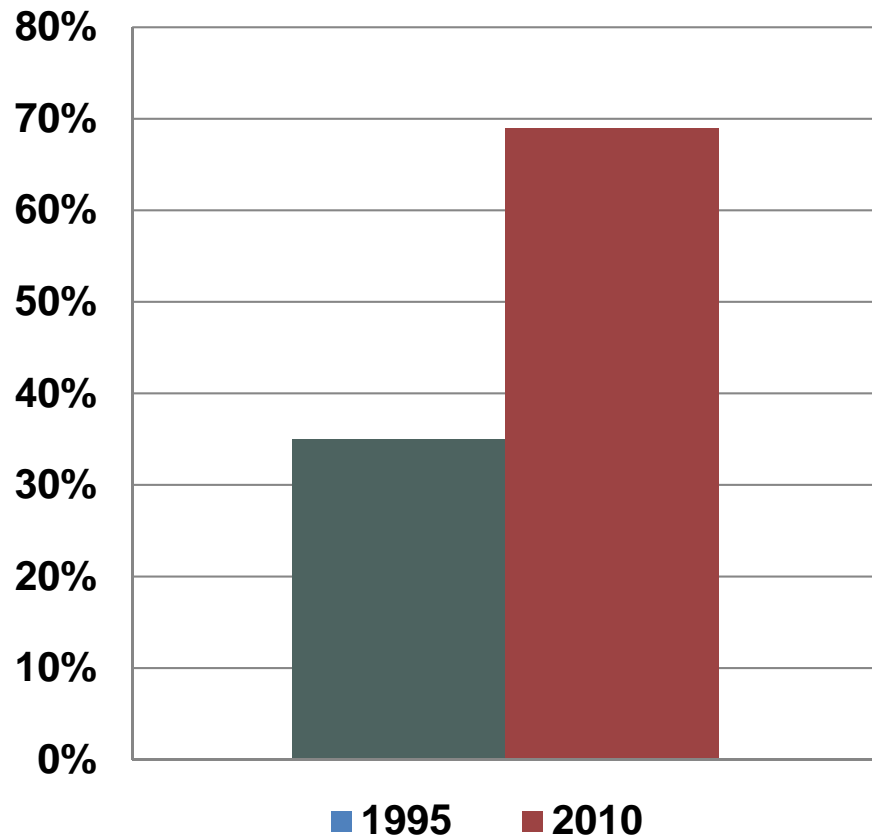
2010



Source: AHIP: Who Buys Long-Term Care Insurance in 2010-2011



Someone in Household Working



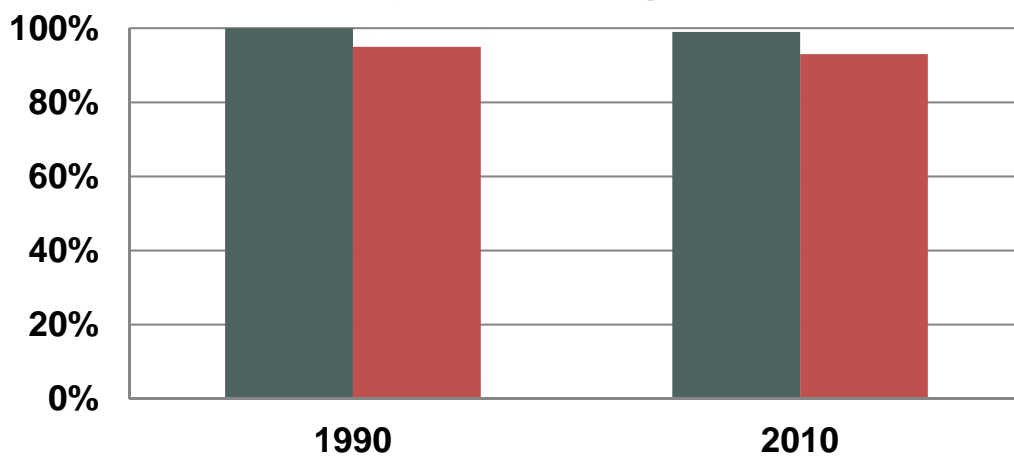
- Lower Issue age in 2010
- Baby Boomers working longer than the Silent Generation

Source: AHIP: Who Buys Long-Term Care Insurance in 2010-2011

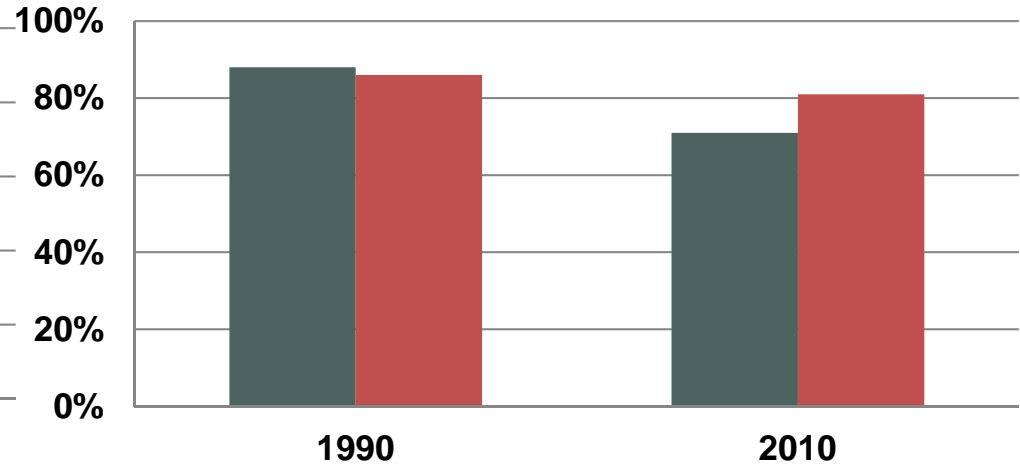
Buyer Statistics



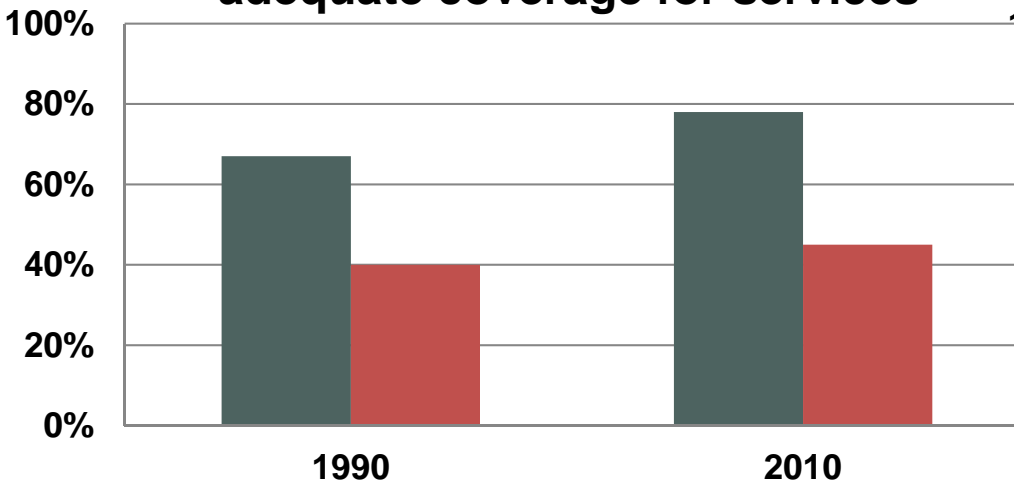
It is important to plan now for the possibility of needing LTC services



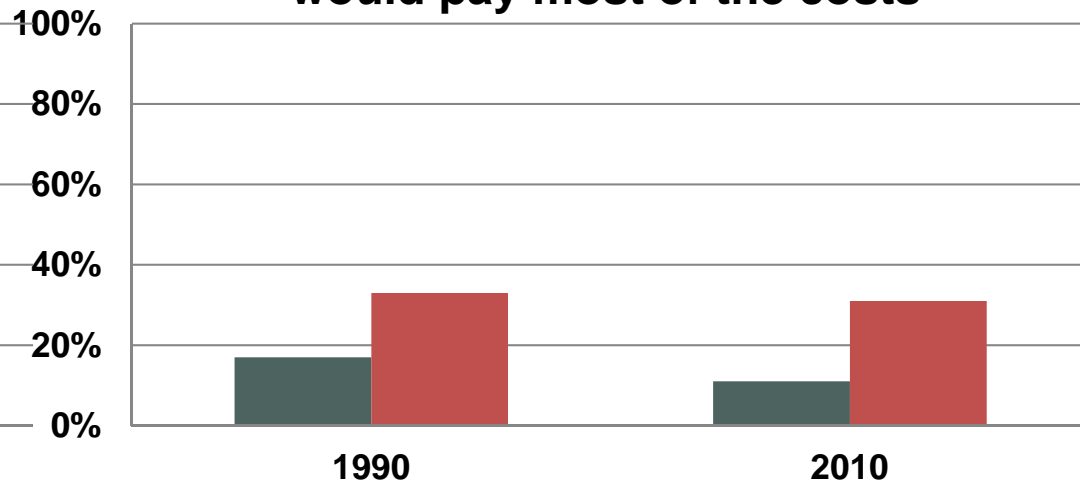
I worry about how I would pay for care if needed



The insurance industry sells adequate coverage for services



If I ever needed care, the government would pay most of the costs

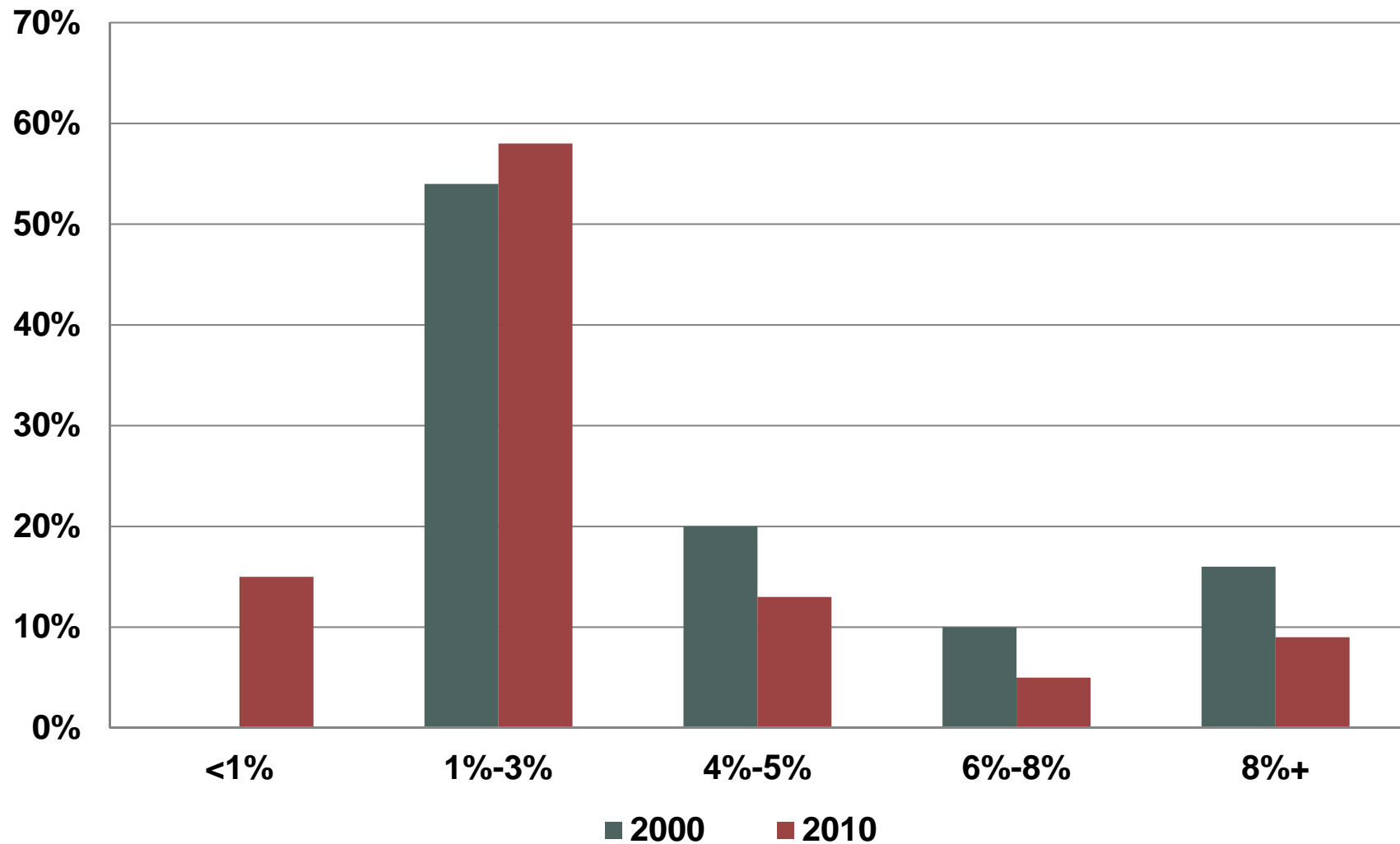


■ Buyers ■ Non-Buyers

Source: AHIP: Who Buys Long-Term Care Insurance in 2010-2011



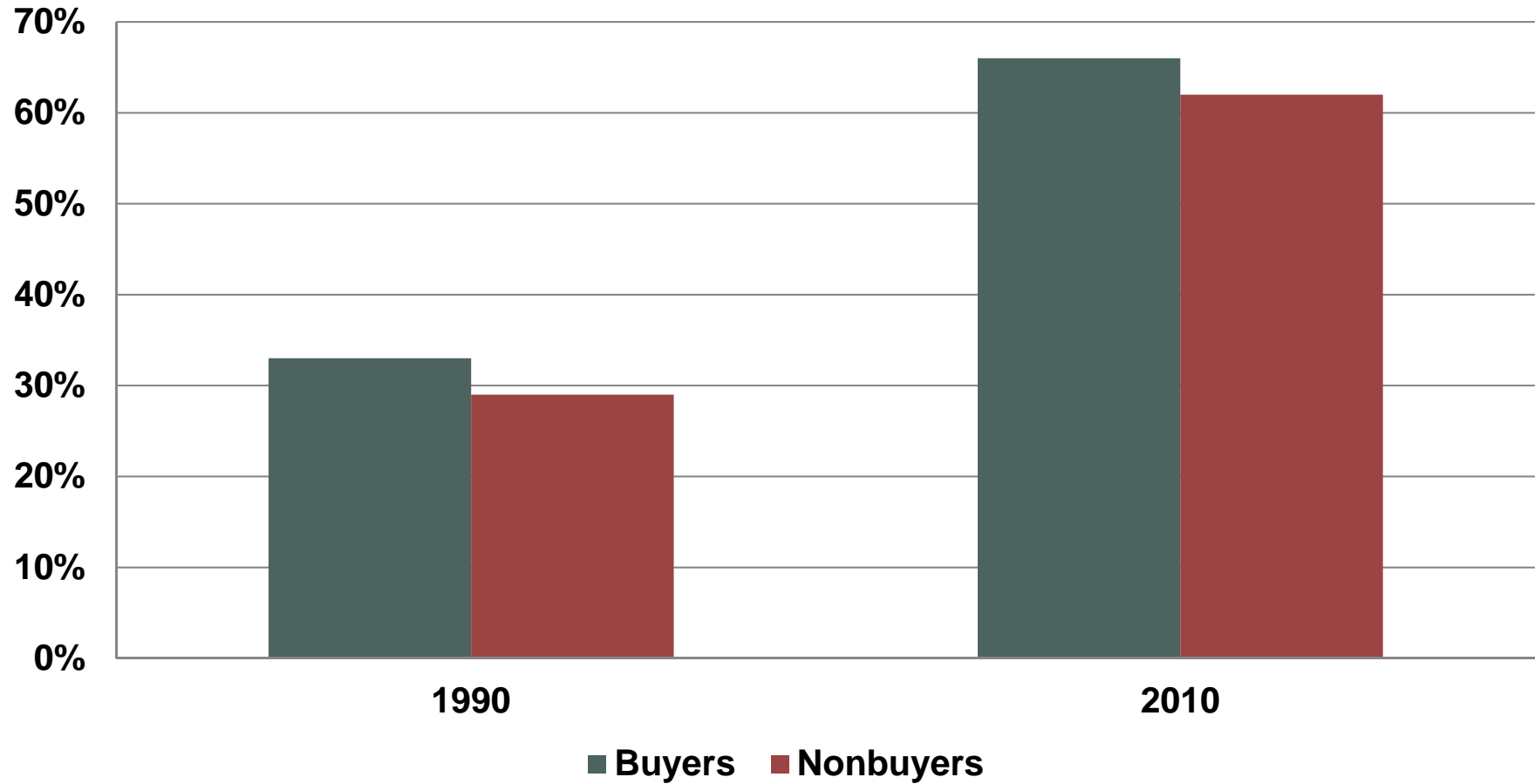
Percentage of Income Spent on LTCI



Source: AHIP: Who Buys Long-Term Care Insurance in 2010-2011



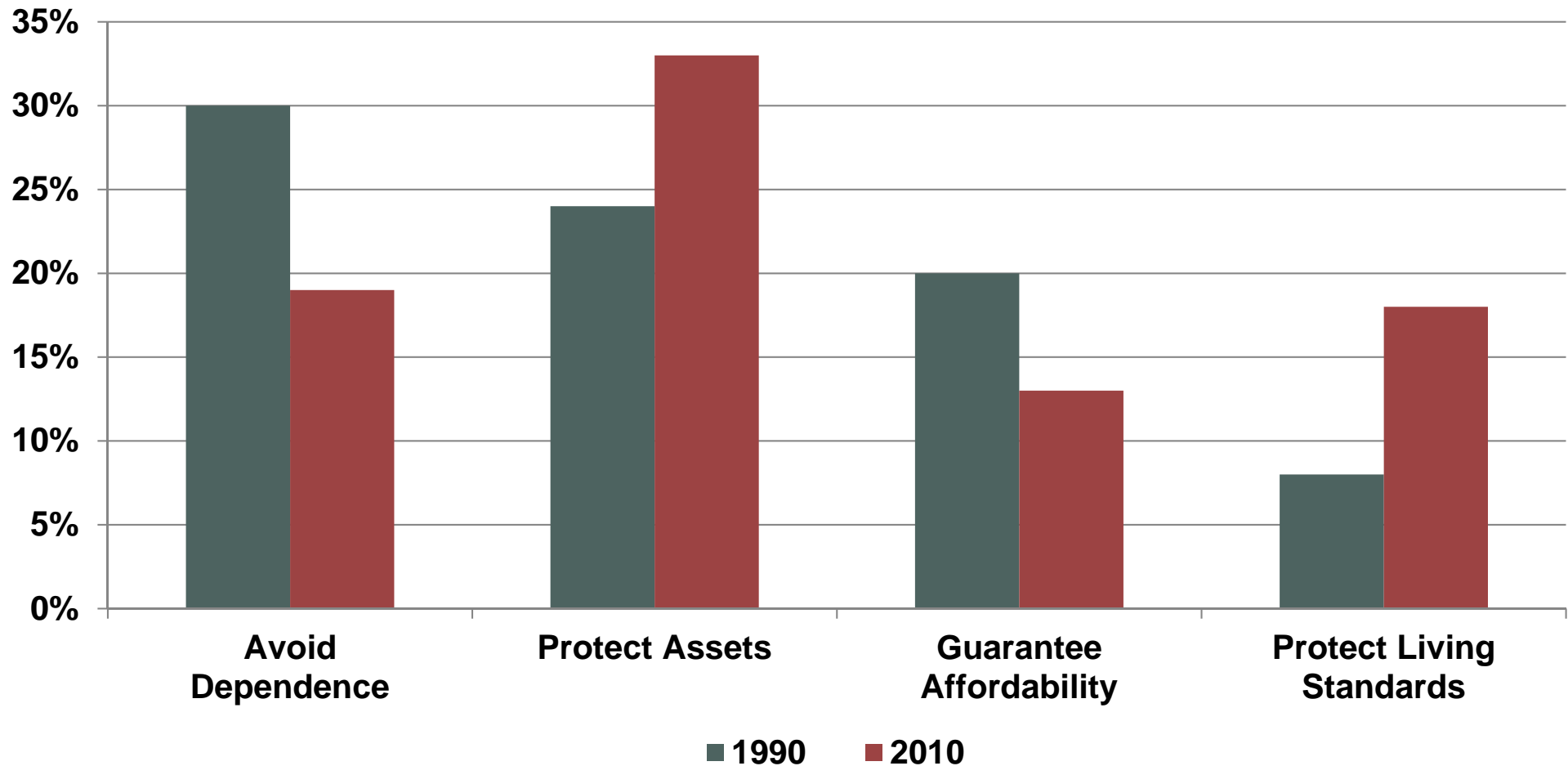
Self Assessment of >50% chance of needing care



Reflects more people encountering LTC with a family member



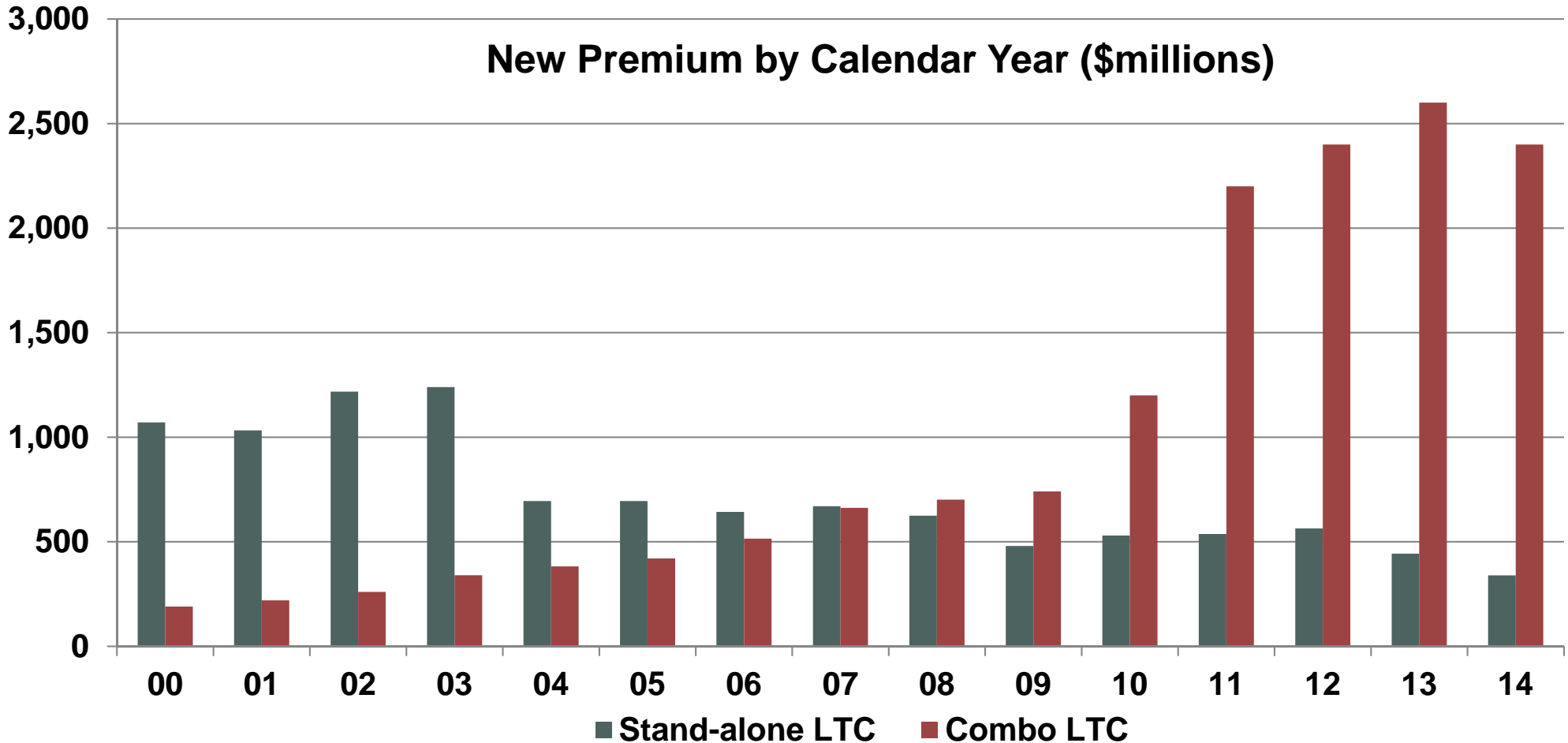
Reason for Buying LTCI



Motivations shifted to preserving assets and lifestyle

Source: AHIP: Who Buys Long-Term Care Insurance in 2010-2011

Transition to Hybrid Products



- Premiums for combo products have overtaken stand-alone LTC
- Important to note that most combo premiums are single premiums
- Shift to hybrids correlates to shift to Boomers as purchasers

Sources: 2001-2014 *Broker World Surveys* and LIMRA's *Individual Life Combo Products Annual Reviews*



Effects on Care Landscape



From **2005** to **2050**
the elderly population will grow from
(ages 60+) **50m** to **110m**

LTC spending will more than double
from

2000 to **2050**

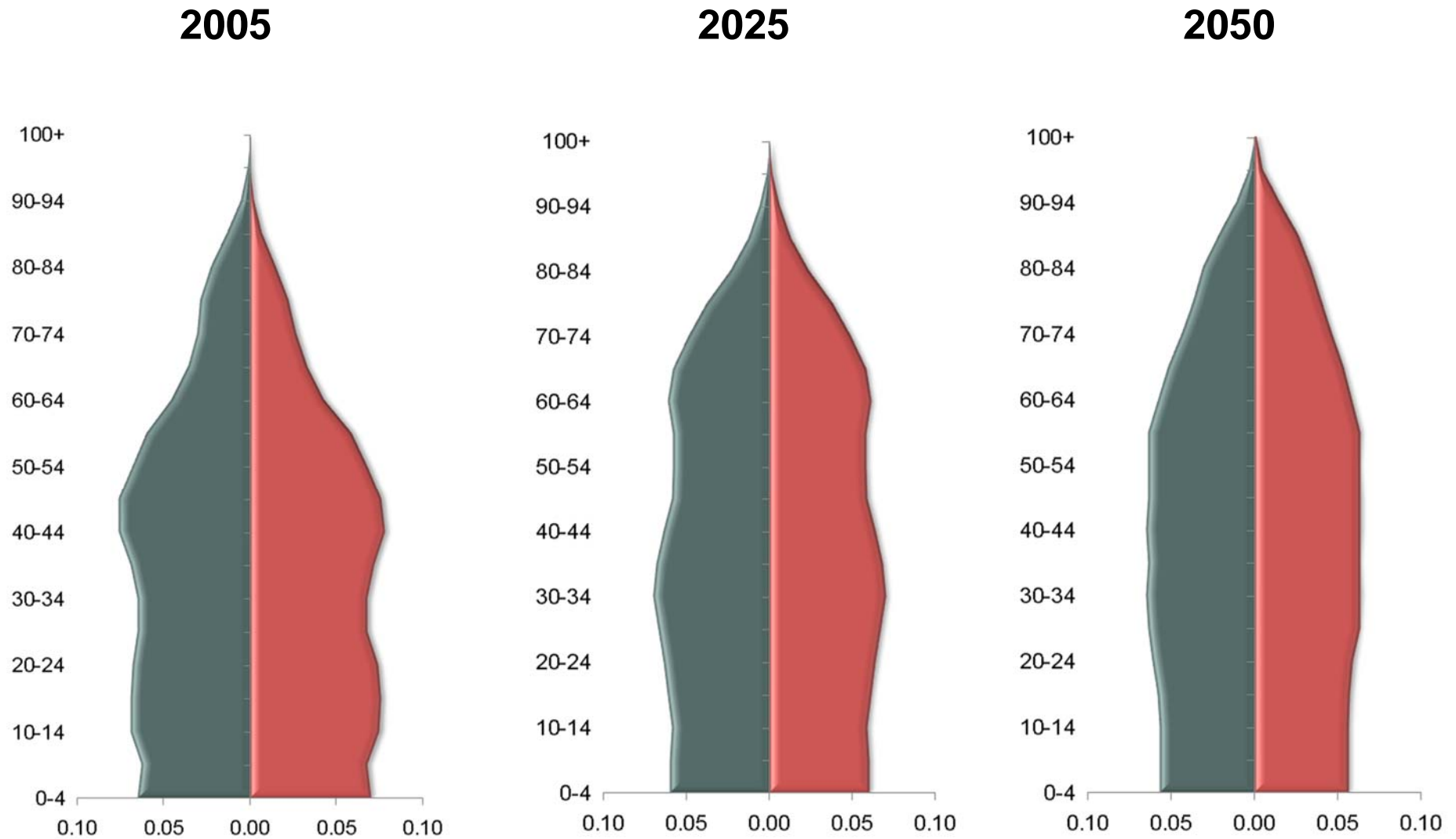
1.3% GDP to **3.0%** GDP

The ratio of caregiver to
care-receiver will drop

from **7 to 1** in **2010**

to **3 to 1** in **2050**

Population Demographics

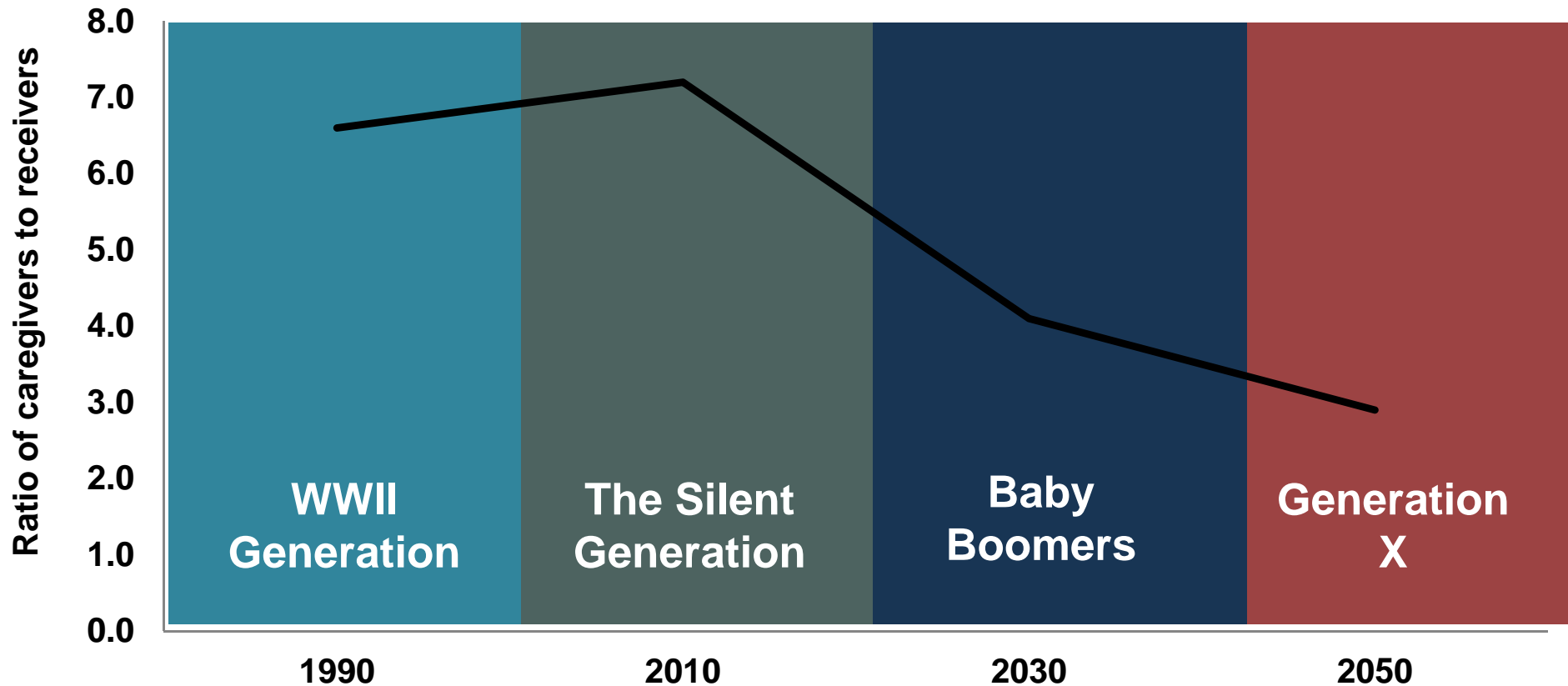


Percentage of 80+ year olds more than triple from [x]% to [x]% 2005-2050

Source: US Census Bureau 2015 Projection Population



Who Will Need LTC & Available Resources



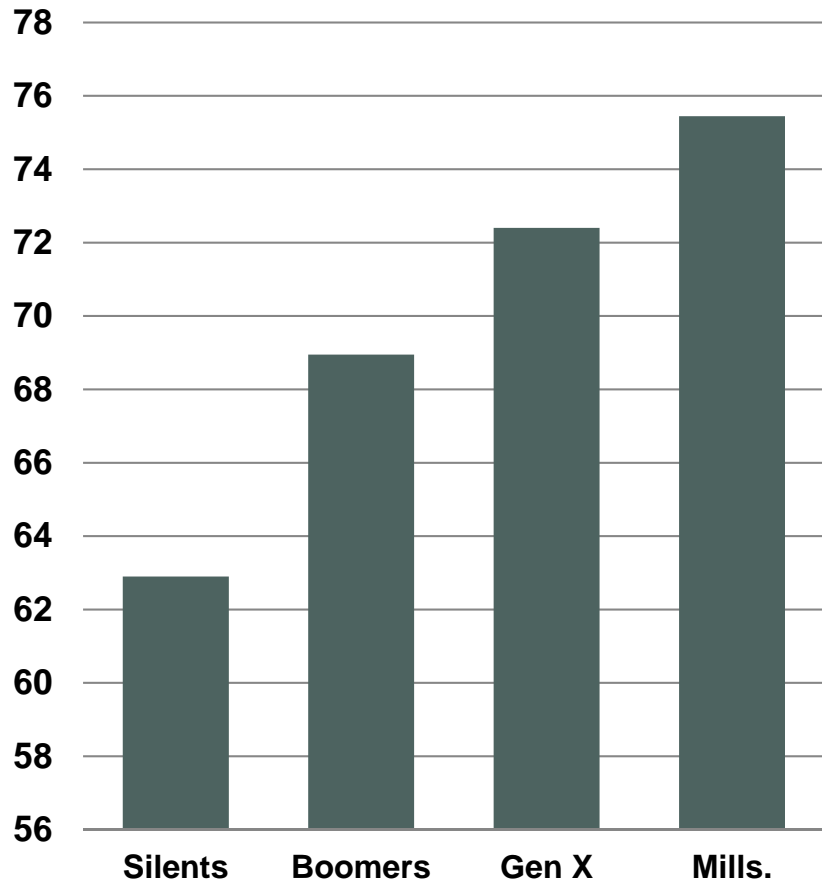
- Generation receiving care will start to flip to Baby Boomers
- Rate of care givers to care providers will drop dramatically
- Both will drive changes in care delivery

Source: US Census Bureau 2015 Projection Population

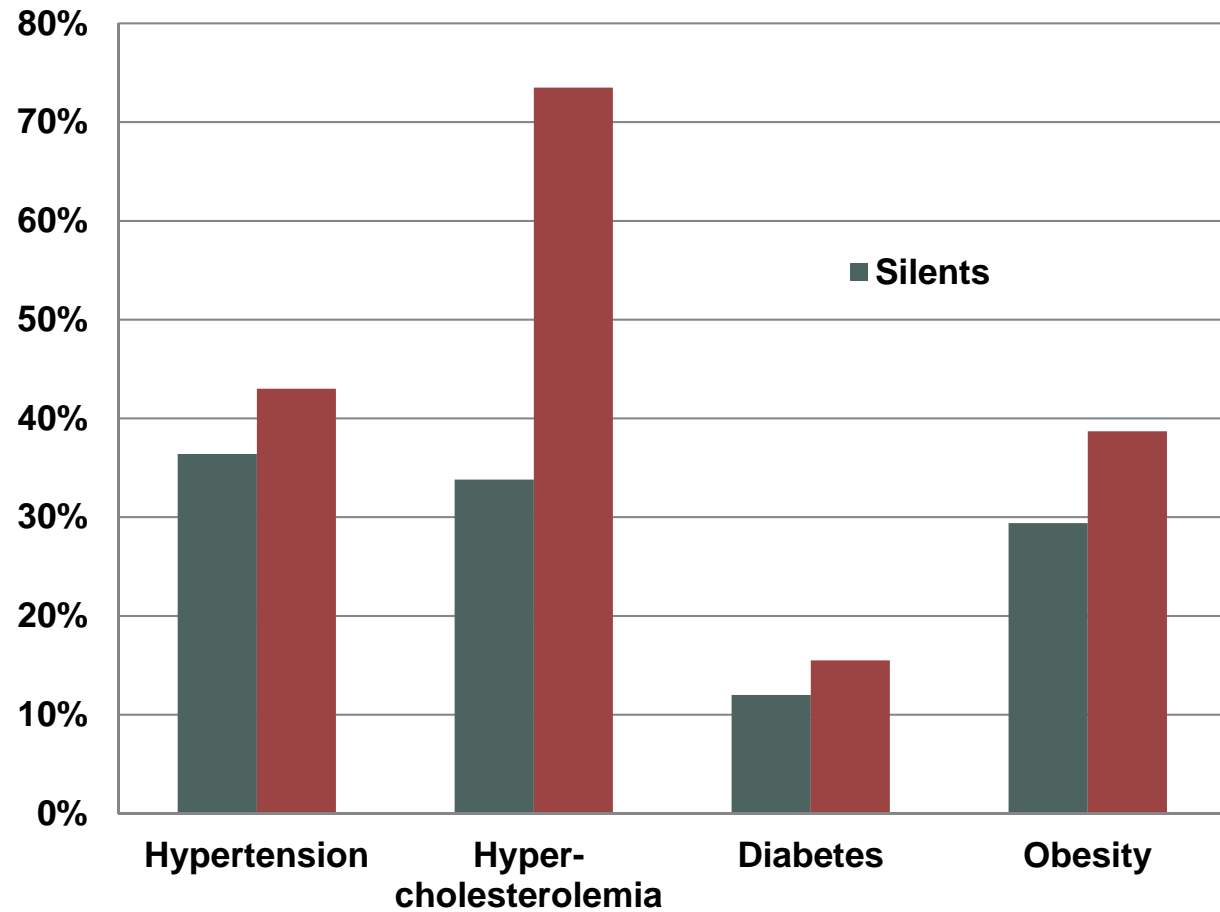
Generational Comparison – Baby Boomers



Life Expectancy at Birth



Health Risks by Generation



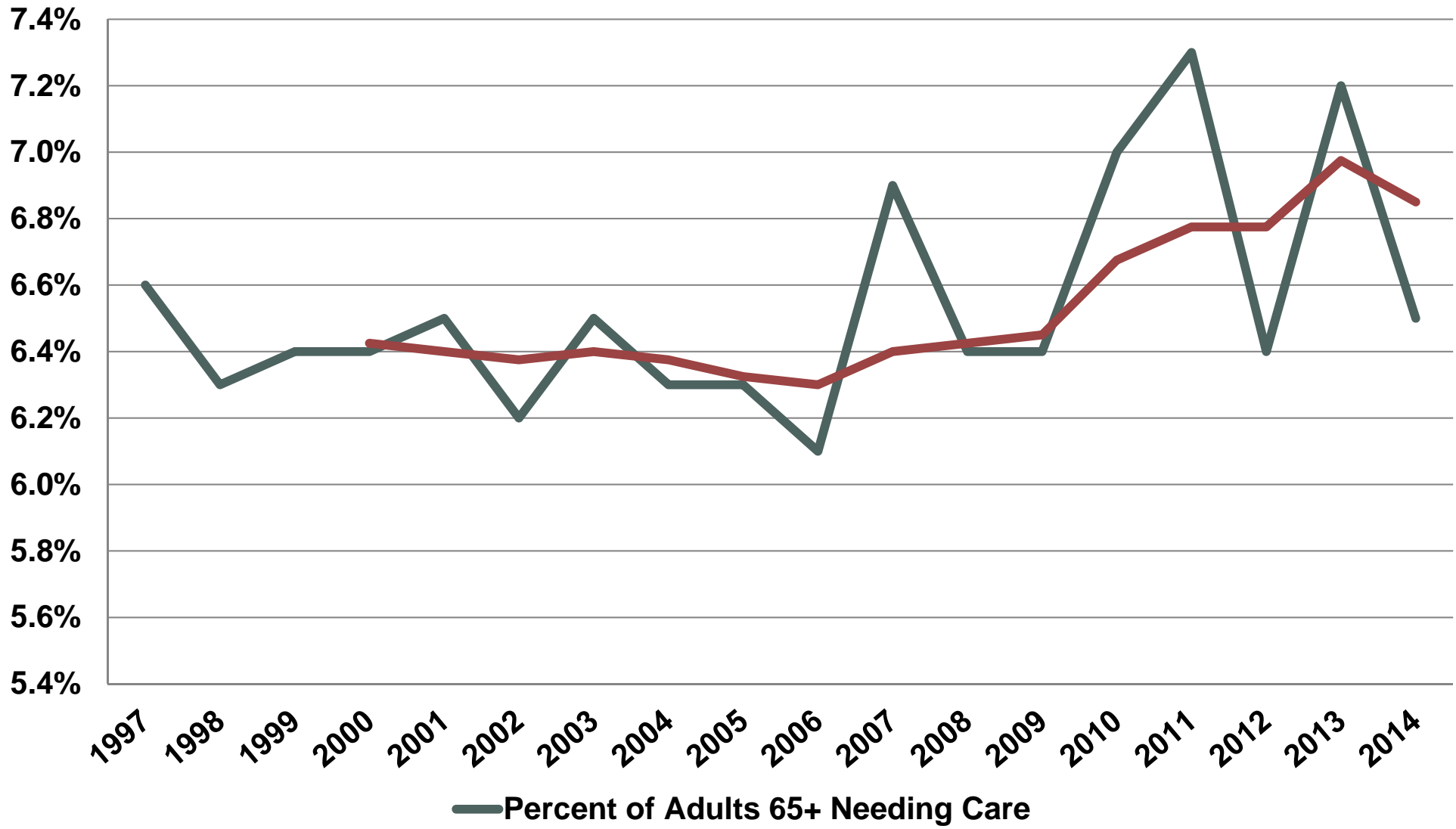
Boomers will live longer, but are generally less healthy

Source: CDC National Center for Health Statistics and The Journal of the American Medical Association

Generational Comparison – Baby Boomers



Percentage of Persons 65+ Needing Help with Personal Care



— Percent of Adults 65+ Needing Care

Source: CDC/NCHS, National Health Interview Survey, 1997–September 2015, Family Core component.



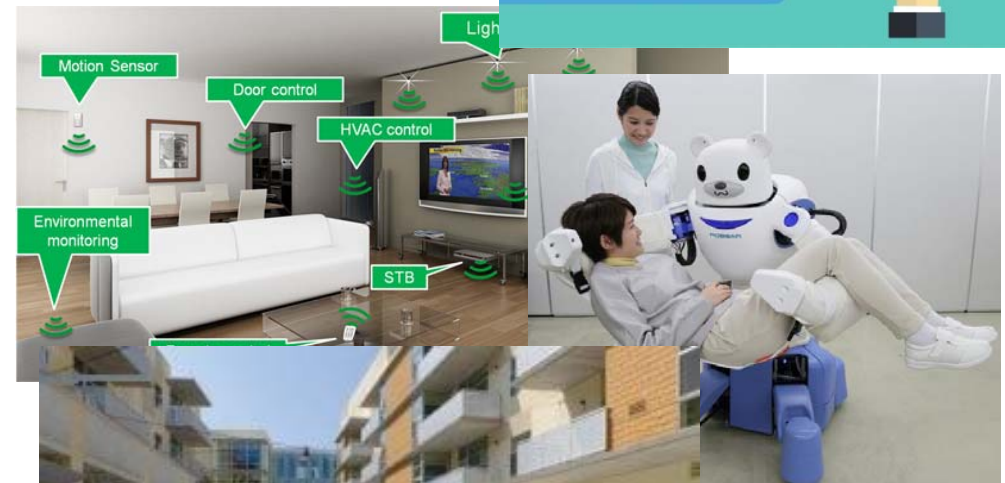
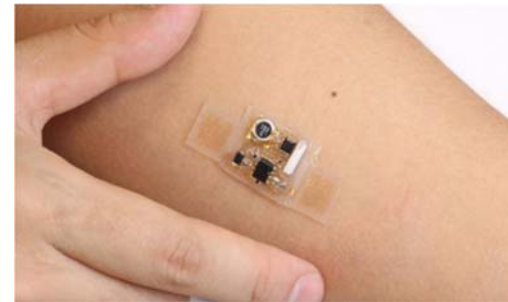
- Who:
 - Recipients: Silents
 - Informal caregivers: Boomers
 - Formal caregivers: GenXers
- Generational dynamic:
 - Silents accept how things are
 - Do not want to burden children
 - Busy, mobile children;
 - Social isolation
 - Low tech, current health system
- Where:
 - Home
 - Assisted living facilities
 - Nursing homes



Emerging Care Landscape



- Who:
 - Recipients: BB
 - Informal caregivers: GX
 - Formal caregivers: MG
- Generational dynamic:
 - BBs will demand change
 - Will not expect help from children
 - Will not tolerate isolation
 - Will want to keep their toys
- Not “Where” but “How”:
 - Emerging tech deployed
 - More efficient, less labor intensive
 - At home via “smart homes”
 - Lifestyle preservation “places”
 - Amenities, mobility, social interaction



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FRAMING THE INNOVATION WHITESPACE

How Design Thinking Can Revolutionize the LTCI Industry

Presented By:

Lauren Schwartz

Design Strategist – Consumer Research

Maddock Douglas



16th Annual Intercompany Long Term Care Insurance Conference



THE INSURANCE INDUSTRY MUST FIND INNOVATIVE SOLUTIONS TO THE “PROTECTION GAP”





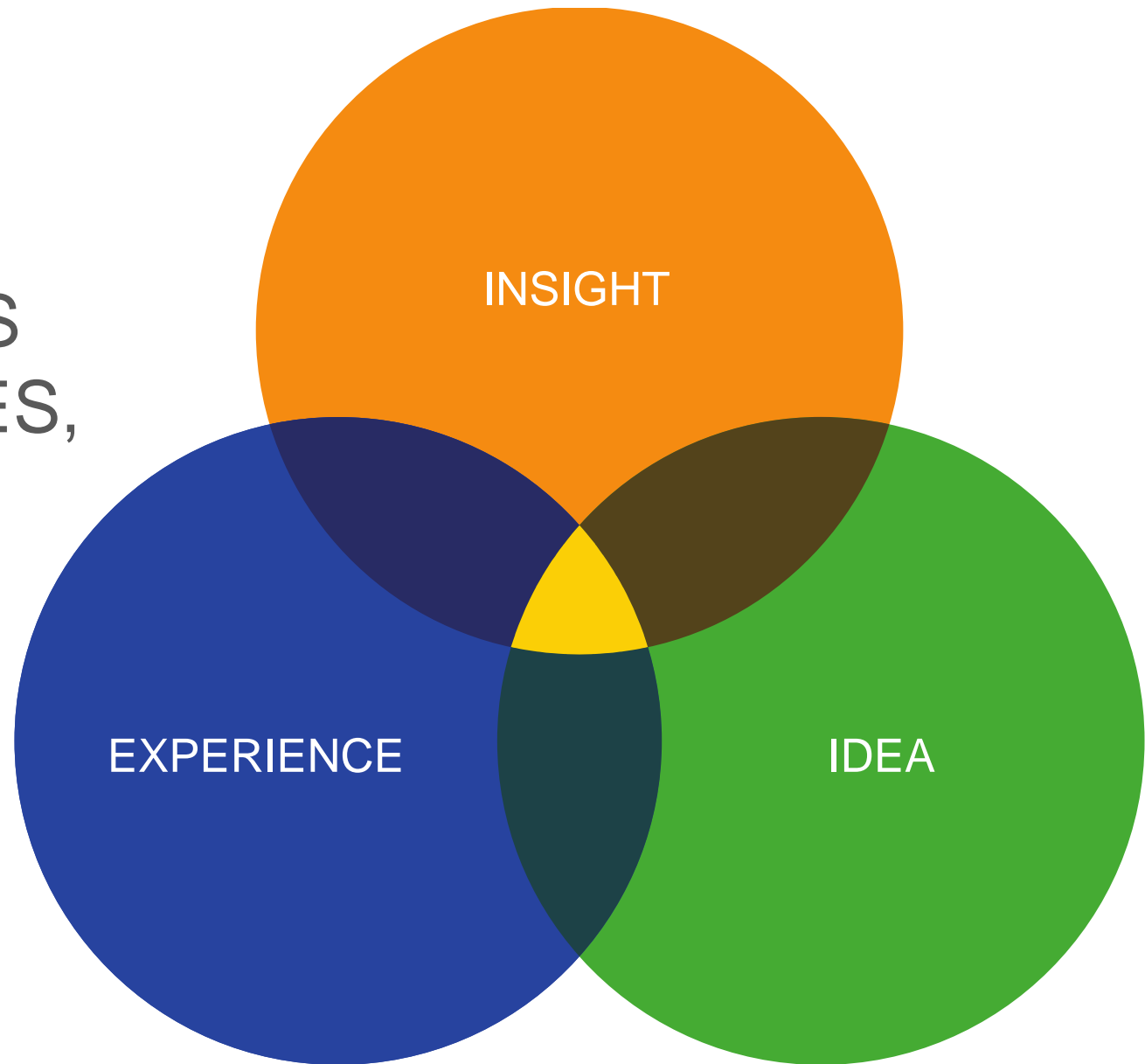
**YOU CAN'T READ THE LABEL
WHEN YOU'RE...**



**SITTING
INSIDE THE
JAR**



**INNOVATION
STARTS WITH
UNDERSTANDING
THE CUSTOMER'S
NEEDS, ATTITUDES,
BEHAVIORS AND
DESIRES.**



A close-up photograph of a person's hands holding a pair of black binoculars. The binoculars are held in a way that the lenses are visible. The background is a blurred image of a person's face. A semi-transparent dark blue horizontal band is overlaid across the middle of the image, containing the main title text in white. The text is centered and reads: "LOOKING TO THE PAST: HOW THE NATURE OF RISK HAS CHANGED".

**LOOKING TO THE PAST:
HOW THE NATURE OF RISK
HAS CHANGED**



IN 1900,
THE WORLD WAS FULL OF
UNCONTROLLABLE RISK.



BACK THEN...

ACUTE ILLNESS.

INFECTIOUS DISEASE.

65+ COHORT ONLY 4% OF U.S.
POPULATION.



NOW...

ADVANCES IN MEDICINE.

CHRONIC ILLNESS.

BY 2020, 65+ COHORT WILL BE
19% OF U.S. POPULATION.



BACK THEN...

UNSAFE LIVING AND
WORKING CONDITIONS.

LIFE EXPECTANCY OF
ABOUT 46 YEARS.



NOW...



turn the light on

make coffee now

SMART HOMES, BIOMETRIC TRACKING, TELEMEDICINE.

LIFE EXPECTANCY OF ABOUT 79 YEARS, AND 82 YEARS BY 2020.



BACK THEN...

FEW PENSION PROGRAMS,
HALF-PAY AFTER 50 YEARS.

PUBLIC WELFARE IS BOTH
LIMITED AND DEGRADING.



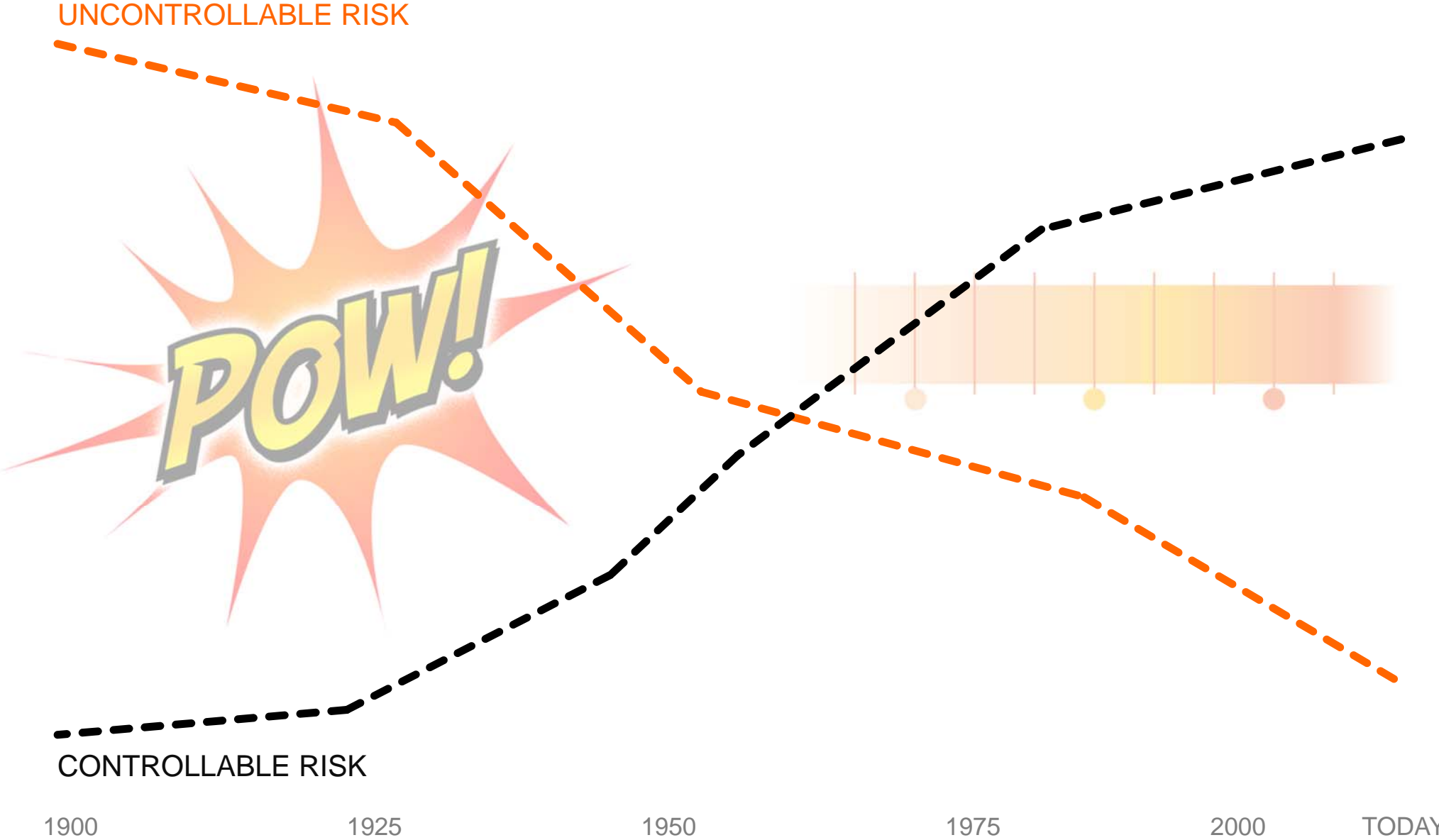
NOW...

GOVERNMENT PROGRAMS,
PENSIONS AND ANNUITIES.

DEBT AND CROWDFUNDING.

THE SHARING ECONOMY.

HOW THE NATURE OF RISK HAS CHANGED



HOW THE NATURE OF RISK HAS CHANGED



Actions

PUSH OUT RISK

THEN:

- FIGHT
- FLIGHT
- FOLLOW

NOW:

- TRACK
- PREDICT
- MANAGE



New Perspective



Agreements

MITIGATE CONSEQUENCES

THEN:

- SAVE
- INVEST
- OWN

NOW:

- SHARE
- BORROW
- ACCESS



CONTROL

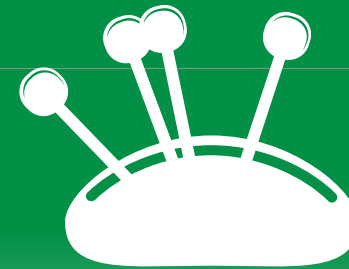
POINT OF
REFERENCE



SENSITIVITY



LEVERS





SO IF RISK IS MORE
CONTROLLABLE, DO CONSUMERS
FEEL MORE IN CONTROL?





WE'VE SHIFTED FROM AN
INTERNAL TO AN EXTERNAL
LOCUS OF CONTROL OVER
THE PAST 60 YEARS.



WHAT CONSUMERS STRUGGLE TO ARTICULATE:

- Longer lifespans means greater likelihood of LTC
- Increasingly strained health care system and rising old age dependency ratio
- Middle Class Squeeze and rising costs
- Increased pressure on Baby Boomers as they support retired parents

WHAT CONSUMERS EASILY ARTICULATE:

- **Retirement anxiety**
- **Lack of trust in industry**
- **Sense of frustration**
- **Feeling overwhelmed**





PROTECTED



EMPOWERED

A close-up photograph of a person's hands holding a pair of black binoculars. The binoculars are held in a way that the lenses are visible. The person's face is partially visible in the background, looking through the binoculars. The text is overlaid on a semi-transparent dark band across the middle of the image.

**LOOKING TO THE FUTURE:
HOW ACCESS TO CAPITAL AND
CONNECTEDNESS ARE CHANGING**



+



Economic
Capital

Social
Capital

NEW ACCESS TO CAPITAL





WHAT HAPPENS AS THE **SOCIAL**
IMPACTS OF LTC BECOME AS
SIGNIFICANT AS THE **ECONOMIC**?



NEW FORMS OF CONNECTEDNESS





CAN WE LEVERAGE NEW FORMS OF
CONNECTEDNESS TO PROVIDE
ACCESS TO **SOCIAL CAPITAL** IN
ADDITION TO **ECONOMIC**?





Long Term Care Insurance?

Financial Advice?

Retirement Planning?

LIFESTYLE CONTINUITY

Thesaurus

Legend: |Synonyms |Related Words |Antonyms

Noun 1. buggy whip - a horsewhip once used by a driver of a buggy; "since buggies have been replaced by cars the buggy whip has become a symbol for anything that is hopelessly outmoded"

[horsewhip](#) - a whip for controlling horses



Based on WordNet 3.0, Farlex clipart collection. © 2003-2011 Princeton University, Farlex Inc.



**WHAT DOES LIFESTYLE CONTINUITY
MEAN TO TODAY'S CONSUMERS?**

**HOW DO THEIR NEEDS, DESIRES,
ATTITUDES & BELIEFS VARY?**





YOU CAN'T READ THE LABEL WHEN YOU'RE SITTING INSIDE OF THE JAR...



BUT A STRONG INNOVATION PROGRAM CAN HELP TO EXPAND YOUR VIEW.

OLD PARADIGM:

- Financial Security
- Protection
- Economic Benefits
- Focus on regulations and what's worked in the past
- Innovation as separate from core business

NEW PARADIGM:

- Lifestyle Continuity
- Empowerment
- Social Benefits
- Focus on customer needs and anticipating the future
- Design Thinking as a core business competency



QUESTIONS?

