

RE THINK REINSURANCE



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Canadian LTC Insurance Market

- Canadian LTC Insurance still in its infancy

	USA*	Canada**
LTC Introduction	1974	Mid-late 90s
Number of Inforce Policies	4.8M	70K
Annual Premium (including Inforce)	8.85B	\$80M
Number of Carriers (current)	20	7

* LIMRA
** Munich Re

- Overall LTC Penetration is very low (~1%)
- LTC Sales Growth has been slow



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Canadian LTC Insurance Market

- Very different from the US Market
 - Reimbursement vs Indemnity Benefit
 - Rate Filings
 - Public Health Care
 - Premiums Split by Sex



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The Good

- The LTC Product has consumer value
 - At least 70% of people over age 65 will require long-term care services at some point in their lives¹
 - The national average for 24-hour home care or one year in a nursing home can cost more than \$75,000 today²

1. U.S. Department of Health and Human Services, National Clearinghouse for Long-Term Care Information, www.longtermcare.gov, September 2008

2. John Hancock Cost of Care Survey, conducted by CareScout, 2008



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The Good

- The Demographics are favorable
 - Important target market is the Baby Boomers born 1946-1964
- There is a Social Good for private LTC insurance
 - Major LTC funding methods in U.S. are self-funding, Medicaid and LTC insurance
 - State Partnership programs developed to reduce Medicaid costs



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The Good

- The CLASS Act is creating LTC awareness
 - Provision of Patient Protection and Affordable Care Act
 - Voluntary government run LTC program offered through employers to actively working people
 - Guaranteed entrance into program if eligible
 - Benefits not yet defined but could range from \$50-\$100 daily and increase annually
 - Participants must pay premiums for 5 years before eligible for benefits



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The Good

- The product has evolved over time
 - Home care coverage has expanded
 - was originally capped at 50%
 - New underwriting classes (preferred, substd)
 - More options for Couples/Partners
 - Married discounts developed
 - Shared Care rider allows couples to share benefits
 - Inflation linked to Consumer Price Index (CPI)
 - Underwriting has become more effective



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The Bad

- LTC Sales are on a downward slide
 - New individual sales grew 13% in 2010 but annual growth rate is -5% from 2005 to 2010 (per LIMRA)
- The top carriers dominate the marketplace
 - Top 2 carriers account for over 50% of new sales
 - Top 10 carriers account for almost 90%
- There are less producers selling LTC
 - Primarily sold by LTC specialists who are retiring
 - New producers are not as prevalent



The Bad

- The majority of consumers are not buying
 - The cost is too high
 - “Use it or Lose it”
 - The insurance company might raise my premiums
 - Long Term Care insurance policies are confusing
 - My family will care for me if I need long term care
 - I will never need long term care services
 - I believe Medicaid will pay for long term care



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The Ugly

- Experience worse than initially expected
 - Lapses
 - Originally assumed to be >5%; actual is less than 1%
 - Investments
 - New money rates have been declining since mid 1980s
 - Mortality
 - Improvements leading to lower termination rates and surviving to ages with higher claim incidence rates
 - Morbidity
 - Claim incidence worse at older attained ages and later years
 - Issue age anti-selection, especially at older issue ages
 - Worse experience on richer benefit plans



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The Ugly

- More Inforce Rate Increases in the Industry
 - Premiums are guaranteed renewable
 - Can raise inforce rates if significantly adverse changes in actuarial pricing assumptions
 - Several Companies filing for increases in past year
 - Increases averaging 10-44%
 - Requires a 50 state filing, very political process
 - Offer policyholder alternatives to a rate increase through reduced benefit options
 - Reduced benefit period, longer elimination period, inflation reduction, lower daily benefit



Moving Forward

- The negative press in 2010 due to Inforce Rate increases and MetLife's exit is now behind us
- Only two Top 10 companies have exited the LTC Market in last 2 years (MetLife, Allianz)
- Companies exiting or not entering in part due to evolving experience assumptions; however now have more meaningful data
- Two carriers have recently entered the market
 - Transamerica, American General



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Moving Forward

- Companies filing higher priced, de-risked products
 - States requiring margin for adverse deviation
 - Removal of Lifetime benefit option
 - Discontinuation of cash benefit riders
 - Service Day elimination period (vs Calendar day)
 - Reduced coverage options for Assisted Living Facilities and Home Health Care
 - Reduce/remove married discounts where only one spouse is approved for coverage



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Moving Forward

- New Product Development Goals
 - Sharing risks and rewards with consumers
 - Premium adjustability
 - Address reasons why consumers are not buying LTC
 - Attract new distribution
- Risk Management Solutions
 - Coinsurance
 - Benefit Building
- SOA committee for LTC Refinement
 - Goal is to propose regulation changes to NAIC to allow for more product innovation



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Canadian LTC Insurance Market

- Canadian LTC Challenges
 - Limited Incidence and termination experience
 - Mortality Improvement and Morbidity Improvement
 - Potential Claims Cost with Lifetime Benefit Period
 - Consumer and Advisor attitude towards LTC



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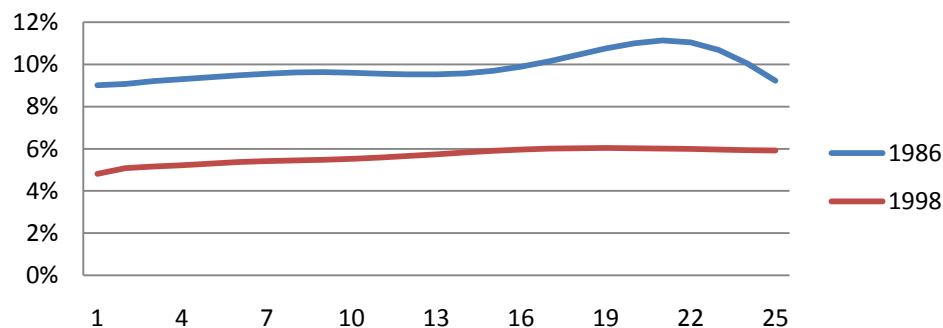
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Canadian LTC Insurance Market

- Learning Opportunities from US experience
 - Ultimate lapses on lapse-supported products
 - Cognitive Testing incorporated into underwriting
 - Interest Rate environment late 90s vs. mid 80s

Bank of Canada Yield Curves



- Less complex products



Premium Comparison Example

\$3000 5 Year Monthly Benefit (Home or Facility Care), 90EP, Age 60

	Average Annual Premium*
US	\$1600
Canada - Female	\$2600
Canada – Male	\$2000

*average premium of multiple LTC insurance providers to maintain confidentiality



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Premium Comparison Example

\$3000 5 Year Monthly Benefit (Home or Facility Care), 90EP, Age 60

	Average Annual Premium*
US - Reimbursement	\$1600
US - Indemnity	~ \$2200
Canada – M/F Blend	\$2300

*average premium of multiple LTC insurance providers to maintain confidentiality



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Canadian LTC Insurance Market

- The Good
 - We are monitoring the US experience closely
 - There is a lot of potential for growth in the LTC market in Canada
 - Canada is well positioned for the future of LTC



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