

STATE OF THE LONG TERM CARE INSURANCE INDUSTRY

March 2021

AGENDA

01 In-force management


02 New business

03 COVID-19 impacts

01

IN-FORCE MANAGEMENT

2019 FINANCIAL METRICS OF LARGEST LTC BLOCKS

 Issuing new business

(\$millions)										
Company	Earned premium	Incurred claims	Active life reserve	Disabled life reserve	Total reserve	Total lives	Disabled lives	New claims	Prevalence rate	Incidence rate
1 Genworth	2,777	2,772	20,885	10,213	31,098	1,198,165	63,438	19,193	5.29%	1.67%
2 Unum Group	658	829	9,808	2,422	12,230	960,996	10,081	4,108	1.05%	0.43%
3 John Hancock	1,663	1,467	18,730	5,698	24,428	857,554	32,776	9,376	3.82%	1.12%
4 Metlife	726	679	12,644	2,010	14,654	453,502	17,483	6,338	3.86%	1.43%
5 Transamerica	520	712	5,333	3,318	8,651	261,703	14,332	5,083	5.48%	2.02%
6 CNA	470	879	9,553	5,260	14,813	286,180	21,291	6,636	7.44%	2.41%
7 Northwestern Mutual	752	230	4,703	745	5,448	257,914	2,222	538	0.86%	0.21%
8 Mutual of Omaha	476	174	2,534	457	2,991	222,772	5,091	4,133	2.29%	1.95%
9 Prudential Financial	415	211	7,140	782	7,922	200,757	5,809	1,525	2.89%	0.77%
10 CNO Financial Group	395	597	3,905	1,422	5,327	215,889	21,533	7,298	9.97%	3.66%
11 New York Life	301	157	2,798	479	3,277	147,868	3,236	911	2.19%	0.63%
12 State Farm	237	167	2,514	859	3,373	118,985	3,819	1,278	3.21%	1.09%
13 Thrivent Financial	208	414	4,730	1,057	5,787	120,661	7,409	2,095	6.14%	1.83%
14 RiverSource	201	406	3,906	1,183	5,089	102,534	9,536	2,283	9.30%	2.39%
15 Allianz	171	317	3,748	955	4,704	113,506	4,328	1,345	3.81%	1.22%
16 MassMutual	242	83	2,134	233	2,367	91,995	1,078	383	1.17%	0.42%
17 MedAmerica	138	358	1,976	414	2,390	72,294	2,798	1,098	3.87%	1.54%
18 Continental General	130	244	2,824	726	3,551	71,843	5,488	1,639	7.64%	2.42%
19 Brighthouse Financial	217	602	3,601	1,707	5,308	68,447	12,910	3,470	18.86%	6.00%
20 Knights of Columbus	73	41	517	102	619	49,804	696	220	1.40%	0.45%
21 Assurant	88	226	1,691	658	2,350	49,848	4,377	1,253	8.78%	2.68%
22 CVS Health Corp.	42	70	751	194	945	43,655	2,644	750	6.06%	1.79%
23 KUVARE	57	100	1,700	318	2,018	49,010	1,646	422	3.36%	0.88%
24 LifeSecure	49	3	134	62	196	30,806	80	39	0.26%	0.12%
25 CUNA Mutual	50	30	722	59	781	27,579	503	232	1.82%	0.84%
Total industry	11,694	12,907	137,953	44,428	182,380	6,439,370	284,919	90,965	4.42%	1.46%

Source: 2019 NAIC LTC Experience Reporting Forms 1,2,3,5; Annual Statement Exhibit 6 for Disabled Life Reserves

EXTERNAL PERSPECTIVES

Market analysts and regulators are increasingly skeptical

- **Market analysts** believe that cash flow testing / loss recognition assumptions are aggressive:
 - No convincing evidence of historical morbidity improvement within insured blocks
 - Mortality improvement should be assumed and does not correlate to improvements in frailty
 - Concern that carriers assume interest rates will revert to historical levels
 - Concern that care delivery will continue to evolve, making LTC less of a stigma
 - Lack of transparency and continual adjustments have resulted in diminished credibility
- LTC is a leading concern among **Regulators**:
 - The Penn Treaty insolvency was the largest in guaranty association history
 - Senior Health Insurance Co of Pennsylvania now in rehabilitation
 - Dwindling RBC ratios among several carriers with substantial LTC exposure
 - AG51 reviews continue
 - Regulators are beginning to understand the shortening premium runway
 - Premium rate inequities are a concern, resulting in recent “harmonization” efforts
 - Wariness of efforts to isolate blocks via business transfer statutes

RECENT LTC INDUSTRY EVENTS



3Q 2019

Announces reserve strengthening due to reducing early claim terminations and morbidity improvement ~\$2B (offset by future rate increases)



1Q 2020

Announces agreement with Maine DOI to increase reserves ~\$2B due to lowering interest rate, reducing morbidity improvement and lowering older-age mortality



1Q 2020

Placed in rehabilitation with ~\$1B in deficient reserves



2Q 2020

Wisconsin commissioner places the company in rehabilitation



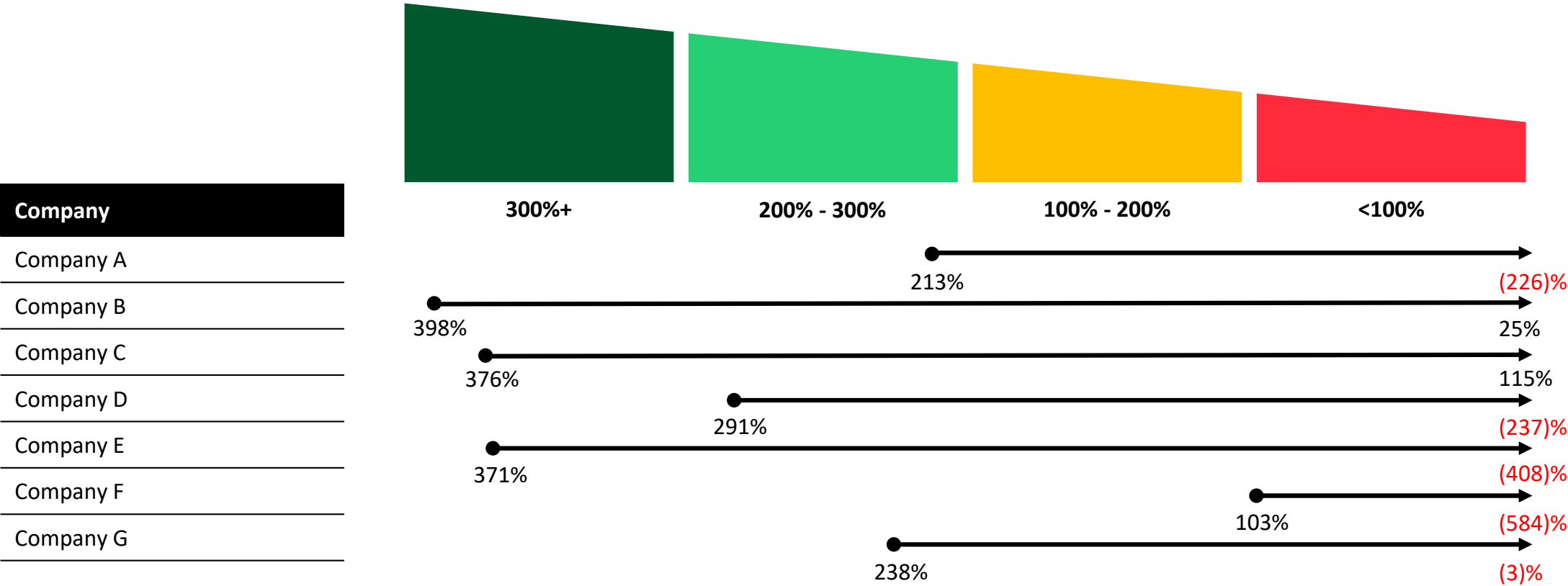
1Q 2021

Announces pursuit of a “Plan B” after pending transaction with China Oceanwide appears unlikely

CAPITAL STRENGTH OF CERTAIN LTC WRITERS¹

Moderate increases to LTC reserves can strain RBC ratios

Company action level (CAL) RBC movement after 20% increase in LTC reserves



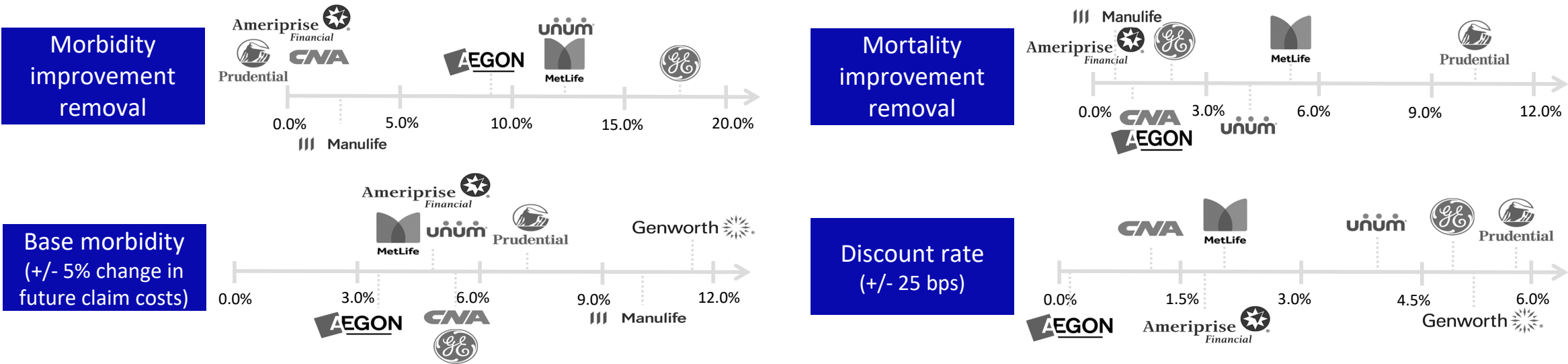
1. Blocks where Company Action RBC Ratio would drop below 200% after a 20% increase in reserves.

ASSUMPTIONS & SENSITIVITIES

Company	Morbidity improvement assumption ¹	Mortality improvement assumption ¹	Discount rate ¹
Aegon	1.5% per year for 15 years (20% ultimate)	1.5% per year to 0% over 40 years	7.10%
Ameriprise	None	1.0% per year for 10 years	5.80%
CNA	None	1.3% per year through 2024 for ages 59-80, grading lower for ages 80+	5.76%
GE	1.25% per year over 12-20 years (14-22% ultimate)	0.5% per year for 10 years grading to 0% over next 10 years	5.74%
Genworth	1.6% per year for 10 years (15% ultimate)	1.0% per year for 10 years	5.39%
Met	0.5% per year	1.0% per year	5.50%
Manulife	0.25% per year for 25 years (6% ultimate)	0.45% per year for 25 years	3.05% + credit spread
Prudential	None	1.0% per year for 20 years	5.04%
Unum	1.0% per year for 10 years (10% ultimate)	0.6% per year for 10 years	6.25%

¹Evercore ISI

Sensitivity as % of GAAP reserves



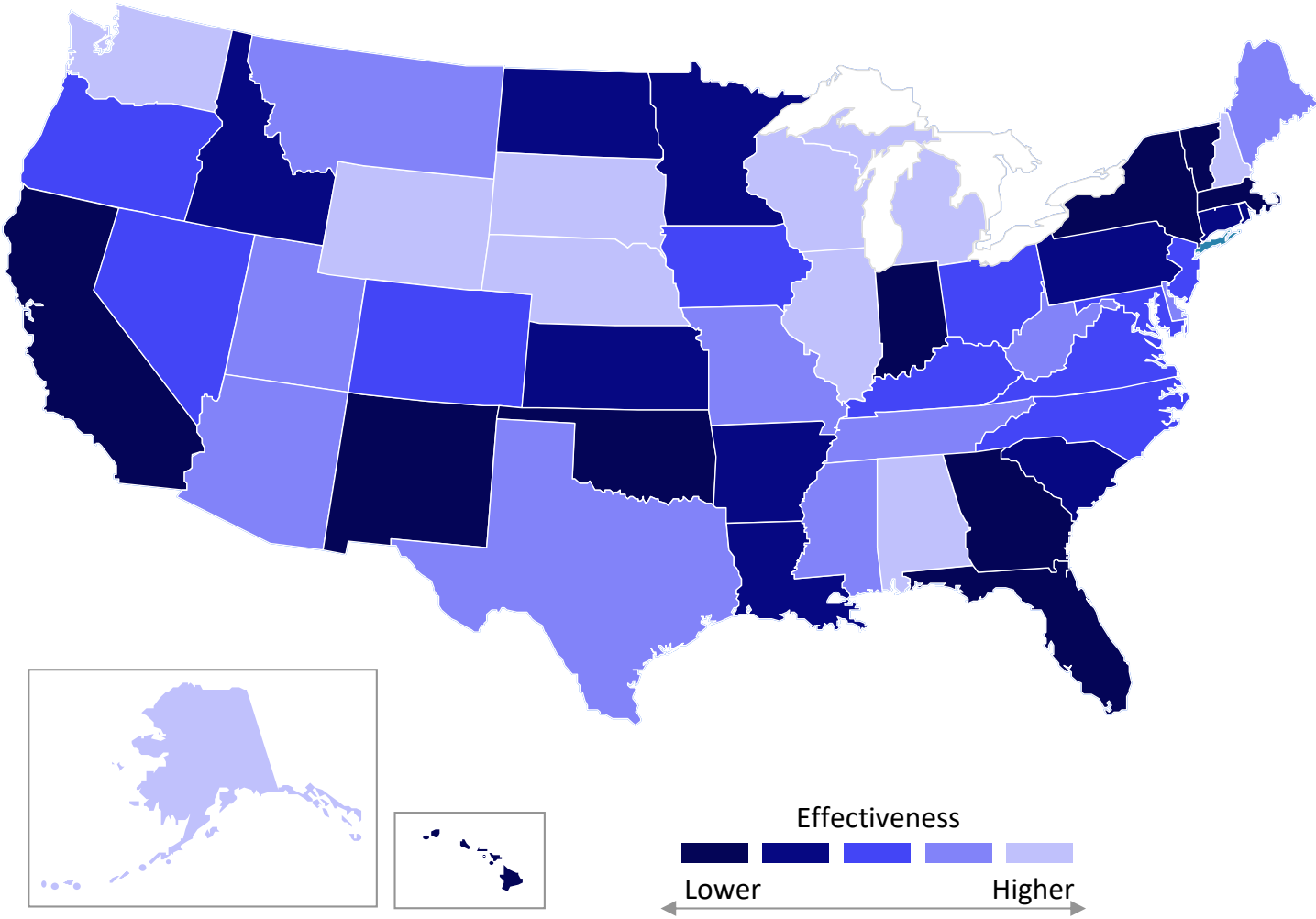
RATE INCREASES

Disparity by state continues

- We reviewed the most recent rate increase filings approved for the leading LTC carriers
- The scores shown below combine the portion of increase approved and the effect of delay in approval

Rate increase effectiveness score

VT	0.174	KY	0.690
NY	0.282	NV	0.693
IN	0.404	NC	0.694
NM	0.407	CO	0.719
FL	0.466	OH	0.727
GA	0.471	TX	0.731
MA	0.483	MT	0.751
CA	0.513	WV	0.756
HI	0.542	TN	0.763
OK	0.556	AZ	0.766
CT	0.562	UT	0.773
KS	0.578	ME	0.785
LA	0.583	DE	0.790
ID	0.614	MO	0.807
AR	0.614	MS	0.809
RI	0.615	NE	0.815
ND	0.625	AL	0.816
MN	0.625	NH	0.820
PA	0.633	WA	0.876
SC	0.634	WI	0.889
NJ	0.640	IL	0.897
MD	0.653	MI	0.946
VA	0.663	AK	0.963
IA	0.667	WY	0.964
OR	0.685	SD	0.969



Source: California Department of Insurance, Oliver Wyman research
© Oliver Wyman

BENEFIT REDUCTIONS AND ALTERNATIVE OFFERINGS

Recent developments

- **Actuarial equivalence** of reduction offers
 - Definition: The future value of an offer must be actuarially equivalent to the implemented premium rate increase, or that the offer produces a similar future loss ratio
 - Carriers introduced this concept during the “landing spot” initiative several years ago
 - Although regulators appreciate the gesture, most states do not view this as a requirement
 - Policyholders can generally call in and request downgrades and not have them be subject to actuarial equivalence tests
- **Consumer testing** of offers has become common; provides insights on the appeal and presentation of offers
- **Freeze and drop** offer to policies with benefit inflation riders:
 - Definition: Drop the inflation rider, stop paying premium for the rider and the current daily benefit is maintained without future increases
 - The value of the future benefit increases is much more than the value of the rider premium
 - Implemented by at least three carriers
- **Cash buy-outs** were offered by at least two carriers with regulatory support in most states
- **Enhanced nonforfeiture options** with RPU benefits that are more generous than premiums paid
- **Conversion to indemnity** in exchange for a shortened benefit period offered by at least one carrier
- **Combo conversion** offers are being considered by a few carriers
- Regulators have expressed concern about possible policyholder confusion and lack of informed advisors

GAAP LONG DURATION TARGETED IMPROVEMENTS (LDTI)

Unique implementation issues for LTC blocks

LDTI must be in place by 1/1/2023 for most carriers

- The transition date of 1/1/2021 is two years prior to the effective date with no changes reported through net income

Modeling challenges

- Increased disclosure requirements about the impact of annual updates to assumptions
- Will be best addressed with first-principles models
- Implementation may reveal assumption and modeling issues that will result in statutory reserve adjustments

Bond market reserve discount rate

- A prescribed approach tied to external high-grade bond yields will replace own portfolio yields used today
- The same rate will be used for both active and claim reserves
- Changes in the discount rates period to period will flow through other comprehensive income

Removal of subsidizations

- LDTI will require adequate reserves for each issue year cohort of each block of business (net premium ratios capped at 100%)
- Older issue year cohorts of many LTC blocks are currently being subsidized by newer issues
- This transitional impact will flow through retained earnings, not GAAP income

MERGERS AND ACQUISITIONS LANDSCAPE (1/2)

Continued interest and activity, but few deals

Seller motivations

VS

Buy-side dominated by private equity backed reinsurer

- General industry trend to dispose of closed blocks
- LTC administrative activity increases with an aging block
- Sophisticated IT platforms required
- Very specialized product management
- Risk of future reserve adjustments
- LTC viewed as an “earnings drag” by market analysts

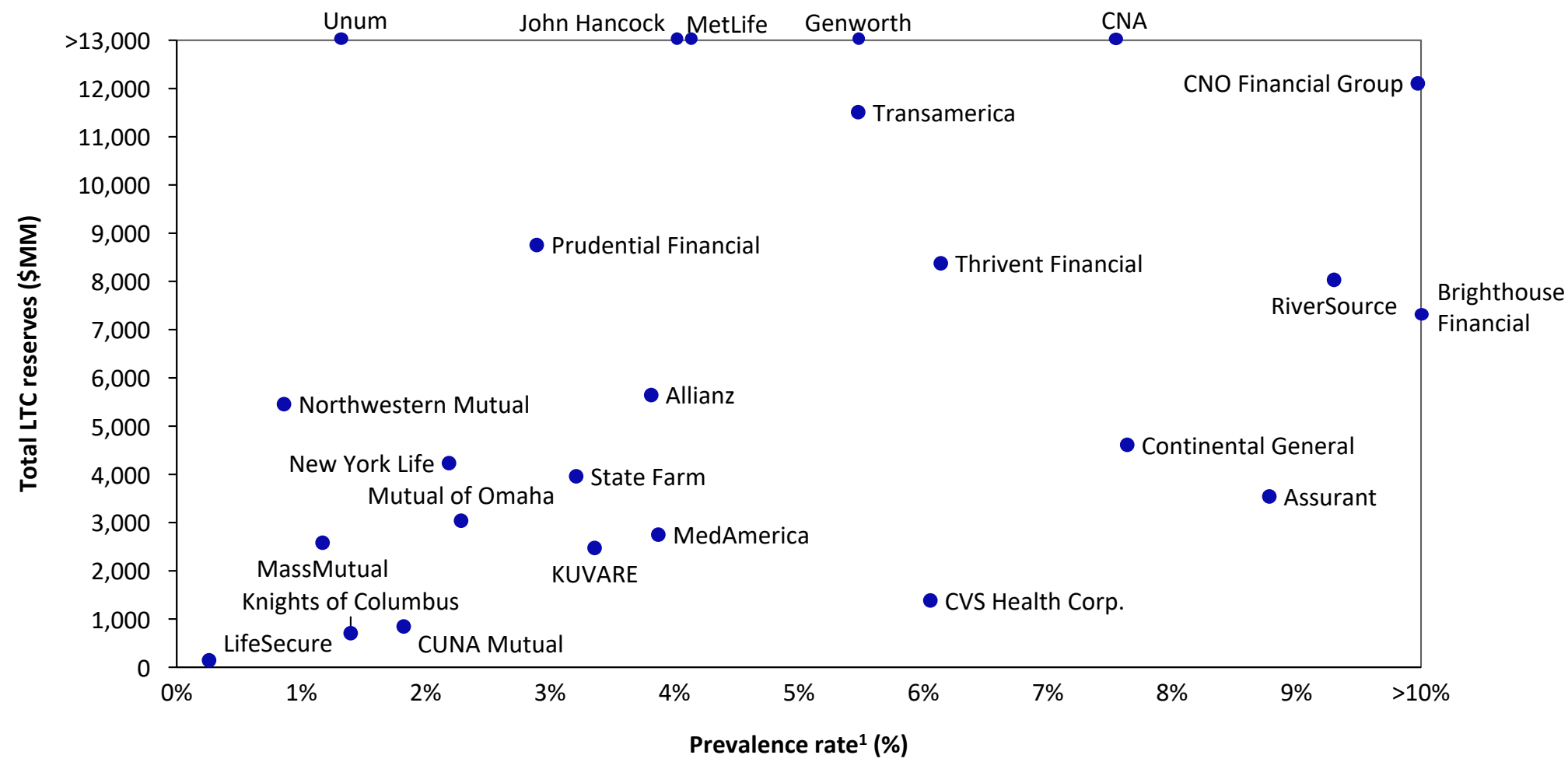
- Attracted by amount of assets and ability to increase portfolio yields
- Additional spread used as a mitigant of LTC volatility
- Move administration to a place with scale
- Implement best practice claims and in-force management

Difficult to find price points that both parties can agree with

- Sellers reserve with optimistic future state assumptions
- Buyers price with data-driven historical state assumptions
- Bid-ask spread closing as companies remove morbidity improvement

MERGERS AND ACQUISITIONS LANDSCAPE (2/2)

Buyers score target blocks by size and age



Older blocks appeal to buyers, where key assumptions have limited uncertainty

1. Prevalence rate correlates with the age of the block
Source: 2019 NAIC Long Term Care Experience Reporting Forms

CLAIMS MANAGEMENT

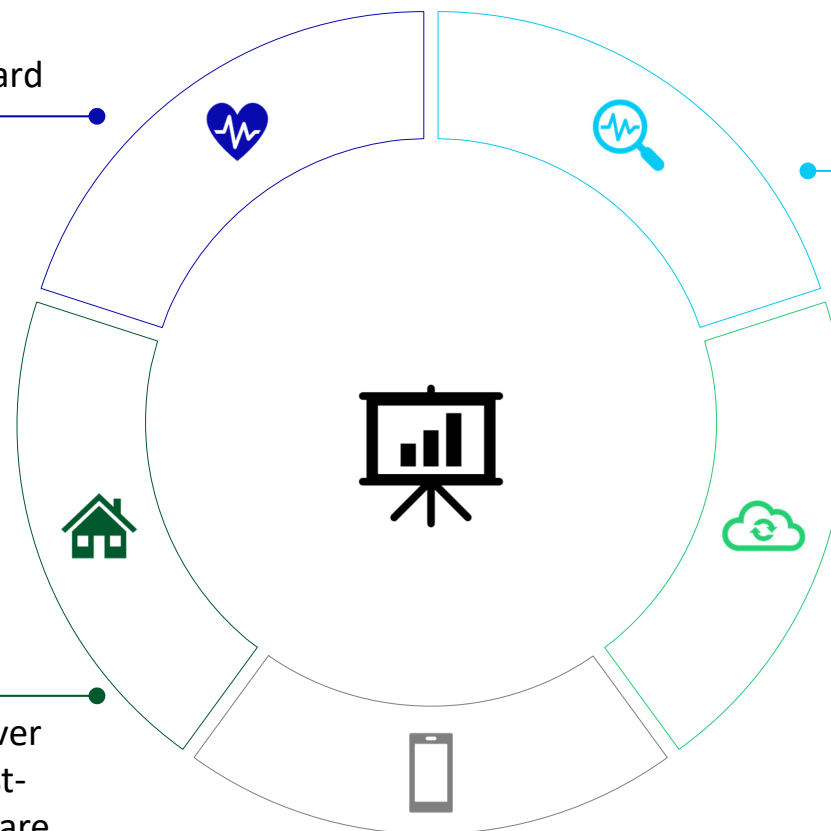
Current trends

Plans of care prescribed by contracted assessment networks have become standard

- Previous approaches that rely on a claimant's physician certification have become rare
- Plans of care have termination dates, after which a re-assessment is performed
- Plans of care vary based on underlying diagnoses and care setting

Pre-negotiated **provider discounts**

- Continue to be elusive to obtain, however carriers have reported success with post-claim negotiations with smaller home care providers



Fraud detection is improving via data analytics and deployment of investigative units to suspicious home care and assisted living claims

E-claim portals with straight-through claims processing have been implemented by some carriers

- Carriers have reported mixed results, citing increased claim incidence rates resulting from the ease of the process

Electronic visit verification of home care providers via phone or smart device GPS has produced material savings with some carriers

MANAGED CARE PROGRAMS

Successful managed care programs exist outside of traditional LTCI

Managed Medicaid LTC

- Medicaid enrollees benefits are placed with commercial managed care companies and are paid capitation fees to manage the health care needs of the enrollees
- Some enrollees require LTC services; the commercial carrier's monthly payment is increased based on the level of disability of the enrollees and the carrier must cover LTC services

and

Continuing care retirement community without walls (CCaH)

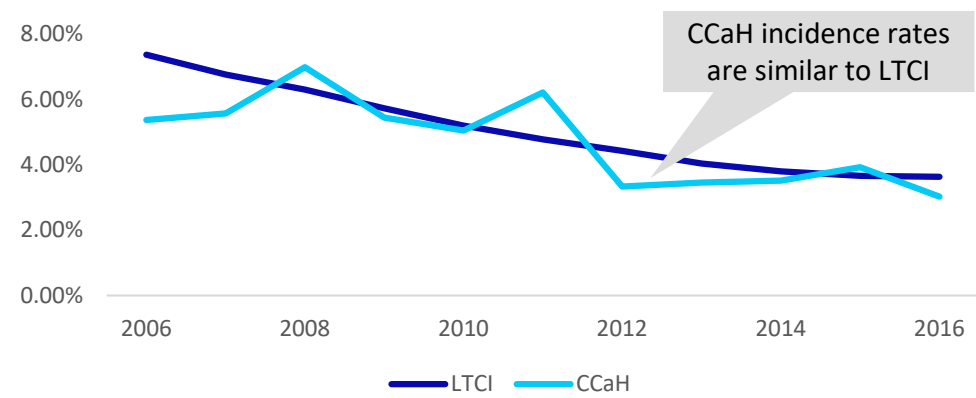
- Members join a CCaH when they are healthy and pay a monthly fee that can increase each year
- The CCaH manages and covers the costs of care of the members if and when they need LTC services
- Objective is to enable and prolong aging in place before and during the LTC episode

- Both programs regularly assess their members' health and risk of needing LTC services prior to the point of needing LTC and actively manage care once LTC is needed
- Both programs have demonstrated an ability to intervene early, deliver high quality care at the level that is most appropriate for its members and enable and prolong the delivery of care at home
- These are not traditional LTCI products, but do demonstrate that **early engagement** with at-risk populations and **active care management** can be effective

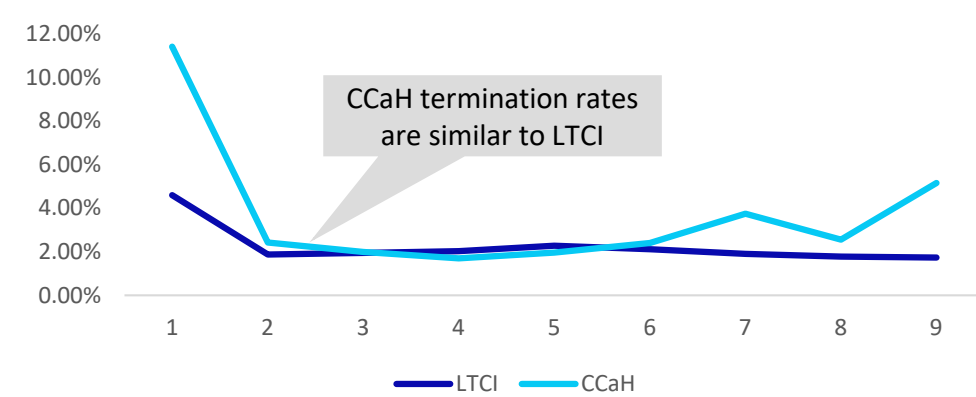
TRADITIONAL LTCI VS MANAGED LTC EXPERIENCE

Managed LTC in a CCaH setting shows improved experience by shifting the care setting

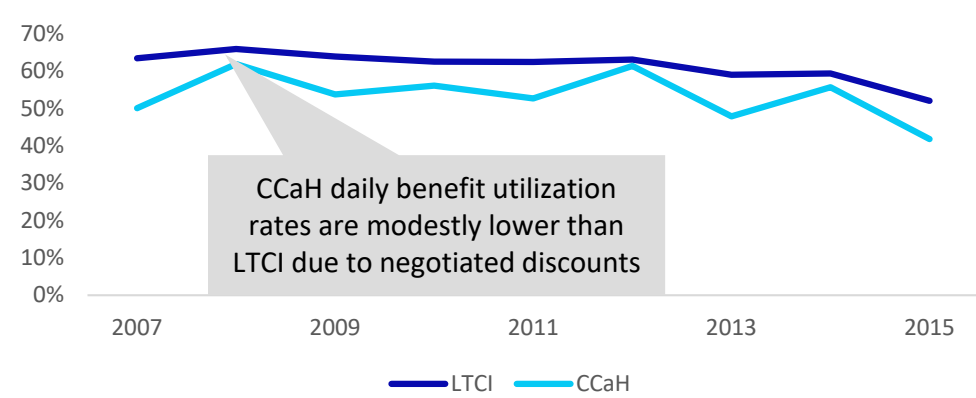
Incidence rates by calendar year



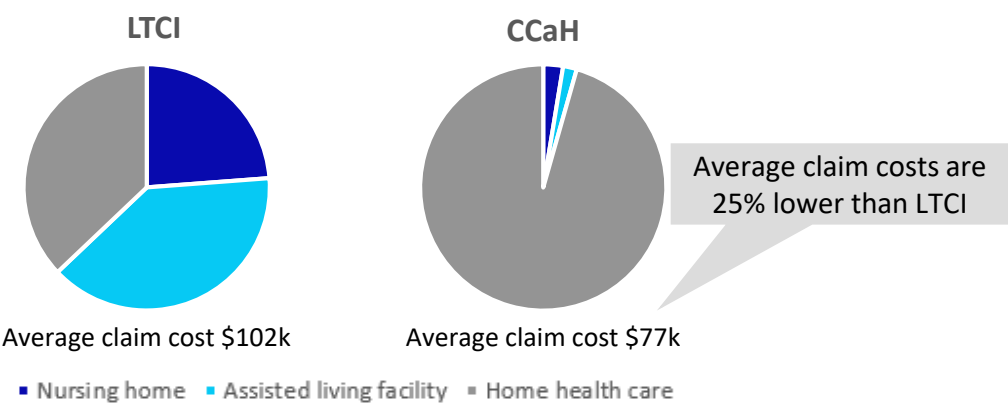
Monthly claim termination rates by claim year



Utilization of maximum daily benefit by calendar year



Distribution of claims by initial care setting



Source: 2017 ILTCI Conference, *Innovative Finance and Claims Management*
© Oliver Wyman

STATES HAVE ENACTED MULTIPLE MANAGED CARE INITIATIVES TO INCREASE HOME CARE UTILIZATION

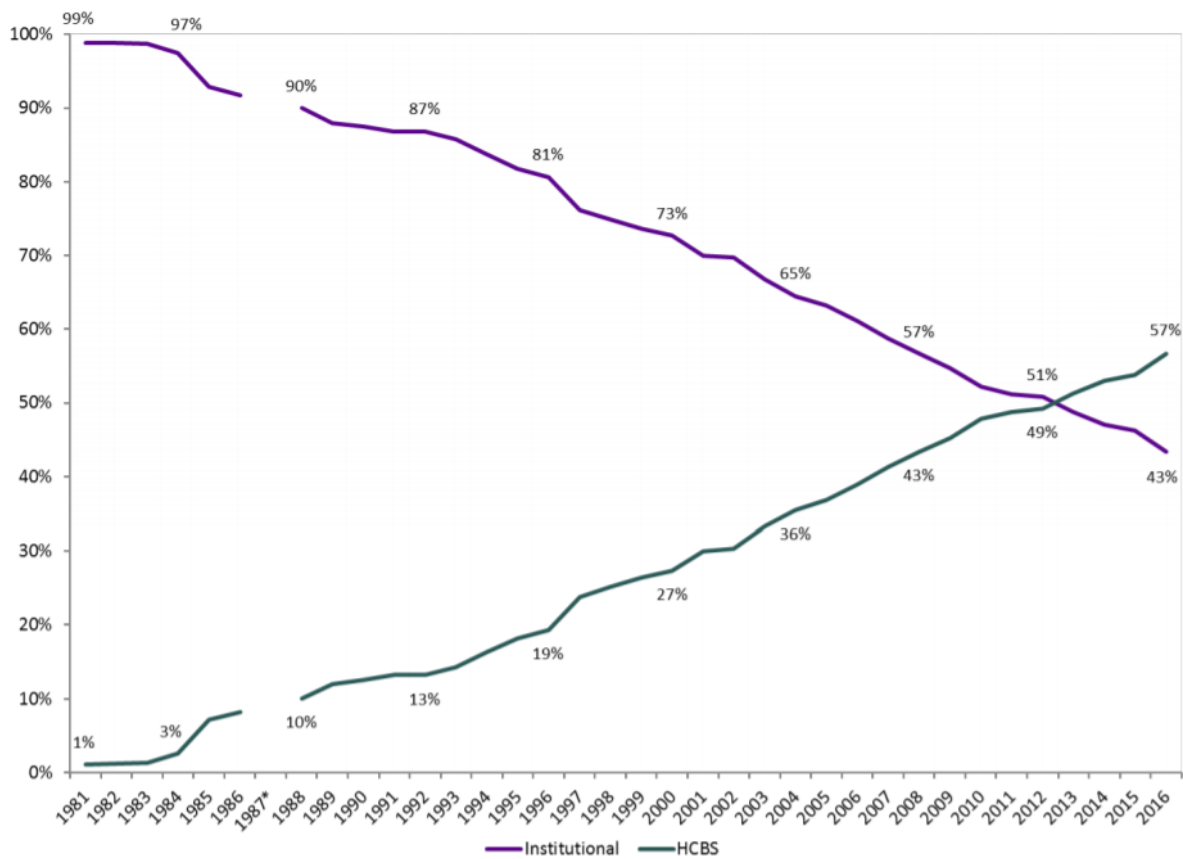
Key drivers of increased home care utilization that can be leveraged by long-term care insurers

Successful state actions	
Identify candidates for home care services	<ul style="list-style-type: none">• Institute laws requiring pre-screening prior to institutionalization to assess if home care is a viable alternative• Leverage resident data and mandate referrals to case workers to identify individuals in institutions who are good candidates for home care• Provide health screenings as part of the MLTSS enrollment process
Inform candidates of home care services options	<ul style="list-style-type: none">• Develop awareness programs and ensure consistent messaging within state agencies• Implement campaigns that encourage discussion of home care services options prior to hospital discharge
Provide personalized support to home care enrollees	<ul style="list-style-type: none">• Support enrollment with 1x1 case workers to facilitate home care services• Perform routine follow-ups to make sure home care services are meeting needs
Create financial incentives for managed care organizations and providers	<ul style="list-style-type: none">• Design capitated rates that reward home care services utilization in lieu of facility care• Align state and provider goals through incentives and grants

STATE INITIATIVES SHOW PROMISING RESULTS

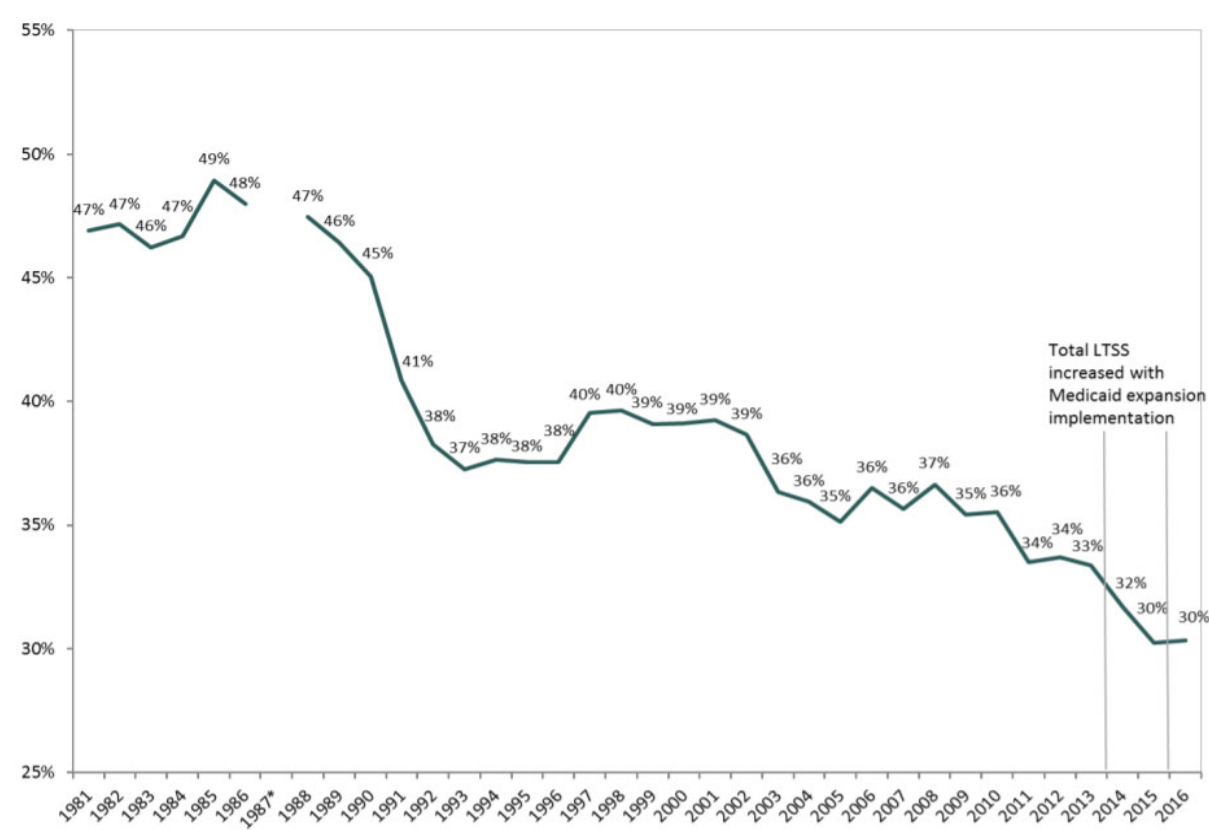
Home care services utilization increased while LTSS expenditures became a lower portion of Medicaid spend, despite an aging population

Home care services spending as a percentage of total Medicaid LTSS



Since 1981, home care services spending has gone from nearly nothing to being the majority of Medicaid LTSS expenditures

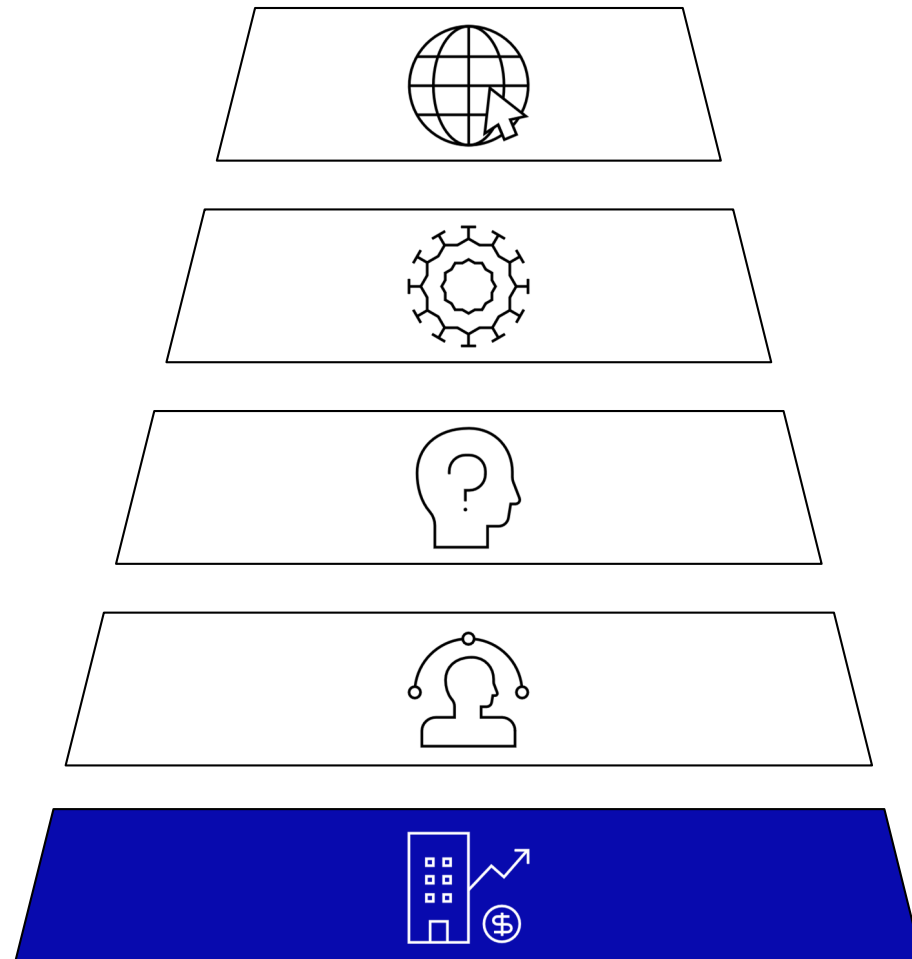
LTSS as a percentage of total Medicaid expenditures



Still, during that same time period, LTSS spending has been a decreasing portion of overall Medicaid expenditures dropping from 47% in 1981 to 30% in 2016

Source: Medicaid Expenditures for Long-Term Services and Supports in FY 2016 (May 2018)

EMERGING CARE DELIVERY LANDSCAPE



Emerging tech and vendors

COVID-19 accelerated acceptance of virtual care

Landscape is confusing and care is often unreliable

Social determinants, lack of care coordination, awareness and care quality drives people to facilities more than frailty

Can we help them out? People want to age in place; it is more cost effective and allows them to preserve benefits of less rich policies

AGING-IN-PLACE AND WELLNESS SERVICES LANDSCAPE

First offer point:	Healthy population	At-risk population	On-claim population
Engagement Products and services that engage the consumer in order to obtain data and provide guidance and interventions	Lifestyle apps Fitness wearables Annual assessments Symptom detection Cognitive exercises “Alexa for seniors” Tele-med platform	Monthly assessments Cognitive health tracking Fall prevention Wearable alert systems Passive monitoring devices Family engagement	Hospital discharge planning* Claim eligibility assessment*
Support Products and services that support aging in place, excluding long-term care services	Medication management	Cognitive care planning Home modifications Transportation Community services concierge	Long-term care provider referrals* Care provider matching* Care concierge & coordination* Caregiver support Caregiver training Powered clothing
Care Informal and formal long-term care services		Cognitive therapy Informal community services	Hospital discharge services* Home health care Adult day care
Analytics Services that collect and analyze data to generate predictive risk scores and intervention effectiveness scores	“Big data” collection Data collection from devices Risk scoring Intervention scoring		Facility transfer risk scoring

*Primarily provided at the point that formal long-term care services are initiated

AGING-IN-PLACE AND WELLNESS PILOTS

Implementation challenges

Pilots to explore partnerships with innovators are often embraced by leadership

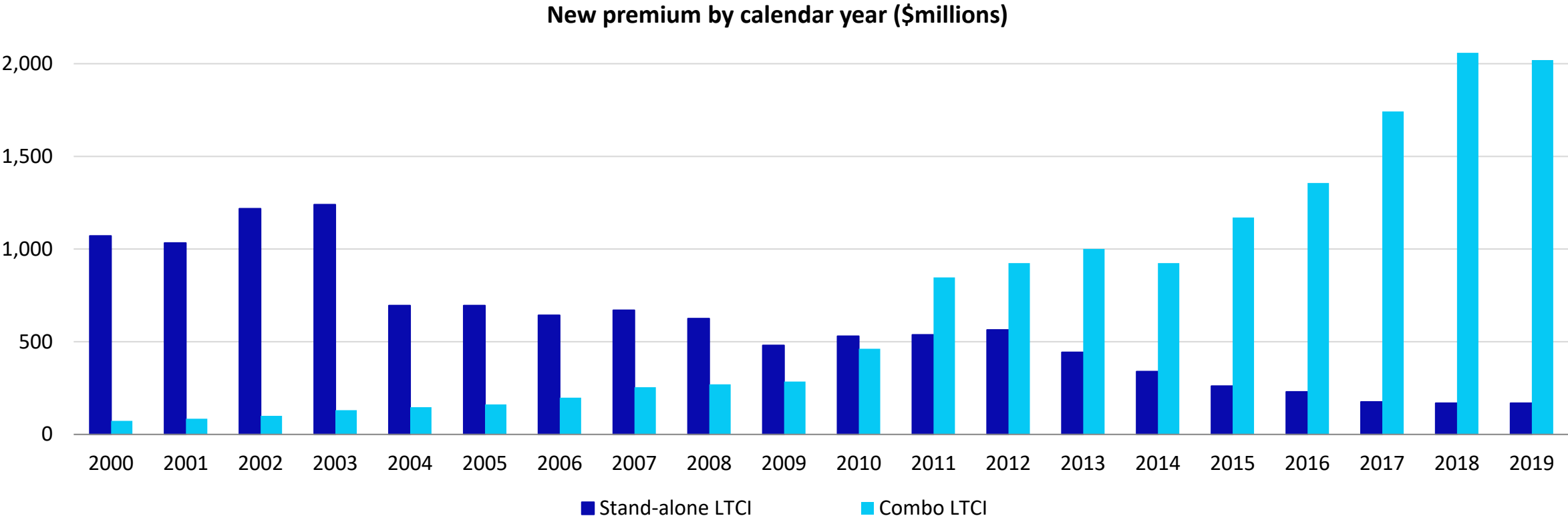
Challenges They often face these implementation challenges once pilots reach the planning phase	Onerous vendor screening and contracting Entrepreneurial innovators become frustrated with cumbersome vendor contracting processes
	Rebating Legal concerns that extra-contractual pilot services can be viewed as rebating
	Equity Legal concerns that treating policies chosen for a pilot in a manner that is different than the general population can be viewed as inequitable
	Impact on claim adjudication processes Concern that additional information collected in claim prevention pilots leads to approving claims that would otherwise be denied
	Hesitance to refer claimants to providers Concern that referring claimants to preferred providers represents bias and creates legal exposure for provider performance
	Middle management Middle management resistance to changes in established processes

Regulators are open to pilots, particularly in key states, but carriers are hesitant to engage with them

02

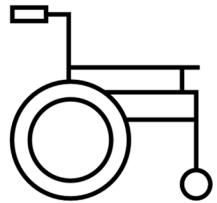
NEW BUSINESS

TRADITIONAL VS. COMBINATION LTC SALES



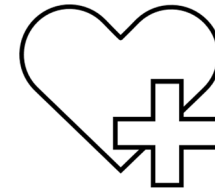
- Sales for these two product segments have moved in opposite directions since 2000
 - Traditional sales decreased due to premium rate increases and carrier exits
 - Combination sales increased as carriers entered the market
- Note: Premiums for single premium combo products are divided by 10; unadjusted sales for 2019 were \$4.2 billion

OVERVIEW OF THE CURRENT LANDSCAPE



Traditional (“Trad LTC”)

VS



Combination (“Combo LTC”)

2019 Sales:

55,000+

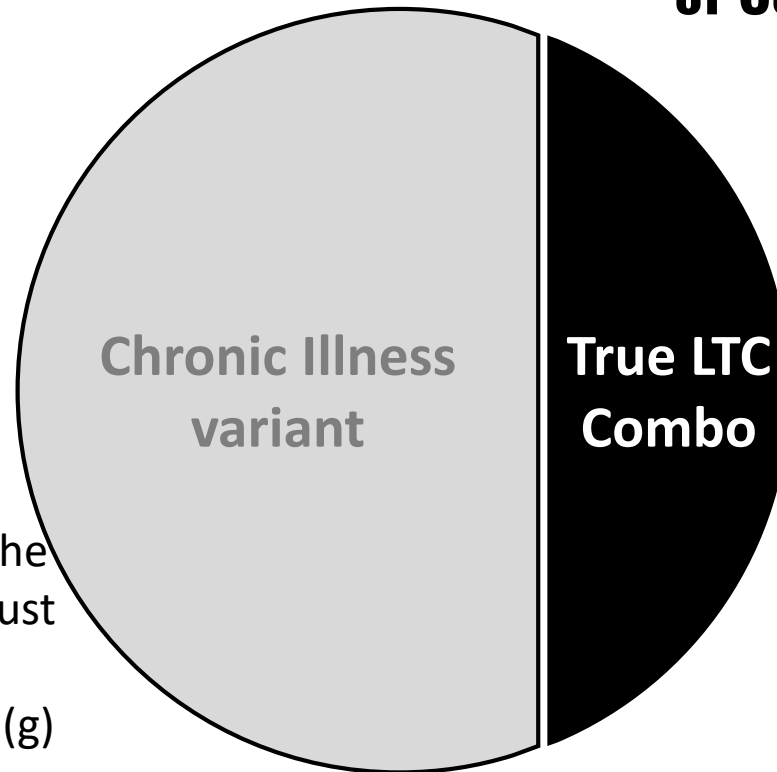
2019 Sales:

380,000

UPON A CLOSER LOOK:

Majority of 2019 Combo sales are Chronic Illness variant

- Tend to be “add-on” riders to a life insurance sale
- Sold by agents that are primarily selling the life insurance benefit
- Although lumped in with Combos, they are not regulated as LTC
- Do not require LTC continuing education
- Are limited to the acceleration of the life insurance death benefit and must include a lump-sum option
- Tax favorability set forth in IRC 101(g)



Sales volumes for the remaining types of Combos were similar to Trad in 2019

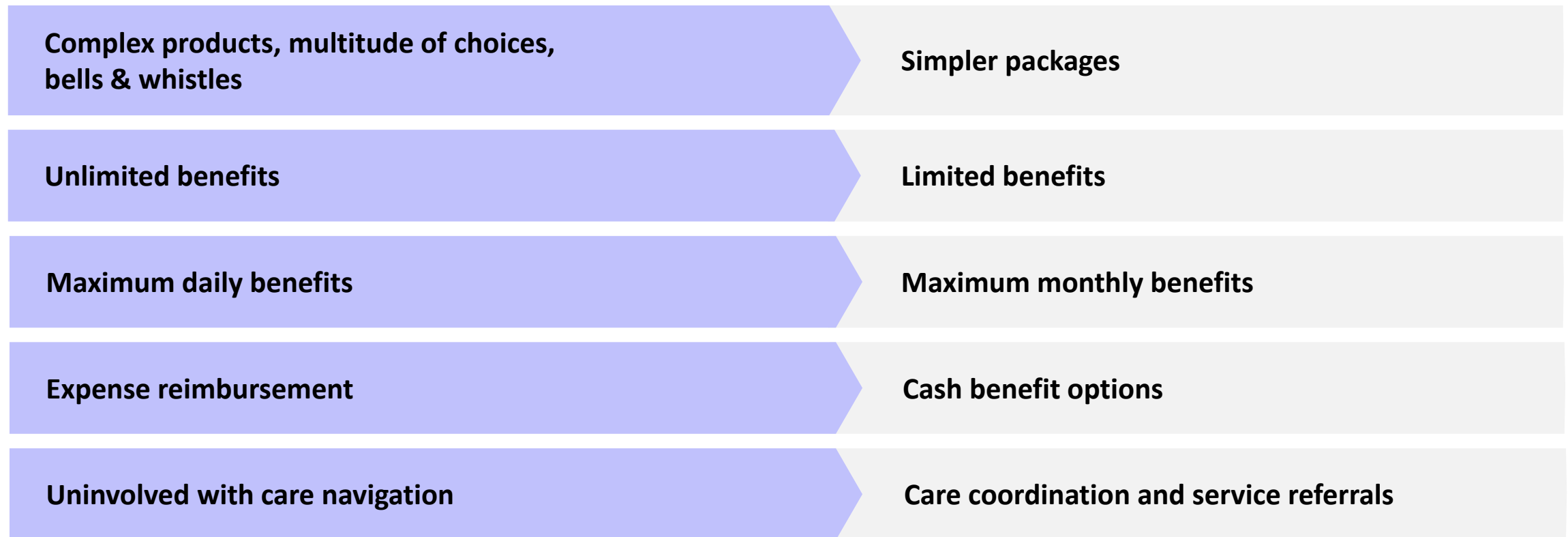
- These are “True LTC Combo” products; of which there are two types:
 - Acceleration of death benefit (“ABR”): Maximum LTC benefit equals the death benefit
 - Extension benefits (“EBR”): Maximum LTC benefit is greater than the death benefit
- Regulated as LTCI
- Require LTC continuing education
- Must be reported on Form 4 of the NAIC LTC Experience Reporting Forms
- Tax favorability set forth in IRC 7702B

COMPARISON OF TRAD AND COMBO VOLUMES

	Trad LTC	True LTC Combo
In-force (policies 12/31/2019)	6.2 million	900,000
Sales (policies 2019)	60,000	67,000
Companies that sold > 500 policies	9	9
Sales share of top 5 carriers	80%	89%
Primary distribution	<ul style="list-style-type: none">• Captive financial planners• Independent LTC specialists	<ul style="list-style-type: none">• Captive financial planners• Independent LTC specialists• Voluntary worksite

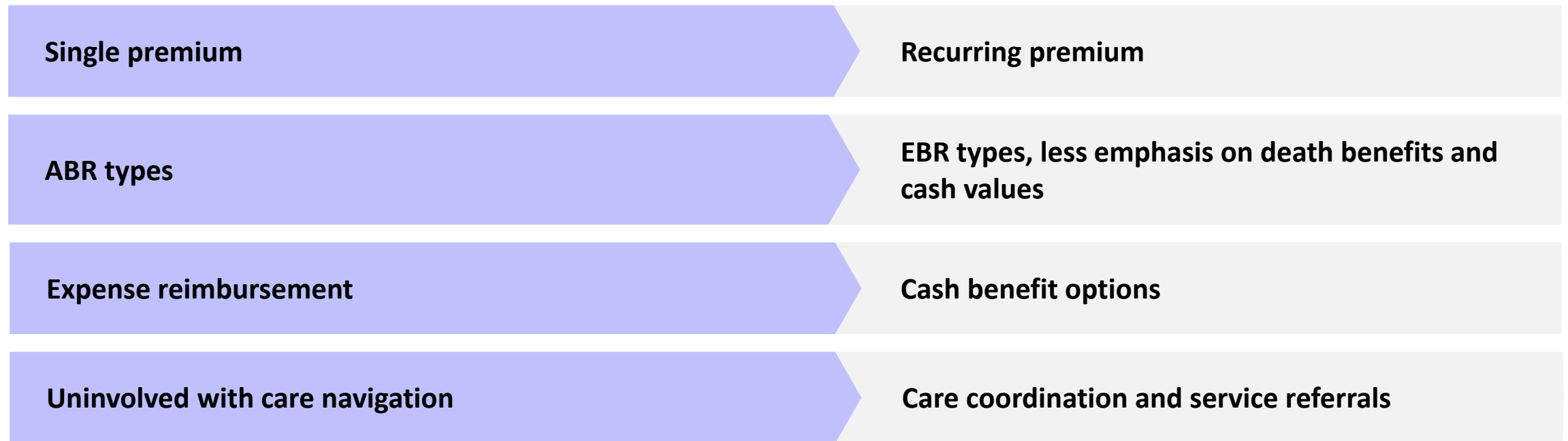
4 of the top 9 carriers sold over 500 Trad and over 500 True LTC Combo policies

TRAD LTC FEATURE CHANGES



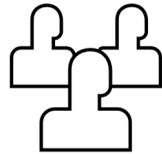
- General movement in features result in structure more similar to Combos
- Simpler products are easier for non-LTC specialists to sell

TRUE LTC COMBO FEATURE CHANGES



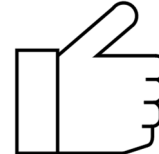
- Recurring premium and smaller benefits appeal to middle market
- Risk features shifting from mortality to LTC, especially EBRs with inflation

APPEAL OF PRODUCT TYPES BY CONSUMER SEGMENT



Demographics

- Without prompting, most consumers do not plan to address LTC planning until age 55
- LTCI purchase is correlated with income and assets
- Affluent market tends to buy single premium combo products with “lazy money”
- Consumers under 55 are more interested in combo products because they solve other immediate needs (life insurance, savings element)
- Consumers 55+ are less interested in recurring premium combo products because the purchase of additional life insurance is less important



Product preference

- More correlated with the type of advisor used than demographics
- LTC specialists favor stand-alone for the best leverage of premium dollars, but are shifting towards combos
- Financial planners favor combos, with asset-based advisors favoring single premium
- Life insurance agents favor simple riders on life policies, particularly chronic illness, as an up-sale on the life policy, which is the primary focus

STATE FINANCING PROGRAMS

California



- California Aging and Disability secured funding to explore long term services and support (LTSS) program
- Long-term Care Subcommittee of the Master Plan for Aging issued recommendations for public, universal LTSS financing benefits in May 2020
- California Department of Health Care Services published LTSS Feasibility Study Report in September 2020
- California released its Master Plan for Aging in January 2021

Hawaii



- Since 2017, Kupuna Caregivers Programs subsidizes home care costs for working caregivers; \$210 weekly benefit allowance

Maine



- Attempted to establish a social insurance program in 2018 for in-home care
 - Financed by payroll tax and additional incremental investment income tax
 - Ballot question was rejected

Minnesota



- Reform efforts focus on enhancing affordable private market solutions; funding actuarial analysis and feasibility study on two new products
 - Low-cost term life converting to LTC at age 65
 - Medicare supplemental health plan support
- Blue Ribbon Commission exploring catastrophic protection

Michigan



- Bipartisan Care Caucus formed
- Feasibility studies required for LTSS reform proposals; actuarial modeling studying social insurance program costs

Washington








- Washington State LTC Trust Act of 2019
 - Available to all employed residents
 - Funded through employee payroll tax
 - Reimburses up to \$100 per day (with annual adjustments for inflation); max reimbursement of \$36,500
 - Tax to begin in 2022
- Resolution to allow trust fund dollars to be invested in private stock was rejected by voters resulting in projected solvency shortfall

Sources: <https://www.ltsscenter.org/wp-content/uploads/2020/07/State-LTSS-Financing-Full-Report-July-2020.pdf>
<https://www.kuow.org/stories/wa-voters-said-no-now-there-s-a-15-billion-problem>
<https://www.chhs.ca.gov/home/master-plan-for-aging/>

INSURANCE INDUSTRY LESSONS LEARNED

If we had a chance to start over with LTCI, we would change the following:

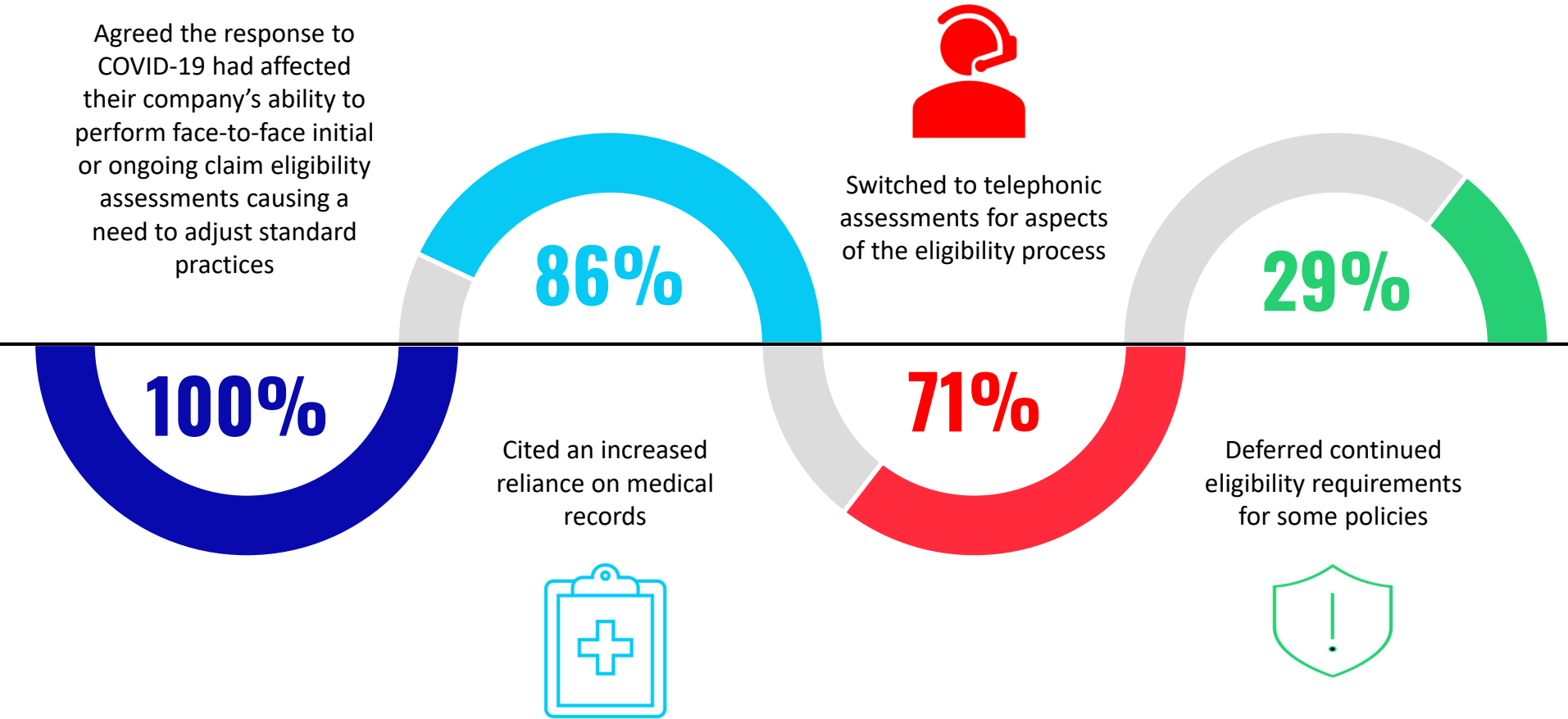
We would...	Takeaway
 Design the products to be simpler and easier to understand	<ul style="list-style-type: none">• This would have allowed for broader distribution of stand-alone LTCI through existing agents, direct to consumer and through employers
 Include managed care provisions	<ul style="list-style-type: none">• We would require annual health checks while healthy, interventions while disabled and incentives to use preferred providers
 Allow cash values in stand-alone LTCI products	<ul style="list-style-type: none">• This would allow policyholders to have equity in their products and possibly increase attractiveness to younger customers
 Allow for annual changes in premium rates (just like we do with medical insurance)	<ul style="list-style-type: none">• This would allow us to reflect emerging morbidity trends, cost of care inflation, care delivery changes, interest rate environment and longevity• Such changes should be expected by policyholders and regulators, and approval processes should be quick and easy
 Have stronger cooperation with state and federal governments	<ul style="list-style-type: none">• LTCI premiums would be paid with pre-tax dollars• We would help the governments create public programs that coordinate with and wrap around private insurance. This could be subsidized premiums for the poor and public programs that cover long episodes of care after a period of 3 to 4 years• We would ask the government to fund awareness campaigns about the risks of aging and properly planning for the payment of LTC• LTCI could be sold via public exchanges to allow people become educated on plans and to purchase one directly and comparison shop

03

COVID-19 IMPACTS

LTC COVID-19 FLASH SURVEY RESULTS

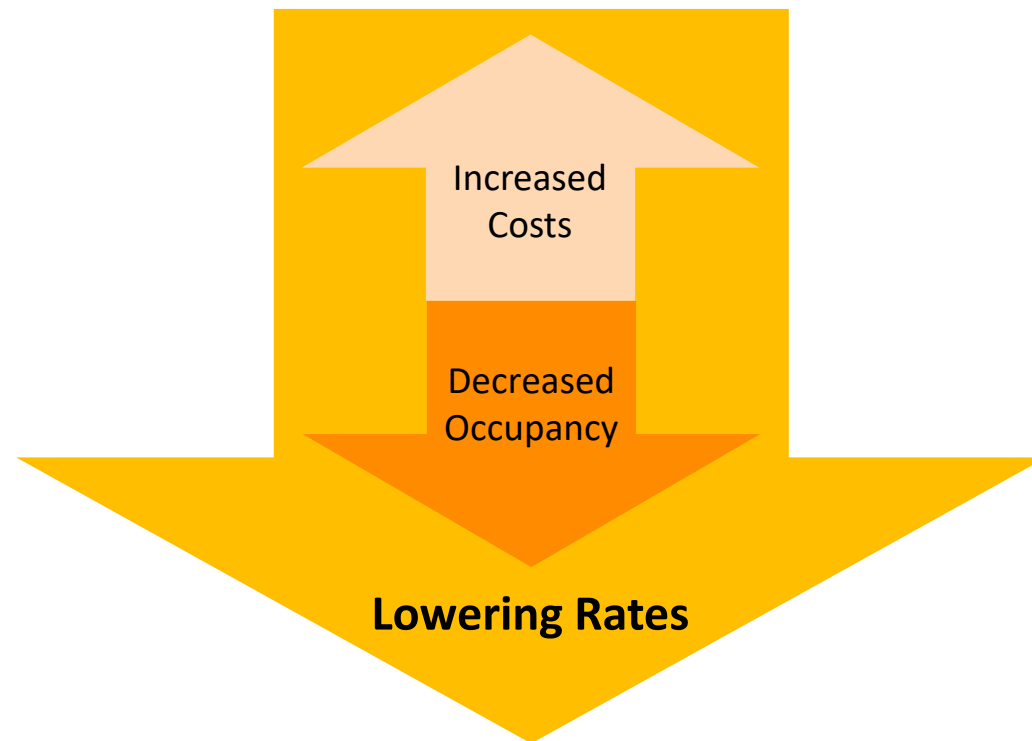
7 carriers that collectively administer over 50% of all open LTCL claims were asked how COVID-19 is affecting their claim adjudication process



LTC FACILITIES – COVID-19 IMPACT

We spoke to the owner of a 10,000-bed nursing home chain

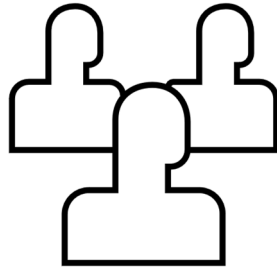
An industry under pressure



COVID-19 impact:

- Residence census is down due to a lack of new residents coming in
- The primary source of new residents is hospital referrals, which also have depressed numbers
- Expenses have increased as a result of COVID-19 (e.g., increased costs for PPE)
- No noticeable increase in deaths, but did not have any significant COVID-19 outbreaks; facilities are primarily in Ohio and Missouri
- Many deaths were erroneously coded as primarily caused by COVID-19; feels that many such deaths were imminent from other causes

POTENTIAL IMPACTS OF COVID-19 ON LTC POPULATION



7M receiving formal LTC services at
any point in time have
20-25% annual mortality



280,000 deaths at ages 75+ involving
COVID-19 as of 2/24/2021¹

If **ALL** deaths were LTC recipients,
this would be a
4% additive shock on mortality

Stay-at-home orders (no home-care visits, suspended nursing home admits) may create **backlog of new claims**

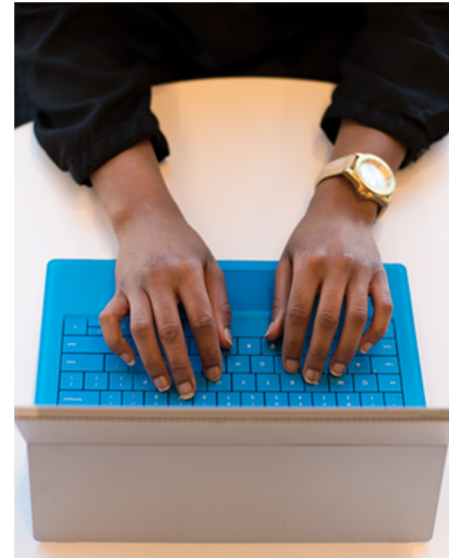
COVID-19 IMPACTS TO LTC CARRIER EXPERIENCE



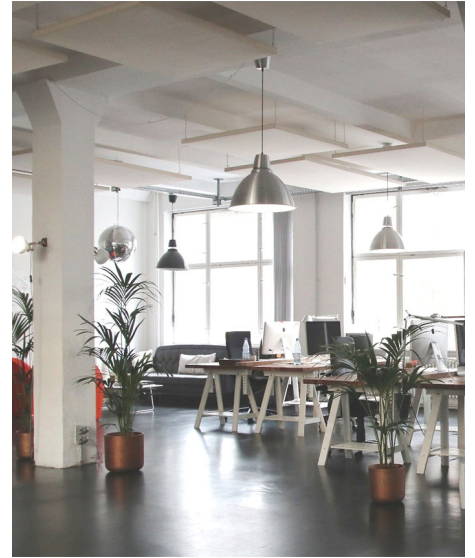
At least 2 carriers noted unusually **elevated trends** in LTC mortality through June 2020



One LTC client for which we provide financial reporting services experienced a slight increase in active life mortality. However, they **did not** experience a significant disabled life mortality increase during the first half of 2020. The block is very mature, with an average attained age in the mid 80s and a credible book of claims



We will continue to **monitor** trends in mortality and morbidity as industry experience emerges



COVID-19 DRIVING A SHIFT IN CARE DELIVERY

*Credit Suisse, in a note to clients in June, predicts **more lapsed policies** and **fewer claims** as a result of concerns that moving into a nursing home or bringing in an individual caregiver could increase policyholders' potential virus exposure*

Seniors Ponder Whether Long-Term Care Is Too Risky in COVID Era;
John Tozzi - Bloomberg

*Comparing utilization in April 2019 to April 2020, **telehealth usage** nationally rose from 0.15% of medical claim lines to 13% a year later, a growth rate of **8,336%***

FAIR Health's Monthly Telehealth Regional Tracker

*..recent policy changes during the COVID-19 pandemic have reduced barriers to telehealth access and have promoted the use of **telehealth as a way to deliver acute, chronic, primary and specialty care***

Centers for Disease Control

*The COVID-19 pandemic is upending every corner of society and for health insurers, one permanent change is a **rise in the use of telehealth services***

Telehealth Orders May Expire, but Remote Care Is Here to Stay; Timothy Darragh – AM Best

*..with the emergence of the virus causing the disease COVID-19, there is **an urgency to expand the use of technology** to help people who need routine care, and keep vulnerable beneficiaries and beneficiaries with mild symptoms in their homes while maintaining access to the care they need*

Long-Term Care Nursing Homes Telehealth and Telemedicine
Tool Kit, CMS



OLIVER WYMAN