

COVID-19 Impact on Long-Term Care Insurance

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Background

- The Society of Actuaries (SOA) retained Milliman, Inc. (Milliman) to conduct a survey on the impact of COVID-19 on Long-Term Care (LTC) insurance mortality, voluntary lapse, and morbidity experience.
- The survey studied the emerging impact of COVID-19 for the period from April 1, 2020 through September 30, 2020.
- The survey did not reflect the surge of COVID-19 morbidity and mortality that took place after September 2020; further survey work is necessary to assess the impact of those cases.
- The survey was sent to companies with LTC blocks of insurance. 15 companies participated in the survey, which represented approximately 50% of the insured lives inforce at year-end 2019.

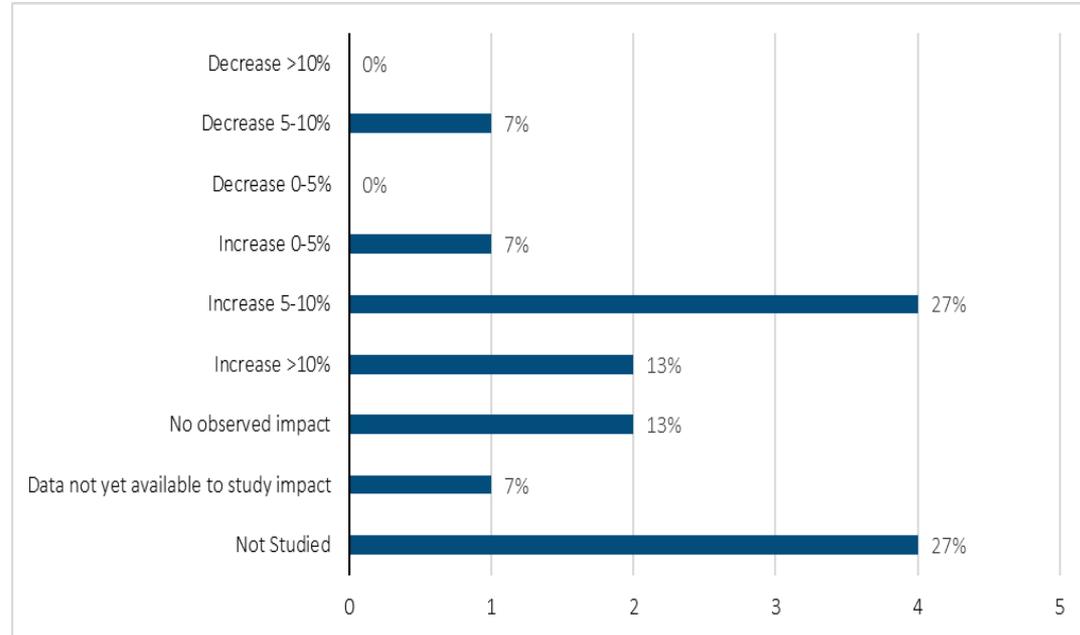
Persistency



Active Life Mortality

- About half of the respondents reported observing an increase in active life mortality.

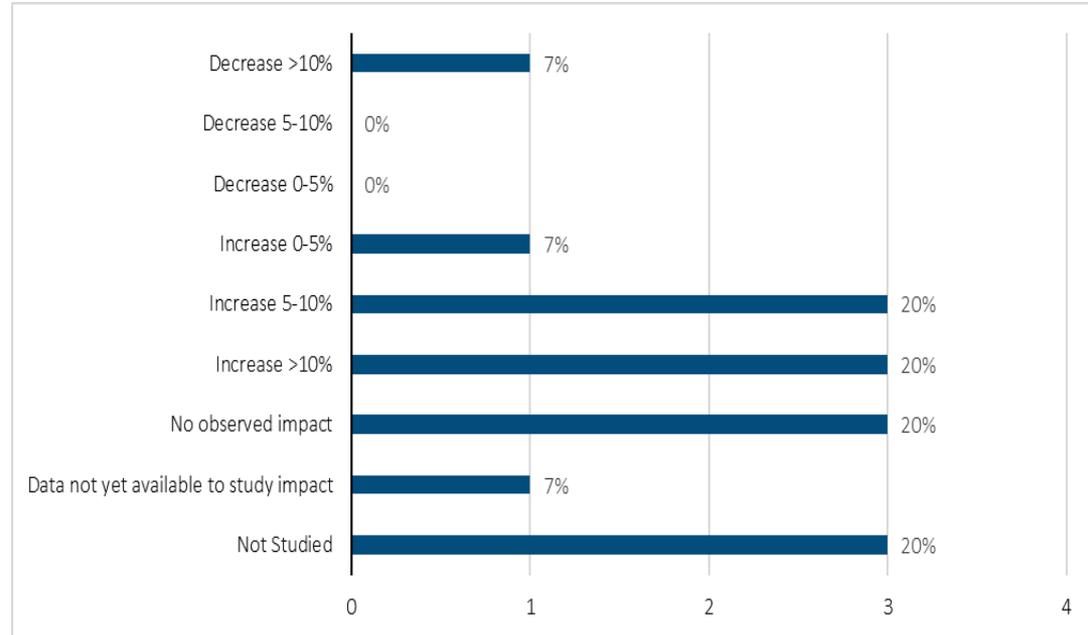
IMPACT ON AGGREGATE ACTIVE LIFE EXPERIENCE— NUMBER OF RESPONDING COMPANIES



Disabled Life Mortality

- About half of the respondents reported observing an increase in disabled life mortality.

IMPACT ON AGGREGATE DISABLED LIFE EXPERIENCE— NUMBER OF RESPONDING COMPANIES



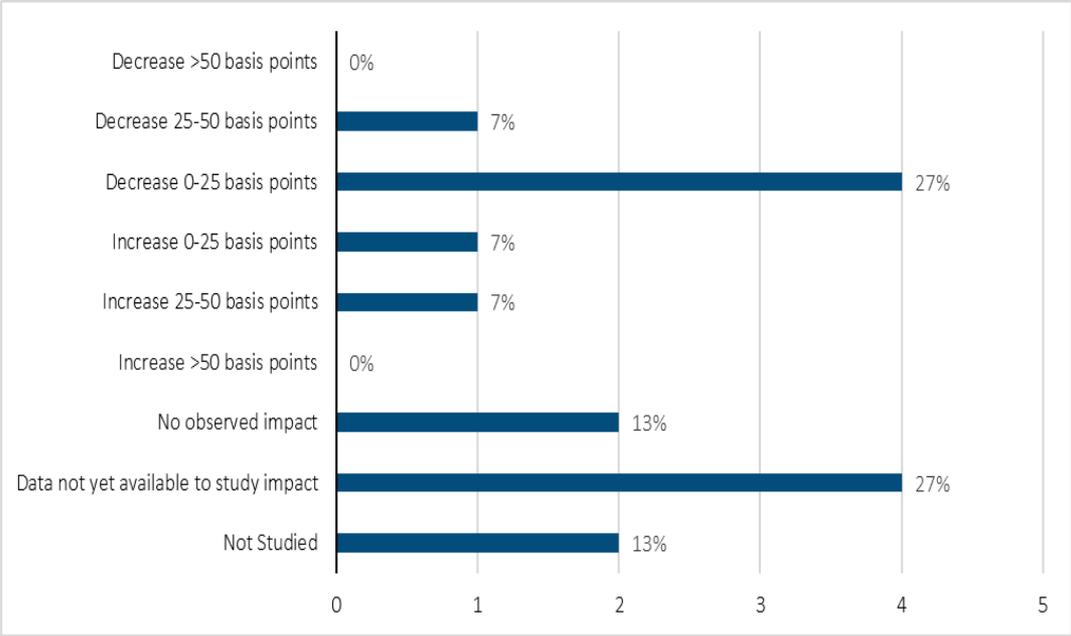
Additional Comments on Mortality

- Three companies observed a higher mortality impact on disabled life mortality than on active life mortality. Two companies observed a smaller impact on disabled life mortality compared to active life mortality.
- A number of companies indicated that mortality levels increased initially but started to regress towards pre-COVID levels by the end of the survey reporting period.

Voluntary Lapse

- Results on voluntary lapse rates were mixed.
- A number of companies indicated that they have not adjusted lapse rates for premium grace period extensions due to COVID-19.

IMPACT ON VOLUNTARY LAPSE EXPERIENCE – NUMBER OF RESPONDING COMPANIES



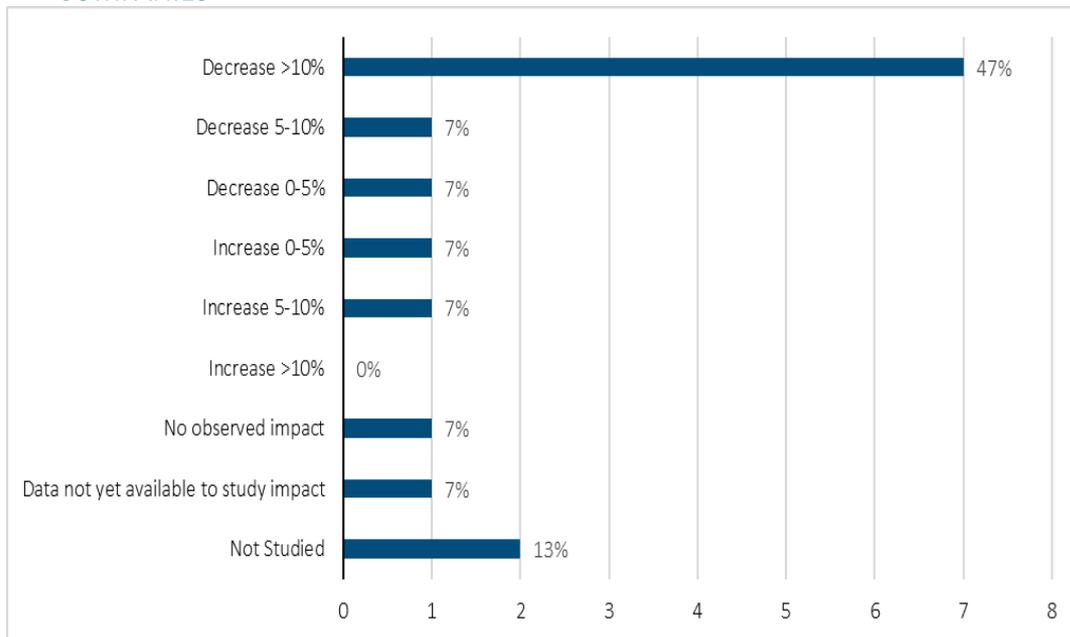
Morbidity



Claim Incidence

- The biggest impact on morbidity observed by companies thus far has been related to claim incidence.
- Seven companies (58%) reported seeing a shift in claim situs toward a home health care setting. This was true for both existing claims and new claims but especially so for new claims.
- Some companies indicated that claim incidence levels decreased initially but started to regress toward pre-COVID levels by September 2020.

IMPACT ON AGGREGATE CLAIM INCIDENCE – NUMBER OF RESPONDING COMPANIES



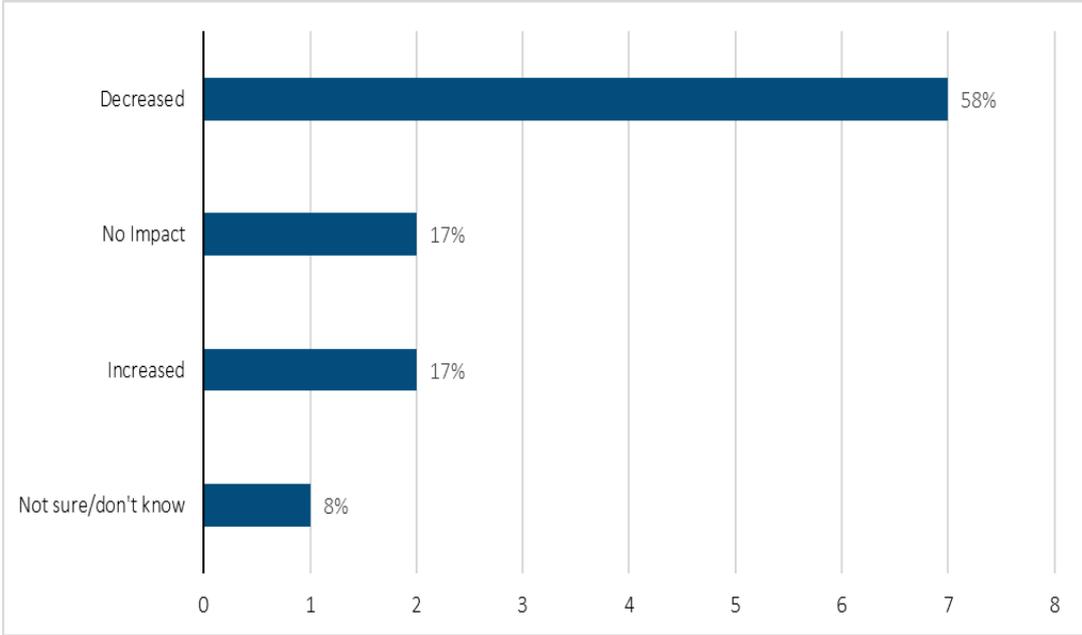
Reserves



Claim Reserves

- A majority of the respondents reported observing a decrease in claim reserves.
- This is consistent with the increase in disabled mortality and decrease in claim incidence experience observed by many companies.

IMPACT ON CLAIM RESERVES – NUMBER OF RESPONDING COMPANIES



Other Reserves

- Half of respondents indicated there was no impact on gross premium reserves (GPR), premium deficiency reserves (PDR), or additional actuarial reserves (AAR). Of the companies that indicated there was an impact, most said one or more of these reserves increased as a result of a decrease in new money interest rates.
- For companies that reported no impact on GPR, PDR, or AAR reserves, we believe that companies are indicating they have not changed valuation assumptions due to COVID-19. However, some companies may be indicating there is no net change (i.e., no impact) due to updates in valuation assumptions from COVID-19.

Looking Forward



What's next?

- Continued research as data emerges on shorter-term impacts
- Watching data closely to see if short-term habits become long-term
 - Shift towards home health care instead of facility
 - Hygiene/social changes – impact on regular flu in the future
- Following medical research to understand any longer lasting health impacts from COVID-19 and considering potential impact on LTC assumptions

Questions





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