Finance, Management & Operations

Successful Partnering with Actuarial

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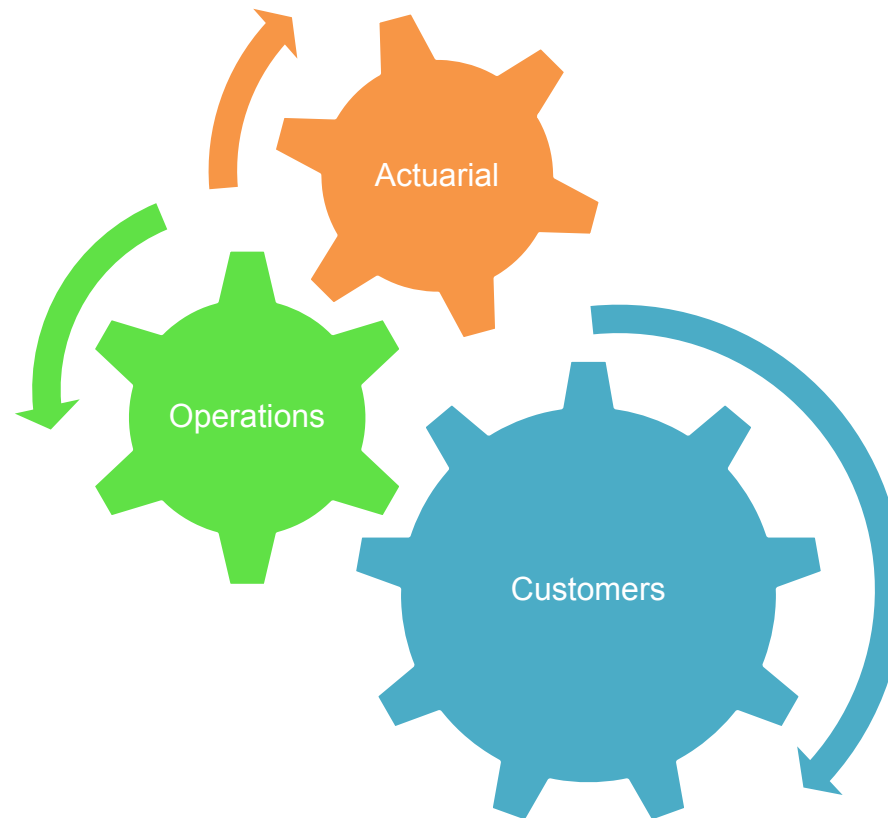**15th Annual Intercompany Long Term Care Insurance Conference**
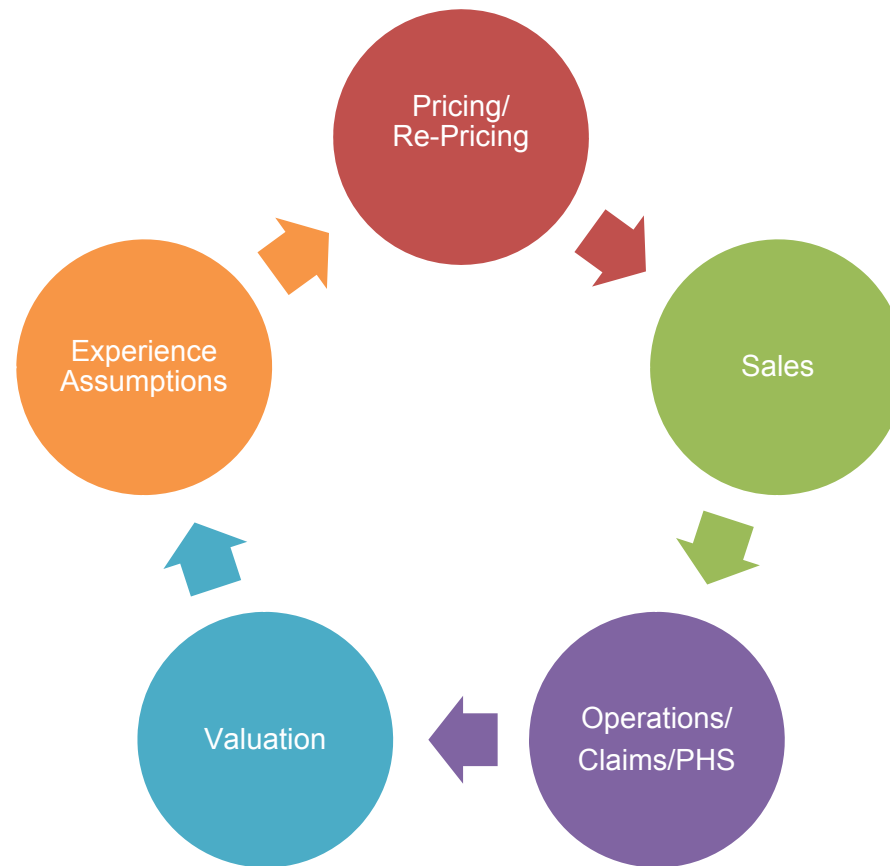
Operations

Actuarial

We are parts of the engine. The customers need each part to work together.

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To become better partners, understand how the work impacts each step.

Operations has information Actuarial needs:

- How, when & why claims are opened & closed

- How, when & why money is paid

- How, when & why a claims process was changed

- Operations can tell Actuarial how things "really work"

Actuarial has information Operations needs:

- Claim count and payout projections
  - Operations needs for budgeting and workflow management.

- In-depth claims information
  - Examples: Demographic trends, State specific data, trends in average payouts per claim, etc.

- Impact of claims on income/capital.

- For each area to learn from the other, it is vital for each to understand the language the other uses.

- Example – definition of "open claim":
  - To Operations, this may mean a *potential* claim that needs to be reviewed for benefit eligibility.

  - To Actuarial, this may mean an *approved* claimant who is payment-eligible.

- Original process:
  - Send letter to family requesting death certificate.
  - If there is a reply, terminate policy as of date of death.
  - If there is no reply, let policy lapse for non-payment of premium.

- New process:
  - Check Social Security Death Master File.
  - If there is a match, verify against a second credible source.
  - If verified, terminate policy as of date of death.

- Why would this result in a change in claim morbidity reports & an upset Actuarial team?
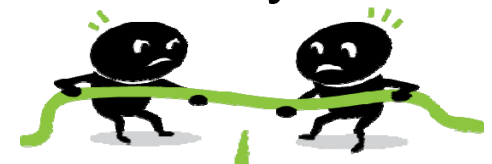
- Actuarial had to restate exposure in "actual vs. expected claims" reports.

- Changes to in-force changed "actual vs. expected" for prior periods as far back as 8 years!

- As a result, team formed to share operational and data changes that may impact Actuarial.

- Helps both sides avoid unpleasant surprises!
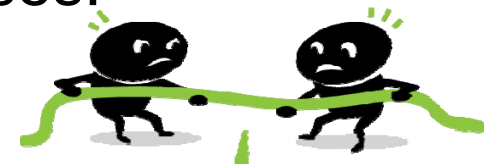
- Possible new field tool to determine claim approvals. ➔ Potential impact on financial bottom line.

- Risk analysis conducted by Claims and Actuarial team.

- After rollout, all aspects were monitored both by Operations and Actuarial teams.

- Collaborative effort by Actuarial & Operations which yielded excellent results!

- Old process:
  - In order to allow for back payments, Operations typically set incurred date back 1 year from claim notice date.
  - Actuarial did not use Operations' incurred dates (deemed unreliable). Estimated separately.

- Improved process:
  - Operations sets incurred date to earlier of start of eligibility or 3 months back from claim notice.
  - Actuarial reported minor, expected reserve impact at change date.

- Actuarial and Operations are more confident in the incurred dates recorded!

- Operations sets incurred date on all future (new) claims to same date as original (first) claim if policy does not have Restoration of Benefits:

    - Reduces chance for overpayments in claims system **_but_**

    - Actuarial needs true incurred date for each new claim for accurate reserving (age and duration).

    - If Actuarial uses Operations' incurred date, reserves will be overstated!

- Partnering solutions:
  - Monthly meeting discussing specific cases:
    - Actuarial adjusts incurred date in its reserve calculations
    - Operations manually adjusts claim system to prevent overpayments
  - Operations is adding controls to limit potential for overpayments ➔ Processors can be more confident in setting different incurred date on subsequent claims.

- Actuarial requested Operations review claims for possible closure after 4+ months of no payments.

  – Operations did not otherwise review/audit stale claims for possible closure. Reacted to Actuarial prompting.

  – Actuarial reserve calculations include factors recognizing number of months elapsed without payment.

- Operations began to review facility claims with no payments in 3+ months for possible closure.

  – Operations wants to be proactive, not just reactive to Actuarial requests.

  – Discussed concept with Actuarial but did not specify implementation date.

  – For joint policies and recoveries, speeds up WOP removal & increases premium income.

  – Allows release of unnecessary claim reserves one month earlier.

- Partnering Solutions:
  - Actuarial was caught off guard. Did not realize Operations was moving forward with change.
  - Actuarial needed to change factors in its reserve calculations.
  - All agreed benefits of new process were worthwhile but better communication is key!

- Actuarial applies algorithm to eliminate claims from reserve that it believes have reached maximum benefit.
  - Did not share their algorithms or question Operations as to why these claims were open on their system.
  - Resulted in claim overpayments.

- Partnering solutions:
  - Operations audit of claim reserve file identified discrepancy in claim count and worked with Actuarial to understand root cause.
  - Actuarial shared its algorithm with Operations to mimic.
  - Claims overpayments for this reason are much lower!

- Share data and how it is being used.
- Meet regularly to:
  - Build relationships
  - Understand each other's processes
  - Discuss issues/concerns and possible solutions
  - Advise of upcoming changes
- Discuss openly if something doesn't seem right.
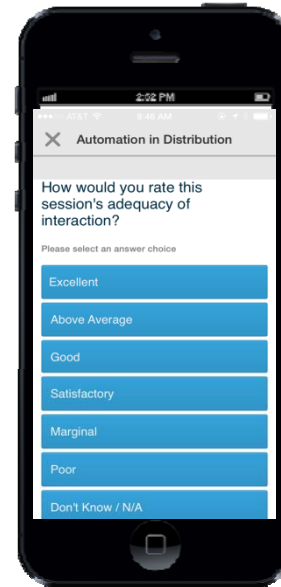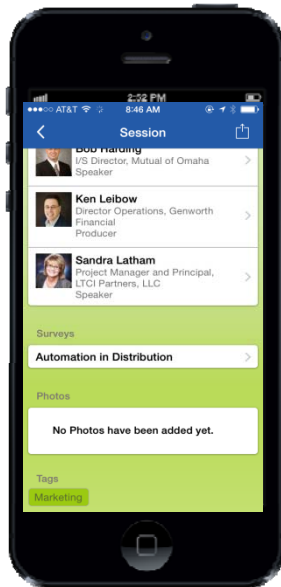- Help each other achieve goals!
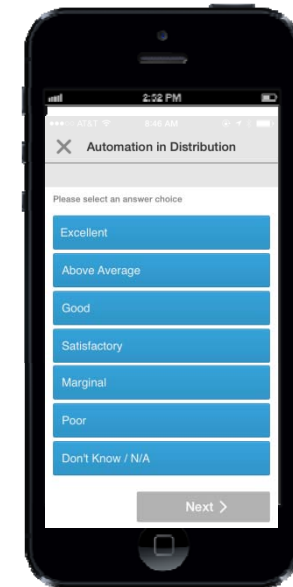
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