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2024 GENERAL AND PROFESSIONAL LIABILITY BENCHMARK REPORT

For senior living and long-term care providers

September 2024

Contents

Introduction

Scope

Oliver Wyman Actuarial Consulting, Inc. (Oliver Wyman) and the Senior Living & Long-Term Care Industry Practice of Marsh LLC (Marsh) performed an actuarial benchmark analysis of the U.S. general liability and professional liability (GL/PL) exposures of senior living and long-term care providers.

This review includes the following analyses:

- Estimation of countrywide and state-specific trends separately for claim costs, severity, and frequency.
- Estimation of countrywide and state-specific claim costs.
- Examination of the relationship between indemnity costs and expense costs.
- Review of the accident year by report year relationship.
- Examination of COVID-19 related claims and claims costs.
- Examination of cost differentials for skilled nursing facilities and senior living communities.
- An analysis of claims in excess of $1 million.
- Analysis of cause of loss descriptions.

We welcome feedback and are available to address any questions readers may have. Please direct any questions or comments to LTCBenchmark@oliverwyman.com.

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Oliver Wyman & Marsh

Marsh and Oliver Wyman are businesses of Marsh McLennan (NYSE: MMC), the world's leading professional services firm in the areas of risk, strategy and people. With annual revenue of $23 billion, Marsh McLennan helps clients navigate an increasingly dynamic and complex environment through four market-leading businesses: Marsh, Guy Carpenter, Mercer and Oliver Wyman. For more information, visit mmc.com or follow us on LinkedIn and X.

About Oliver Wyman

Oliver Wyman uses mathematical and statistical modeling and qualitative assessment methodologies to assist clients in evaluating and addressing risk. Our solutions help clients manage and prepare for the potential financial consequences of uncertain future events. We bring a combination of broad-based expertise with specialized knowledge of specific risks, allowing us to provide independent, objective advice in three primary areas of risk: property and casualty, healthcare, and life and annuity.

About Marsh

For over two decades, Marsh's Senior Living & LTC Industry Practice has provided insurance and risk management consulting services to the industry. Our team of specialists has the deep experience, knowledge, and commitment to help clients identify the most pressing existing and emerging risks and take action to protect their organizations. We deliver best-in-class transactional and advisory solutions that help address the complex risk financing, risk management, and human capital needs of operators and equity providers within the senior living and long-term care industry. We provide value to clients every day through a unified focus on industry, advanced analytics, advisory and emerging digital technology.

Marsh is the world's leading insurance broker and risk advisor. With more than 45,000 colleagues advising clients in over 130 countries, Marsh serves commercial and individual clients with data-driven risk solutions and advisory services.

Executive Summary

Background

We developed the principal findings in this study on a countrywide basis. We have also provided state-level findings where we deemed the data and results to be credible. The results by state can vary widely and are directly influenced by the claims history of the participants' data.

To reduce the influence of large claim settlements, we limited the claims data, indemnity plus allocated claims adjustment expense ("expense"), to $1 million on a per-occurrence basis. Allocated claims adjustment expenses are directly attributable to settling and defending specific claims. Similarly, we have excluded claims with payments of less than $100 to remove any bias from nuisance claims. In addition, we removed claims identified as relating to the COVID-19 pandemic to mitigate any effect these claims may have on the overall indications. However, we include a discussion and statistics around both COVID-19 claims and large claims in excess of $1 million.

Understanding that there are differences in case reserving practices between participants, this analysis applies actuarial models to closed claim data to develop estimates on a report year basis.

This analysis is an update to our 2020 and 2022 benchmarking reports prepared by Oliver Wyman and Marsh. However, due to changes in the underlying data along with report modifications discussed below, the findings may not be directly comparable to prior versions. We note the following material changes to this year's report.

- Data pertaining to roughly 50% of the senior living and long-term care participants are either new to the study this year, chose not to participate this year, or did not provide updated year-end 2023 data. As participants enter or leave the study in successive reports, this can yield additional uncertainty and volatility in the estimates produced throughout this report.
- Our prior reports focused on occurrence year data. Occurrence year losses add additional uncertainty to our indications due to the latency from when an accident occurs and when it is ultimately reported. The COVID-19 pandemic exacerbated this uncertainty as it elongated the time from when a claim occurs to when it is ultimately settled. To mitigate some of this uncertainty and eliminate the need to consider pure "IBNR", or losses that have been incurred but not yet reported, we have shifted the focus of this report to analyze report year losses. We believe this approach helps produce a more accurate depiction of ultimate claim count and loss estimates.

Data

Oliver Wyman asked senior living and long-term care providers and insurers to submit their general liability and professional liability claims and exposure data to support this review. We have not attempted to audit this data or reconcile data across various valuations.

Roughly fifty providers submitted data for this analysis. Our analysis focuses on paid and closed claim data comprised of nearly 10,300 closed claims with approximately $1.8 billion[1] in paid indemnity and expense over the past ten years. We do not consider open claims in this report due to the varying case reserving practices of each participant. The participants in this study include independent living, assisted living,

[1] As noted, these amounts are limited to $1 million and exclude claims less than $100.

memory care, and skilled nursing providers. In total, this analysis includes the exposure associated with approximately 243,000 senior living and long-term care units.

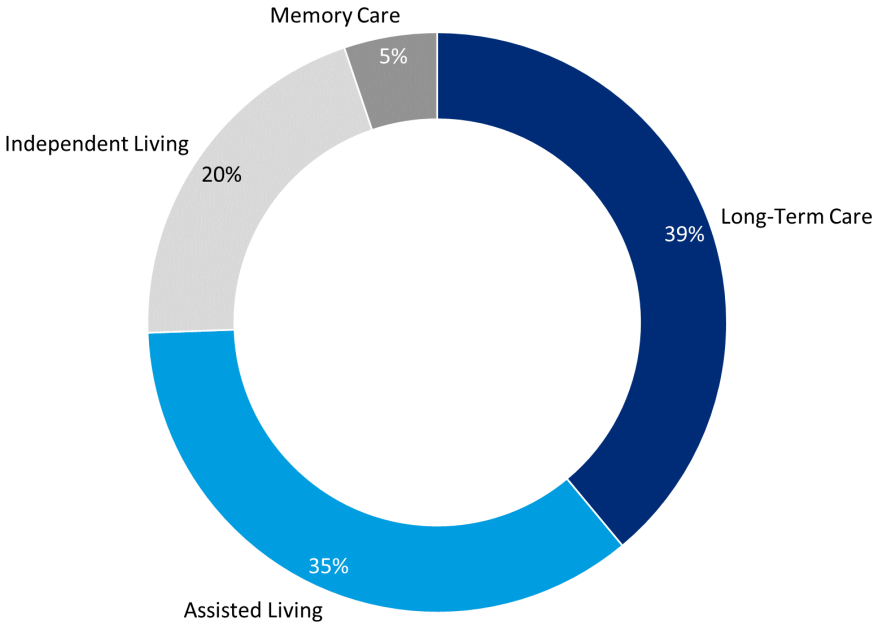
We have separated the claims and exposure data into long-term care: those exposures relating to skilled nursing facilities; and senior living: those exposures relating to independent living, assisted living, and memory care providers. This separation is consistent with our 2022 report.

We present the composition of the long-term care and senior living data in Table 1 and Figure 1.

Table 1: Long-Term Care and Senior Living Data Distribution

	% of Units	% of Closed Claims	% of Paid Claims
Long-Term Care	39%	76%	79%
Senior Living	61%	24%	21%

Figure 1: Long-Term Care and Senior Living Occupied Unit Distribution



Senior Living: Countrywide Findings

We present our senior living countrywide findings in Table 2.

Table 2: Senior Living Indemnity and Expense Limited to $1 Million per Occurrence

Component	2024 Report Year Projections	Assumed Annual Trend
Frequency	0.31	0.6%
Severity	$246,800	3.8%
Loss Rate	$760	4.4%

We developed our forecasts using countrywide experience through December 31, 2023.

As noted, we present metrics for claims limited to $1 million per occurrence, excluding claims with payment values less than $100 and any claims relating to the COVID-19 pandemic.

Claim frequency is the number of claims estimated to close with payment (indemnity or expense) per 100 occupied units. We forecast frequency to be 0.31 claims per 100 occupied units in the 2024 report year. We project claim frequency to increase in 2024 by 0.6%.

Claim severity is the average ultimate size of a claim estimated to close with payment (indemnity or expense). We forecast claim severity to be $246,800 on a countrywide basis in the 2024 report year. We project claim severity to increase by 3.8% in 2024.

The loss rate represents the cost needed to pay indemnity or expense per occupied unit. We forecast the loss rate to be $760 on a countrywide basis in the 2024 report year. We project loss rates to increase by 4.4% in 2024.

Figure 2 provides the estimated loss rates for the past ten report years, along with our projected 2024 loss rate, while Figure 3 analyzes frequency.

Figure 2: Senior Living Countrywide $1 Million Loss Rate

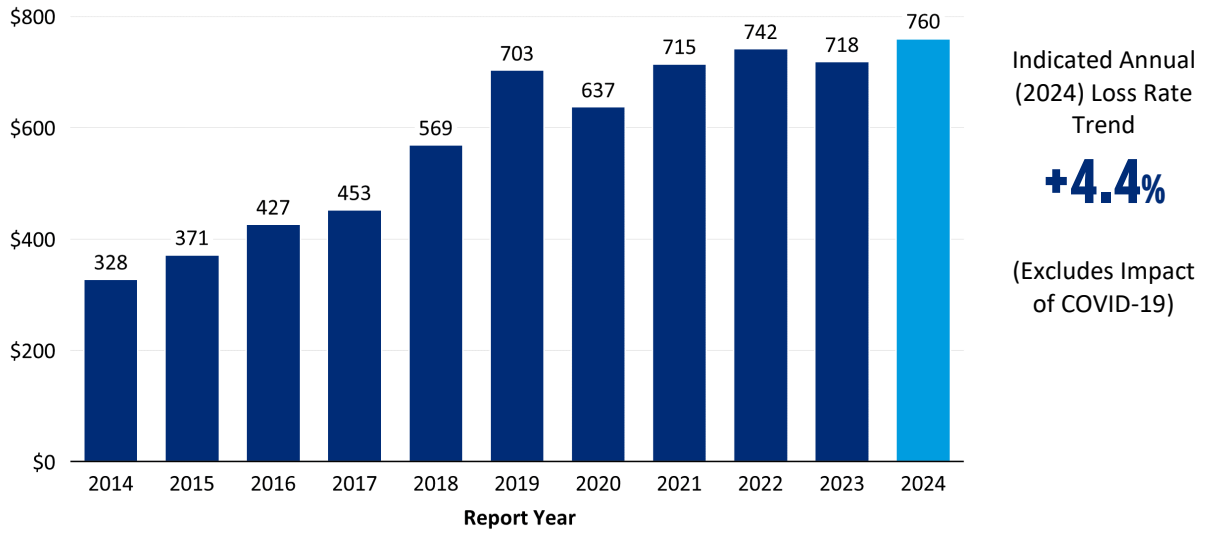


Figure 3: Senior Living Frequency

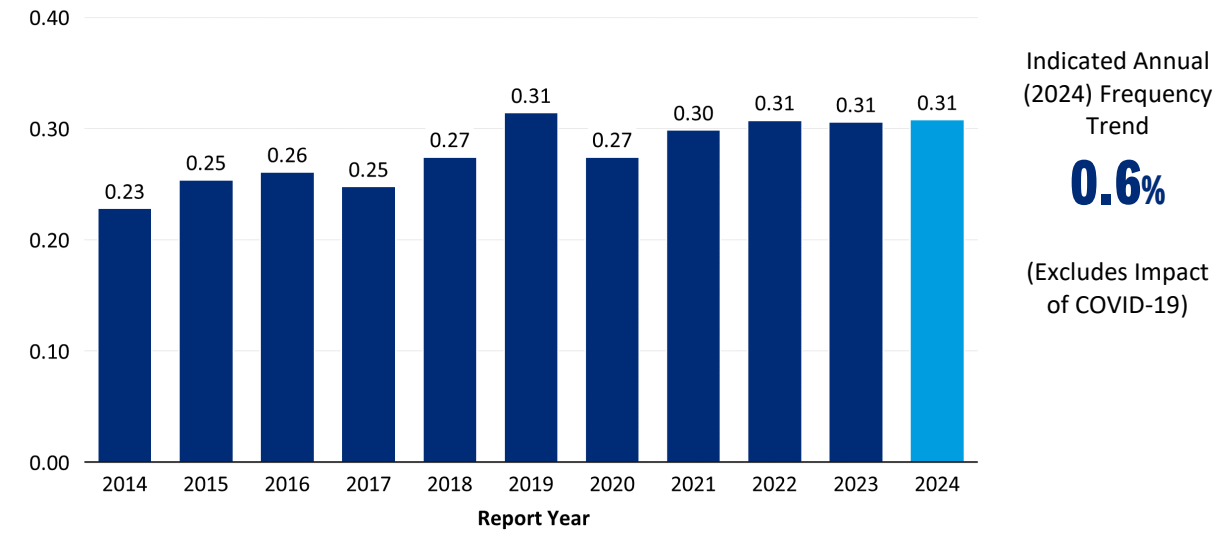
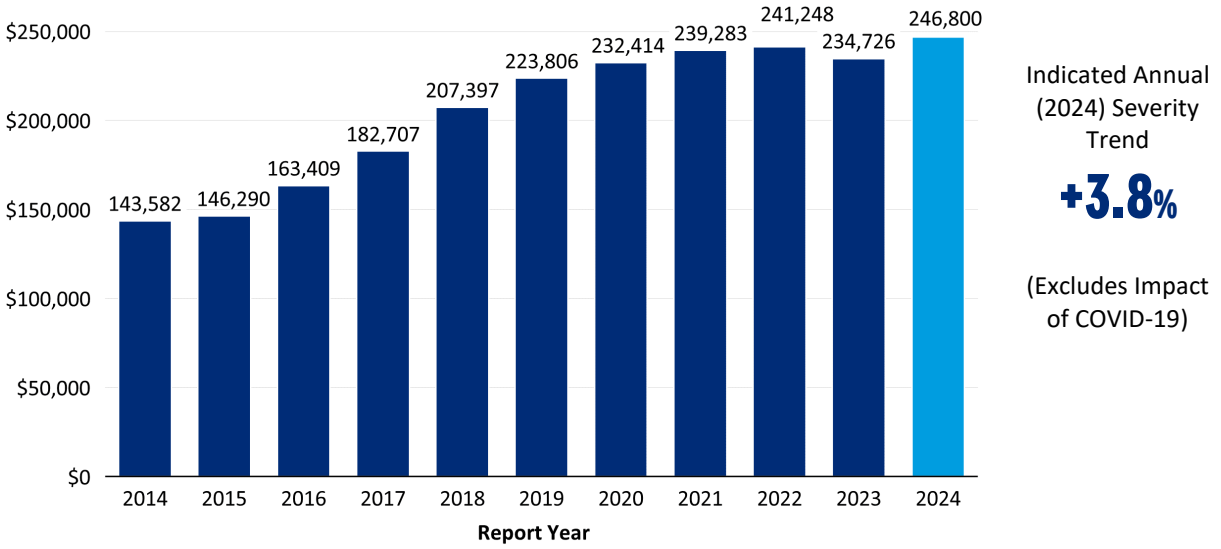


Figure 4 provides the estimated severity for the past ten report years, along with our projected 2024 severity.

Figure 4: Senior Living Severity



Long-Term Care: Countrywide Findings

We present our long-term care countrywide findings in Table 3.

Table 3: Long-Term Care Indemnity and Expense Limited to $1 Million per Occurrence

Component	2024 Report Year Projections	Assumed Annual Trend
Frequency	1.10	0.3%
Severity	$270,000	3.7%
Loss Rate	$2,970	4.0%

We developed our forecasts using countrywide experience through December 31, 2023.

As noted, we present metrics for claims limited to $1 million per occurrence, excluding claims with payment values less than $100 and any claims relating to the COVID-19 pandemic.

We forecast frequency to be 1.10 claims per 100 occupied units in the 2024 report year. We project claim frequency to increase in 2024 by 0.3%.

We forecast claim severity to be $270,000 on a countrywide basis in the 2024 report year. We project claim severity to increase by 3.7% in 2024.

We forecast the loss rate to be $2,970 on a countrywide basis in the 2024 report year. We project loss rates to increase by 4.0% in 2024.

Figure 5 provides the estimated loss rates for the past ten report years, along with our projected 2024 loss rate.

Figure 5: Long-Term Care Countrywide $1 Million Loss Rate

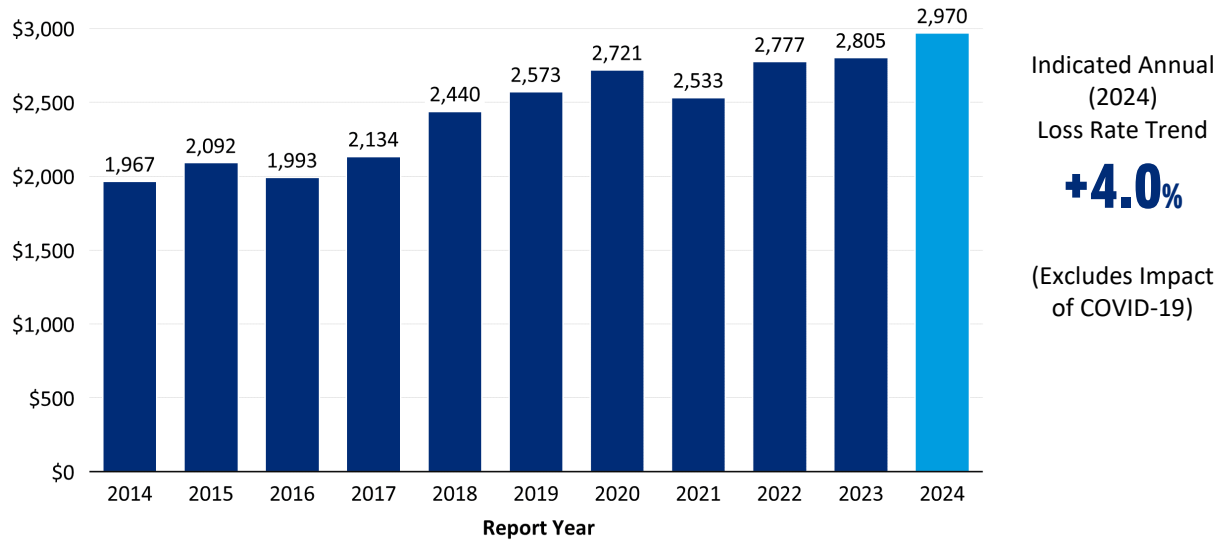
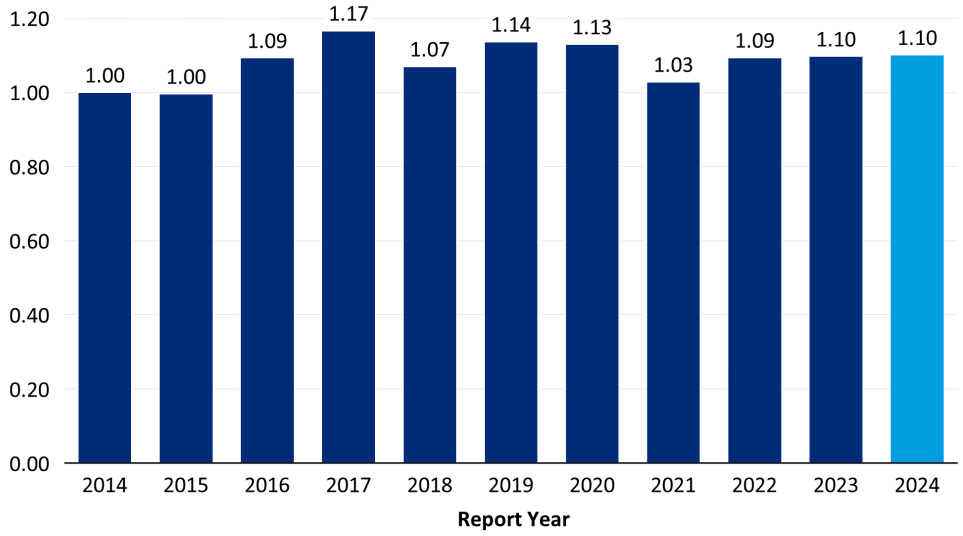


Figure 6 provides the estimated frequency for the past ten report years, along with our projected 2024 frequency. As shown below, the estimated frequency has remained relatively flat over the past few years.

Figure 6: Long-Term Care Frequency



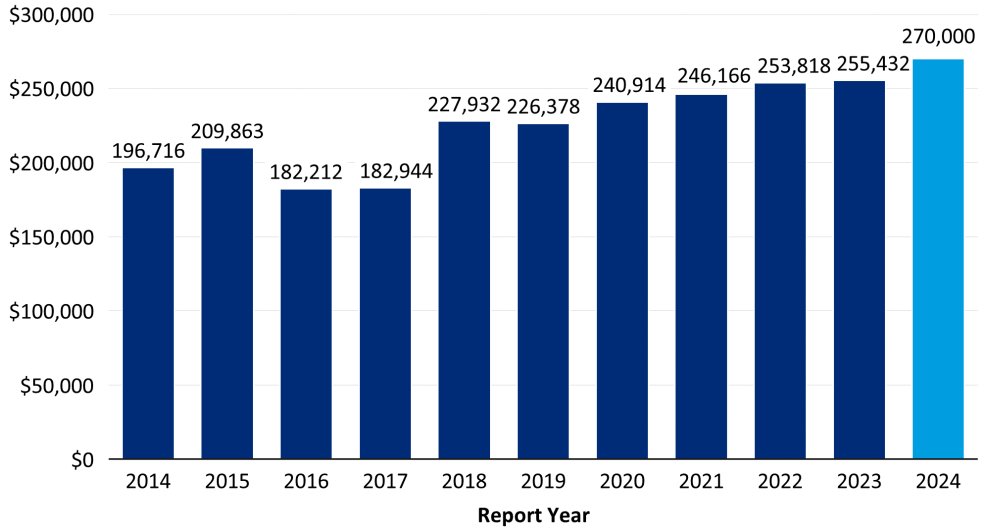
Indicated Annual (2024) Frequency Trend

+0.3%

(Excludes Impact of COVID-19)

Figure 7 provides the estimated severity for the past ten report years, along with our projected 2024 severity.

Figure 7: Long-Term Care Severity



Indicated Annual (2024) Severity Trend

+3.7%

(Excludes Impact of COVID-19)

Senior Living: Cost Comparison

As the senior living participant data contains a mixture of various acuities including assisted living, independent living, and memory care, we examined the claim cost relationships relative to the indicated total countrywide loss rate. We present our findings in Table 4.

Table 4: Senior Living Cost Comparison

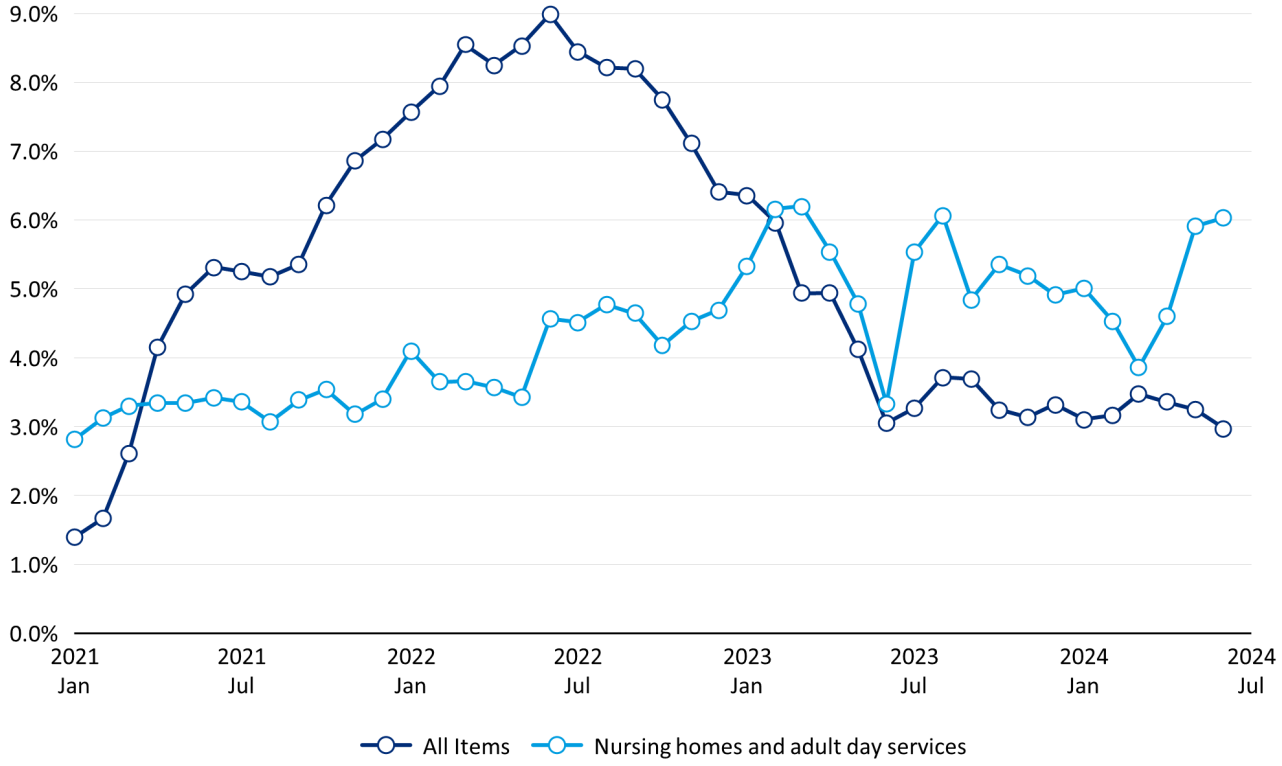
Facility	Estimated Cost Relativity	2024 Projected Report Year Loss Rate
Independent Living	$0.175	$133
Assisted Living	$0.825	$627
Memory Care	$1.850	$1,406
2024 Total Countrywide Loss Rate Projection		$760

The 2024 projected loss rates for independent living, assisted living, and memory care are a product of the 2024 countrywide loss rate projection and the estimated cost relativities.

Inflation

While the current annual inflation rate in the United States hovers around 3.0%, we do not explicitly include any consideration of the inflationary environment in determining these estimates. Such considerations may include excessive influences on increasing wages and medical expenses, as well as the high cost of social inflation which is resulting in increasing claim costs above general economic inflation. Figure 8 presents the rolling 12-month changes in the consumer price index (CPI). The rate of increase for “nursing home and adult day services” was lower than the “all items” inflation in most of 2021 and all of 2022. However, there has been a reversal since early 2023 where “nursing home and adult day services” has outpaced “all items” inflation and is now closer to 6.0%. We recognize that the change in the CPI may not be indicative of the change in claim costs; however, this data does demonstrate that not all costs are increasing at the same rate.

Figure 8: 12-Month Changes in Consumer Price Index



- The chart shown above pertains to "nursing home and adult day services." Other sources referencing rising healthcare costs indicate annual healthcare inflation trends of around 7.0% to 10.0%:
  - PwC[2] projects "an 8% year-on-year medical cost trend in 2025 for the Group market and 7.5% for the Individual market, driven by inflationary pressure, prescription drug spending and behavioral health utilization."
  - Mercer[3] states in their 2024 The CFO Perspective on Health, "For the past two decades, average annual health benefit cost increases have typically run 1% to 2% above CPI, but even to maintain that level of cost growth will be difficult."
  - In a 2024 article published by SHRM[4], the author references a survey published by Buck (now part of Gallagher) which found the following: "medical costs for employer-sponsored plans continue to outpace inflation, rising on average between 6.8 percent and 7.3 percent."

[2] https://www.pwc.com/us/en/industries/health-industries/library/behind-the-numbers.html
[3] https://www.mercer.com/en-us/insights/health-benefits-strategy/the-cfo-perspective-on-health-2024/
[4] https://www.shrm.org/topics-tools/news/benefits-compensation/health-care-costs-2024-growth-wtw-buck

1. COVID-19 Pandemic Claims

While the loss rates, severity, and frequency indications discussed throughout this report exclude claims relating to the COVID-19 pandemic, we reviewed certain COVID-19 claims statistics for long-term care and senior living on a combined basis.

In our prior report, the majority of claims originating from COVID-19 were listed as open. Currently, roughly 95% of claims identified as COVID-19 are closed. Claims were identified as COVID-19 either through a specific COVID-19/pandemic indicator or through information contained within the claim description.

Approximately 85% of all COVID-19 claims were reported in 2020. Since 2020, we have observed a continued reduction in the number of claims originating from the pandemic.

We present our findings in Table 5.

Table 5: Long-Term Care and Senior Living COVID-19 Claims Statistics

Report Year	Number of Closed Claims	Percent of All Closed Claims Relating to COVID-19	Percent of COVID-19 Claims Closed Without Payment	Average Indemnity Severity of COVID-19 Claims Closed With Payment	Average Expense Severity of COVID-19 Claims Closed With Payment
2020	4,540	64.1%	97.8%	$24,471	$12,796
2021	538	23.5%	95.0%	$47,143	$47,323
2022	203	10.3%	96.6%	$85,000	$7,749
2023	46	3.7%	95.7%	$50,000	$279

Nearly two thirds of all closed claims reported in 2020 related to COVID-19. This percentage has steadily decreased year-over-year with under 4% of closed claims reported in 2023 relating to COVID-19.

The majority of all COVID-19 claims close without payment and this percentage has remained at 95% or greater since the start of the pandemic.

2. Senior Living Indemnity and Expense Statistics

The indemnity and expense statistics in this section include claims closed within seven years of the year reported. These claims represent 98.7% of all closed senior living claim counts in our database. Figure 9 presents a history of closed indemnity and expense only claims at historical cost levels.

As noted, the data underlying our review only includes claims with payment, and Figure 9 provides the distribution of those claims. The portion of claims involving indemnity payments is 83% in 2023. Claims involving indemnity payments ranged from 75% to 81% in 2014 through 2017, but rose to 86% in 2018 with a high of 87% in 2021.

Figure 9: Senior Living Claims Counts by Closed Year

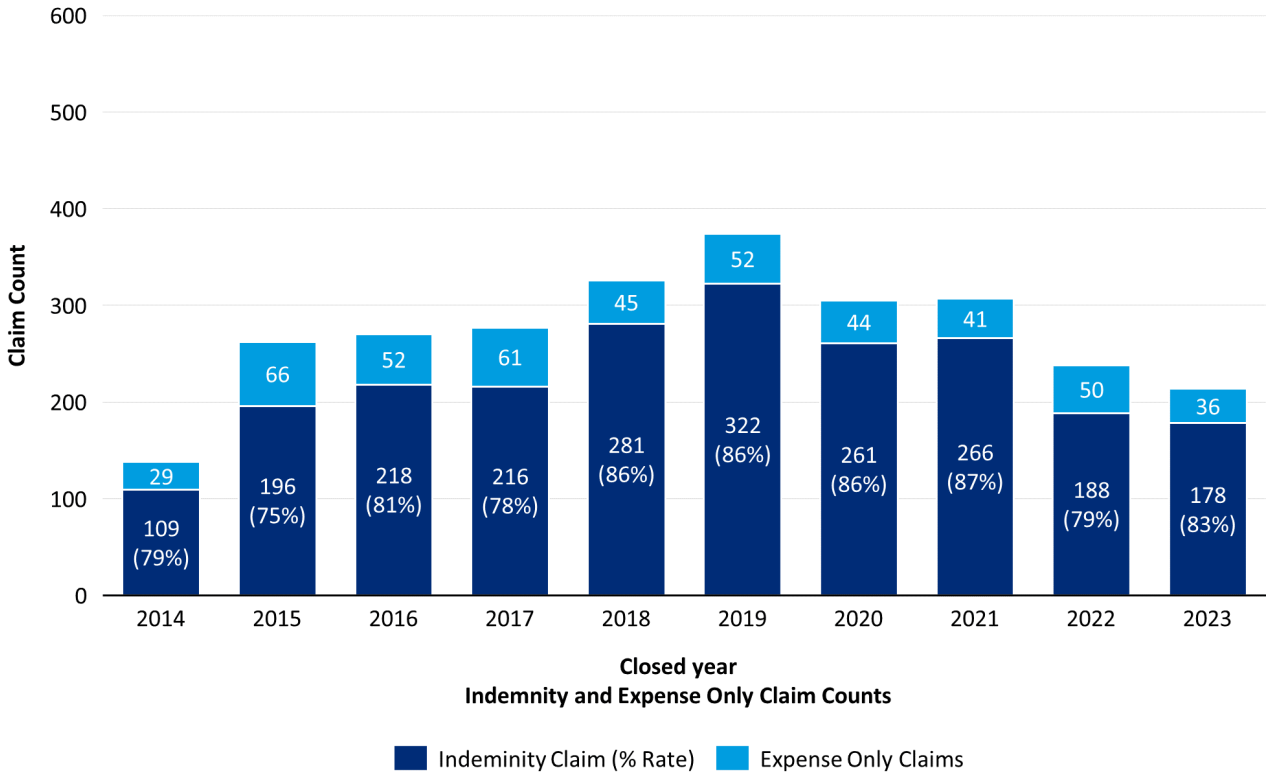


Figure 10 presents a history of the average paid indemnity amounts and average paid expense amounts on claims closed with indemnity payment. The average paid indemnity and paid expense amounts have increased since the levels observed in 2014-2016, though we observe volatility in the year-over-year severities.

Figure 10: Senior Living Claims with Indemnity – Distribution of Indemnity and Expense

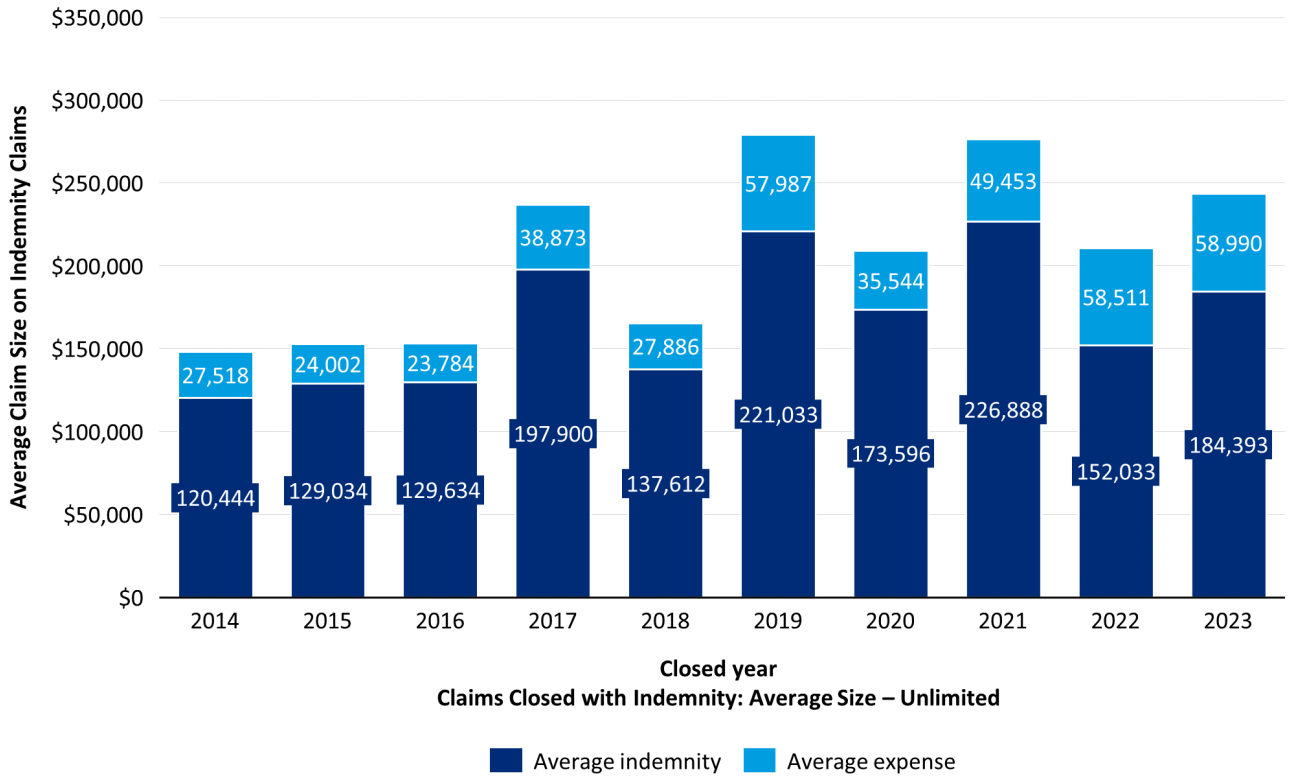
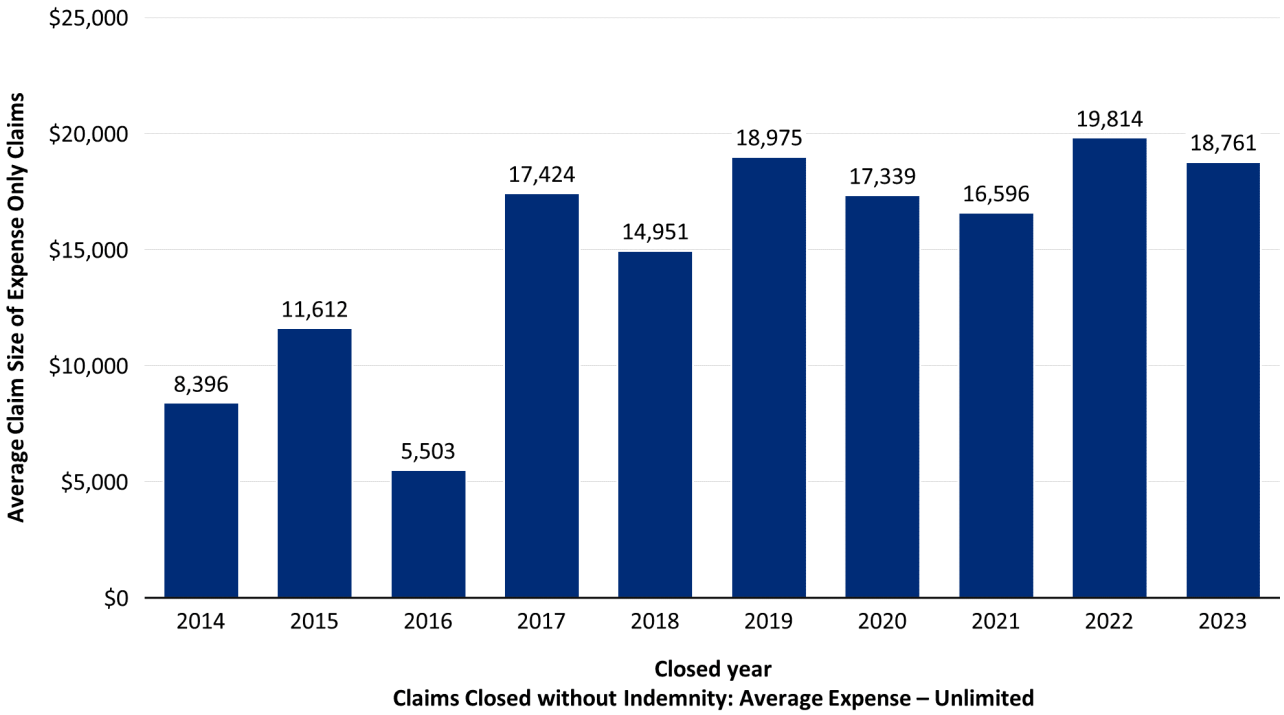


Figure 11 presents the average paid expense amounts on claims closed without indemnity payment (expense only claims). Beginning in 2017, the average paid expense amounts are generally higher than those observed in years 2014 through 2016.

Figure 11: Senior Living Average Severity – Expense Only Claims



3. Long-Term Care Indemnity and Expense Statistics

The indemnity and expense statistics in this section include claims closed within seven years of the year reported. These claims represent 96.0% of all closed long-term care claim counts in our database. Figure 12 presents a history of closed indemnity and expense only claims at historical cost levels.

As noted, the data underlying our review only includes claims with payment and Figure 12 provides the distribution of those claims. The portion of claims involving indemnity payments is 80% in 2023. While claim counts are decreasing since 2019 after increasing steadily from 2014 through 2019, we have observed no noticeable trend in the percentage of indemnity claims in the past ten years.

Figure 12: Long-Term Care Claims Counts by Closed Year

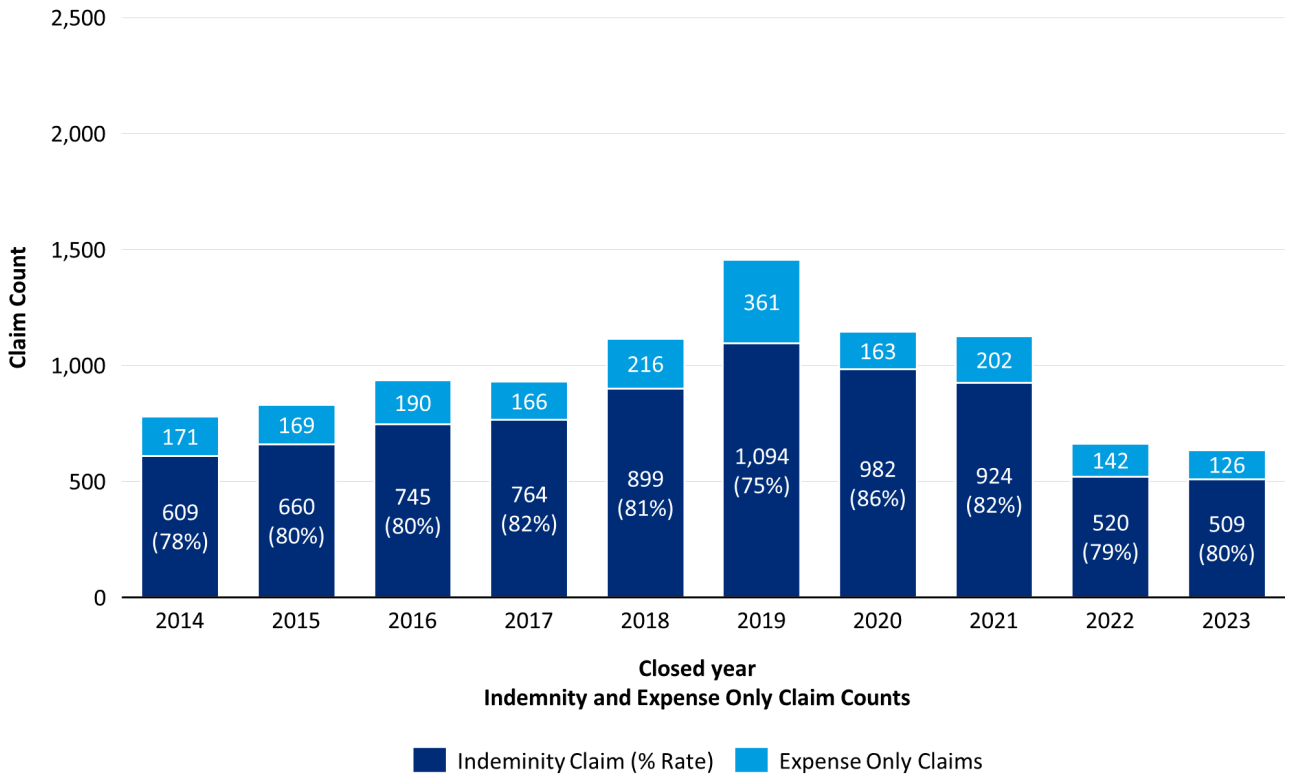


Figure 13 presents a history of the average paid indemnity amounts and average paid expense amounts on claims closed with indemnity payment. The average paid indemnity and expense amounts in 2022 and 2023 are higher than the preceding six years.

Figure 13: Long-Term Care Claims with Indemnity – Distribution of Indemnity and Expense

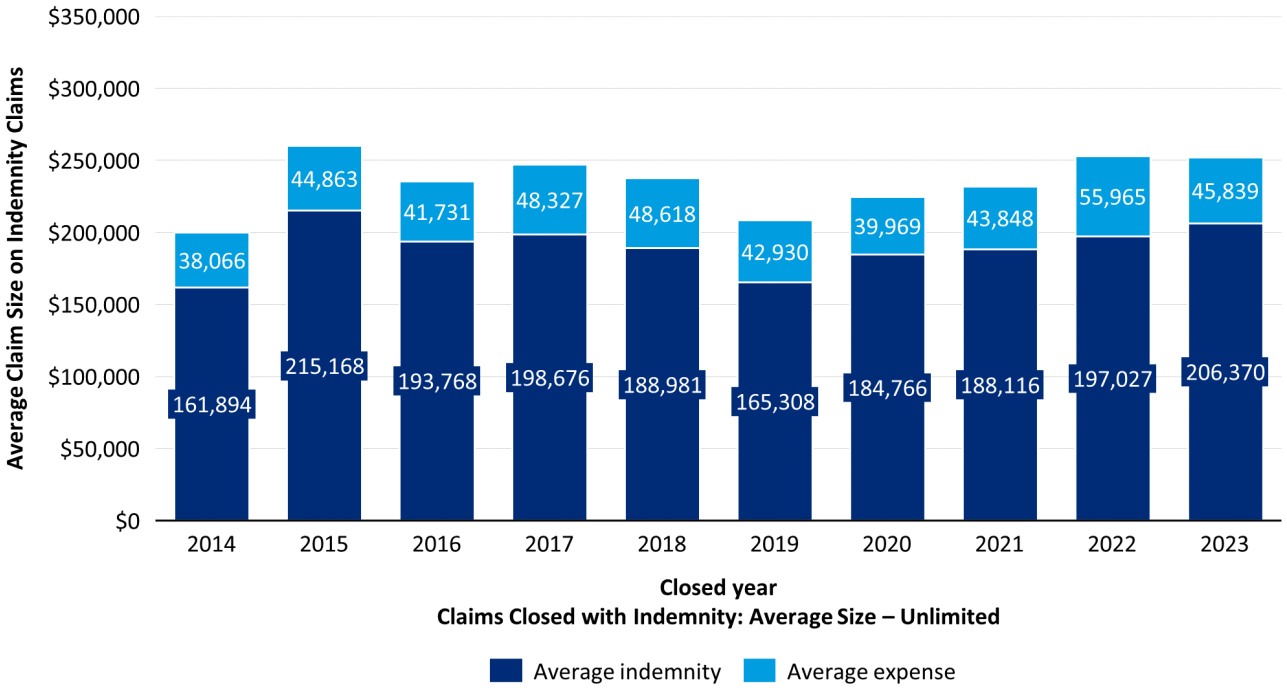
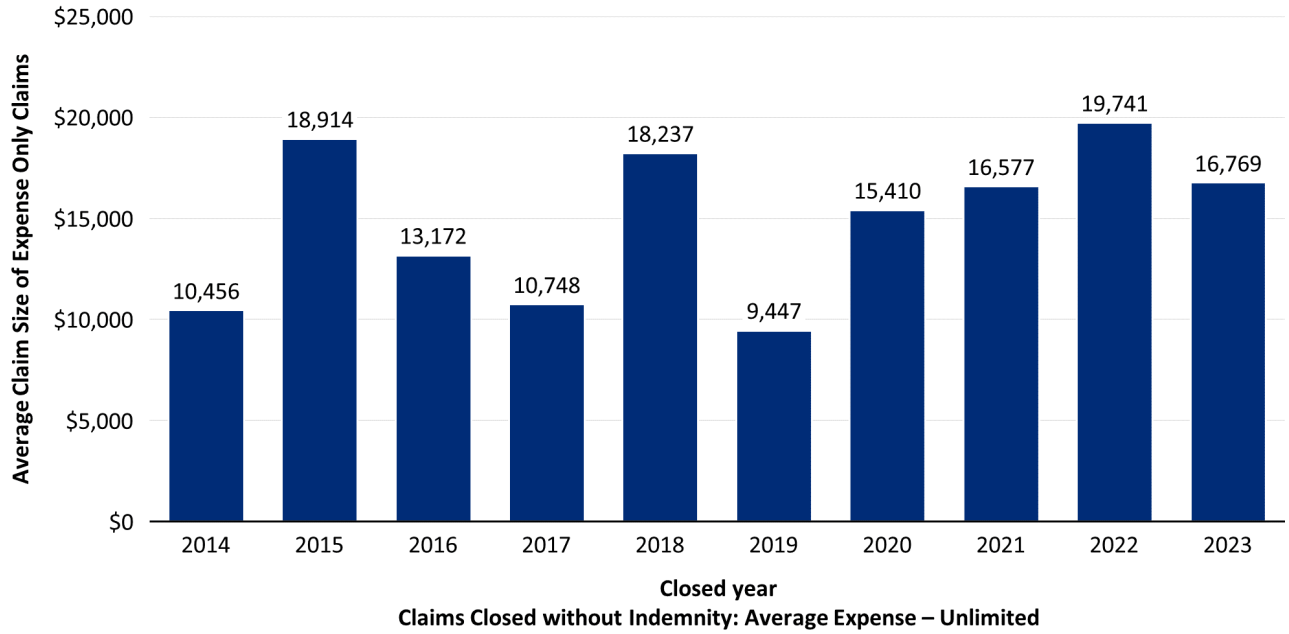


Figure 14 presents the average paid expense amounts on claims closed without indemnity payment (expense only claims). Average paid expense amounts appear to be volatile and vary year-over-year.

Figure 14: Long-Term Care Average Severity – Expense Only Claims



4. Claim Costs by Close Lag

We analyzed closed claims by closing lag (lag from report year to close year) to determine the change in costs associated with various claim durations for long-term care and senior living on a combined basis.

For credibility purposes, we grouped claims closing after five years and also considered loss experience for claims reported in the past 20 years where available. This resulted in a greater pool of claims than described in the Data section of this report. As anticipated, claims that are more significant and involve litigation remain open longer and tend to settle for higher values.

Table 6 presents the distribution and average values of all claims closed with payment by claim duration.

Table 6: Long-Term Care and Senior Living Indemnity and Expense Severity by Closing Lag

Close Lag (Years)	Claim Counts	Distribution of Claim Counts	Paid Indemnity and Expense	Distribution of Payments	Closed Claim Severity
1	823	5%	$32,045,946	1%	$38,938
2	3,032	18%	$285,969,854	10%	$94,317
3	4,123	25%	$638,449,829	22%	$154,851
4	3,770	23%	$711,996,429	25%	$188,858
5+	5,007	30%	$1,225,349,216	42%	$244,727
Total	**16,755**	**100%**	**$2,893,811,274**	**100%**	**$172,713**

Table 7 presents the distribution and average values for all claims closed with indemnity payment by claim duration.

Table 7: Long-Term Care and Senior Living Claims with Indemnity Payment Severity by Closing Lag

Close Lag (Years)	Claim Counts	Distribution of Claim Counts	Paid Indemnity and Expense	Distribution of Payments	Closed Claim Severity
1	655	5%	$31,436,056	1%	$47,994
2	2,291	17%	$281,802,873	10%	$123,004
3	3,216	24%	$630,102,070	22%	$195,927
4	2,994	23%	$699,972,384	25%	$233,792
5+	4,143	31%	$1,194,647,216	42%	$288,353
Total	**13,299**	**100%**	**$2,837,960,599**	**100%**	$**213,397**

Table 8 presents the distribution and average values for claims closed with expense payment only by claim duration.

Table 8: Long-Term Care and Senior Living Expense Only Severity by Closing Lag

Close Lag (Years)	Claim Count	Distribution of Claim Count	Paid Expense Dollars	Distribution of Paid Dollars	Closed Claim Severity
1	168	5%	$609,890	1%	$3,630
2	741	21%	$4,166,981	7%	$5,623
3	907	26%	$8,347,760	15%	$9,204
4	776	22%	$12,024,045	22%	$15,495
5+	864	25%	$30,702,000	55%	$35,535
Total	**3,456**	**100%**	**$55,850,676**	**100%**	**$16,160**

5. Large Loss Activity

Throughout this report we have focused on indemnity and expense limited to $1 million on a per-occurrence basis. The following section examines claim activity in excess of $1 million.

In total, we observed 319 closed claims that have exceeded $1 million. 16% of these claims relate to senior living and 84% relate to long-term care. For claims that have exceeded $1 million, the total average indemnity and expense cost is $2.183 million for senior living and $1.758 million for long-term care. These statistics can be observed in Table 9, below.

Table 9: Long-Term Care and Senior Living Claims in Excess of $1M

	Claims Closed with Payment	Average Paid Indemnity and Expense (Excess of $1M)
Senior Living	51	$1,182,730
Long-Term Care	268	$758,000

For large senior living claims we make the following observations:

- We have identified the following primary cause of loss:
  - 31.4% are fall
  - 15.7% are abuse
  - 9.8% are choking
- It appears the number of large claims in 2017 through 2019 are more than twice the number of claims observed in years 2014 through 2016. Years 2020 through 2023 are too immature to make any determination regarding large claim frequency as most potential large claims remain open.
- 67% of observed large claims come from three jurisdictions:
  - California represented 33% of claims
  - Florida represented 20% of claims
  - Arizona represented 14% of claims

For large long-term claims we make the following observations:

- We have identified the following primary cause of loss:
  - 20.1% are fall
  - 13.1% are infection
  - 10.1% are skin/wound injury
- It appears the number of large claims from 2014 through 2019 were relatively constant. There was no discernable trend in the number of large claims per year. Years 2020 through 2023 are too immature to make any determination regarding large claim frequency as most potential large claims remain open.
- 62% of observed large claims come from five jurisdictions:
  - Florida represented 17% of claims
  - Arizona represented 13% of claims
  - California represented 12% of claims
  - Kentucky represented 11% of claims
  - Georgia represented 9% of claims

6. Senior Living Cause of Loss

We examined average projected claim cost on 12 commonly identified cause of loss types. The paid indemnity and expense amounts were trended to the 2024 cost level. We also present the 2024 projected closed claim severity. We present our findings in Table 10 and Figure 15.

Table 10: Senior Living Cause of Loss Claim Statistics

Cause of Loss	Claims Closed with Payment	Percent of Total Claims Closed with Payment	Paid Indemnity and Expense (2024 Cost Level)	2024 Closed Claim Severity
Fall: Resident	963	70.91%	$199,998,360	$207,683
Fall: Non-resident	30	2.21%	$1,298,280	$43,276
Fracture: Non-fall	30	2.21%	$6,773,188	$225,773
Skin/Wound Injury	65	4.79%	$17,366,625	$267,179
Elopement/Missing Resident	14	1.03%	$3,440,451	$245,746
Abuse	100	7.36%	$33,557,017	$335,570
Transfer Injury	21	1.55%	$2,397,566	$114,170
Medication Variance	58	4.27%	$8,974,697	$154,736
Medical Records Request (MRR)	19	1.40%	$4,264,302	$224,437
Infection[5]	17	1.25%	$2,664,677	$156,746
No-Injuries	16	1.18%	$849,305	$53,082
Choking	25	1.84%	$9,212,709	$368,508

[5] Wound infections may be classified as Infection rather than Skin/Wound Injury based on accident description.

As shown in Table 10 and Table 11, older adults are at high risk for falls, and falls with injury are the most prevalent claim for senior living and long-term care providers.

Even though providers devote a significant amount of time and resources to programs and systems to help mitigate falls in their communities, it is widely acknowledged by healthcare agencies and governmental services across the country that elderly individuals living in any type of housing are at risk for falls. Outside of well-developed programs that include robust assessments and even the use of artificial intelligence, providers can also look at enhancing their communication by having candid conversations about the risk of falls with prospects, families, and residents.

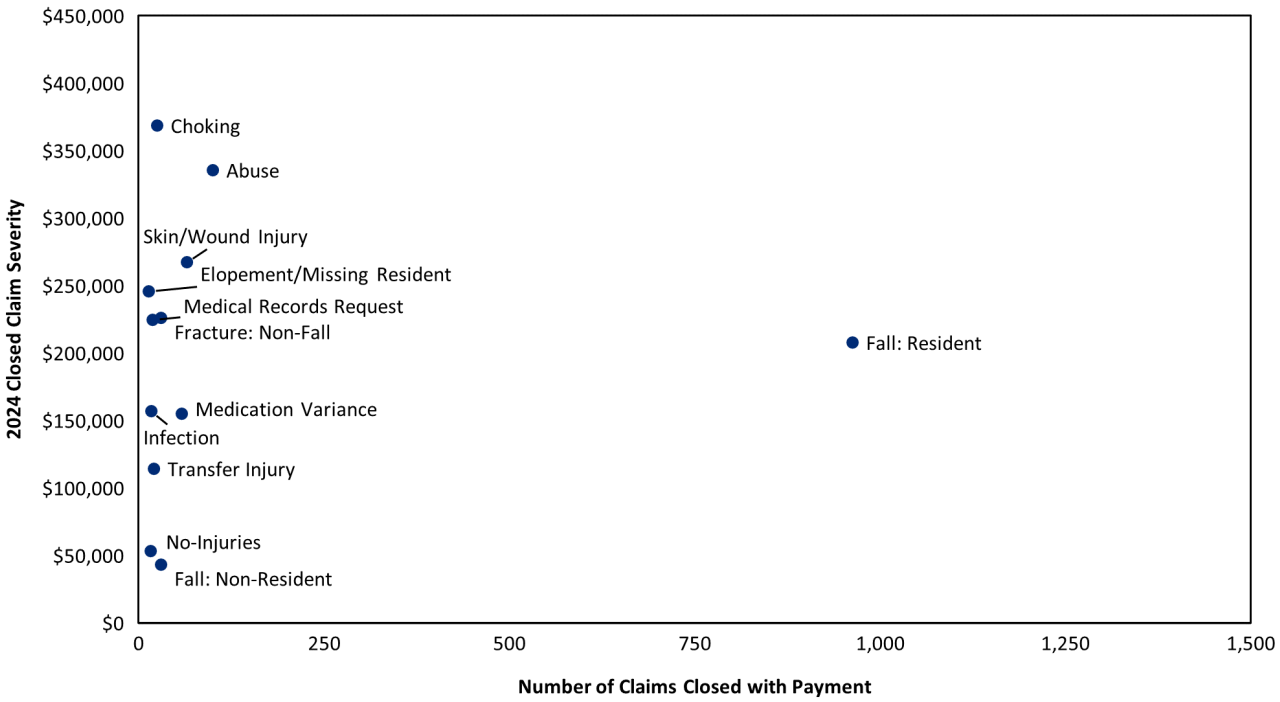
Often referred to as "realistic expectations," the goal is to communicate about the risk of falls prior to a resident moving into the community as well as throughout the residency, as a resident's intrinsic factors change. In order to do this effectively, providers should consider a well-defined process, materials, and tools to facilitate discussion and disclosure about falls management.

In the Marsh Senior Living & LTC's Practice's resource document, *Consideration for Setting Realistic Expectations for Fall Events in Senior Living Communities*, we outline the elements that go into developing a process and tools to add this aspect to your falls management strategy. The considerations include:

- General education about the prevalence for falls in older adults
- Documentation of receipt of information about falls
- Steps to take to implement the process
- Staff training, including sales staff
- Marketing material review

Realistic expectations and communication are an important aspect of falls management and can be added to the company-wide falls management program.

Figure 15: Senior Living Cause of Loss Claim Scatterplot



The word cloud in Figure 16 contains the most frequently observed words in each claim description. The larger and bolder words appear more often in the various data sets. We have not attempted to alter or filter any of the accident descriptions. The purpose of these figures is to demonstrate prevalence of words in the various accident descriptions.

Figure 16: Senior Living Frequency Word Cloud

The word cloud in Figure 17 contains those words with the highest associated loss and expense claim amounts. The larger and bolder words are associated with a higher percentage of claim amounts.

Figure 17: Senior Living Severity Word Cloud

7. Long-Term Care Cause of Loss

The various claims listing included in the participant data contained a wide array of claim descriptions. For long-term care, we examined average projected claim cost on 12 commonly identified cause of loss types. The paid indemnity and expense amounts were trended to the 2024 cost level. We also present the 2024 projected closed claim severity.

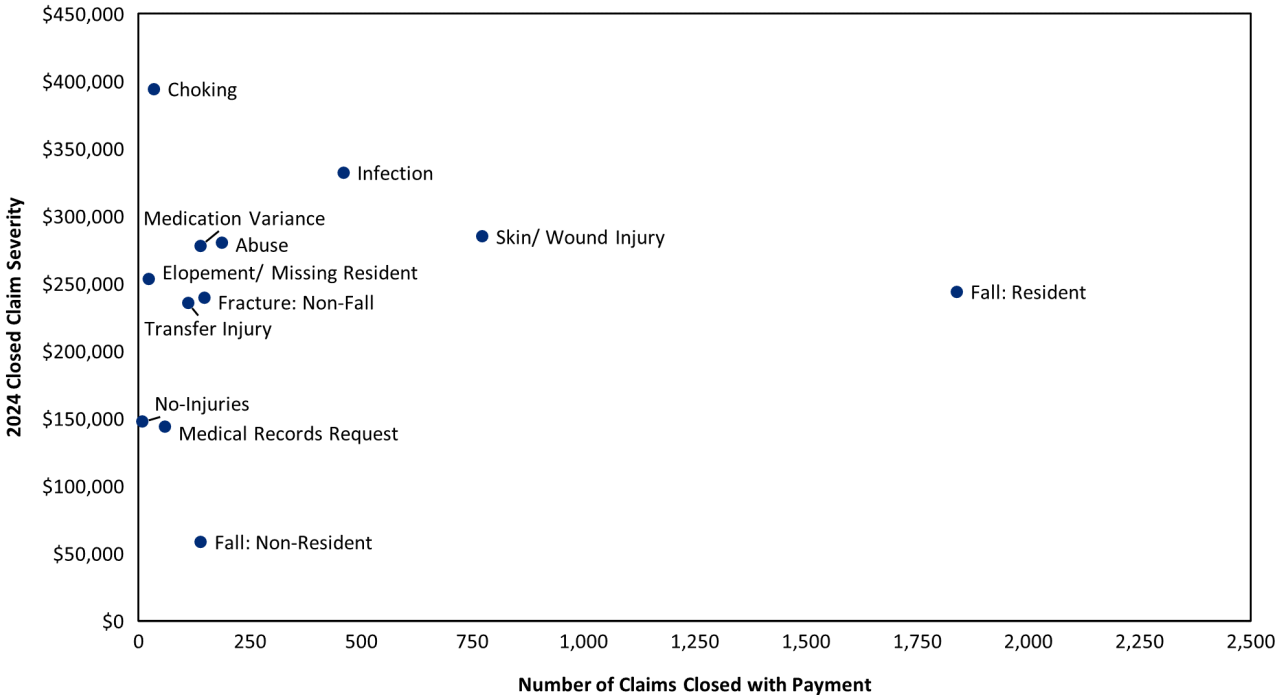
We present our findings in Table 11 and Figure 18.

Table 11: Long-Term Care Cause of Loss Claim Statistics

Cause of Loss	Claims Closed with Payment	Percent of Total Claims Closed with Payment	Paid Indemnity and Expense (2024 Cost Level)	2024 Closed Claim Severity
Fall: Resident	1,840	46.88%	$448,847,317	$243,939
Fall: Non-resident	140	3.57%	$8,205,373	$58,610
Fracture: Non-fall	148	3.77%	$35,462,907	$239,614
Skin/Wound Injury	773	19.69%	$220,189,347	$284,850
Elopement/Missing Resident	23	0.59%	$5,826,032	$253,306
Abuse	187	4.76%	$52,383,903	$280,128
Transfer Injury	111	2.83%	$26,168,849	$235,755
Medication Variance	139	3.54%	$38,646,631	$278,033
Medical Records Request (MRR)	59	1.50%	$8,482,899	$143,778
Infection[6]	461	11.75%	$153,144,130	$332,200
No-Injuries	9	0.23%	$1,328,576	$147,620
Choking	35	0.89%	$13,798,092	$394,231

[6] Wound infections may be classified as Infection rather than Skin/Wound Injury based on accident description.

Figure 18: Long-Term Care Cause of Loss Claim Scatterplot

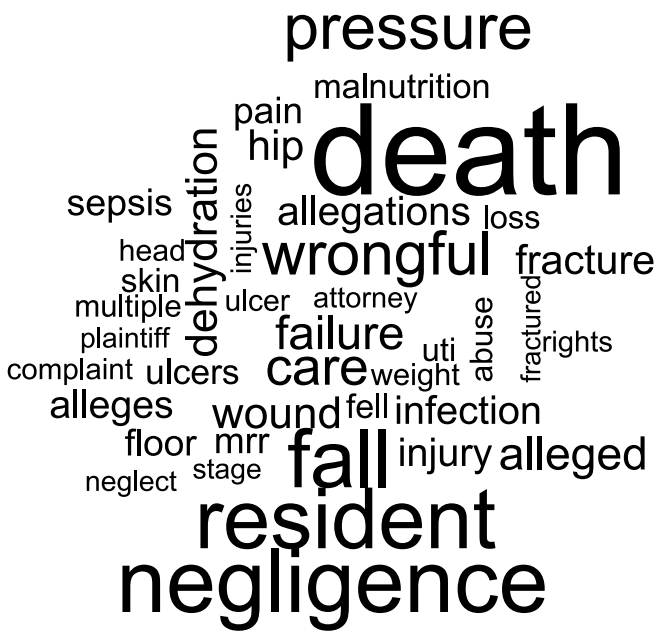


The word cloud in Figure 19 contains the most frequently observed words in each claim description. The larger and bolder words appear more often in the various data sets. We have not attempted to alter or filter any of the accident descriptions. The purpose of these figures is to demonstrate prevalence of words in the various accident descriptions.

Figure 19: Long-Term Care Frequency Word Cloud

The word cloud in Figure 20 contains those words with the highest associated loss and expense claim amounts. The larger and bolder words are associated with a higher percentage of claim amounts.

Figure 20: Long-Term Care Severity Word Cloud



8. Senior Living State-Specific Statistics

8.1. State Comparison

Figure 21 through Figure 23 present a comparison of the projected 2024 loss rate, frequency, and severity for the states where we deemed the data and results to be credible, along with the countrywide indication identified as the light blue line.

In our prior report individual states considered the number of estimated ultimate claim counts expected to close with pay greater than $100. In this current study, we focus on the actual number of current closed with pay claim counts.

Figure 21: Senior Living Loss Rate by State

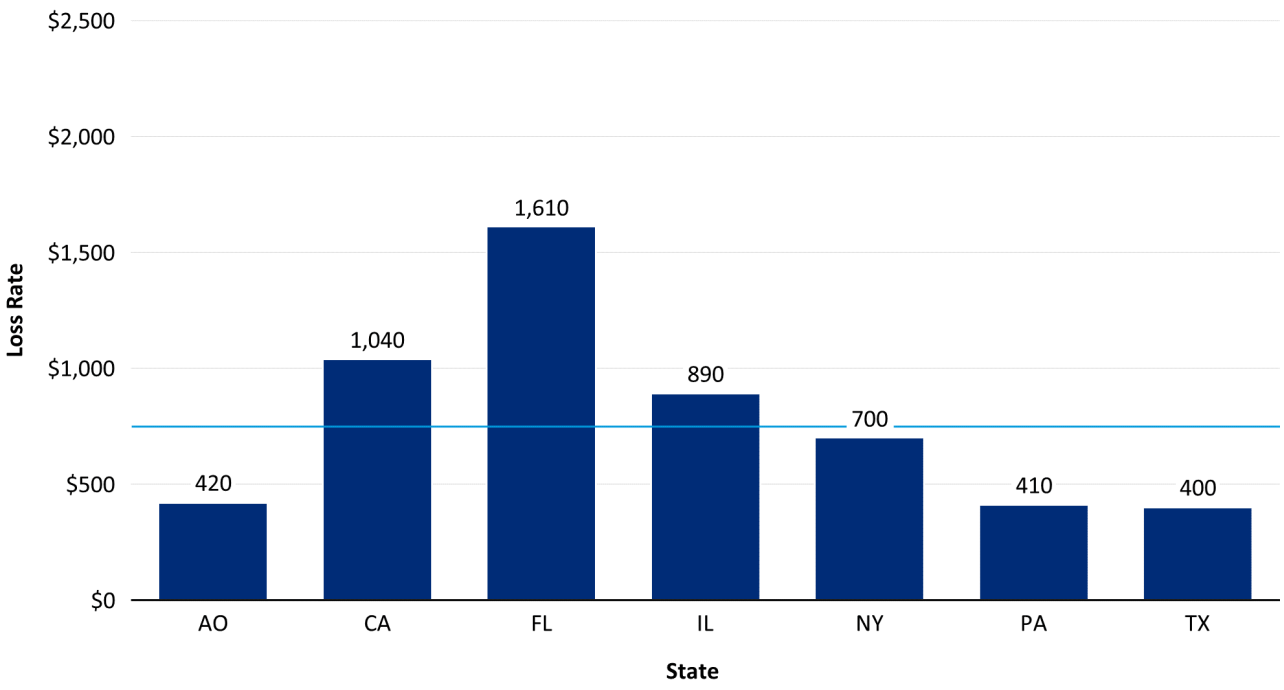


Figure 22: Senior Living Frequency by State

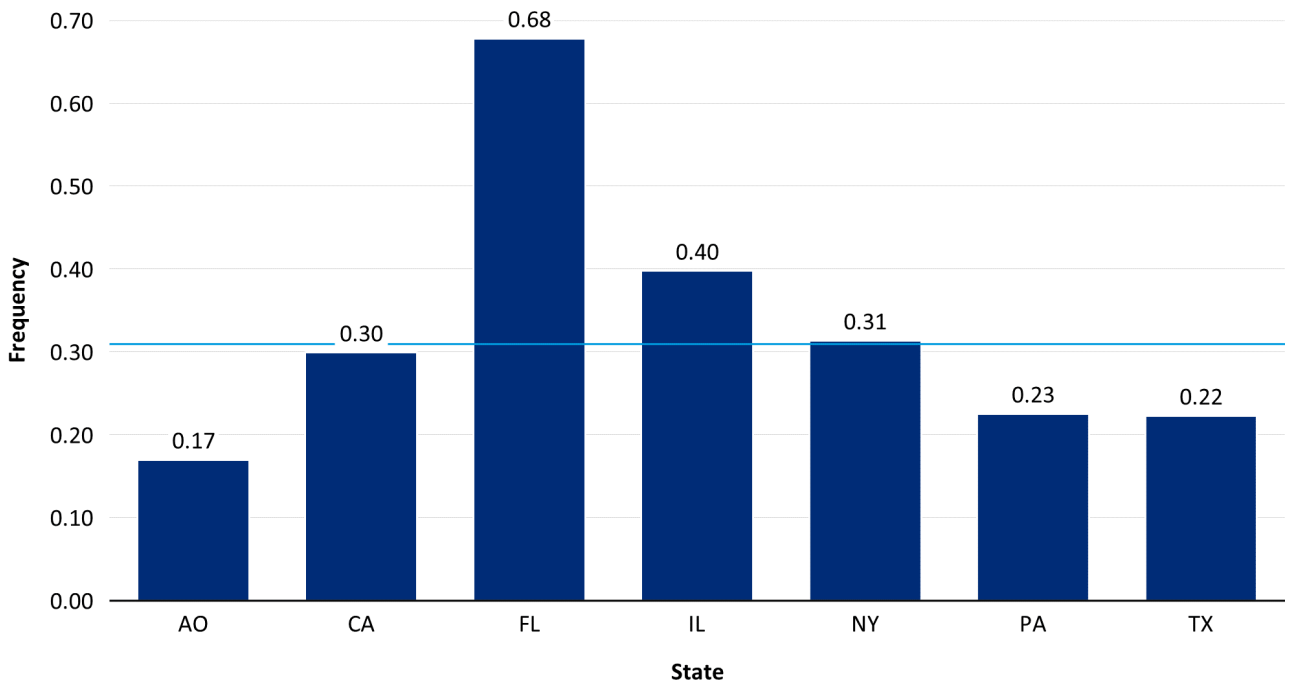
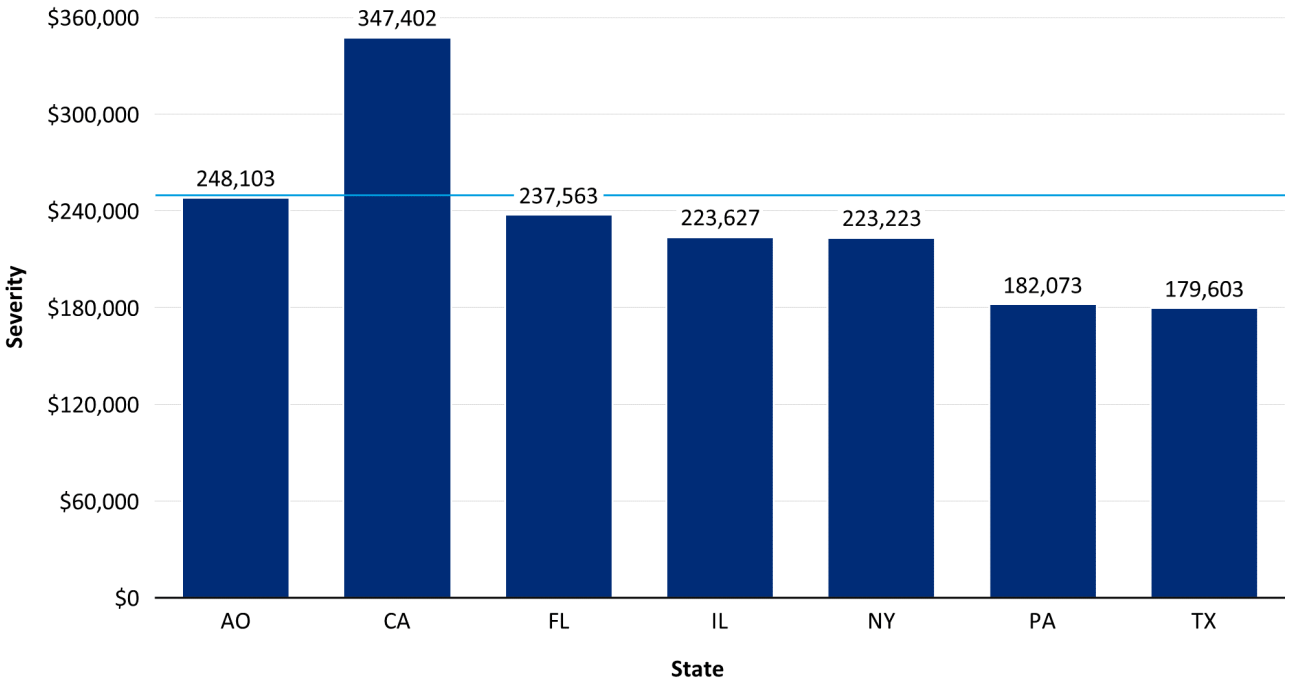


Figure 23: Senior Living Severity by State



The statistics presented in this section are based solely on the data provided by participants. Reduced claim volumes at the state level can result in volatility in loss rates, frequency, and severity metrics.

8.2. California

Figure 24 through Figure 26 present the loss rate, frequency, and severity for California based on roughly 350 closed claim counts with pay greater than $100 in the past 10 report years.

We offer the following observations on the claims experience:

- California loss rates and severity remain consistently higher than the countrywide indications.
- Frequency has been relatively consistent for the past decade.

Figure 24: Senior Living California Loss Rate

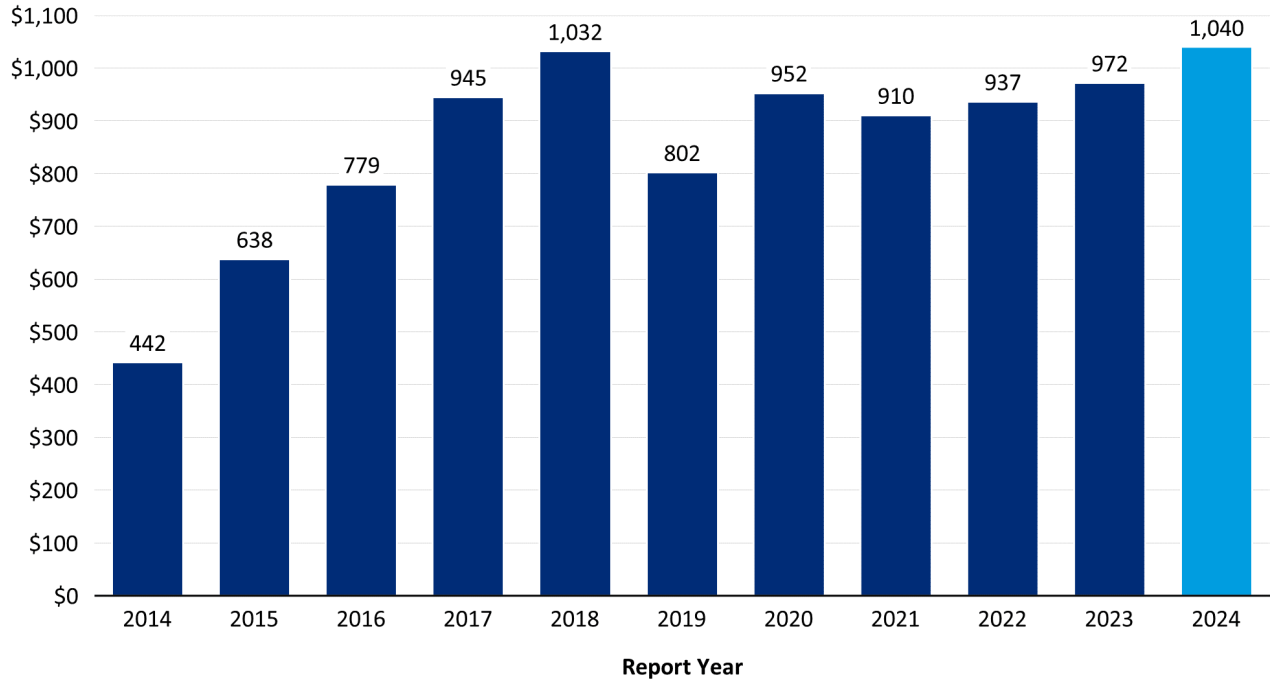


Figure 25: Senior Living California Frequency

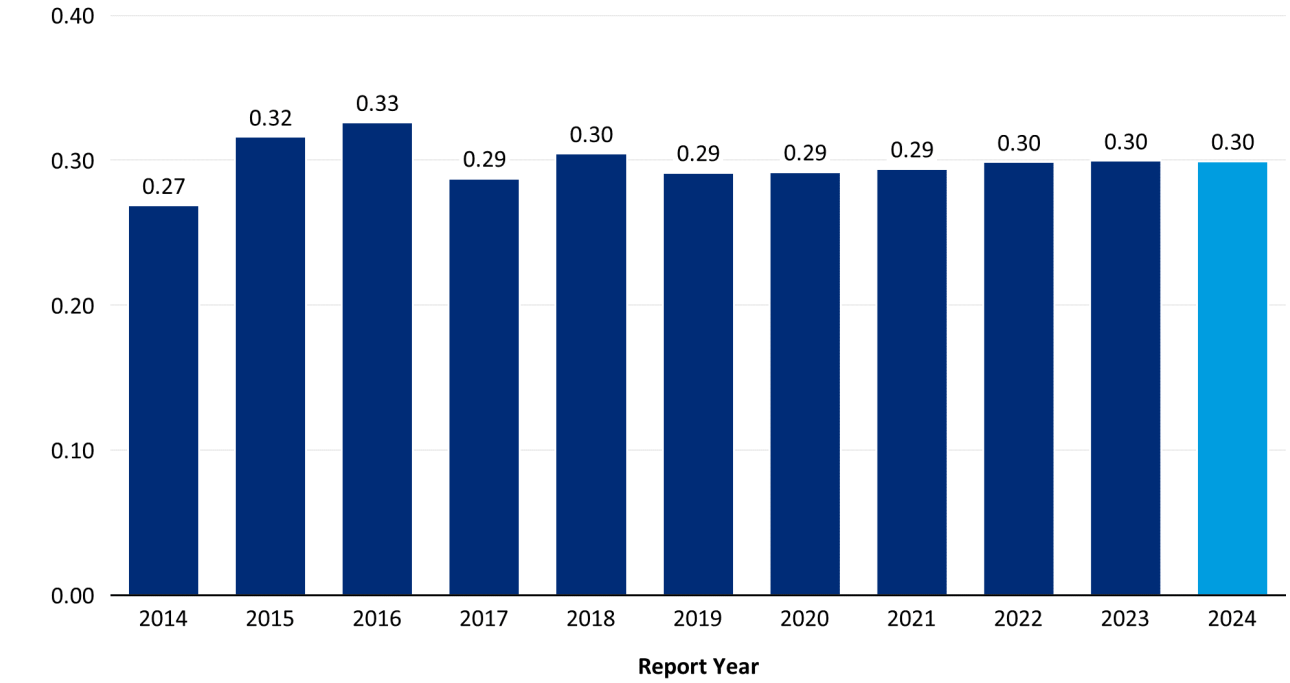
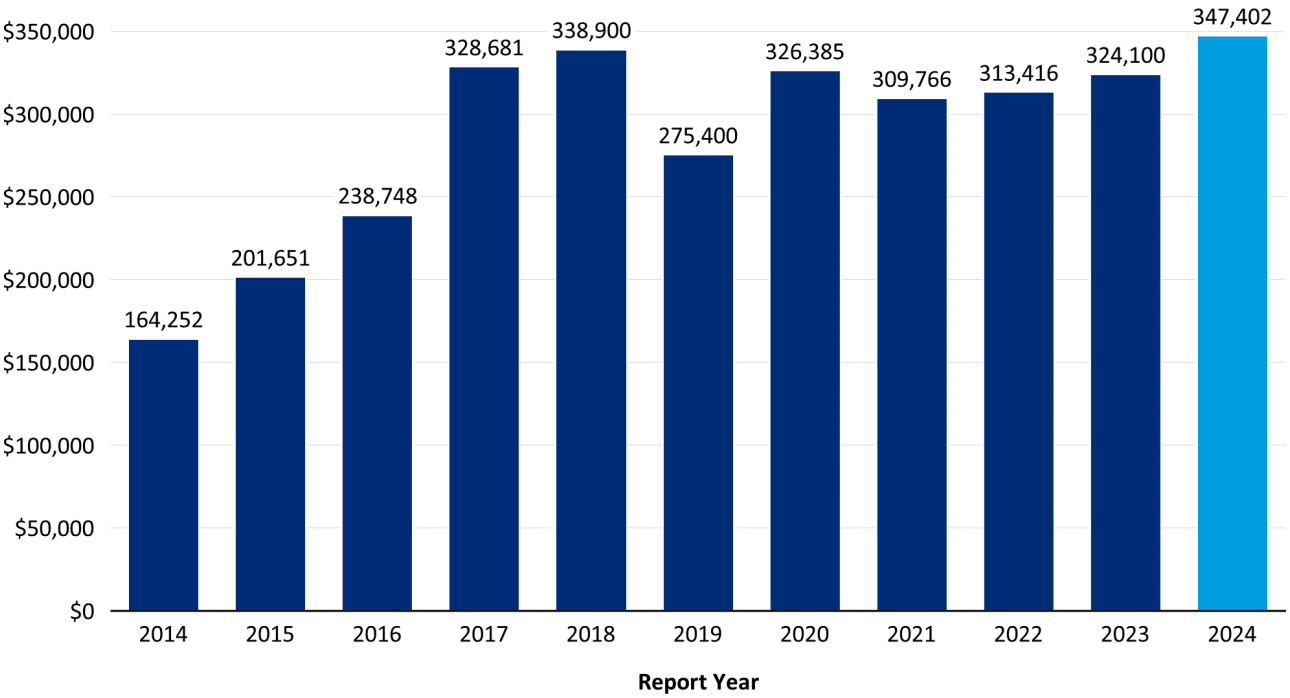


Figure 26: Senior Living California Severity



8.3. Florida

Figure 27 through Figure 29 present the loss rate, frequency, and severity for Florida based on roughly 550 closed claim counts with pay greater than $100 in the past 10 report years.

We offer the following observations on the claims experience:

- Florida loss rates are consistently higher than countrywide indications.
- Frequency is consistently higher than the countrywide indications resulting in higher overall loss rates.

Figure 27: Senior Living Florida Loss Rate

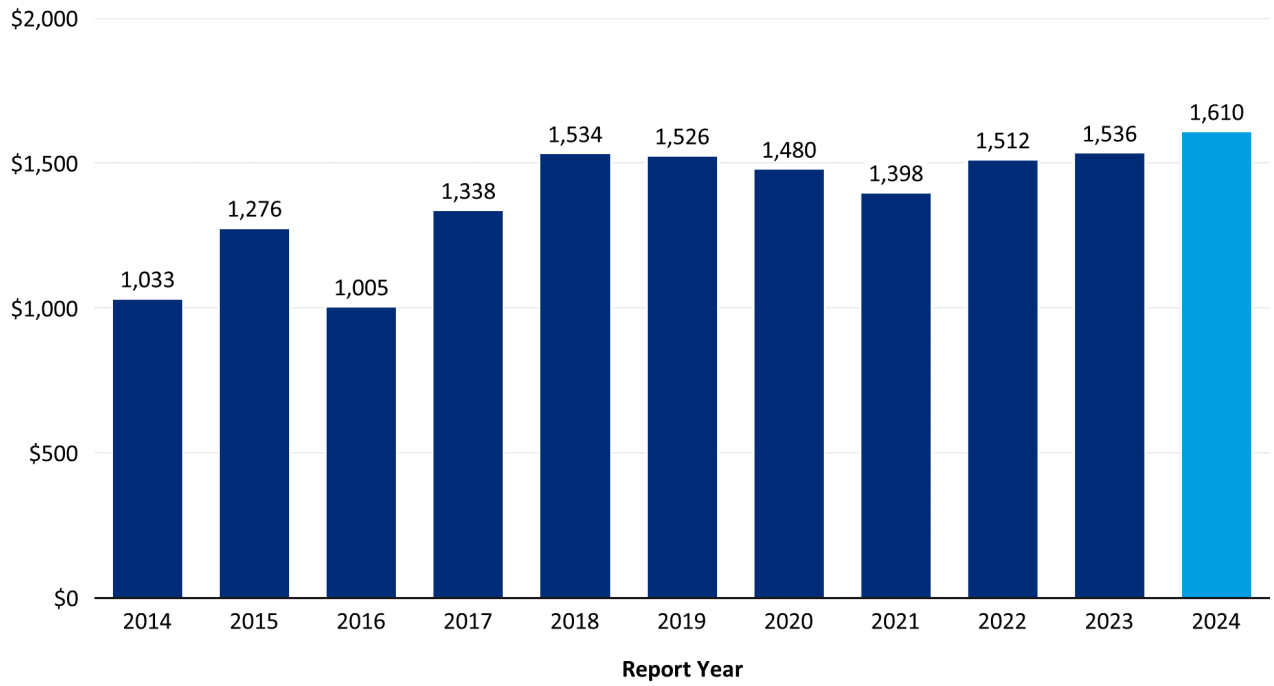


Figure 28: Senior Living Florida Frequency

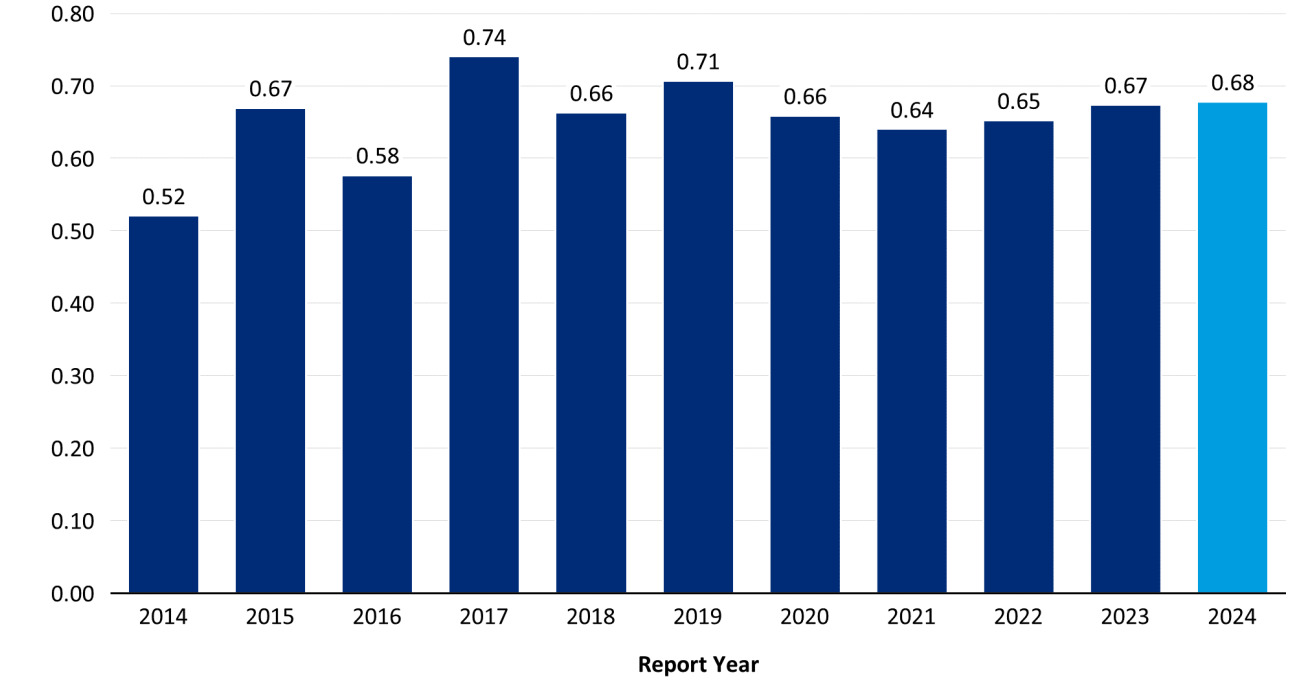
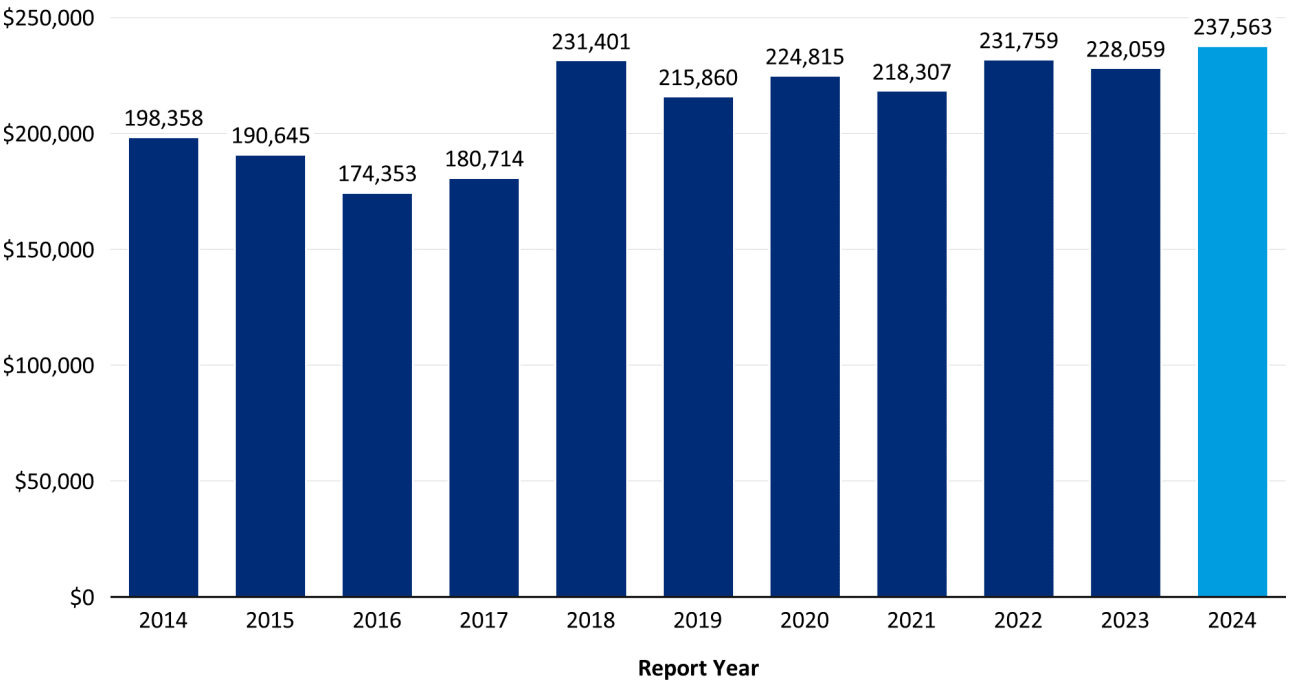


Figure 29: Senior Living Florida Severity



8.4. Illinois

Figure 30 through Figure 32 present the loss rate, frequency, and severity for Illinois based on roughly 100 closed claim counts with pay greater than $100 in the past 10 report years.

We offer the following observations on the claims experience:

- In recent years, Illinois loss rates are trending higher than countrywide indications.
- While the Illinois loss rate dropped in 2017 through 2020, these are expected to rise in 2021 and subsequent.

Figure 30: Senior Living Illinois Loss Rate

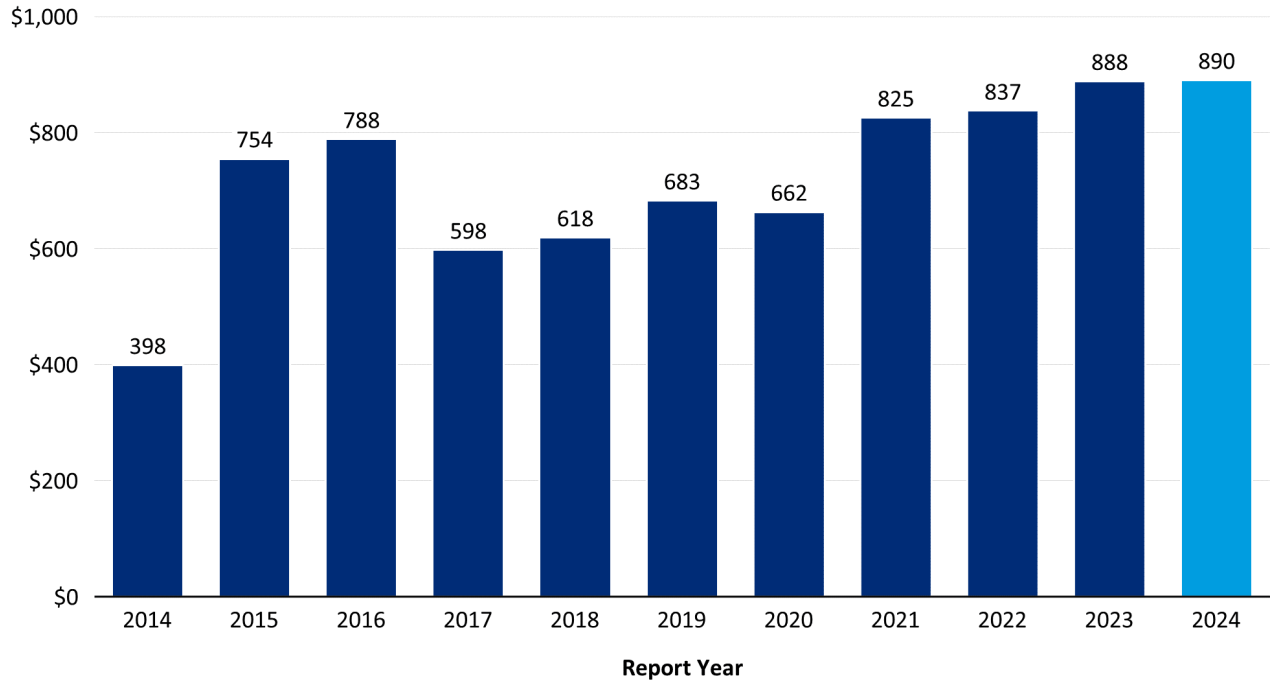


Figure 31: Senior Living Illinois Frequency

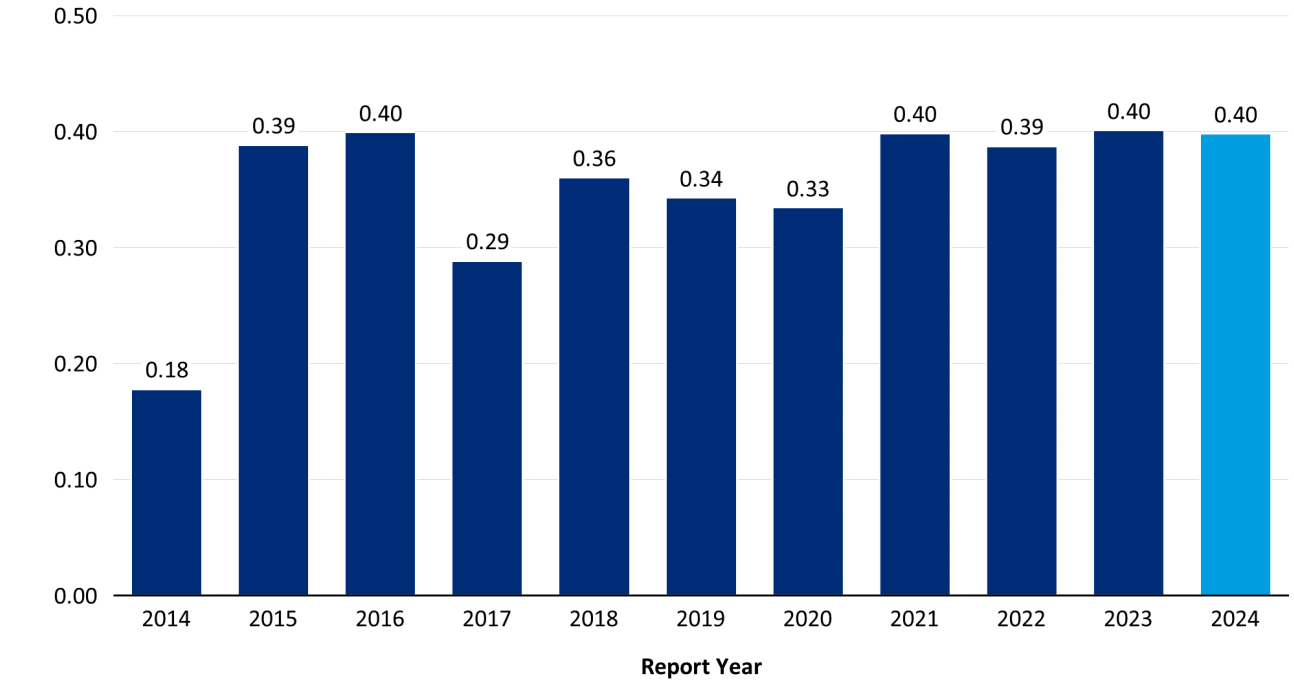
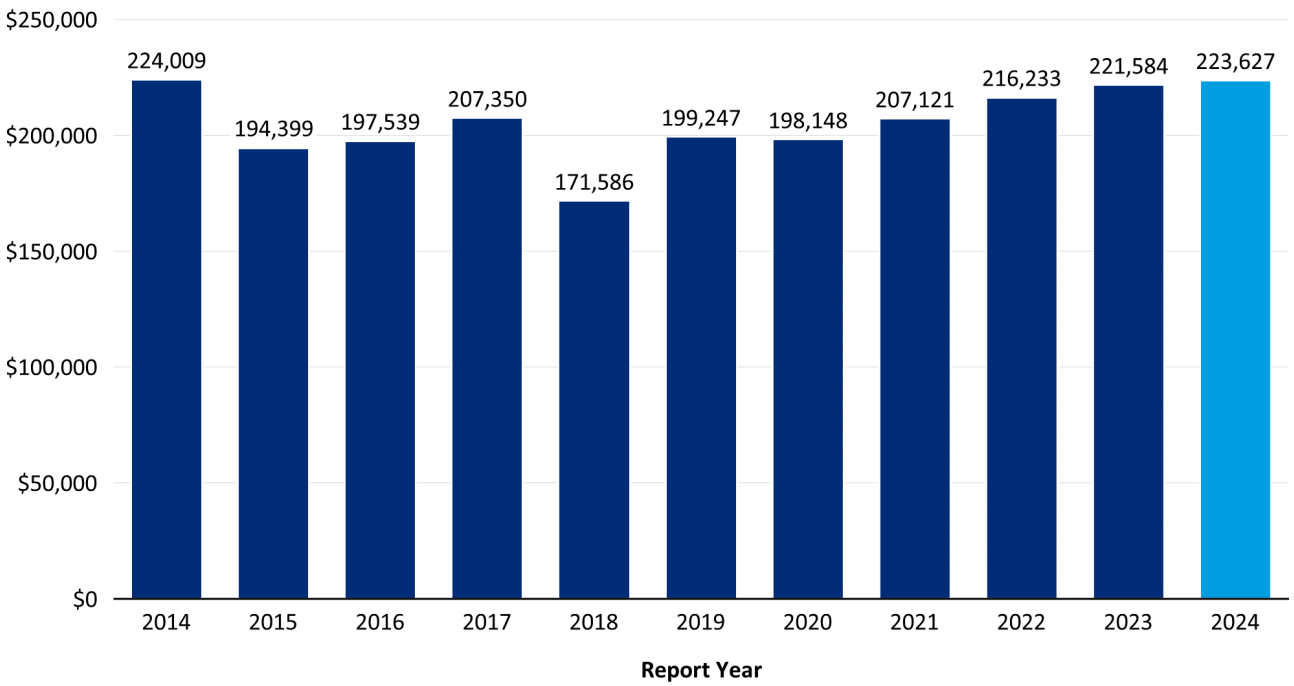


Figure 32: Senior Living Illinois Severity



8.5. New York

Figure 33 through Figure 35 present the loss rate, frequency, and severity for New York based on less than 100 closed claim counts with pay greater than $100 in the past 10 report years.

We offer the following observations on the claims experience:

- New York loss rates are consistent with countrywide indications in recent years.
- Estimated frequency has been relatively flat in the past seven years.
- The volume of New York data makes these indications less credible than other states.

Figure 33: Senior Living New York Loss Rate

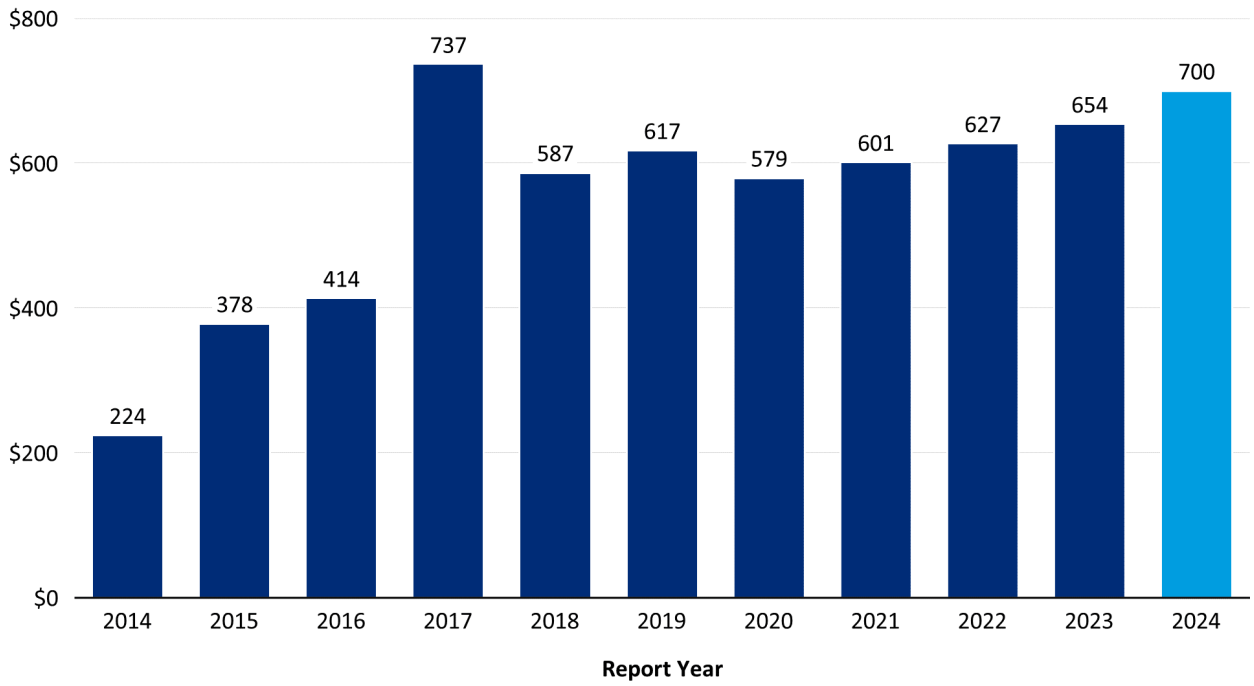


Figure 34: Senior Living New York Frequency

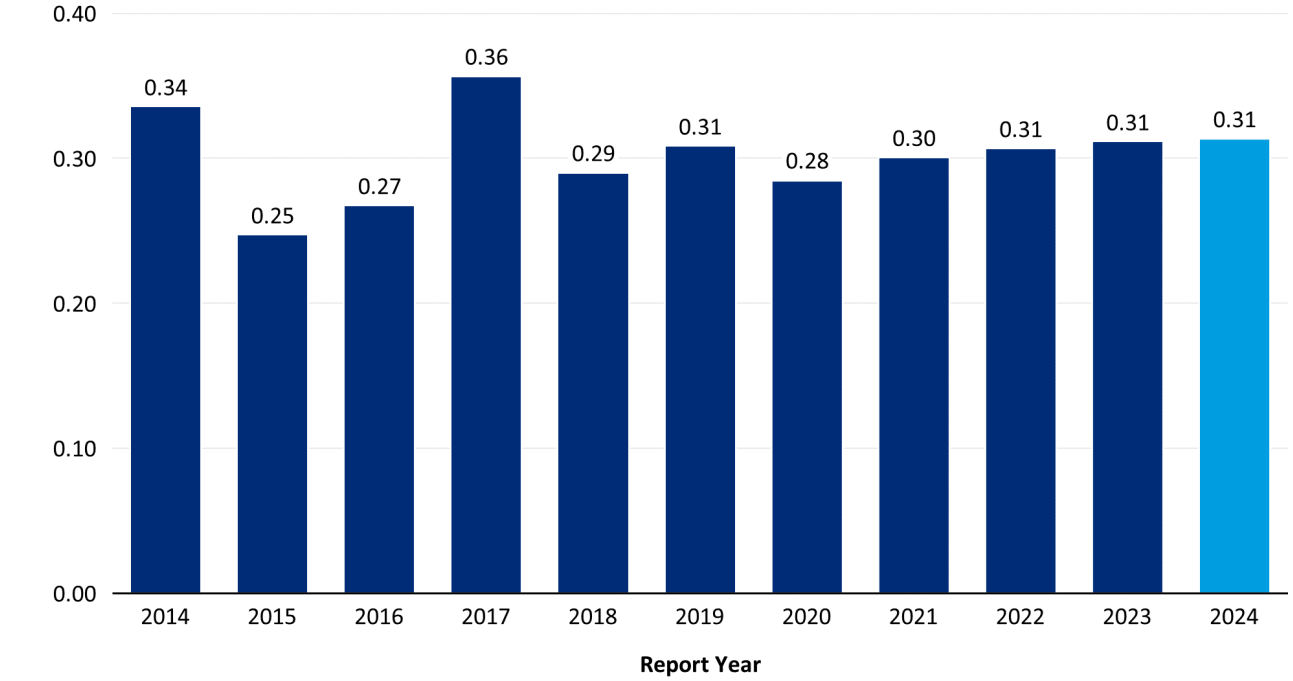
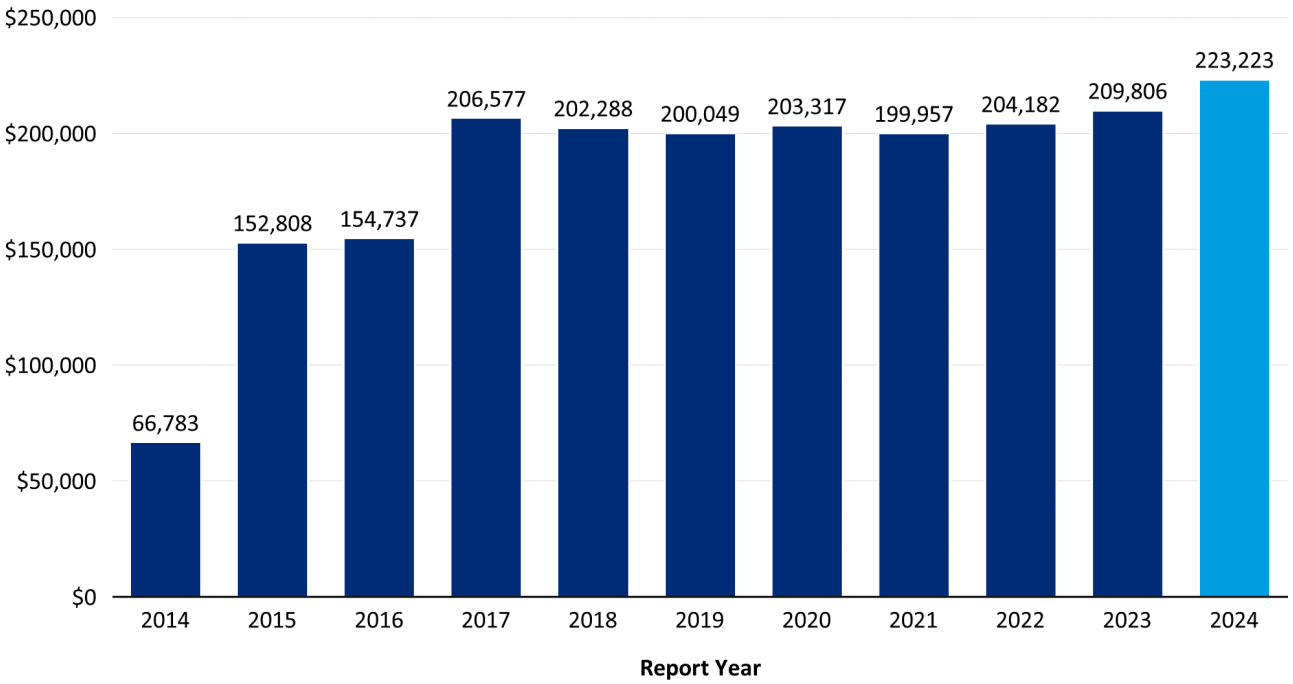


Figure 35: Senior Living New York Severity



8.6. Pennsylvania

Figure 36 through Figure 38 present the loss rate, frequency, and severity for Pennsylvania based on less than 100 closed claim counts with pay greater than $100 in the past 10 report years.

We offer the following observations on the claims experience:

- Pennsylvania loss rates are consistently lower than countrywide indications.
- The volume of Pennsylvania data makes these indications less credible than other states.

Figure 36: Senior Living Pennsylvania Loss Rate

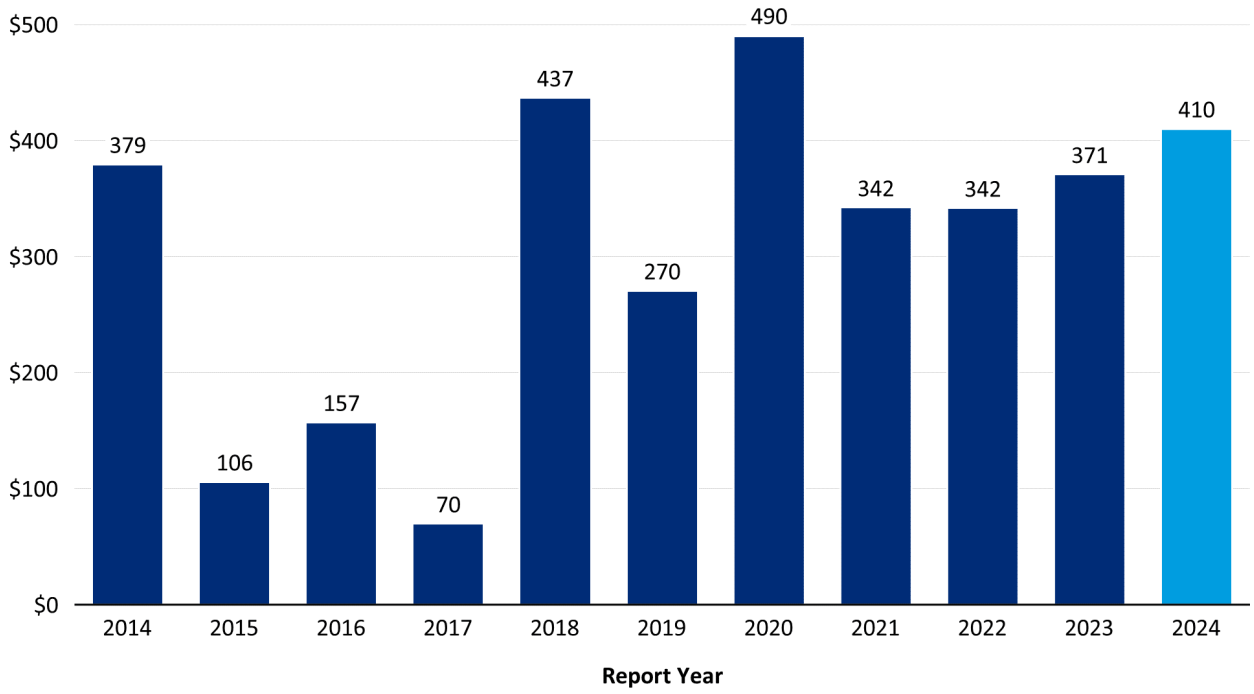


Figure 37: Senior Living Pennsylvania Frequency

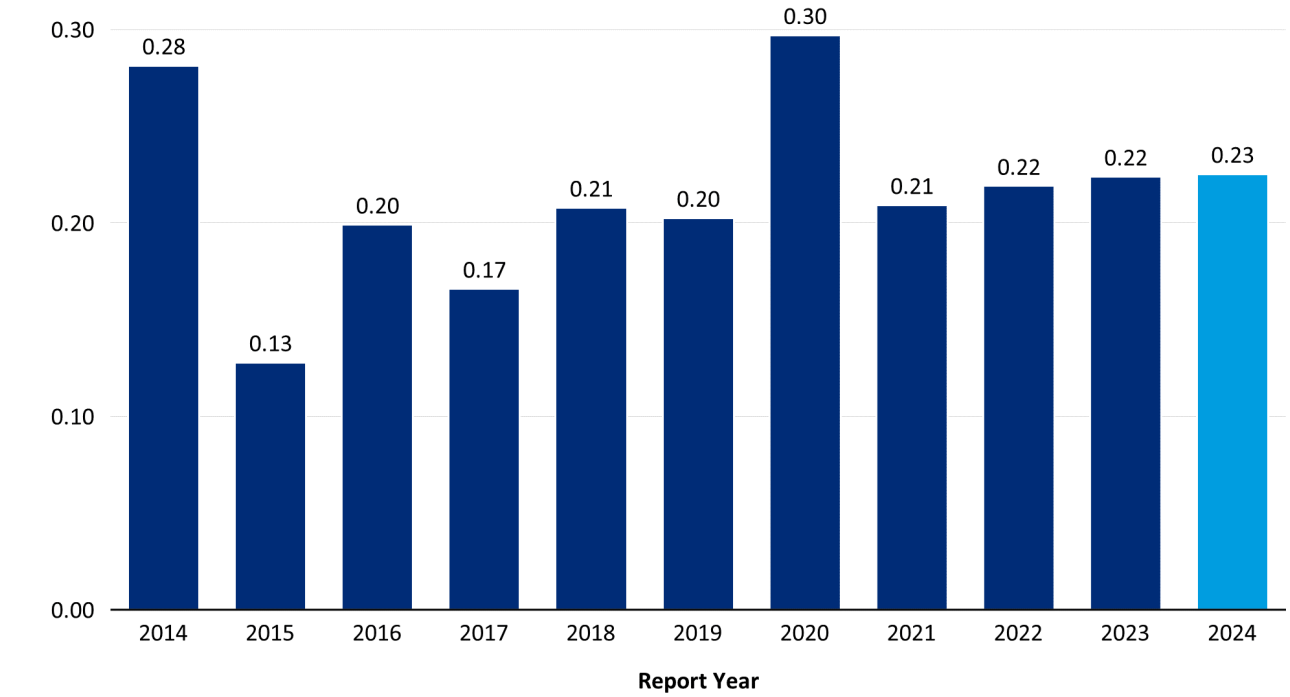
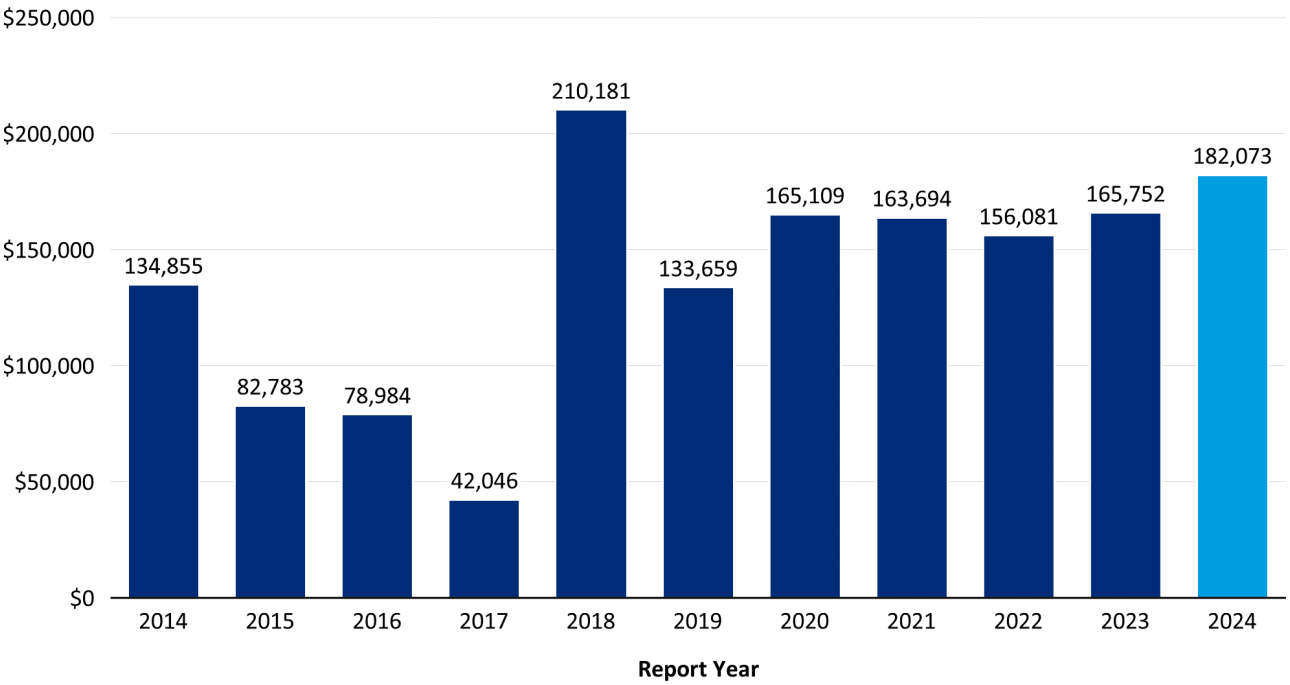


Figure 38: Senior Living Pennsylvania Severity



8.7. Texas

Figure 39 through Figure 41 present the loss rate, frequency, and severity for Texas based on less than 100 closed claim counts with pay greater than $100 in the past 10 report years.

We offer the following observation on the claims experience:

- The indicated Texas loss rates and severity estimates are consistently lower than countrywide indications.
- The volume of Texas data makes these indications less credible than other states.

Figure 39: Senior Living Texas Loss Rate

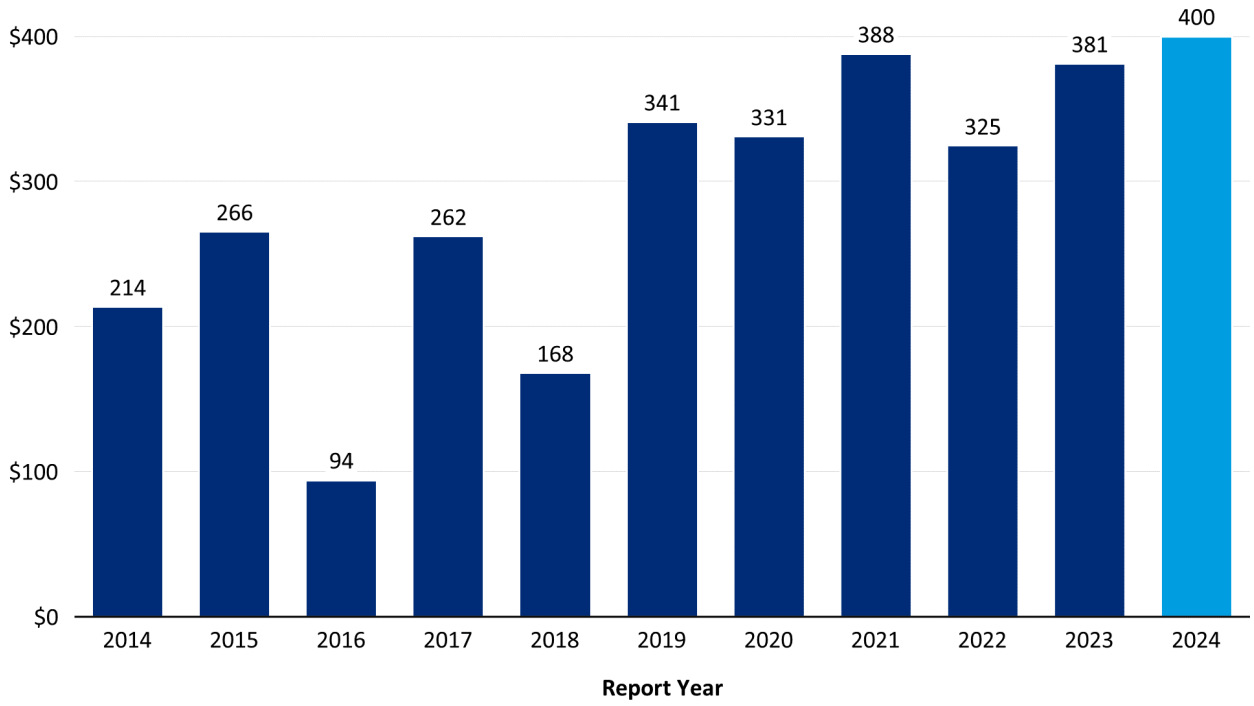


Figure 40: Senior Living Texas Frequency

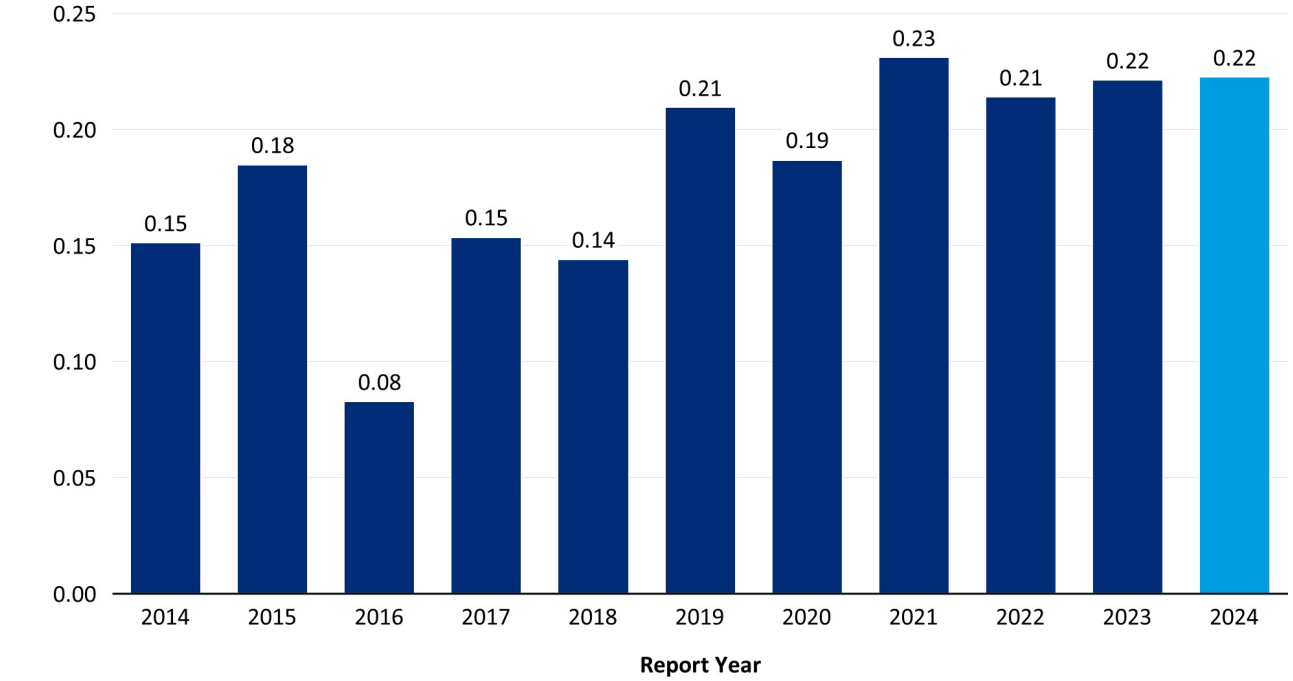
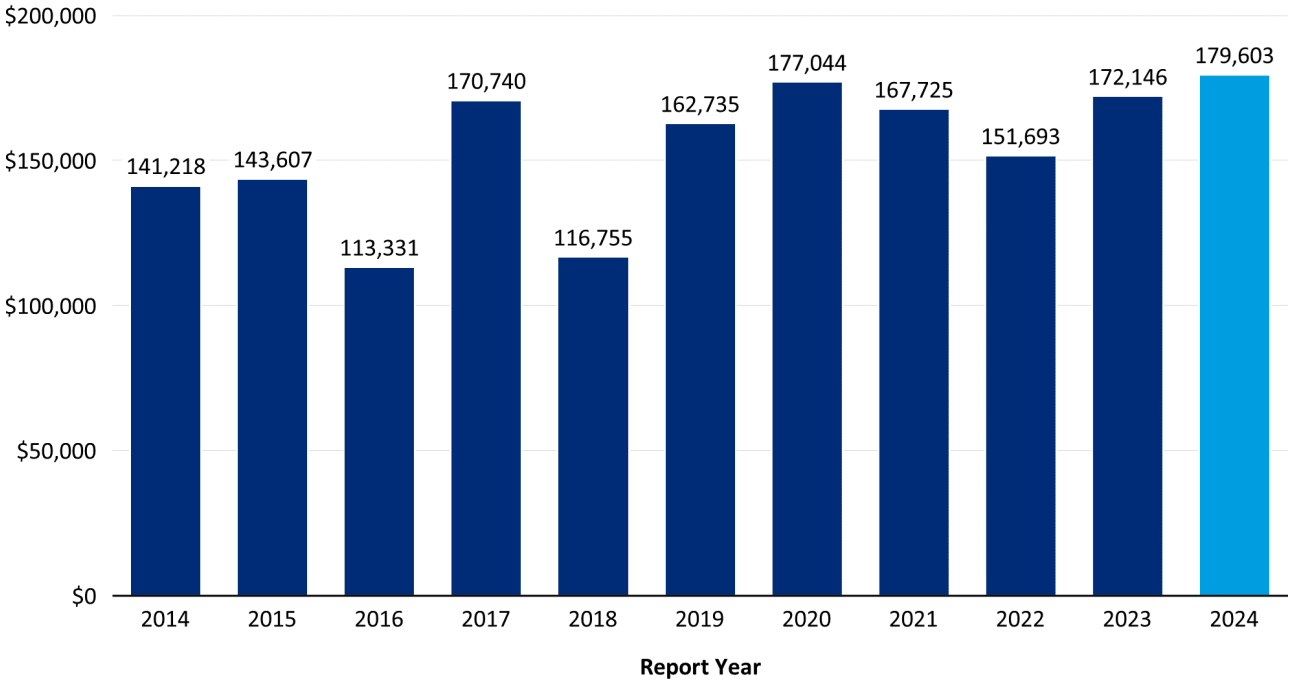


Figure 41: Senior Living Texas Severity



9. Long-Term Care State-Specific Statistics

9.1. State Comparison

Figure 42 through Figure 44 present a comparison of the projected 2024 loss rate, frequency, and severity for the states where we deemed the data and results to be credible, along with the countrywide indication identified as the light blue line.

Figure 42: Long-Term Care Loss Rate by State

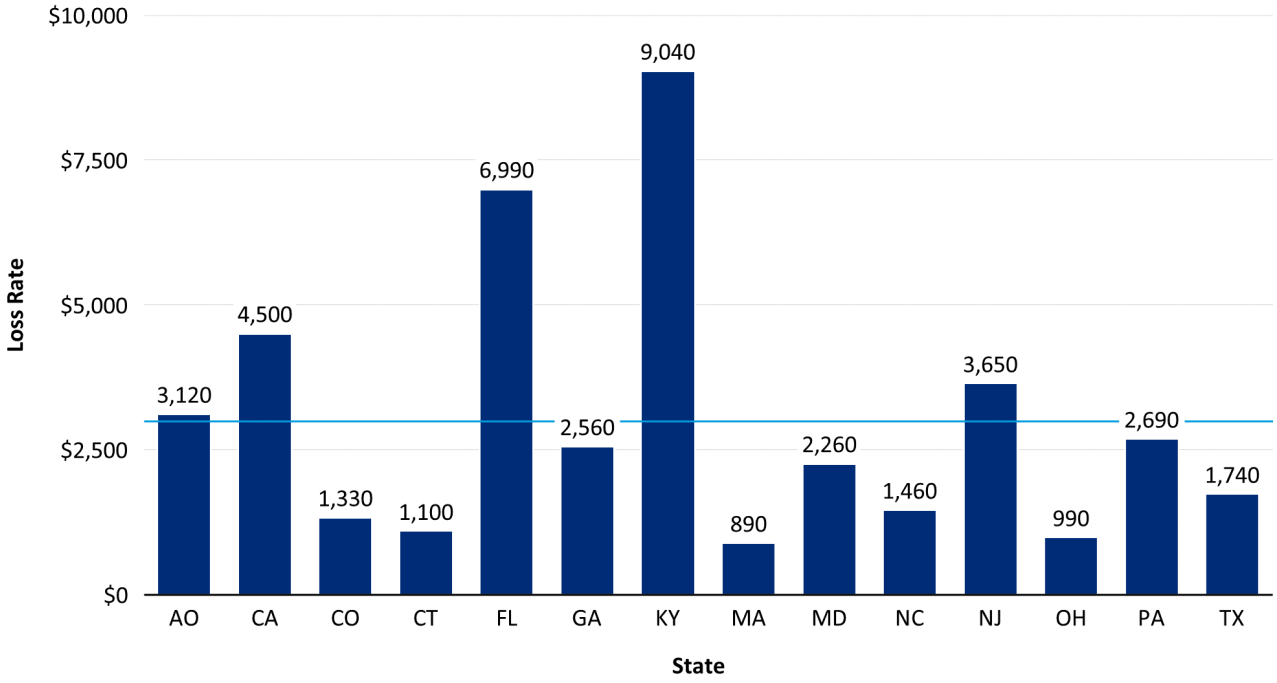


Figure 43: Long-Term Care Frequency by State

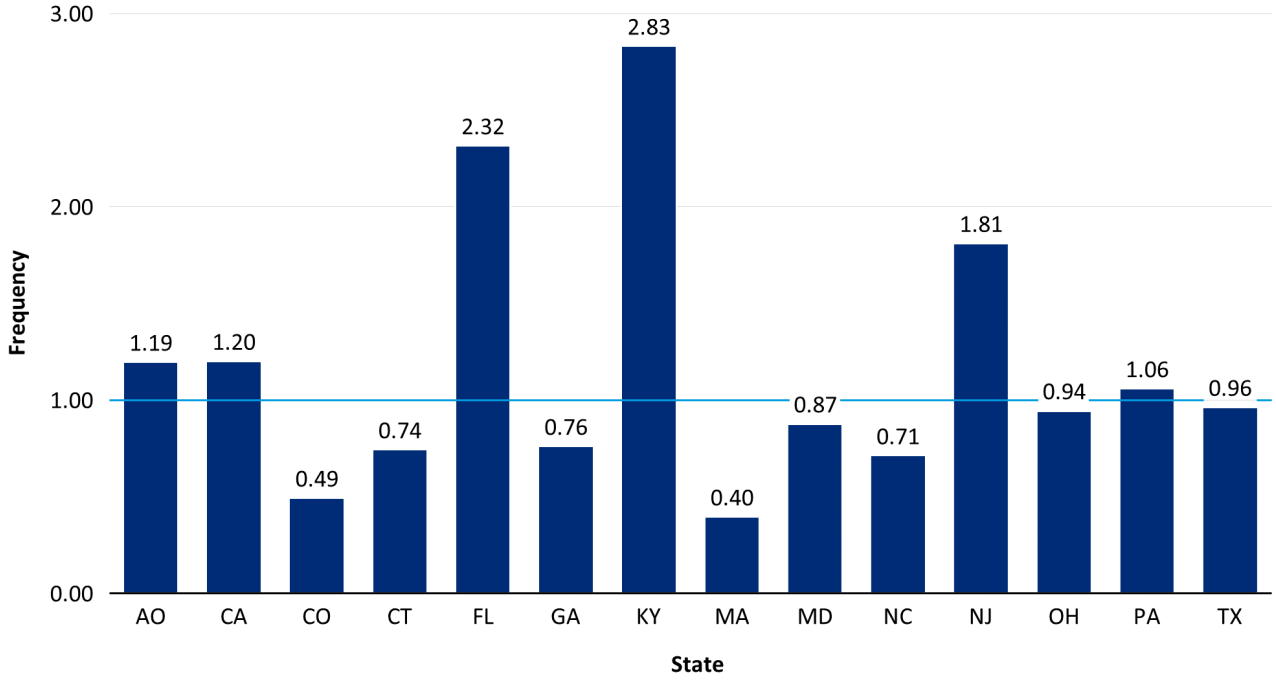
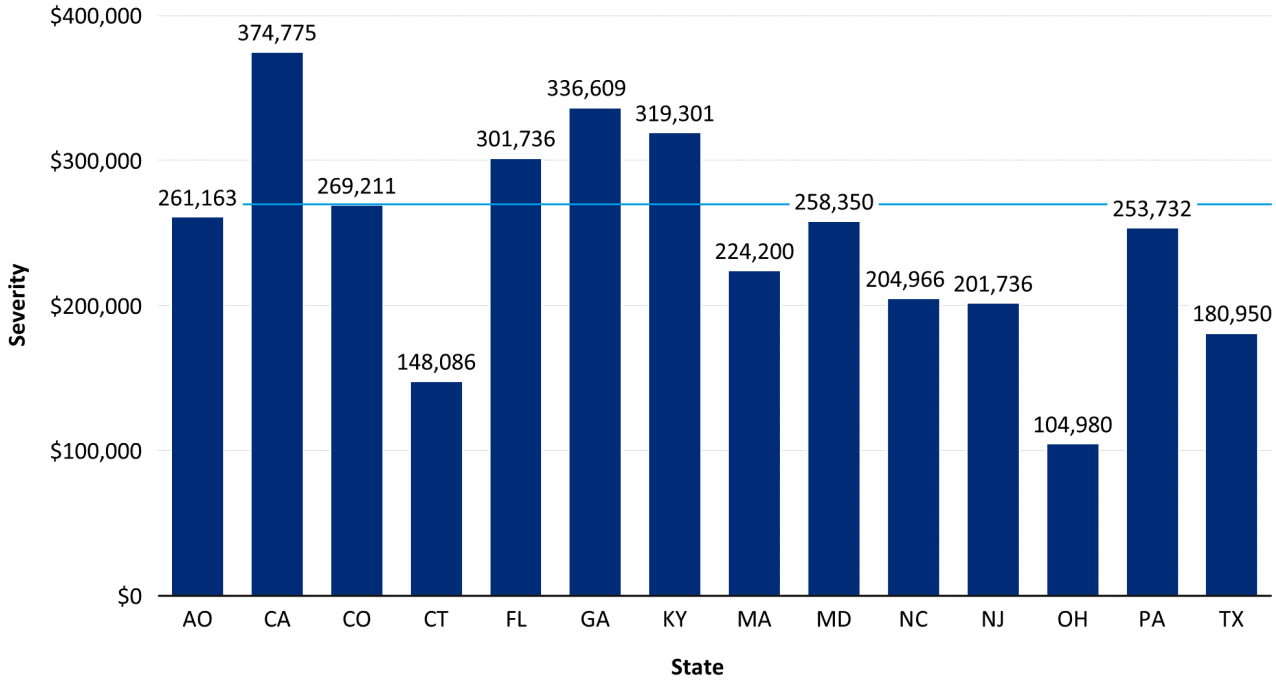


Figure 44: Long-Term Care Severity by State



The statistics presented in this section are based solely on the data provided by participants. Reduced claim volumes at the state level can result in volatility in loss rates, frequency, and severity metrics.

9.2. California

Figure 45 through Figure 47 present the loss rate, frequency, and severity for California based on roughly 375 closed claim counts with pay greater than $100 in the past 10 report years.

We offer the following observations on the claims experience:

- The loss rates remain consistently higher than countrywide indications.
- Frequency has been quite stable in California since 2015.

Figure 45: Long-Term Care California Loss Rate

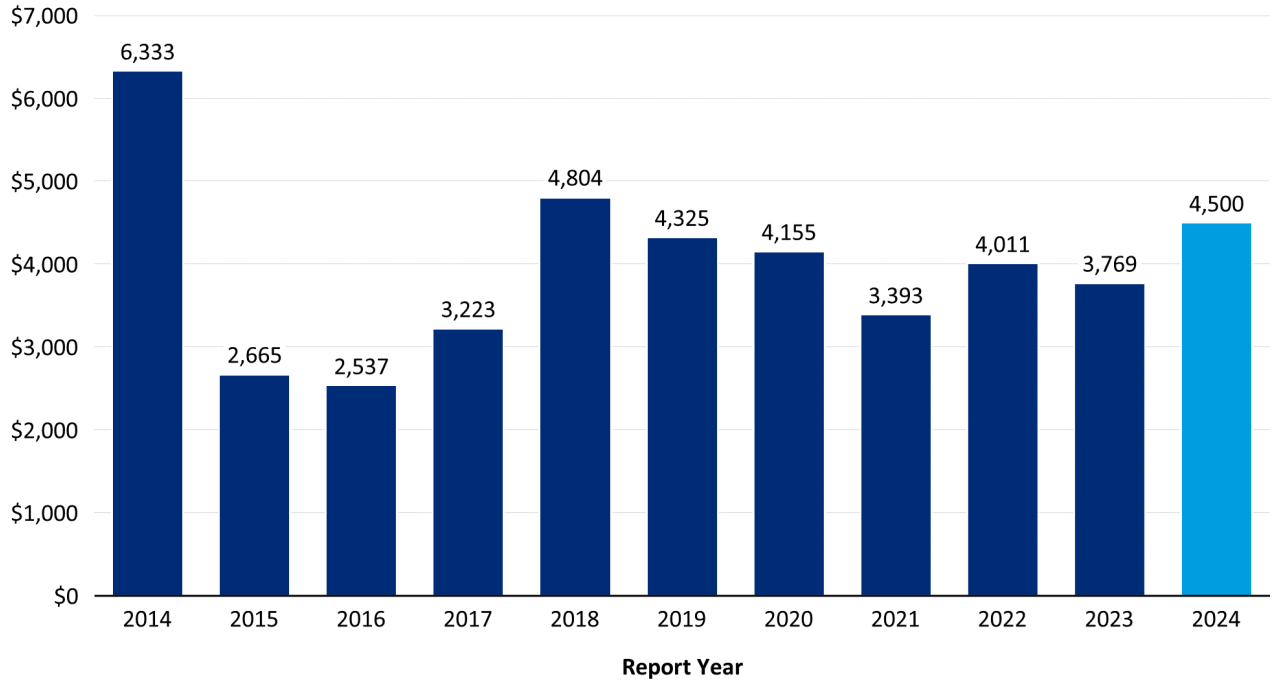


Figure 46: Long-Term Care California Frequency

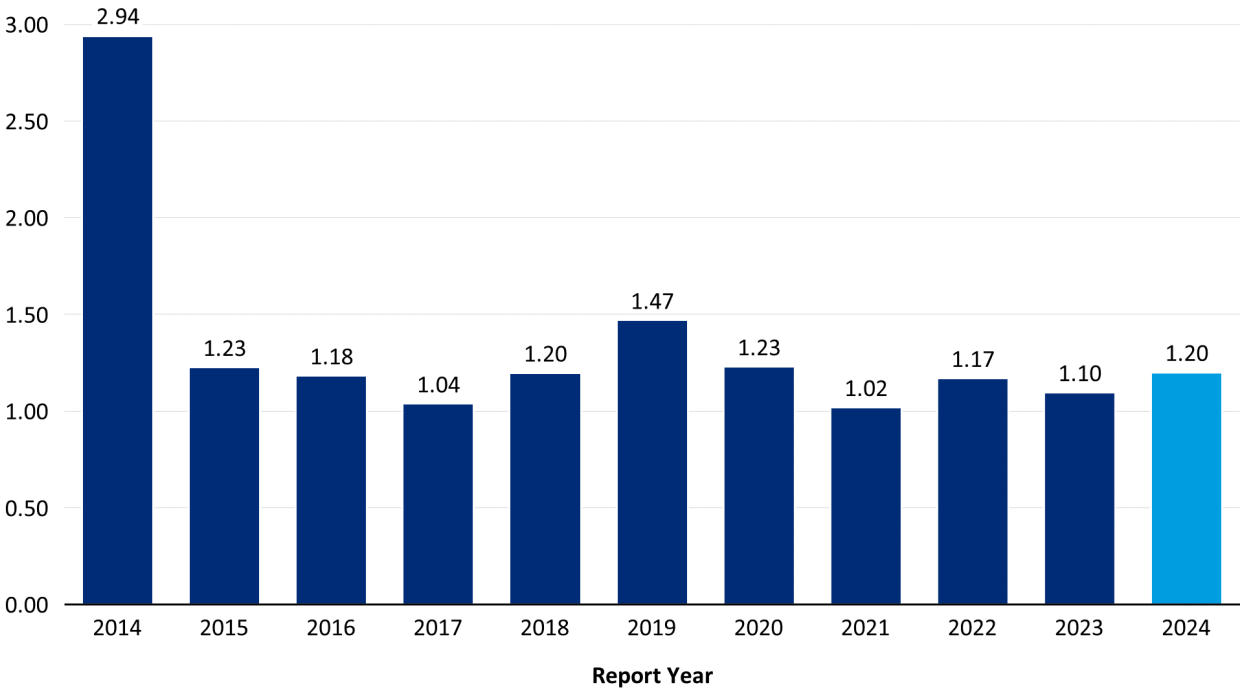
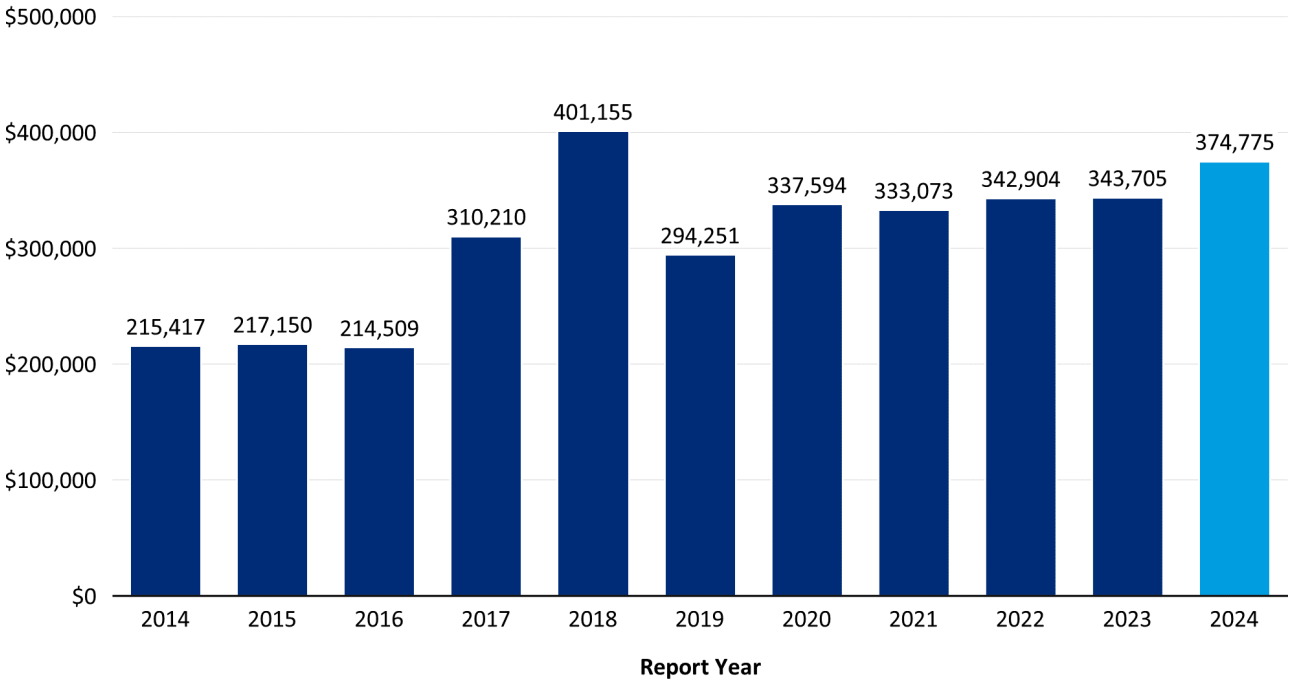


Figure 47: Long-Term Care California Severity



9.3. Colorado

Figure 48 through Figure 50 present the loss rate, frequency, and severity for Colorado based on roughly 150 closed claim counts with pay greater than $100 in the past 10 report years.

We offer the following observations on the claims experience:

- The lower Colorado loss rates relative to countrywide are the result of lower claim frequency.
- Frequency indications have been stable over the past few years.

Figure 48: Long-Term Care Colorado Loss Rate

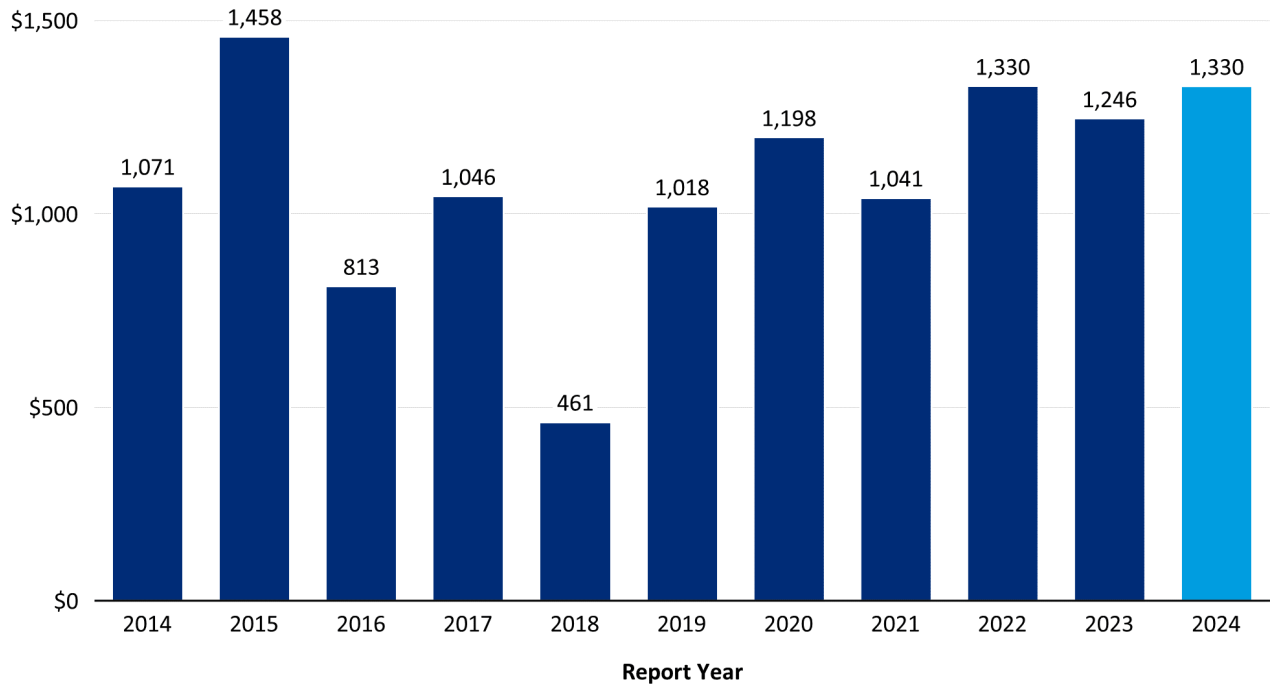


Figure 49: Long-Term Care Colorado Frequency

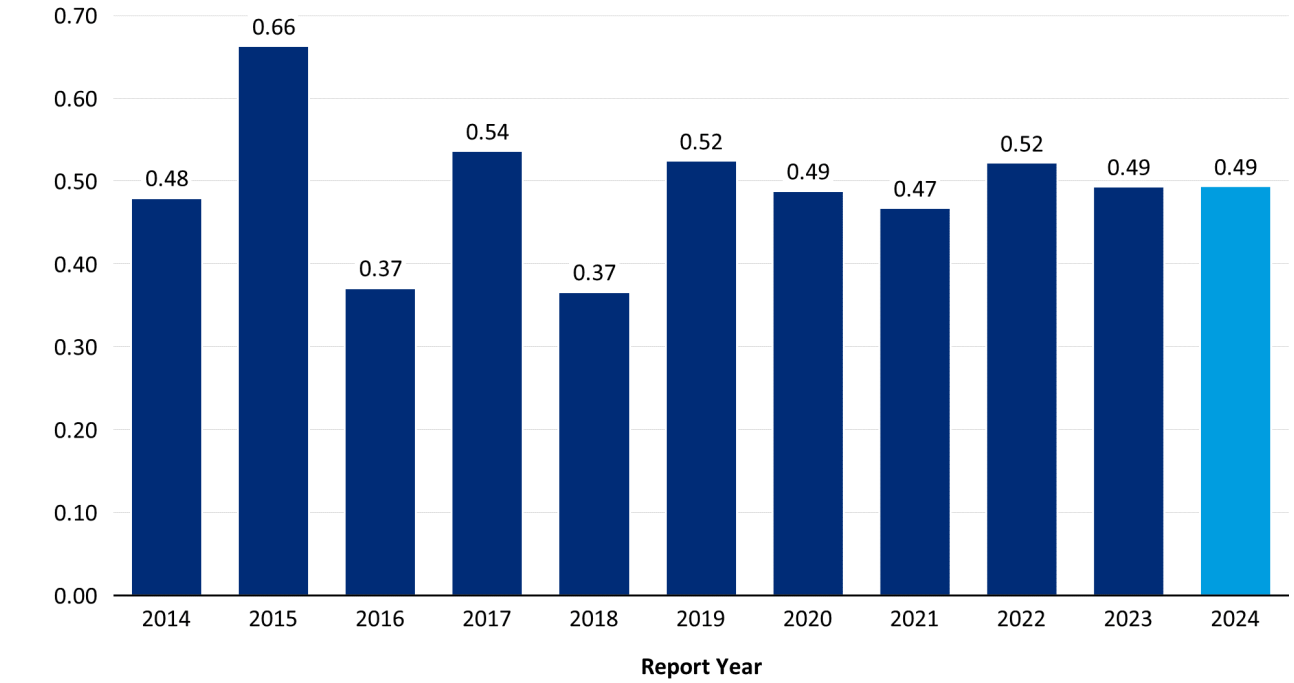
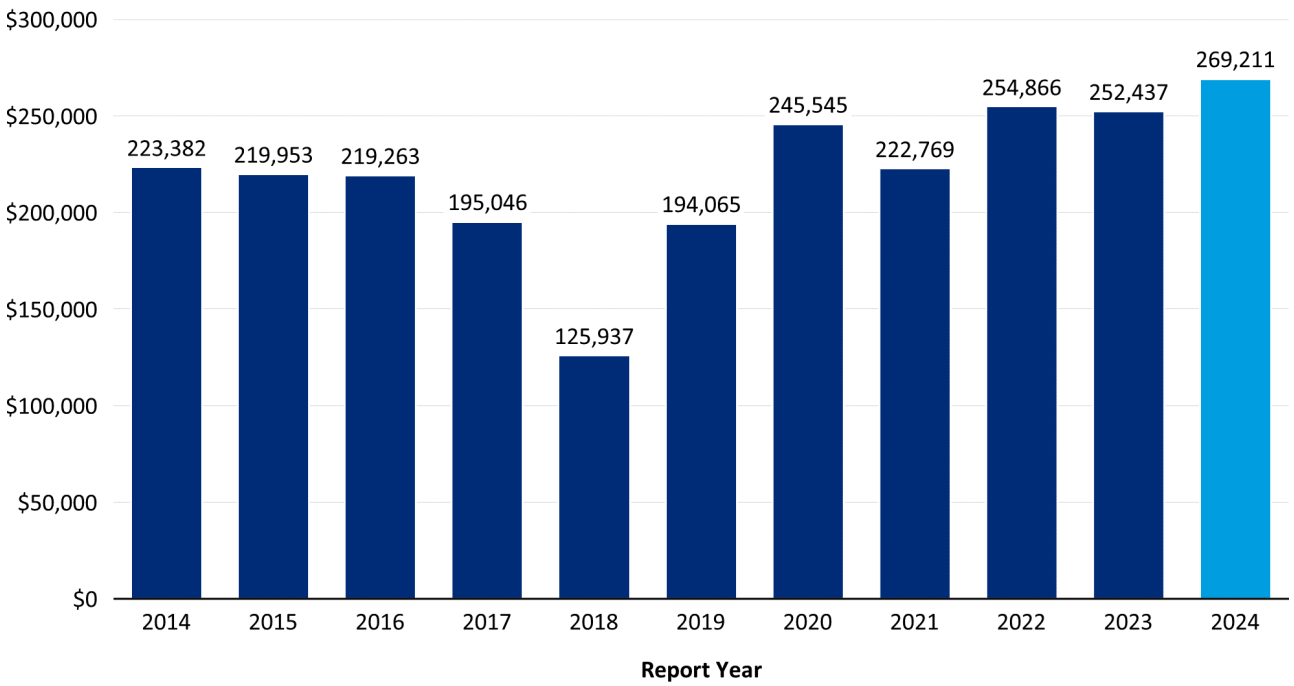


Figure 50: Long-Term Care Colorado Severity



9.4. Connecticut

Figure 51 through Figure 53 present the loss rate, frequency, and severity for Connecticut based on approximately 100 closed claim counts with pay greater than $100 in the past 10 report years.

We offer the following observations on the claims experience:

- The lower Connecticut loss rates relative to countrywide are the result of lower claim frequency and lower claim severity.
- Both frequency and severity indications have been volatile, but are consistently lower than countrywide indications.

Figure 51: Long-Term Care Connecticut Loss Rate

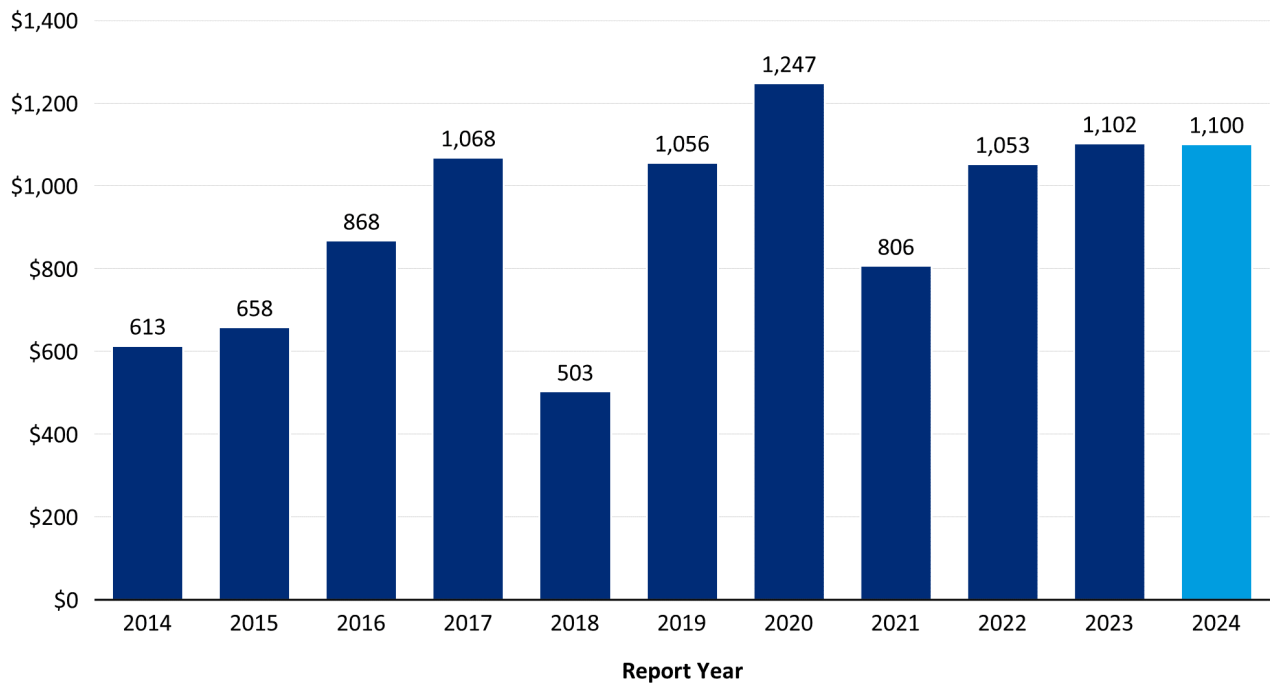


Figure 52: Long-Term Care Connecticut Frequency

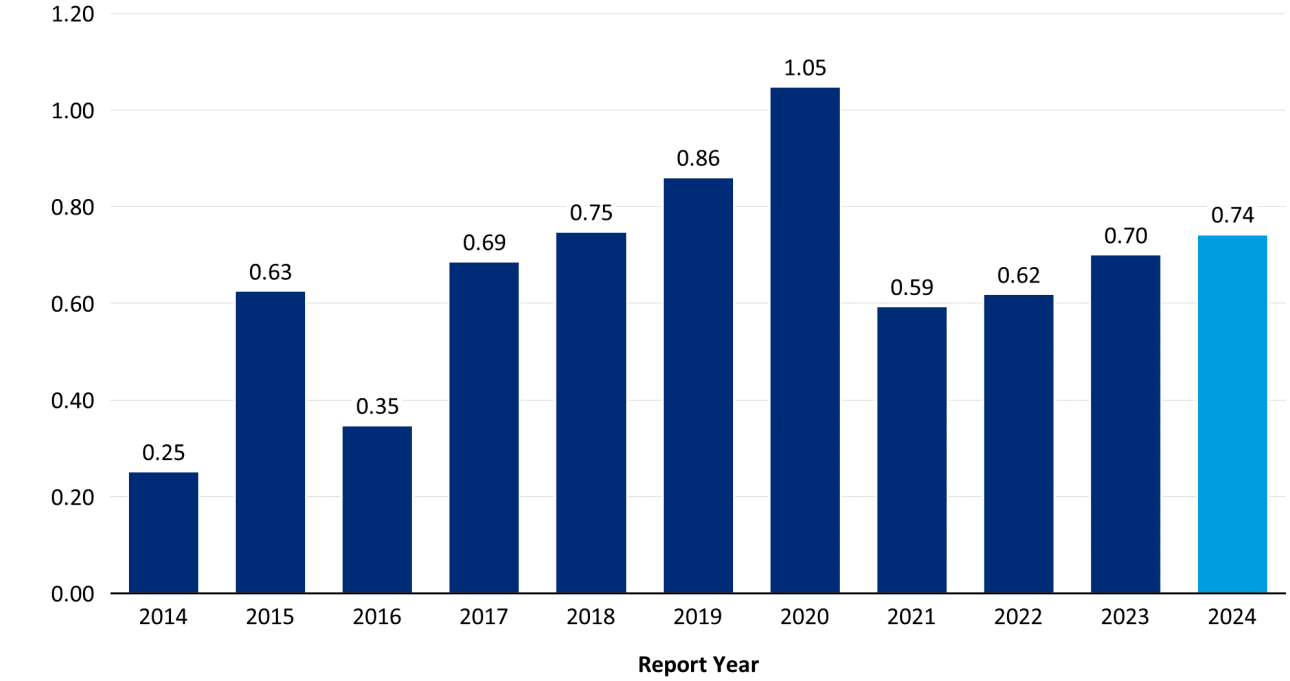
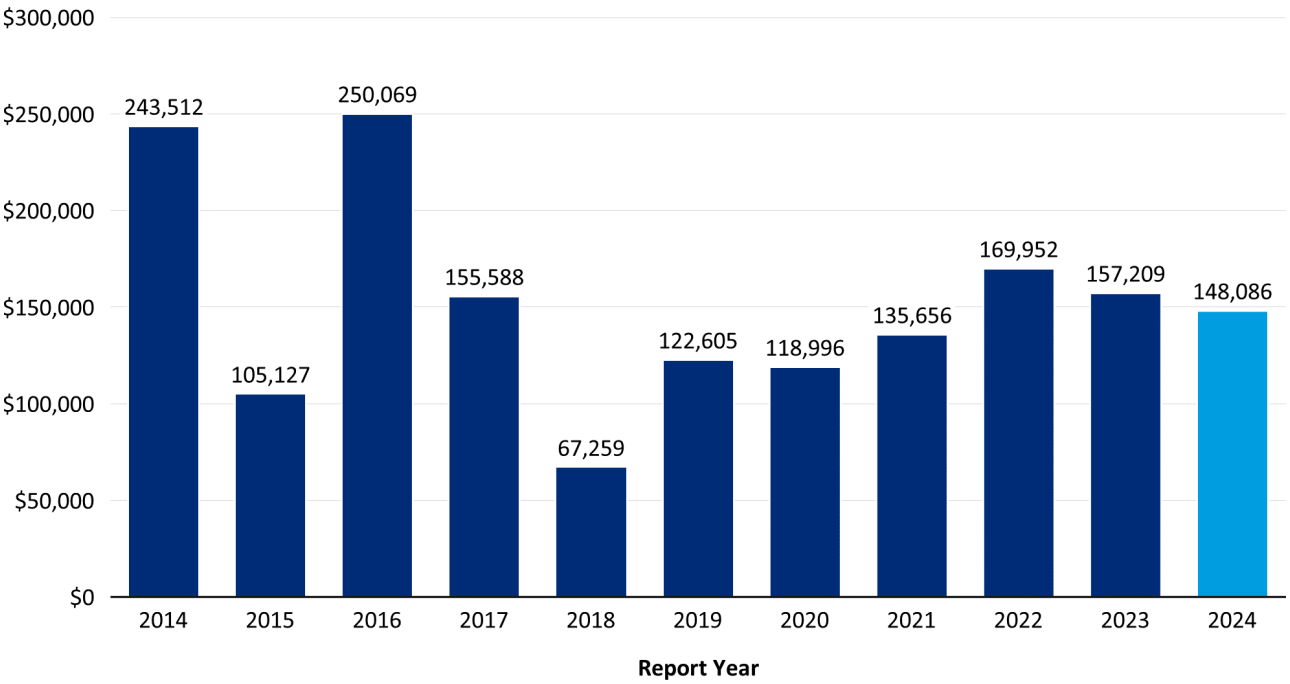


Figure 53: Long-Term Care Connecticut Severity



9.5. Florida

Figure 54 through Figure 56 present the loss rate, frequency, and severity for Florida based on approximately 950 closed claim counts with pay greater than $100 in the past 10 report years.

We offer the following observations on the claims experience:

- Loss rates have steadily increased since 2014 and remain consistently higher than countrywide indications.
- Both claim frequency and severity are higher in more recent periods relative to 2014 through 2019.

Figure 54: Long-Term Care Florida Loss Rate

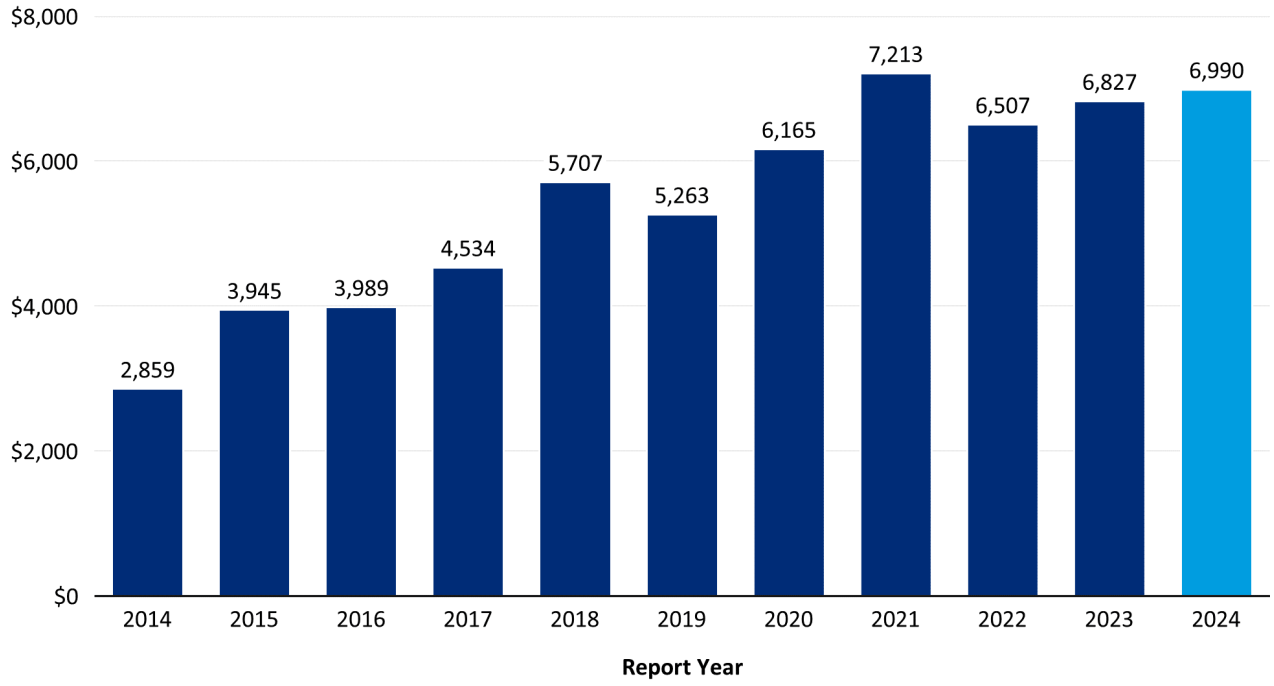


Figure 55: Long-Term Care Florida Frequency

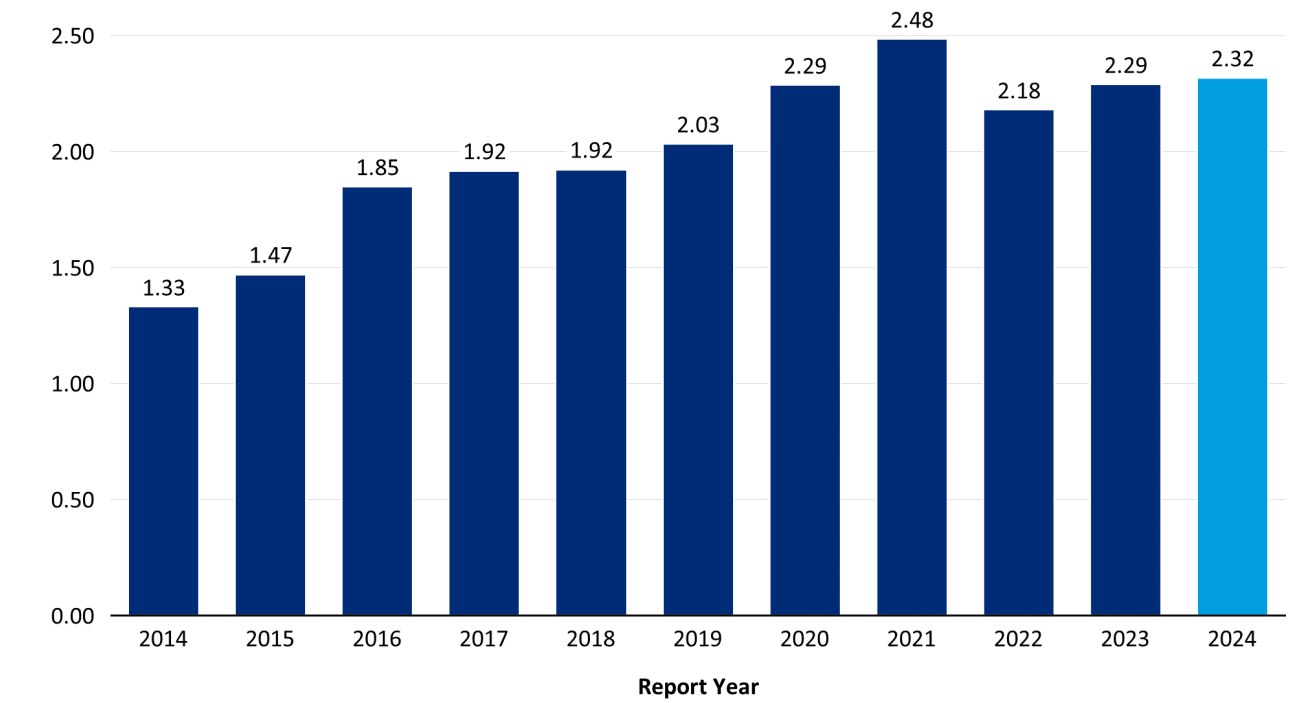
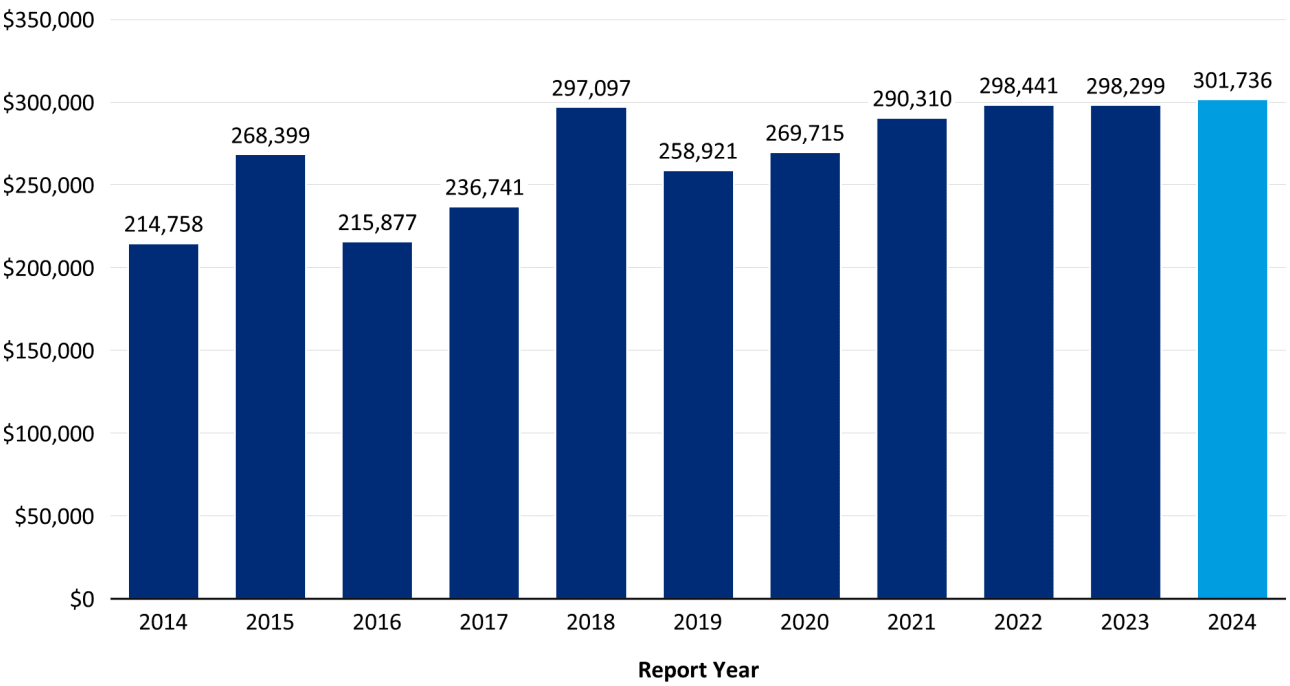


Figure 56: Long-Term Care Florida Severity



9.6. Georgia

Figure 54 through Figure 56 present the loss rate, frequency, and severity for Georgia based on approximately 400 closed claim counts with pay greater than $100 in the past 10 report years.

We offer the following observations on the claims experience:

- Loss rates have been marginally better than the countrywide indications since 2015.
- Claim frequency has improved over the past 10 years.

Figure 57: Long-Term Care Georgia Loss Rate

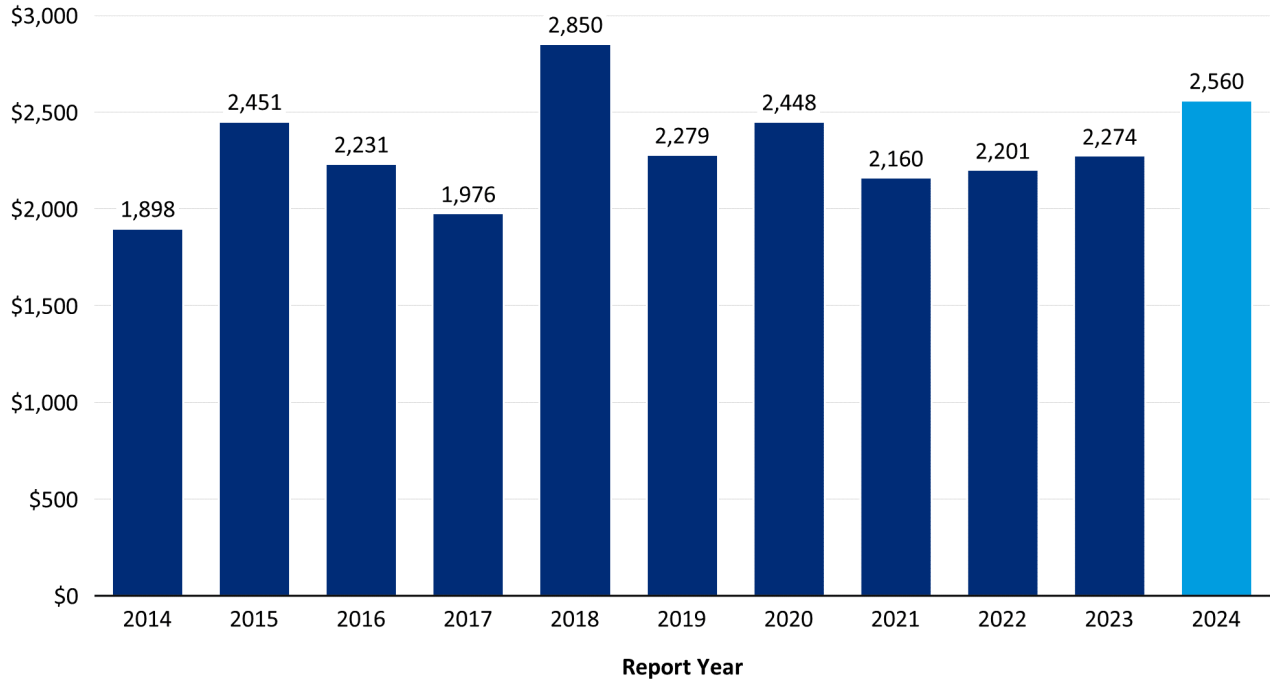


Figure 58: Long-Term Care Georgia Frequency

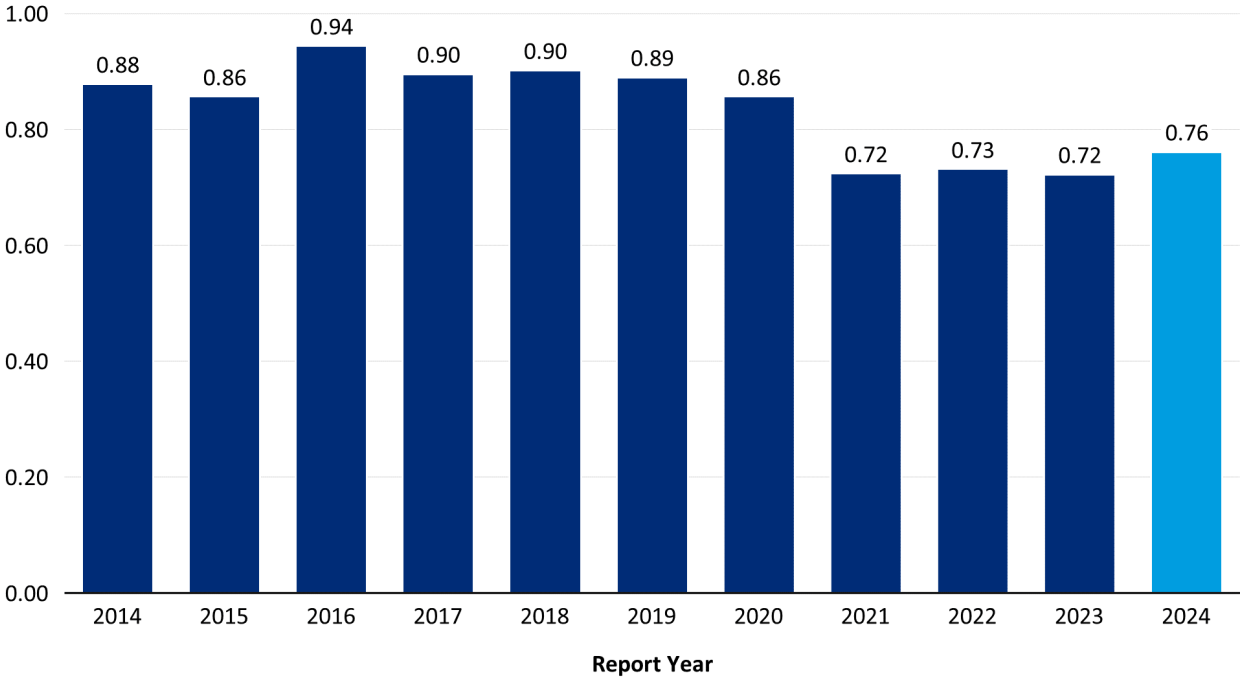
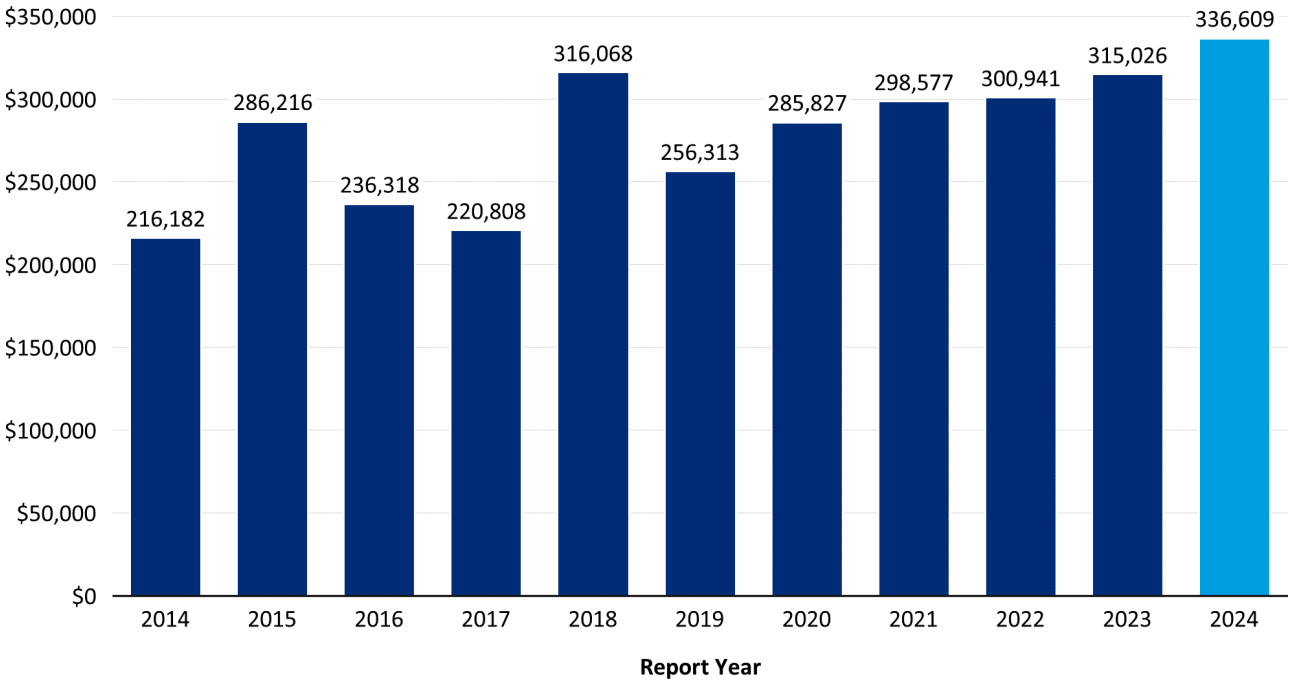


Figure 59: Long-Term Care Georgia Severity



9.7. Kentucky

Figure 60 through Figure 62 present the loss rate, frequency, and severity for Kentucky based on over 900 closed claim counts with pay greater than $100 in the past 10 report years.

We offer the following observations on the claims experience:

- The loss rates in Kentucky continue to be significantly higher than countrywide indications.
- Kentucky frequency indications are higher than the countrywide indications, but have been consistent over the past five years.

Figure 60: Long-Term Care Kentucky Loss Rate

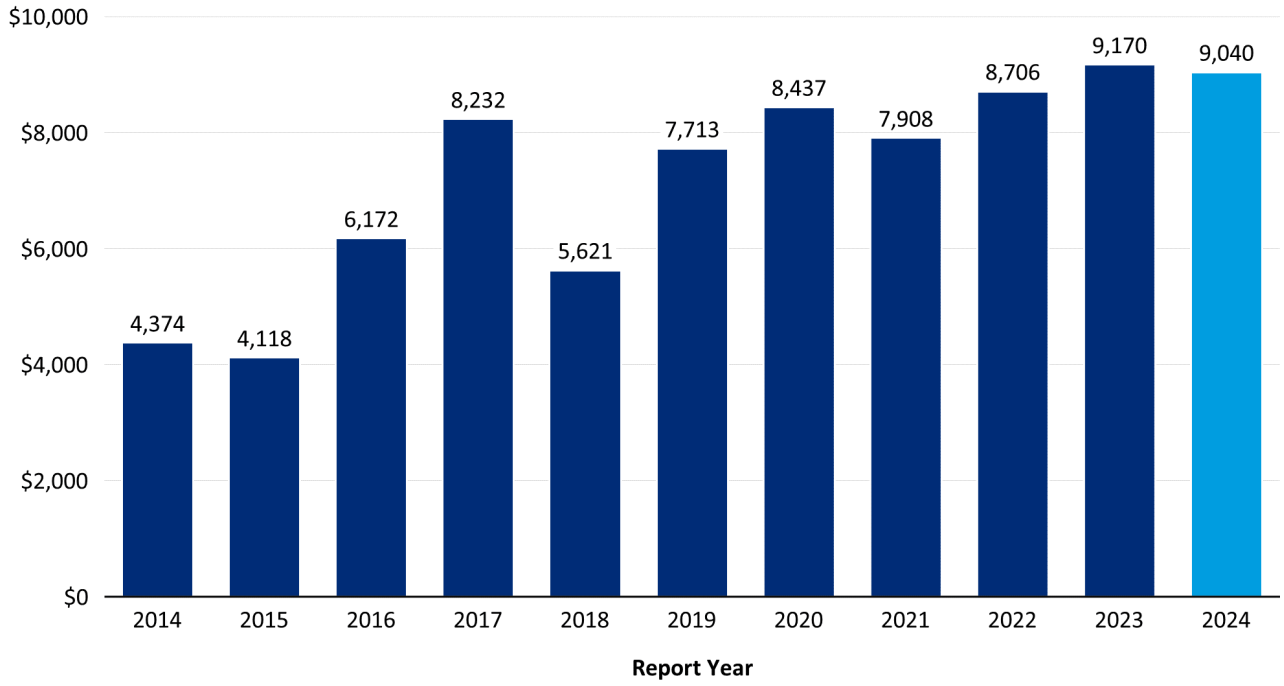


Figure 61: Long-Term Care Kentucky Frequency

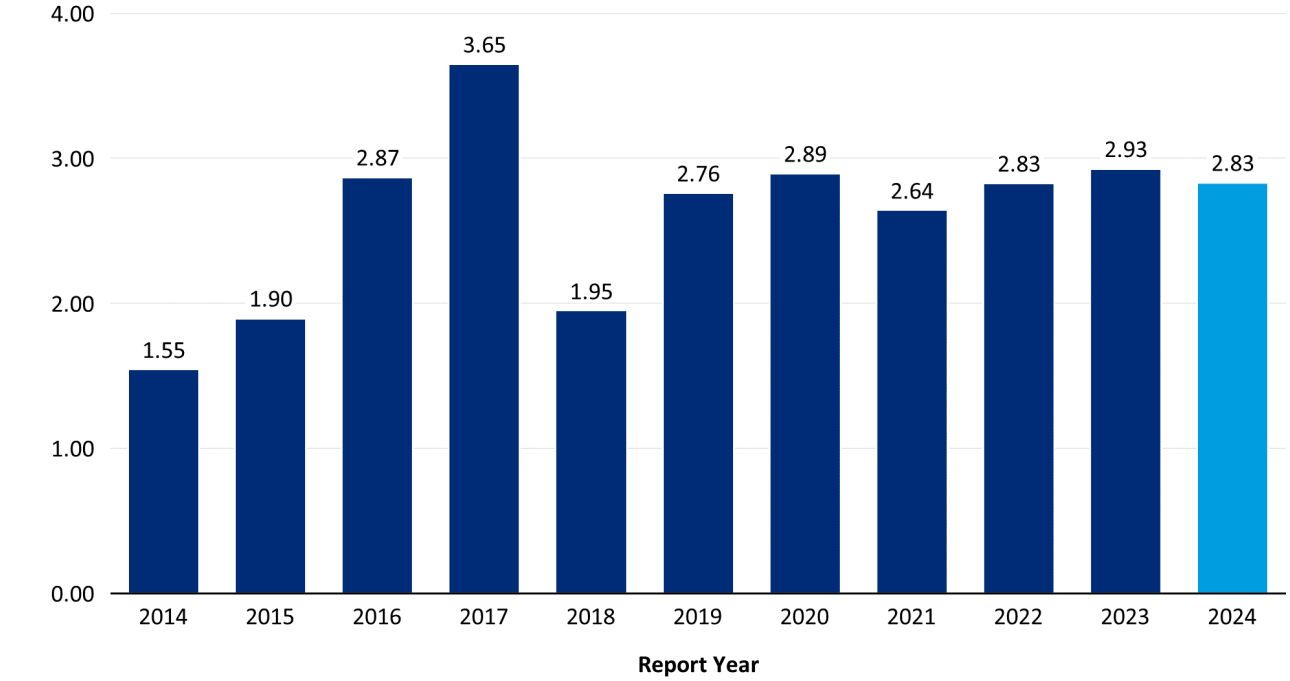
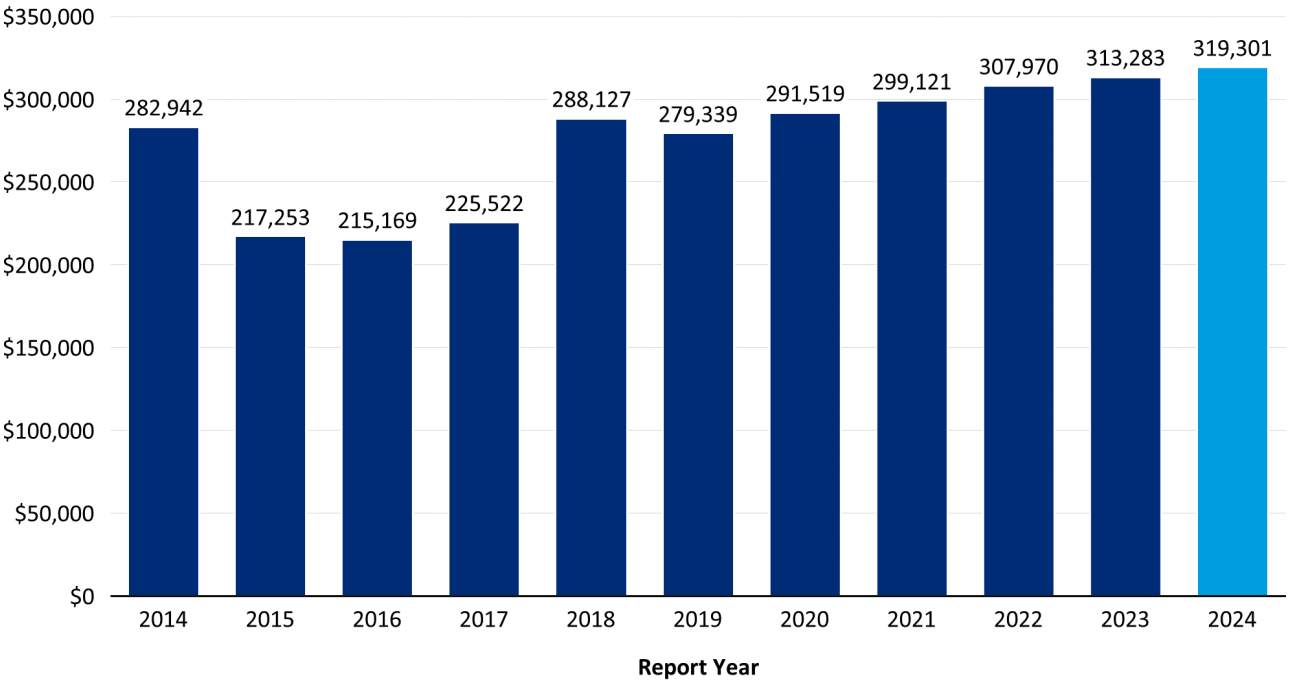


Figure 62: Long-Term Care Kentucky Severity



9.8. Maryland

Figure 63 through Figure 65 present the loss rate, frequency, and severity for Maryland based on roughly 170 closed claim counts with pay greater than $100 in the past 10 report years.

We offer the following observations on the claims experience:

- Maryland frequency appears to be generally increasing over the past decade.
- While loss rates increased beginning in 2019, the overall indications have been marginally better than the countrywide indications.

Figure 63: Long-Term Care Maryland Loss Rate

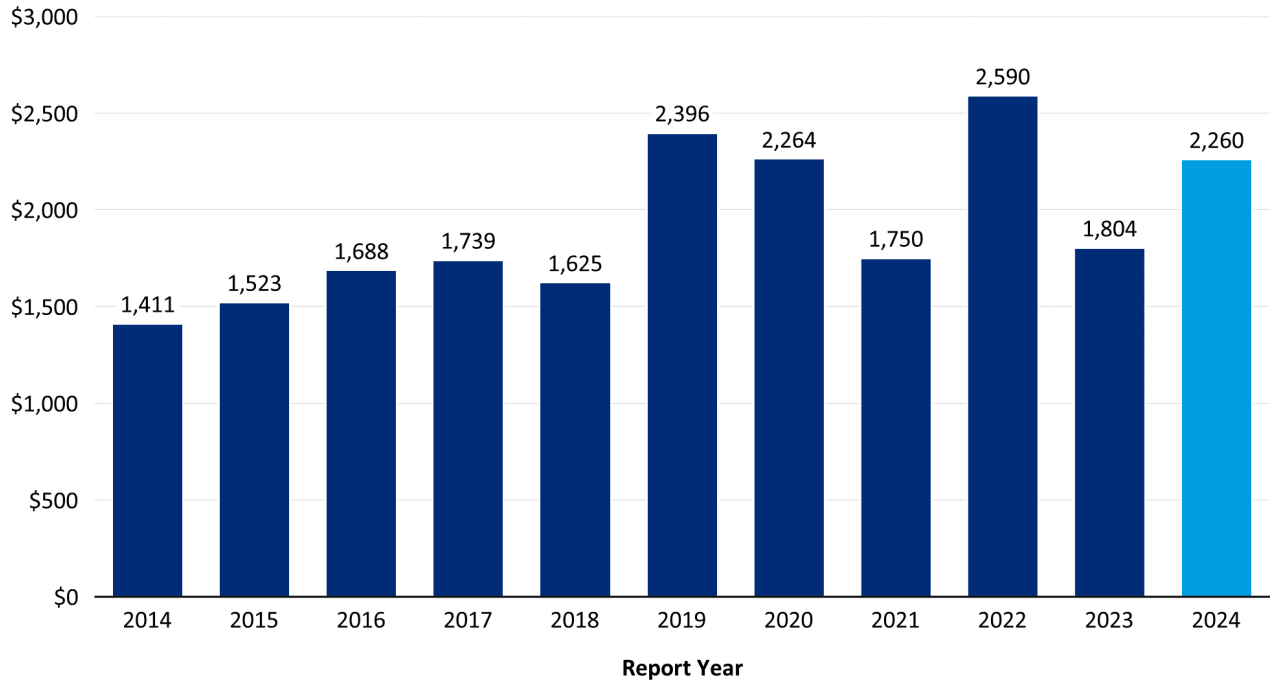


Figure 64: Long-Term Care Maryland Frequency

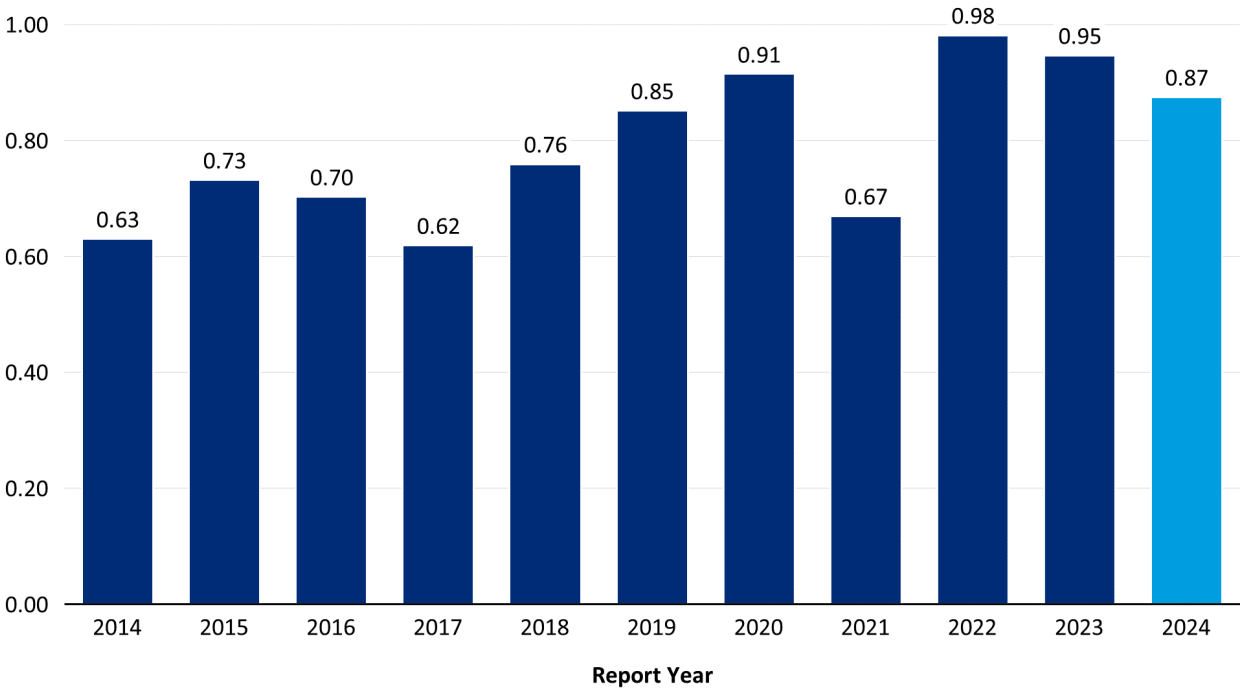
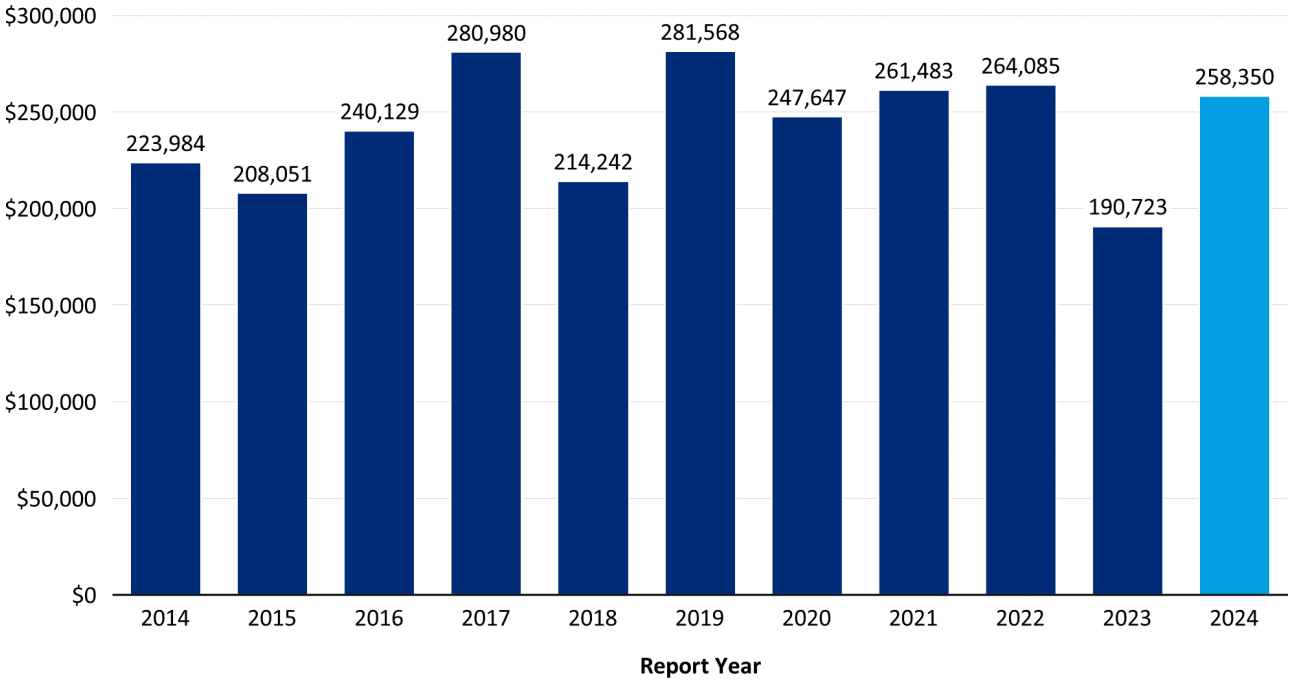


Figure 65: Long-Term Care Maryland Severity



9.9. Massachusetts

Figure 66 through Figure 68 present the loss rate, frequency, and severity for Massachusetts based on roughly 150 closed claim counts with pay greater than $100 in the past 10 report years.

We offer the following observations on the claims experience:

- The loss rates in Massachusetts are materially lower than countrywide indications.
- Massachusetts frequency indications are consistently lower than the countrywide indications and have bene relatively stable over the past decade.

Figure 66: Long-Term Care Massachusetts Loss Rate

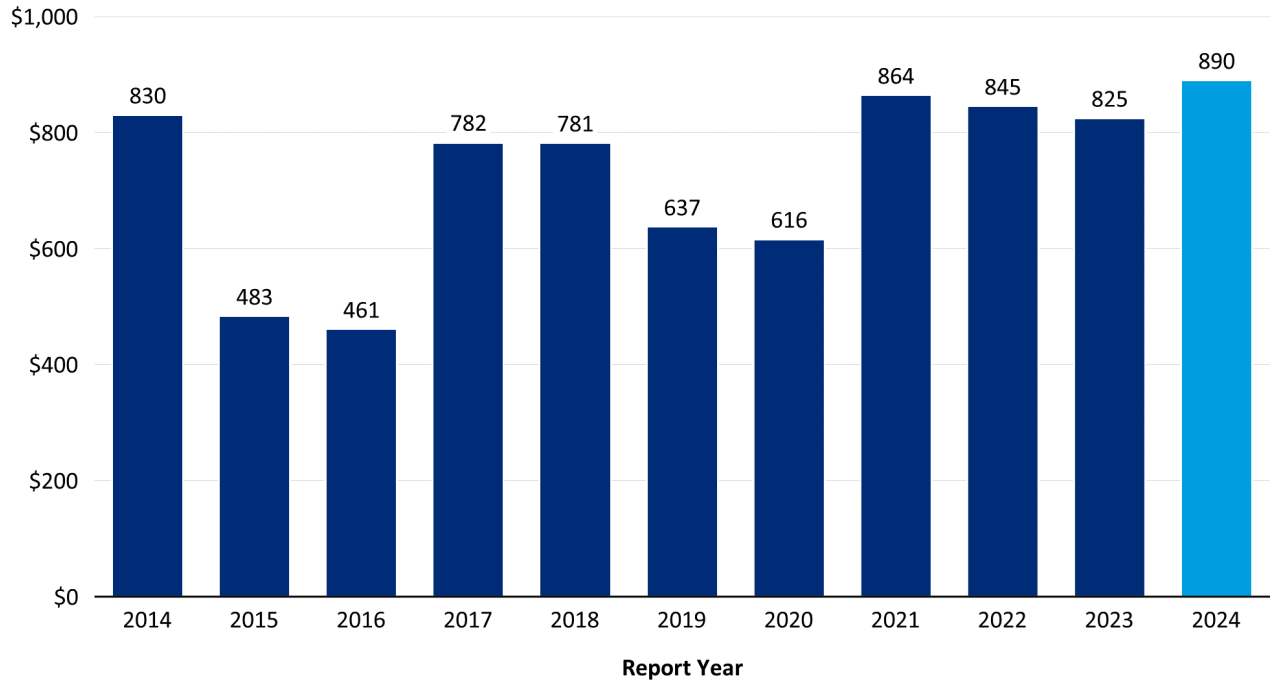


Figure 67: Long-Term Care Massachusetts Frequency

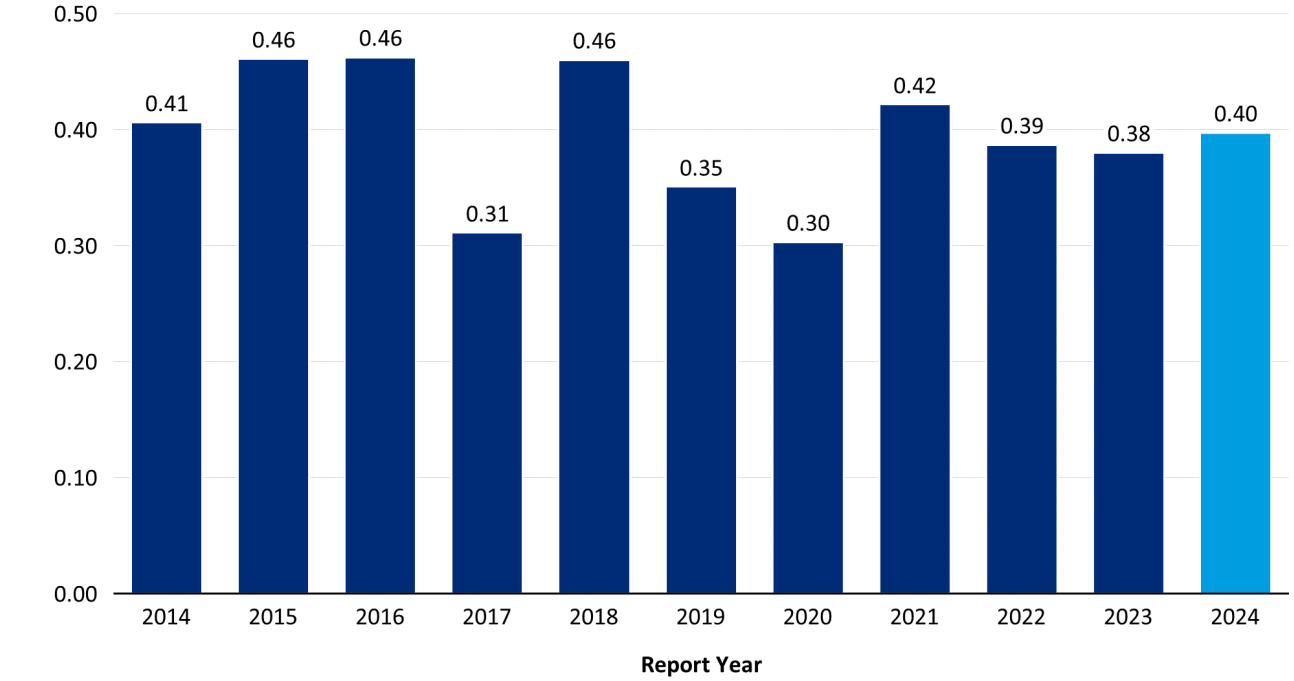
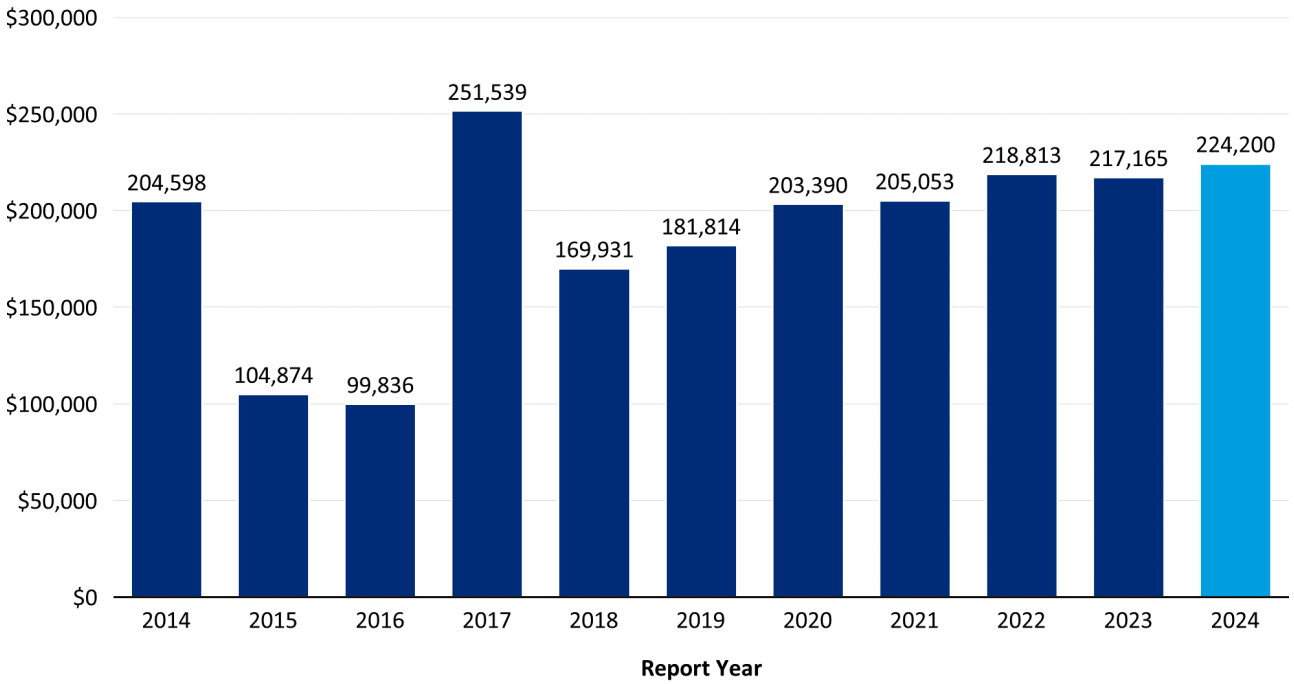


Figure 68: Long-Term Care Massachusetts Severity



9.10. New Jersey

Figure 69 through Figure 71 present the loss rate, frequency, and severity for New Jersey based on roughly 390 closed claim counts with pay greater than $100 in the past 10 report years.

We offer the following observations on the claims experience:

- Loss rates 2018 and subsequent are consistently higher than the loss rates in 2014 through 2017 and higher than countrywide indications.
- Severity has remained consistent since 2016.

Figure 69: Long-Term Care New Jersey Loss Rate

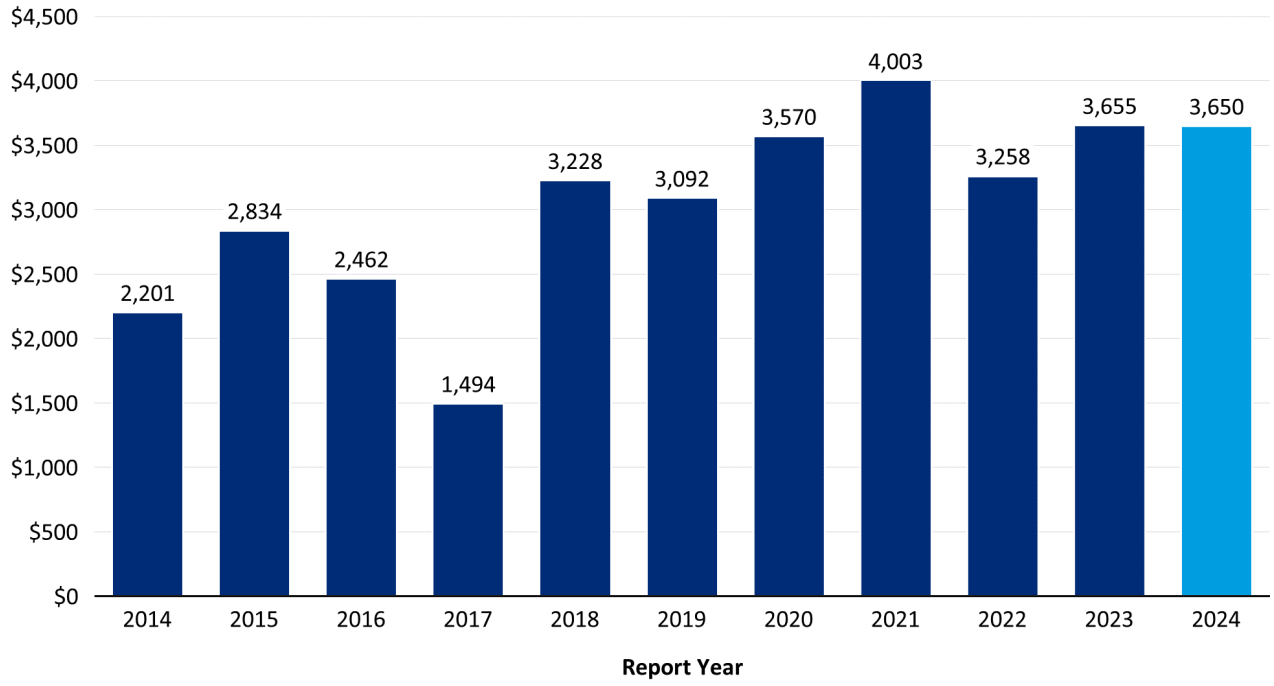


Figure 70: Long-Term Care New Jersey Frequency

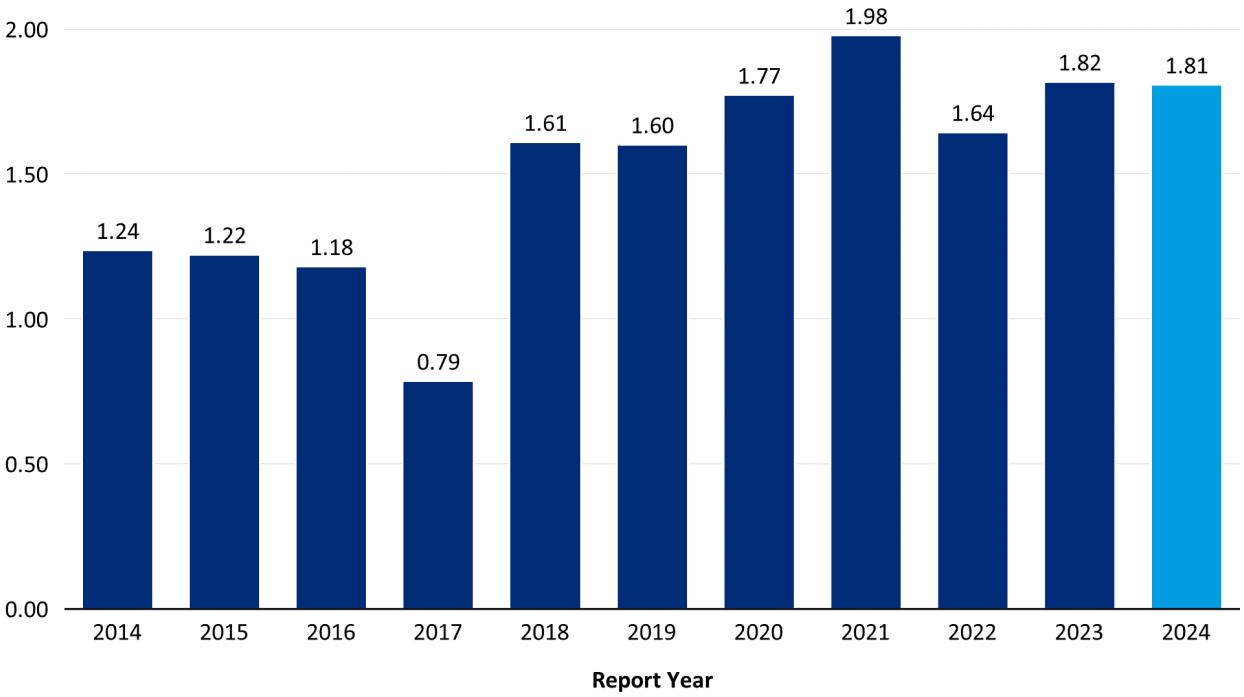
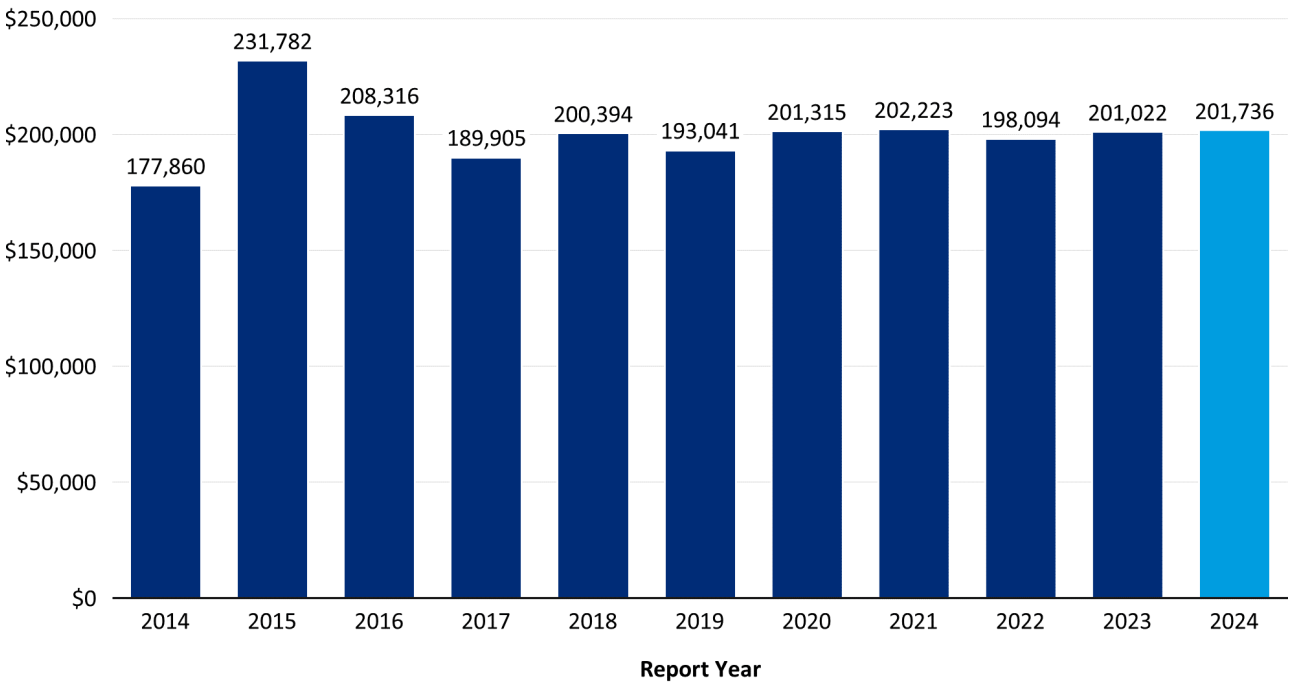


Figure 71: Long-Term Care New Jersey Severity



9.11. North Carolina

Figure 72 through Figure 74 present the loss rate, frequency, and severity for North Carolina based on approximately 160 closed claim counts with pay greater than $100 in the past 10 report years.

We offer the following observations on the claims experience:

- Loss rates have been increasing since a low of 2015, but remain consistently lower than countrywide indications.
- Frequency has been historically volatile.

Figure 72: Long-Term Care North Carolina Loss Rate

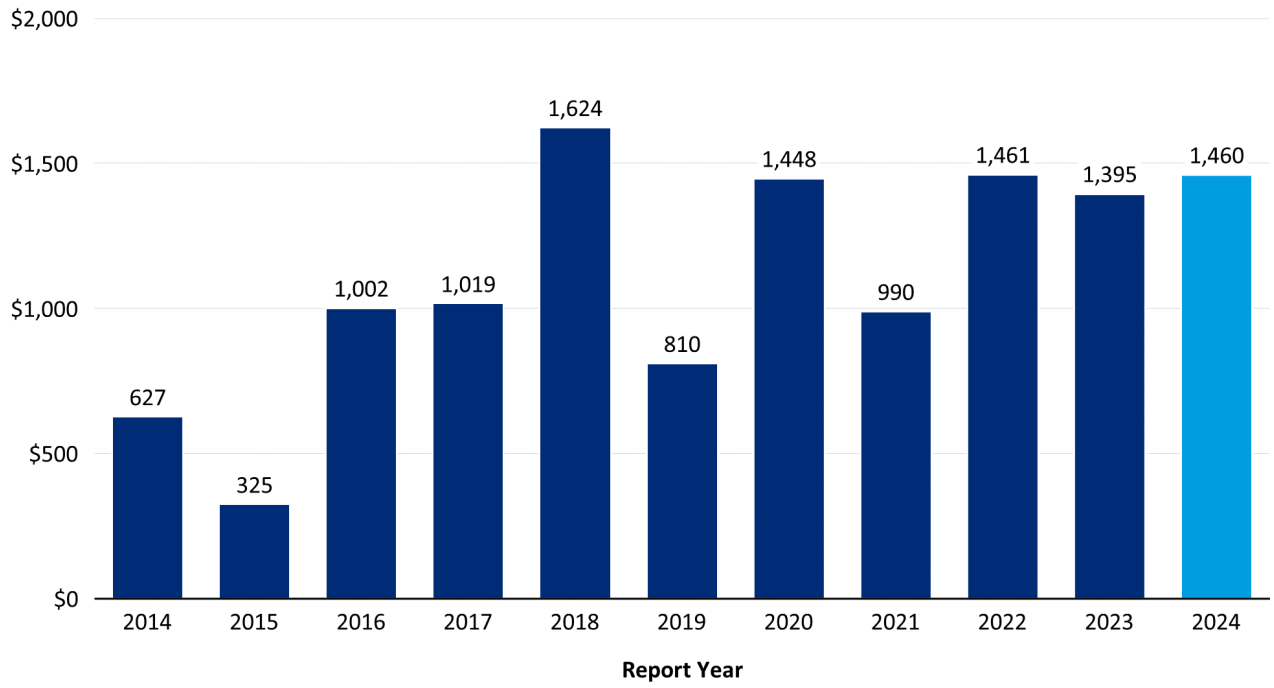


Figure 73: Long-Term Care North Carolina Frequency

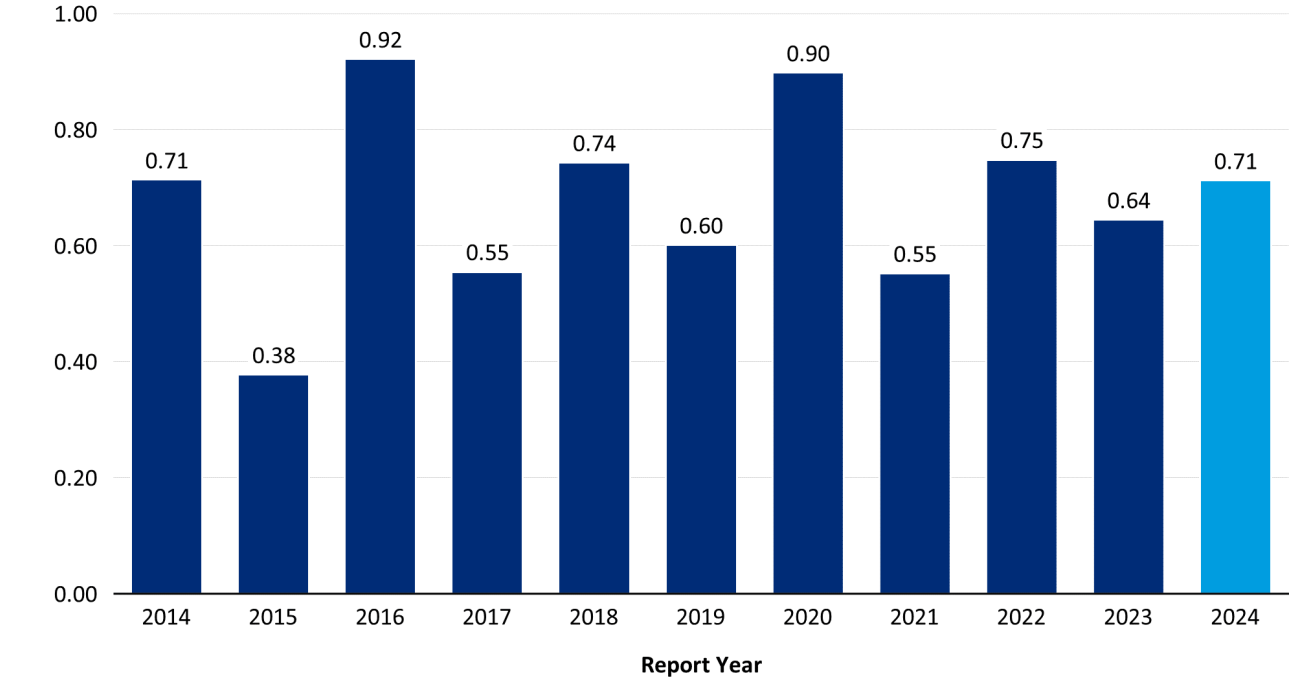
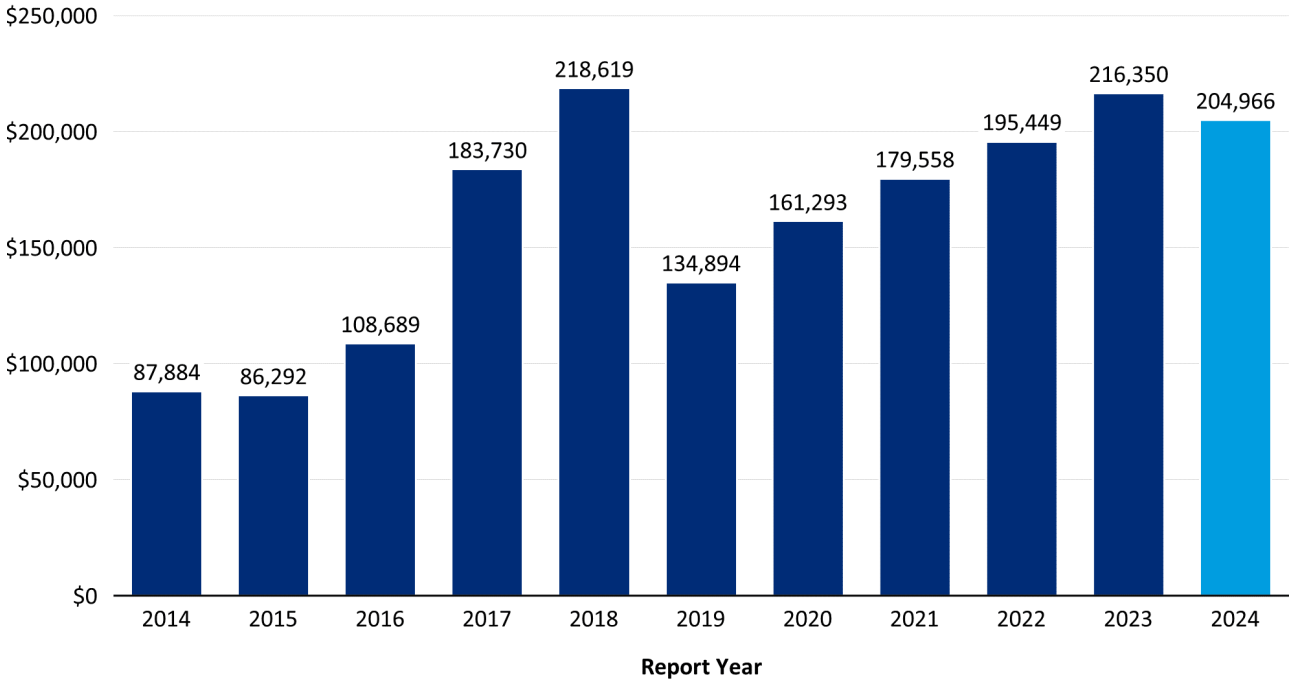


Figure 74: Long-Term Care North Carolina Severity



9.12. Ohio

Figure 75 through Figure 77 present the loss rate, frequency, and severity for Ohio based on approximately 180 closed claim counts with pay greater than $100 in the past 10 report years.

We offer the following observation on the claims experience:

- Loss rates steadily increased from 2016 through 2023, but consistently remain substantially lower than countrywide indications.

Figure 75: Long-Term Care Ohio Loss Rate

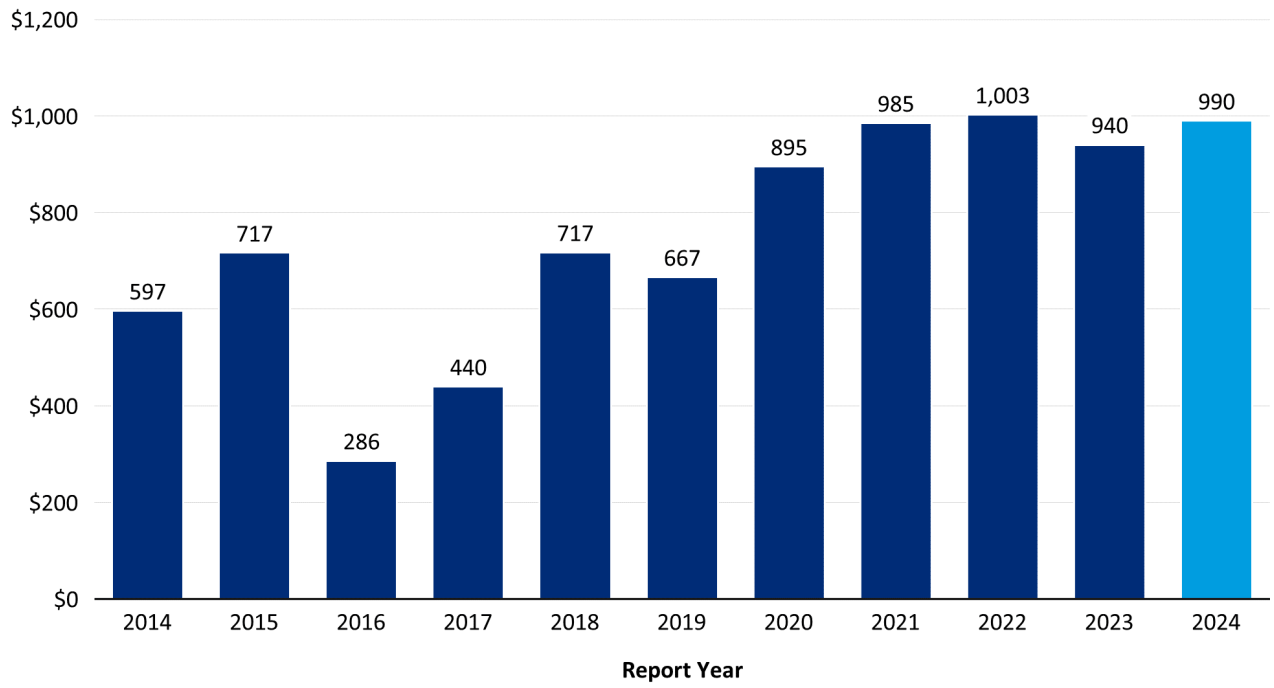


Figure 76: Long-Term Care Ohio Frequency

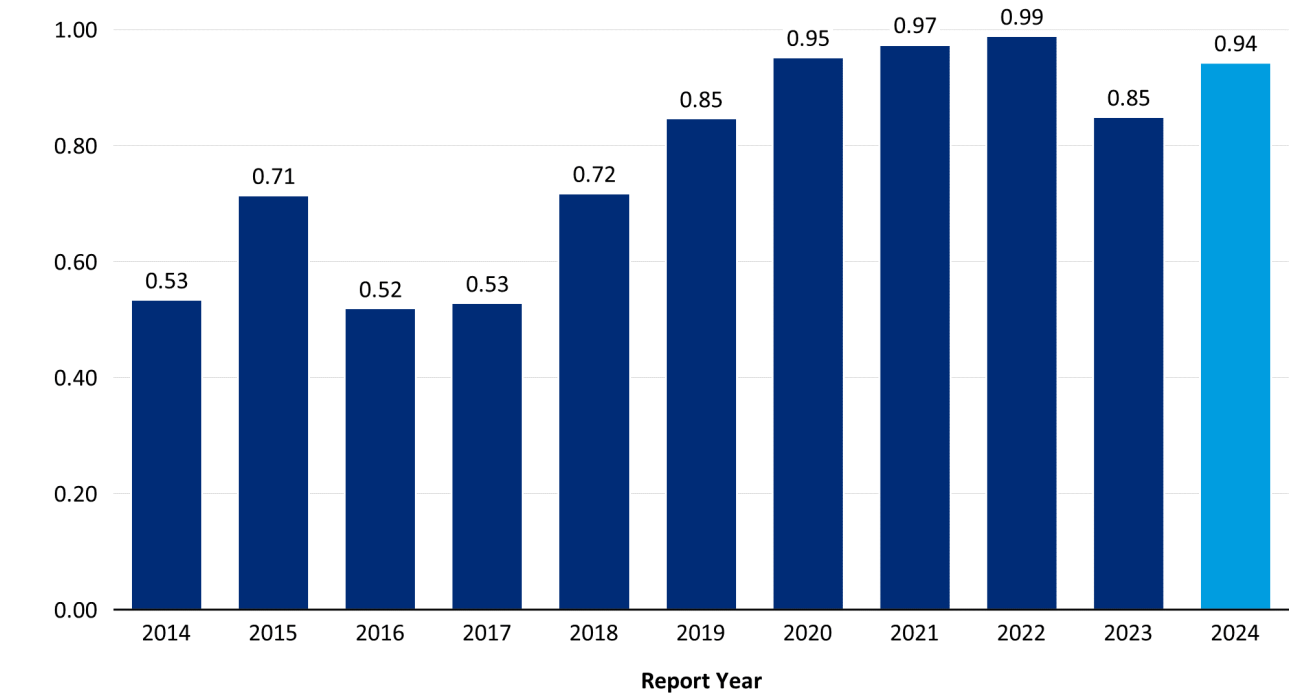
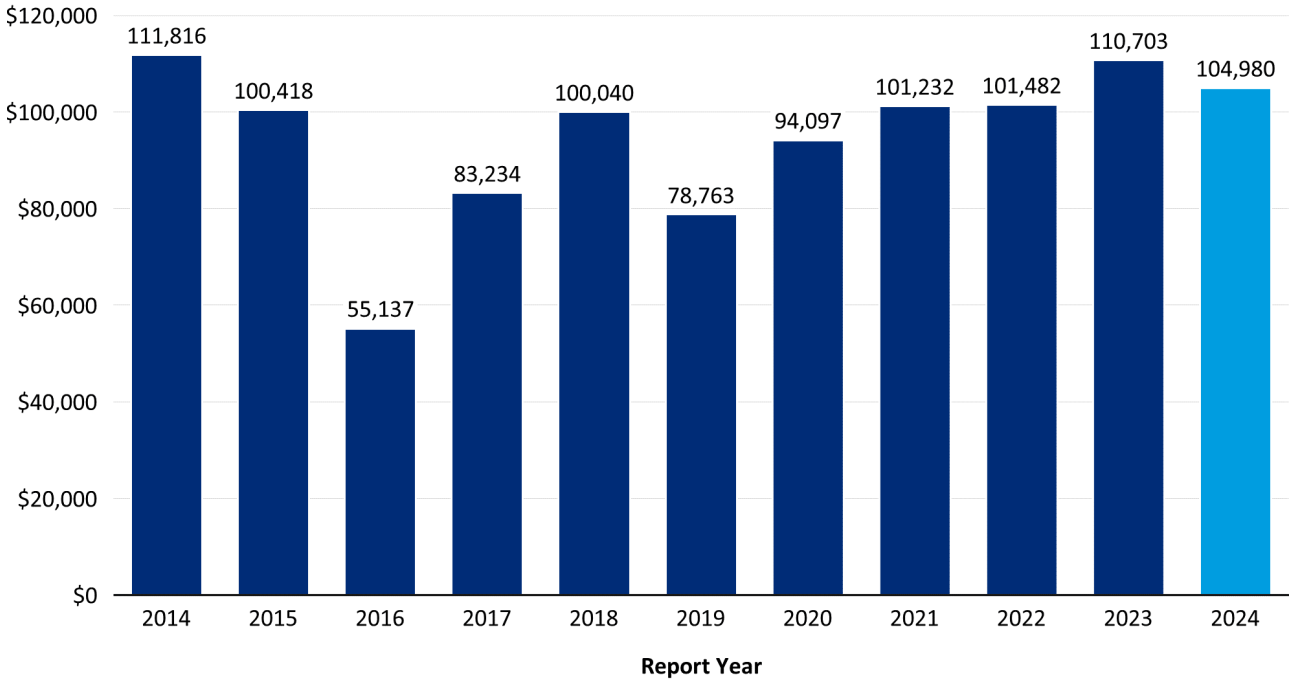


Figure 77: Long-Term Care Ohio Severity



9.13. Pennsylvania

Figure 78 through Figure 80 present the loss rate, frequency, and severity for Pennsylvania based on roughly 375 closed claim counts with pay greater than $100 in the past 10 report years.

We offer the following observations on the claims experience:

- Loss rates are generally lower for years 2019 and subsequent compared to 2018 and prior.
- The reduction in loss rates is due to lower frequency over the corresponding time frame.

Figure 78: Long-Term Care Pennsylvania Loss Rate

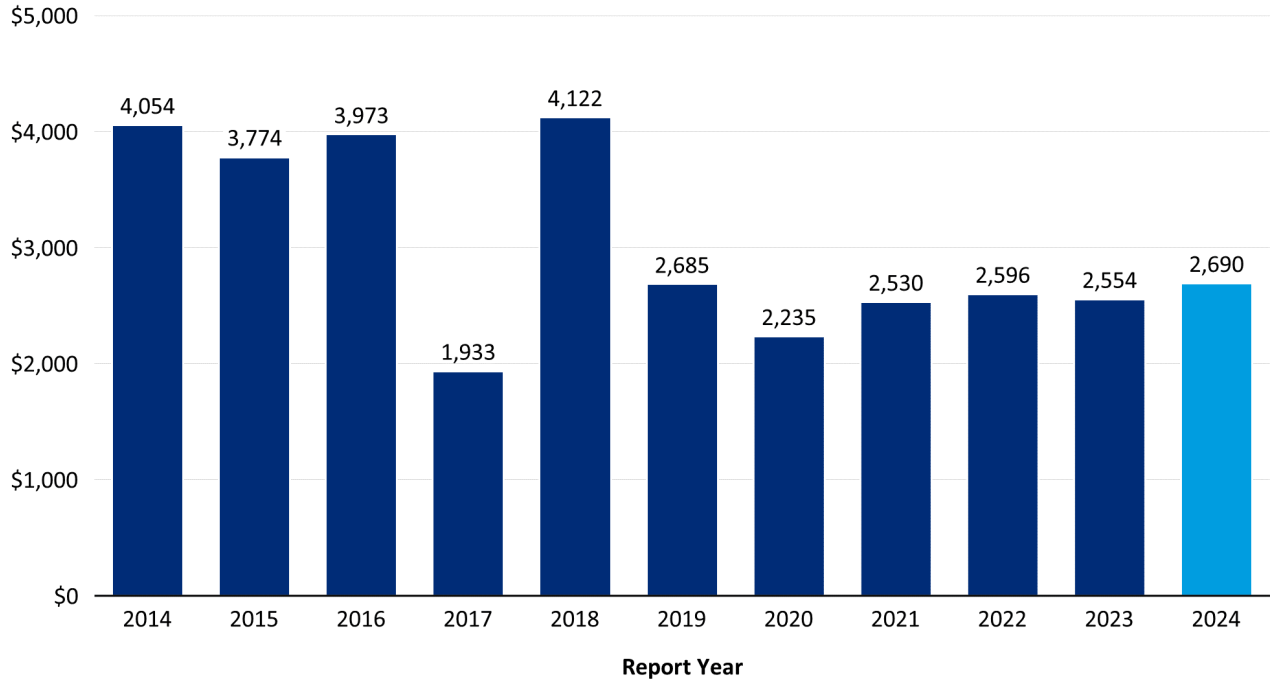


Figure 79: Long-Term Care Pennsylvania Frequency

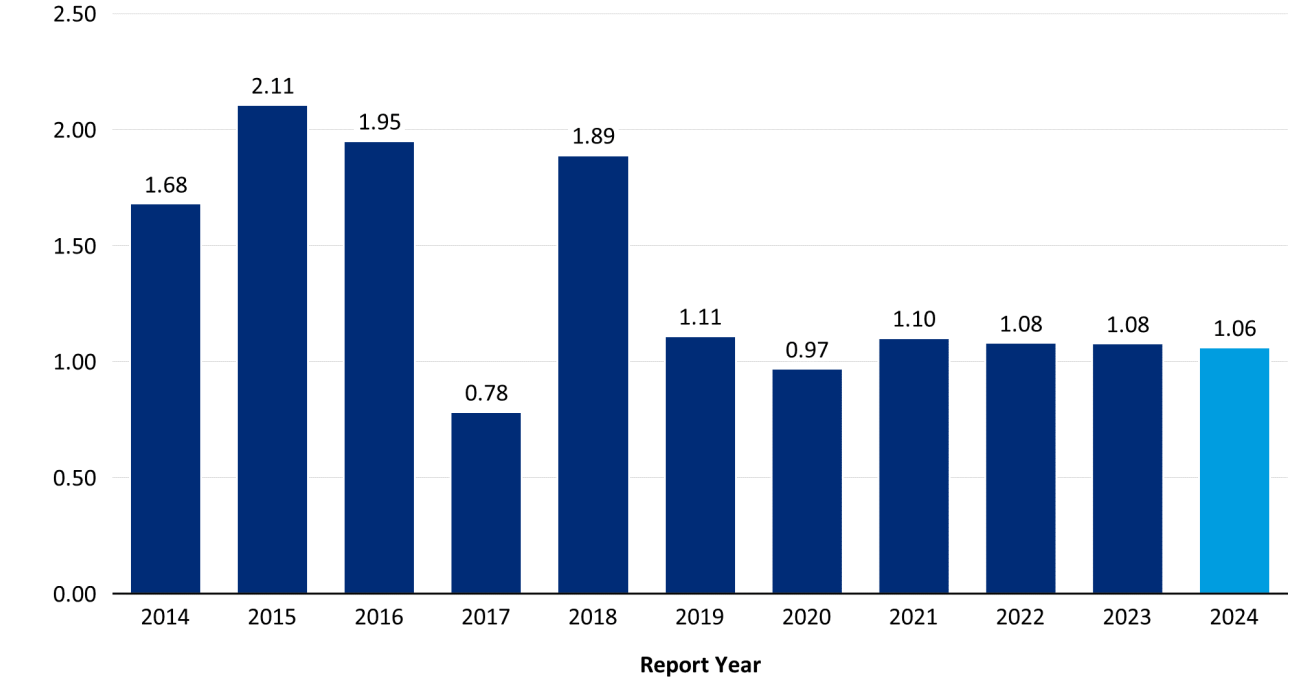
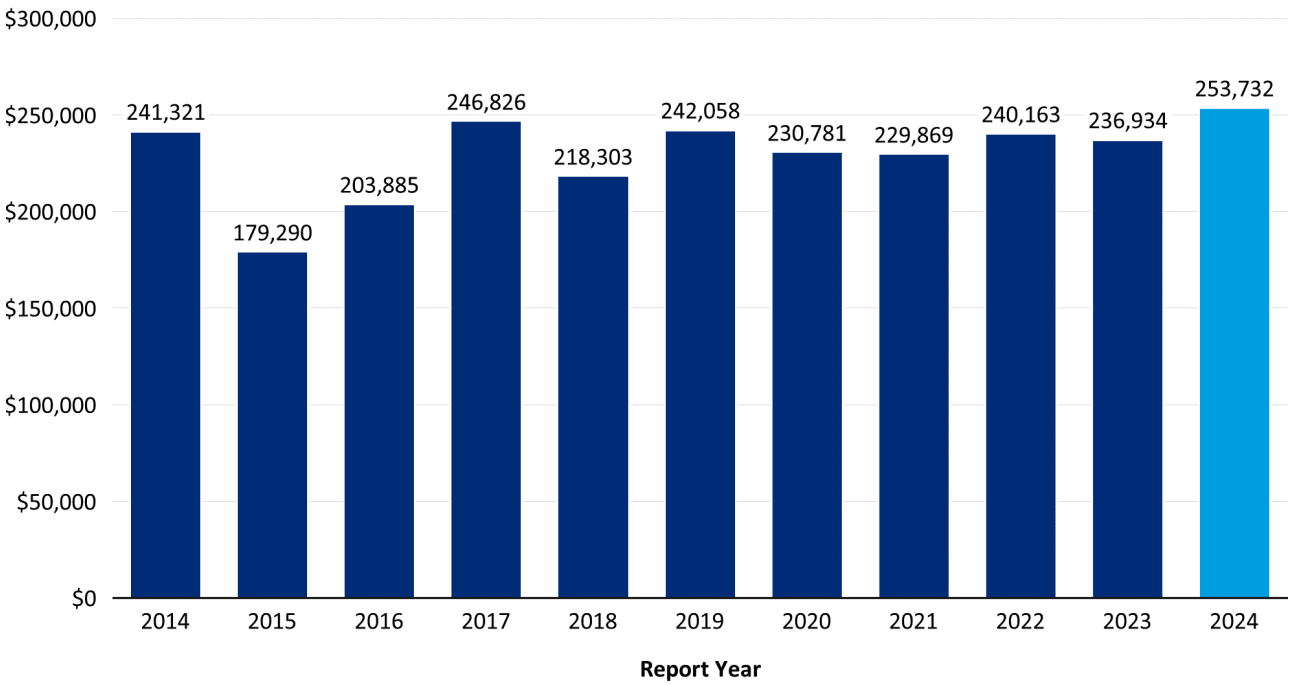


Figure 80: Long-Term Care Pennsylvania Severity



9.14. Texas

Figure 81 through Figure 83 present the loss rate, frequency, and severity for Texas based on roughly 330 closed claim counts with pay greater than $100 in the past 10 report years.

We offer the following observations on the claims experience:

- Severity indications have steadily increased over the past 10 years, but remain consistently lower than the countrywide indications.
- There have been large year-over-year swings in the number of occupied units in the participant data resulting in greater uncertainty surrounding the Texas indications.

Figure 81: Long-Term Care Texas Loss Rate

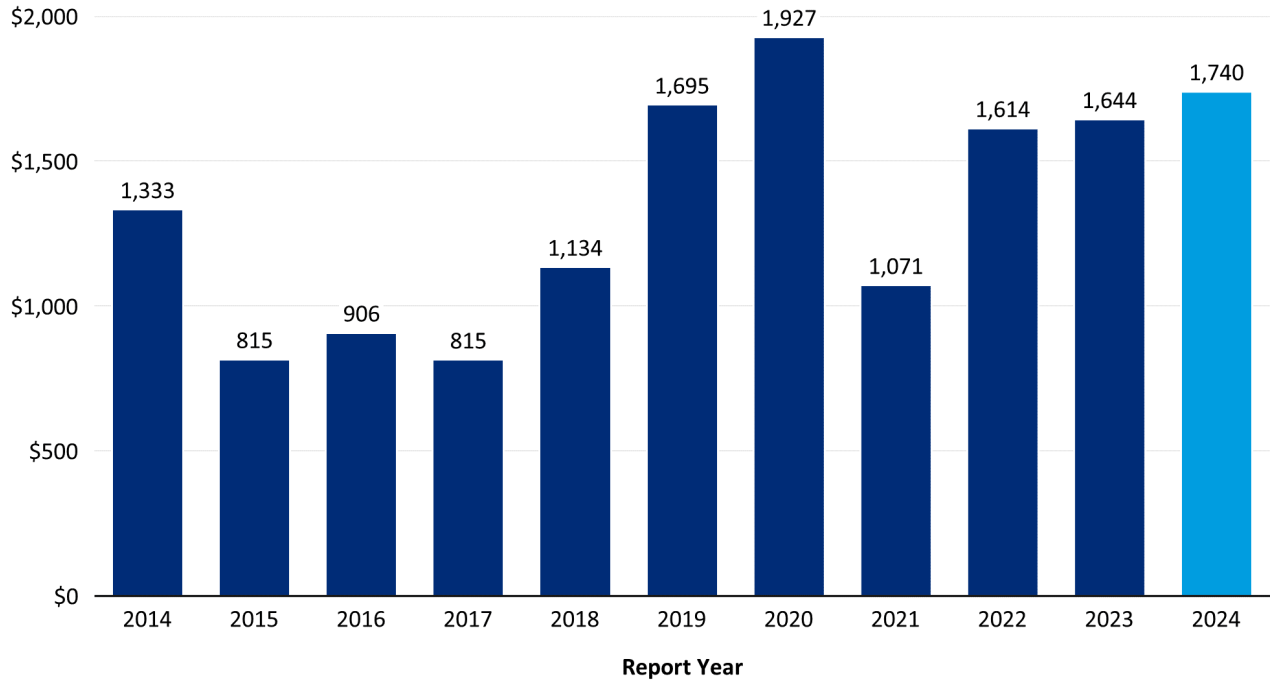


Figure 82: Long-Term Care Texas Frequency

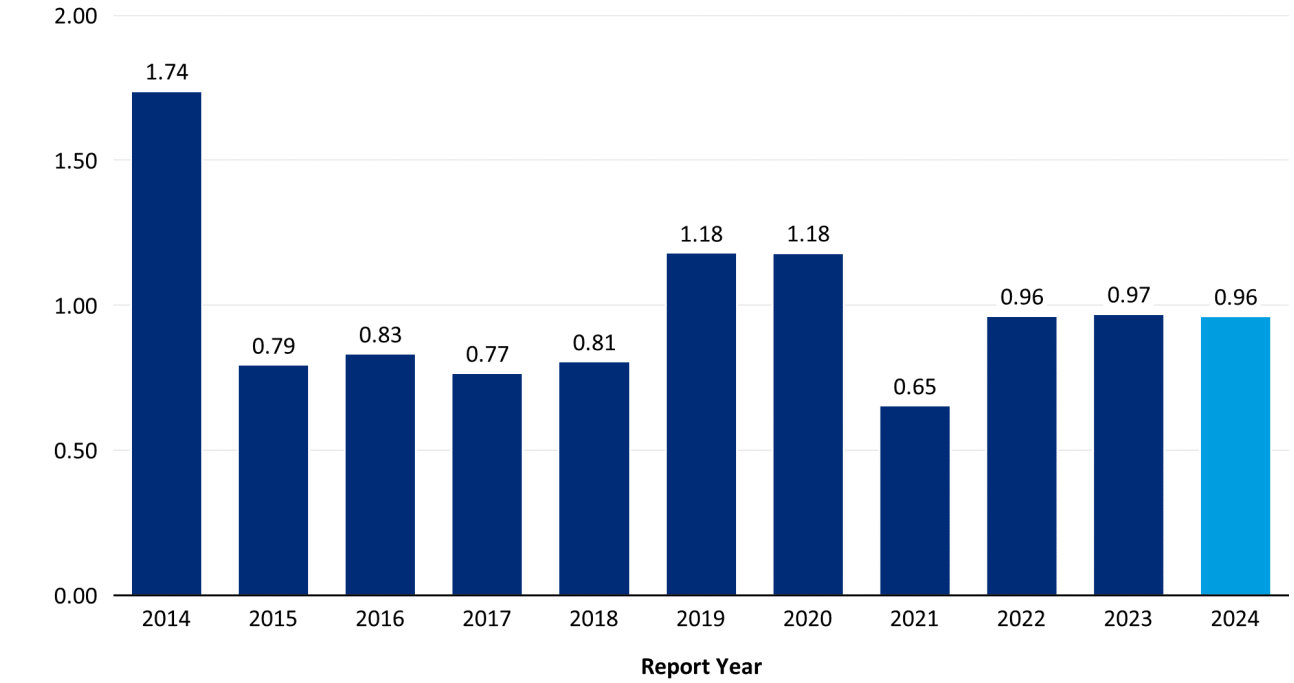
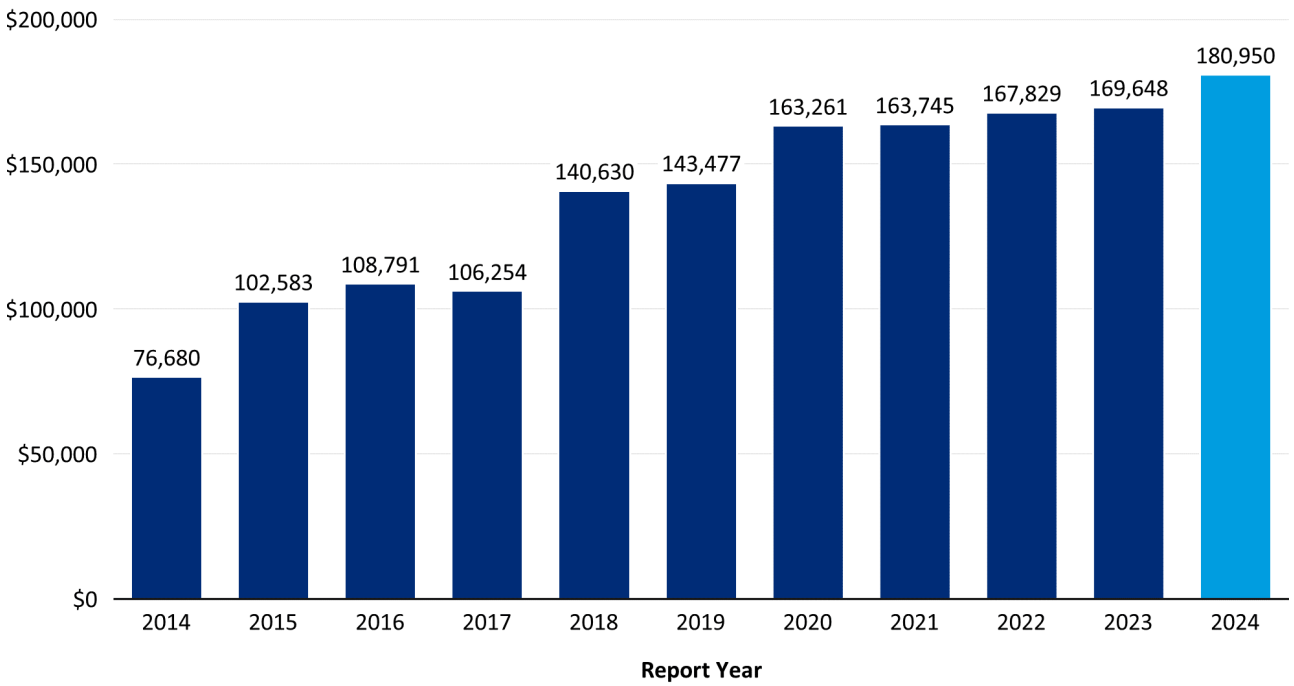


Figure 83: Long-Term Care Texas Severity



R Packages

In developing the analysis documents in this report, we used R and packages included in the R installation (collectively referred to as Base-R).

Citations for Base-R and other packages used in our review are as follows:

- **R Core Team (2020**). R: A language and environment for statistical computing. R Foundation for Statistical Computing, Vienna, Austria. URL https://www.R-project.org/.
- **C. Dutang, V. Goulet and M. Pigeon (2008). actuar:** An R Package for Actuarial Science. Journal of Statistical Software, vol. 25, no. 7, 1-37. URL http://www.jstatsoft.org/v25/i07
- **Rajesh Sahasrabuddhe (2020). phillyR**: Utilities for the Philadelphia P&C practice of Oliver Wyman Actuarial Consulting. R package version 0.1.3.
- **Hadley Wickham (2019). stringr:** Simple, Consistent Wrappers for Common String Operations. R package version 1.4.0. https://CRAN.R-project.org/package=stringr
- **Oliver Wyman Actuarial Consulting and Bryce Chamberlain (2020). easyr:** Helpful Functions from Oliver Wyman Actuarial Consulting. R package version 0.5-2. https://CRAN.R-project.org/package=easyr
- **Gábor Csárdi and Rich FitzJohn (2019). progress:** Terminal Progress Bars. R package version 1.2.2. https://CRAN.R-project.org/package=progress
- **David Robinson (2020). fuzzyjoin:** Join Tables Together on Inexact Matching. R package version 0.1.6. https://CRAN.R-project.org/package=fuzzyjoin
- **Kirill Müller (2020). here:** A Simpler Way to Find Your Files. R package version 1.0.0. https://CRAN.R-project.org/package=here
- **Garrett Grolemund, Hadley Wickham (2011). Dates and Times Made Easy with lubridate.** Journal of Statistical Software, 40(3), 1-25. URL https://www.jstatsoft.org/v40/i03/.
- **Bryce Chamberlain, et al (2019). owactools**: R Codebase for Oliver Wyman Actuarial Consulting. R package version 1.9.40.
- **Markus Gesmann, Daniel Murphy, Yanwei (Wayne) Zhang, Alessandro Carrato, Mario Wuthrich, Fabio Concina and Eric Dal Moro (2020). ChainLadder:** Statistical Methods and Models for Claims Reserving in General Insurance. R package version 0.2.11. https://CRAN.R-project.org/package=ChainLadder
- **Hadley Wickham, Romain François, Lionel Henry and Kirill Müller (2020). dplyr**: A Grammar of Data Manipulation. R package version 1.0.2. https://CRAN.R-project.org/package=dplyr
- **Winston Chang, (2014). extrafont:** Tools for using fonts. R package version 0.17. https://CRAN.R-project.org/package=extrafont
- **Dan Murphy (2013). mondate:** Keep track of dates in terms of months. R package version 0.10.01.02. https://CRAN.R-project.org/package=mondate
- **H. Wickham. ggplot2:** Elegant Graphics for Data Analysis. Springer-Verlag New York, 2016.
- **Hadley Wickham and Jennifer Bryan (2019). readxl:** Read Excel Files. R package version 1.3.1. https://CRAN.R-project.org/package=readxl
- **Stefan Milton Bache and Hadley Wickham (2020). magrittr**: A Forward-Pipe Operator for R. R package version 2.0.1. https://CRAN.R-project.org/package=magrittr

Conditions and Limitations

Data Verification – For our analysis, we relied on data and information provided by multiple participants without independent audit. Though we have reviewed the data for reasonableness and consistency, we have not audited or otherwise verified this data. Our review of data may not always reveal imperfections. We have assumed that the data provided is both accurate and complete. The results of our analysis are dependent on this assumption. If this data or information is inaccurate or incomplete, our findings and conclusions might therefore be unreliable.

Exclusion of Other Program Costs – The scope of the project does not include the estimation of any costs other than those described herein. Such ancillary costs may include unallocated claims adjustment expenses (UCAE); excess insurance premiums; the costs of trustee, legal, administrative, risk management and actuarial services; fees and assessments; and costs for surety bonds or letters of credit pertaining to claim liabilities.

Rounding and Accuracy – Our models may retain more digits than those displayed. Also, the results of certain calculations may be presented in the exhibits with more or fewer digits than would be considered significant. As a result, there may be rounding differences between the results of calculations presented in the exhibits and replications of those calculations based on displayed underlying amounts. Also, calculation results may not have been adjusted to reflect the precision of the calculation.

Unanticipated Changes – We developed our conclusions based on an analysis of the data provided by multiple participants and on the estimation of the outcome of many contingent events. We developed our estimates from the historical claim experience and covered exposure, with adjustments for anticipated changes. Our estimates make no provision for extraordinary future emergence of new types of losses not sufficiently represented in historical databases or which are not yet quantifiable. Also, we assumed that each participant will remain a going concern, and we have not anticipated any impacts of potential insolvency, bankruptcy, or any similar event.

Internal/External Changes – The sources of uncertainty affecting our estimates are numerous and include factors internal and external to each participant. Internal factors include items such as changes in claim reserving or settlement practices. The most significant external influences include, but are not limited to, changes in the legal, social, or regulatory environment surrounding the claims process. Uncontrollable factors such as general economic conditions also contribute to the variability.

Uncertainty Inherent in Projections – While this analysis complies with applicable Actuarial Standards of Practice and Statements of Principles, users of this analysis should recognize that our projections involve estimates of future events and are subject to economic and statistical variations from expected values. We have not anticipated any extraordinary changes to the legal, social, or economic environment that might affect the frequency or severity of claims. For these reasons, we do not guarantee that the emergence of actual losses will correspond to the projections in this analysis.

Glossary

Accident Period

The period in which the event giving rise to a claim occurred, regardless of when the claim is reported.

Actuarial Central Estimate

An estimate that represents an expected value over the range of reasonably possible outcomes. Such a range of reasonably possible outcomes may not include all conceivable outcomes.

Allocated Claims Adjustment Expense (ACAE)

Expense costs associated with the handling and settling of an individual claim that can be directly attributed to the particular claim. Fees paid to outside defense attorneys and investigation firms are examples of this expense cost.

Case Reserves

The unpaid claim estimates established by adjusters on an individual claim basis.

Claim

A demand for payment under the coverage provided by a plan or contract. As used throughout this Glossary, it also includes suits, potentially compensable events, notifications, and unasserted claims.

Claim Frequency

The number of claims that occur over a period of time per unit of exposure.

Claim Reporting Pattern

The rate at which claims are assumed to be reported over time.

Claim Severity

The average cost per claim.

Claims-Made Insurance Coverage

Insurance coverage for claims reported during the policy period regardless of the date the event occurred (subject to a retroactive date that defines the earliest occurrence date that is covered and other policy terms/conditions).

Claims-Made Period

The period in which the claim arising from an event is considered to be reported under the terms of the claims-made insurance coverage.

Development

The change between valuation dates in the observed values of certain fundamental quantities that may be used in the unpaid claim estimation process.

For example, the number of reported claims associated with events occurring within a particular period will change from one valuation date to the next until all claims have been reported. Similarly, the paid claim amounts for events occurring within a particular period will change from one valuation date to the next until all claims have been reported and closed. The change in the number of reported claims or the change in the paid claim amounts is referred to as development. The concept of development also applies to reported incurred losses.

Estimated Ultimate Claims

The estimated cost of claims during a period. Ultimate incurred claims represent the total of paid claim amounts, case reserves, and incurred but not reported (IBNR).

Exposure

A measure of the underlying potential for claim costs.

IBNR

The unpaid claim estimate for: (a) events that have occurred for which claims have not been reported as of the accounting date, (b) future development of the case reserves, (c) claims that have been reported but not yet recorded in the loss listing, and (d) claims that have been closed but that will be reopened.

Loss Rate

The cost needed to pay indemnity or expense per occupied unit.

Occurrence Insurance Coverage

A policy that provides coverage for all claims arising from events that occur during the policy period, no matter when they are reported.

Occurrence Period

The period in which the event giving rise to a claim occurred, regardless of when the claim is reported.

Paid Claims

The total aggregate dollar amount paid on all reported claims as of a certain date.

Payment Pattern

The rate at which claims are paid over time.

Recorded Claim Reserve or Liability

The provision for unpaid claim amounts shown in a published financial statement or in an internal statement of financial condition.

Report Date

The date on which the claim is reported or recorded (in practice, it is often taken to be the recorded date).

Report Period

The period in which a claim is reported, regardless of the time period in which the event occurred.

Reported Incurred Claims Amount

The total of paid claim amounts and case reserves.

Subrogation

Recoveries from a third party responsible for the event for which a claim has already been paid.

Tail or Unreported Claims Estimate

The unpaid claims estimate for events that have occurred for which claims have not been reported as of the accounting date.

Unallocated Claims Adjustment Expense (UCAE)

Claim adjustment expenses that cannot be attributed to an individual claim. Typically includes salaries, utilities, and rent apportioned to the claim adjustment expense function but not readily assignable to specific claims.

Valuation Date

The date through which transactions are included in the data used in the unpaid claims estimate analysis. The valuation date for this review is December 31, 2023.

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