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### 2008 LONG-TERM CARE EXPERIENCE REPORT

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# LONG-TERM CARE INSURANCE EXPERIENCE REPORTS FOR 2008

## INTRODUCTION

The reports, based on the Long-Term Care Experience Reporting Form B, present 1) countrywide company-specific experience for all forms combined, with the experience segmented by duration; and 2) countrywide company-specific experience displayed on a form-by-form basis. It must be remembered that the experience reported in Form B is, except for policy forms developed since 1991, cumulative from 1991 or earlier, as opposed to the single calendar year experience that is reported in Form A.

Included in the reports are actual premiums earned, actual incurred claims, actual loss ratios, anticipated loss ratios and the number of covered lives for all companies that are engaged in this line of business and have submitted this form. This requirement originated with the 1991 annual statement filing in 1992.

The purpose of the Long-Term Care Insurance Experience Reporting Forms is to monitor and provide data specific to this coverage. Long-term care expenses may be paid through life policies, annuity contracts and health contracts. The method chosen to measure compliance with the lifetime loss percentage standard is to compare the actual loss percentage being developed by calendar durations to those anticipated in the latest policy form filing. Additional analysis is also performed on a cumulative basis and is the purpose of developing the cumulative numbers within reporting Form B. A ratio of actual-to-expected loss percentages of 1.00 would be a rough indication that the experience is on track to produce the lifetime anticipated loss percentage.

Long-term Care Reporting Forms A, B and C are filed each year. For the year 2008, 194 companies filed Form A; 193 companies filed Form B; and 184 companies filed Form C.

### Summary of Experience\*

As noted above, Form B includes experience that is, except for policy forms developed since 1991, cumulative from 1991 or earlier. In 2008, insurers reported cumulative actual earned premiums of \$125.2 billion and actual incurred claims of \$49.0 billion, resulting in an actual loss ratio of 39.1 percent. These reports indicate that the long-term care industry is on track to produce the lifetime anticipated loss percentage. Specifically, the industry reported an actual-to-expected loss ratio of .997 in 2008, as compared to 1.036 in 2004 and .928 in 2001.

As seen in the Form B Ten-Year Experience chart, the number of covered lives has risen each year, excluding 2006, when covered lives decreased slightly. It should be noted that sharp declines in the number of covered lives in 1995 and 1996 were largely a result of incorrect reporting by companies. In the event that a company has exited this business or was unable to provide the number of covered lives, zeros appear.

**\* NOTE: The 1999 experience results have been restated in both the narrative and accompanying table to reflect the inclusion of General Electric Capital Assurance Company, as well as various adjustments to other insurer data. Users of these reports should be aware that some numbers may still not be correct and future adjustments to both current and prior year results may be warranted.**

## Qualifications

While 2008 was the 17<sup>th</sup> year that the Long-Term Care Experience Reporting Forms were required to be filed, given the level of detail that is requested, there remains some misunderstanding among the insurance companies regarding how the form should be completed. Thus, the reported figures should only be viewed as general indicators of the experience under long-term care insurance policies, as opposed to precise results. This is especially true when viewing company-specific information, since a particular company's results may not be of a sufficient size to be statistically credible.

The accuracy of the reports depends on the accuracy of the information contained in the exhibits filed by the insurers. Even though the data elements used to prepare the reports are extracted from exhibits filed with the NAIC, the NAIC cannot guarantee their accuracy.

While the NAIC exercises a great deal of care in capturing data from these exhibits and producing these reports, as with any statistical project of a significant magnitude, errors can occur. Consequently, the NAIC makes no representations or warranties with respect to the accuracy of the data and statistics in these reports, and recommends that extreme caution be used in analysis of these data.

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