

*Management, Operations & Technology*

**Is There Only One Way  
to Operationalize  
an Inforce Rate Increase?**

March 27, 2017  
Jacksonville, Florida



**17th Annual Intercompany Long Term Care Insurance Conference**

# Operationalizing an Inforce Rate Increase



## **Moderator:**

Jodi Anatole: President, Endeavour Consulting

## **Panel Members:**

Mary Ann Beliveau: AVP, UNUM

Bill Comfort, Broker, Comfort LTC

Beth McCoy: Head of Business Capability Development, Capgemini

# Approach to Today's Session



- Things to Consider
- Types of Offers
- Communications Timelines
- Communications Best Practices
- Case Study



# Things to Consider

# Things to Consider



- Implement rate increase while in claim
- Implement rate increase based on benefit level or combination of benefits
- Timing of periodic inflation offer and rate increase effective date
- Multi-phased approach – implement approved rate increase in several yearly steps
- Rate guarantees – group customer and certificate level (Delaware)

# Things to Consider Cont'd



- Group vs Individual vs Multi-Life philosophy:
  - Group packaged plans
    - One rate for the total package
    - Less benefits to reduce
  - Individual
    - Rating at age / benefit level – cost for base policy and rider priced separately
    - Many ways to reduce benefits
  - Employer paying for all or portion of coverage



- Consider timing of policy change activity with billing. Perform change as of rerate effective date vs. receipt of change request
- Commissions impact
  - Operational implications if rate increase premium treated differently
  - Contractual requirements
  - Based on plan changes, not only decreased premium amount but comp schedule changes as well.



- NFO and CNFO
  - Offer NFO to everyone
    - New Mexico: cannot offer NFO to everyone – only those that have significant CNFO increase (State views this as forcing PH's to lapse)
- Partnership Status
  - Disclaimers in notification
- Control Reports
  - Old and New Modal Premium Amounts
  - Timing
  - Capacity planning





# Types of Offers

# Alternative Benefit Quotes (ABQ)



- **Standard Changes:**
  - Reduce Daily Benefit Amount (or monthly)
  - Reduce BP / Lifetime Maximum Amount
  - Reduce Elimination Period
  - Drop / Terminate Riders
  - Non-forfeiture Option
- **Inflation Changes:**
  - Decrease Inflation:
    - Apply back to original issue date: buy additional benefit amount
    - Change contract inflation option (% or Comp/Simple)
    - Adjusted back to issue
  - “Drop & Freeze”
    - No loss of previous increases-no future increase
  - “Landing Spot”
    - % changes for future increases, no loss of previous increases
- **Combinations:**
  - Policyholder selects decreased BP, system determines new, lower DBA based on current premium amount

(Some states don't allow ABQ's (NM))

# Example – Landing Spot



## Description:

- Lower future annual inflation rate on a go forward basis
- Maintain previous increases already applied at higher inflation rate
- Avoid increase altogether and maintain current premium
  - ➔ In tiered states, policyholders avoid all scheduled installments
  - ➔ For less than full approvals, policyholders avoid future authorized increases up to the original nationwide request\*

## Annual Costs:

<b>Cost of Current Coverage</b> (before the premium increase)	<b>\$1,929.03</b>
<b>New Premium</b> (if you make no changes)	<b>\$2,409.35</b>
<b>Cost of Coverage if you change inflation benefit from 5.0% to 3.0%</b>	<b>\$1,929.03</b>

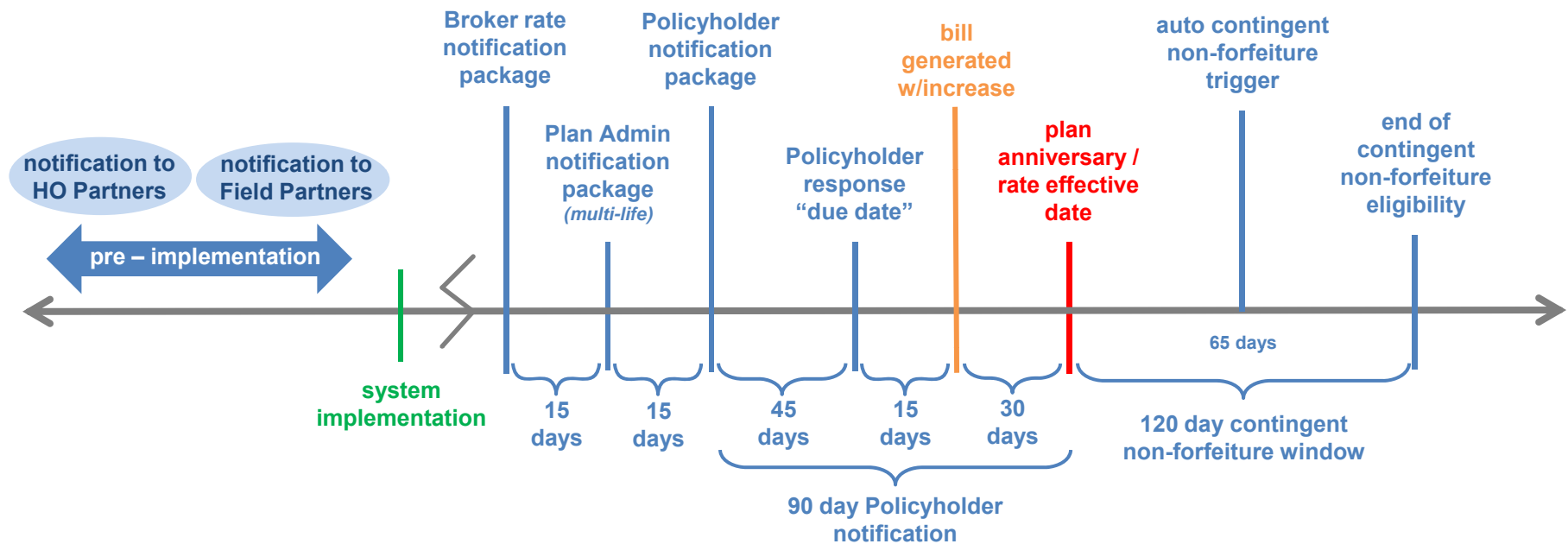
*\* This is dependent on specific state approval*



# Timelines

# External Communication Timeline – ILTC

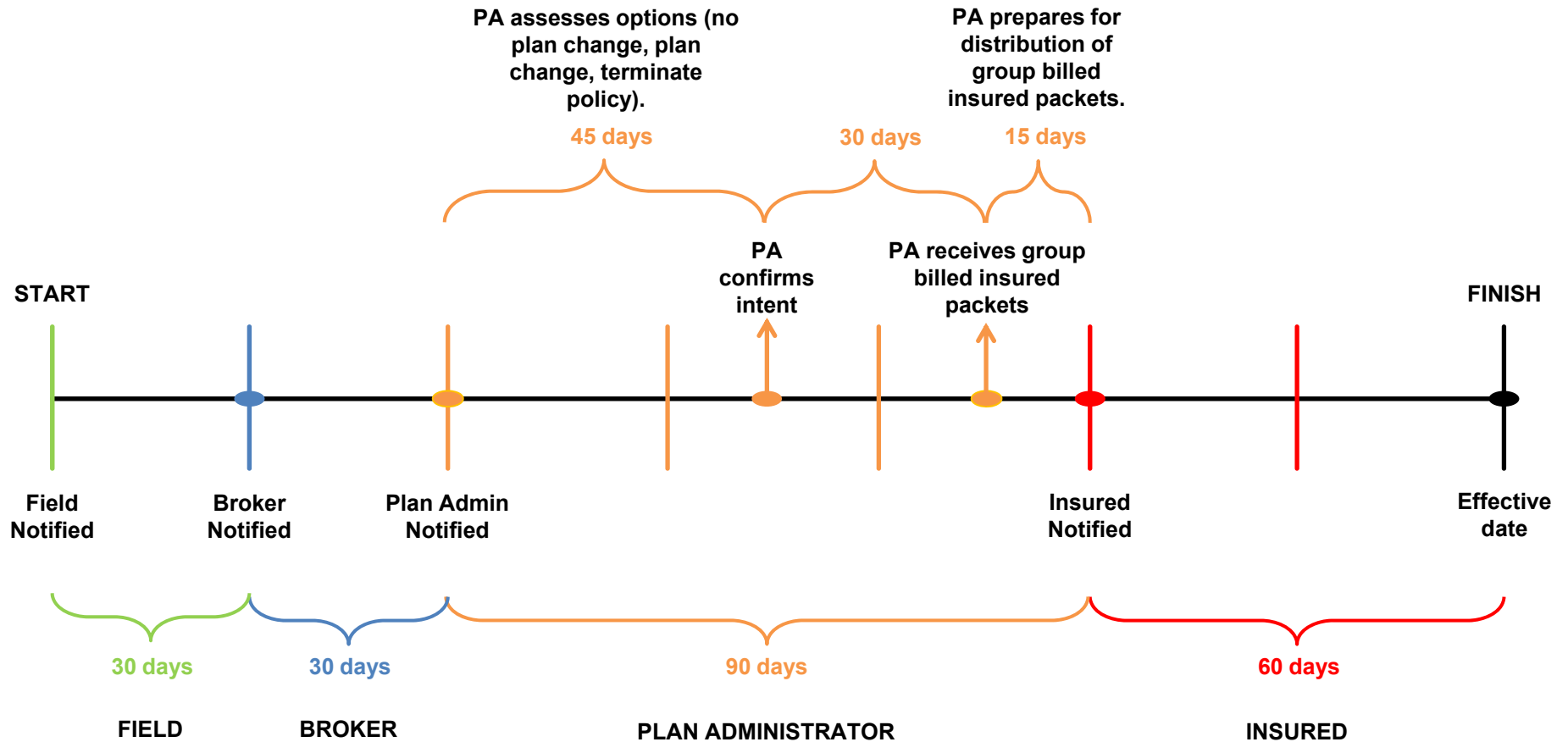
Ongoing cycle driven by Insured's plan anniversary



Is There Only One Way to Operationalize an Inforce Rate Increase?

# External Communication Timeline – GLTC

Ongoing cycle driven by Group's plan anniversary



*(The communication campaign from start to finish is approximately 7 months.)*



# Communications Best Practices



- Simple, clear, & direct
  - Usually none of the above
  - WE agonize over the language
  - Policyholders (partially) read 1x & freak out
- Write for reaction
  - Consider visual design
    - Highlight key information, options, deadlines
  - Order for response, not disclosure
  - Minimize legalese / regulatory language



# What DOESN'T Work



- Long paragraphs
- All one font, no bold
- Overly-legal
- Illogical flow
  - Have to search/combine for full answer
- Confusing (or too many) options
- False deadlines
  - Carrier convenience should not rule



- What
  - & when effective
- Why
  - Keep it simple, write for laymen
  - Context
- How
  - One time or multiple / tiered.
- When
  - Change decisions.
  - Make the lead. Repeat.



- Required action / deadline; clear, repeated
- Simple declaration of the increase amount
  - % and policyholder-specific \$ impact
  - If phase-in, illustrate every year's increase
- Clear options & deadlines
  - Two + clear disclosure that others available
- Inflation Landing Sports
  - Very attractive, good value, simple



## All-at-once vs. Rolling (pol. effective date)

- All-at-once = carrier-friendly
  - Confusing for policyholders
  - Creates “false” deadlines
- Rolling = policyholder-friendly
  - Ideally 2-stage:
    1. General notice when approved by state
    2. Individual notice ahead of policy increase



- Good to offer, even if not legally required as CNFO
- Respectful
- Rarely used
- Helps present comparative value vs. accepting increase or modifying coverage
- Don't be afraid of "false" anger
  - Clients are angry anyway
  - If not required by contract, say so

## Other Information?



- Cost of care
  - This can be misleading
  - No way to match with client's original benefit decisions & other financial resources
  - If required, provide a “caveat” / context
- Agent/broker as a partner
- Agent best practice:
  - Illustrate new premium for new purchase at original issue age & benefits



# Case Study

## Case Study – Multi-Life Group



- Issued 12/2007
- 42 total lives – 2 different states
- \$117,795 issued annual premium
- \$ 60,494 ER-paid base premium
  - \$150/daily indemnity benefit
  - 5 year Total Lifetime Benefit
  - 5% automatic compound inflation
- Voluntary buy-ups
  - Spouse, additional benefits, limited-pay



# Case Study – Rate Increase



- Announced 2012
- Effective 12/2015 at renewal
- State #1
  - 58% over 3 years
    - 20% 2015
    - 20% 2016
    - 9.7% 2017
  - Employer & Employee communication each year
- State #2
  - 58% one time - 2015

# Case Study – Employer Impact



- ER-paid base plan, annual cost (3-step increase):
  - Issued: \$60,494
  - 1. With first 20% increase: \$72,592
  - 2. With second 20% increase: \$87,111
  - 3. With third increase of 9.7%: \$92,267
- ER-paid decision:
  - Maintain original premium OR maintain \$150/DBA if higher
  - 1. \$220 to \$180
  - 2. \$180 to \$150
  - 3. ER pays 9.7% increase
- Agent-illustrated Employee option to pay the difference.

## Case Study – Communication Issues



- Do the employer and employees make an “all-at-once” change, or over 2-3 years?
- If over 2-3 years, new benefit communication & decision needed each year/step.
- What if reset 3-step all-at-once & claim in first couple years?
- Who designs employee communications?
  - Agent
  - Should be customized to each employee