



## The LTCI Challenge

**H**ealthcare is the single greatest expense in retirement, with long-term care (LTC) costs being among the highest of all healthcare costs. Yet, worldwide, LTC insurance (LTCI) penetration rates remain low. The OECD reports cites LTCI as a “niche” market in only the United States (5 percent) and France (14 percent). LTC is the largest uninsured risk for an older population.

Current LTC systems will experience growing pressure for multiple reasons:

- Demographic transformations — speed of aging, upward trends in disabilities — will increase demand for LTC services
- Changing societal models — smaller family unit size, rising number of women in the labor force — will result in a decline in the number of traditional caregivers
- Growing middle class societal wealth will demand better quality and responsive systems
- Technology — life expectancy will increase

This results in pressure for improvements in provision and performance of LTC systems, which in turn translates into rising costs.

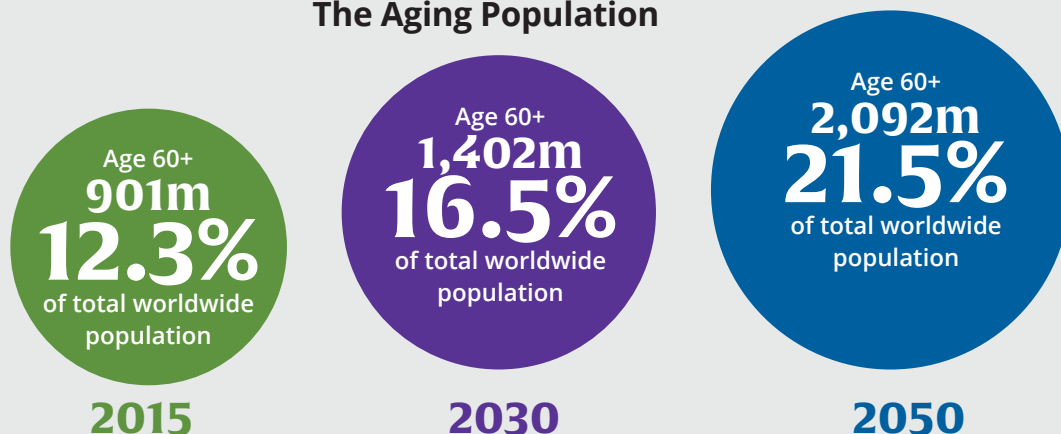
Our recent LIMRA Asia Retirement Study cites the number of older people (aged 60+) outpacing all other age groups.

In addition, those over age 85 — often called the “oldest-old” — are most likely to require LTC. The oldest-old population will grow dramatically in the coming years. Globally, Baby Boomers began to retire in large numbers in this past decade. In another decade, the “oldest-old” will swell to record numbers. With lifestyles and technology, these numbers are likely to become the new norm for these age groups.

While many forms of social welfare LTC already exist, clearly the financial burden of LTC cannot be borne only by government. It will take large-scale, public/private cooperation and participation. Raising tax revenue for sole provision is not a solution that any population will tolerate. Cost increases associated with long-term care — financial and otherwise — are inevitable.

There has been plenty of negative news of the challenges the LTCI industry faces, with significant rate increases and companies choosing to exit the market. Accept the challenge, and learn from the lessons, but do not give up. Reinvent! The need for LTCI is only going to grow. 🌐

### The Aging Population



Source: World Population Prospects: 2015 revision, UNDESA Population Division, 2015.