*Claims & Underwriting*

# 1+1≠2, the Challenges of Underwriting Combo Life-LTC Policies

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ILTCI

16th Annual Intercompany Long Term Care Insurance Conference

# Session Objectives

- Why Combination products?
- Combination product overview
- Underwriting process
- Best practices for Medical Department Referrals
- Case Studies
- Questions

# Case #1

## 67F, Premium $10K x 10 yrs; Face $115K; LTC 6 years ($345K), non-smoker

- **Application**
  - Clean application; 5' 2" 136#

- **Phone interview**
  - MCAS + 0.51; retired teacher
  - Medications for lipids, depression, blood pressure and osteoporosis
  - Colonoscopy 2007 – sigmoid diverticulosis; last labs WNL except cholesterol elevated, Osteoporosis stable; has had depression and anxiety for years but managing fine; HTN but does not know last BP reading

# Case #1 continued

## 67F, Premium $10K x 10 yrs; Face $115K; LTC 6 years ($345K), non-smoker

- **Medical Records (APS)**

-July 2015- LOV CPE: BP 150/80. Taking Lisinopril EKG- NL. Moderate anxiety. MMSE: scored 30/30; DEXA – Stable from last testing -3.0 LS – Calcium/Vit D

- 2008: Longstanding history of depression/anxiety, having increased stress w/insomnia; prior noted history of alcohol and drug abuse – no current use Treated with Wellbutrin and Zoloft

-1999: questionable TIA/migraine due to blurry vision. MRI and carotid doppler were negative. Repeat MRI in 2004 was "stable", CT scan of brain in 2011 was negative but MRI indicated white matter demyelination

- Hyperlipidemia – cholesterol in July 2015 231; Taking Zetia

- 2006 Nuclear stress test - negative

- 2011 chest CT: 2 pulmonary nodules with mild scarring; no suspicious lesions; PFTs normal

# You decide……..

- Is this a good life risk?
- Is this a good LTC risk?
- Would your opinion be different with a single pay vs. multi-pay premium?
- Would you get a medical opinion?
- Would you approve this coverage?

# Growing trends

# Why combo products?

## Traditional LTC products

- One policy – 1 risk
- Use or lose
- Cost/rate increases

## Combo / Hybrid products

- One policy – 2 risks
- Use for either long term care benefit, death benefit or quit
- Exiting carriers

# Combination Products

Overview of Features

- Life insurance base
- Acceleration of death benefit
- Extension of benefits
- Various premium modes
- Return of premium
- Inflation options
- Elimination periods
- International benefits

# Underwriting process

## Fully Underwritten

- More benefits for premium
- Exams
- PHIs
- Medical records
- Lengthy process time
- MIB
- Various classes

## Streamlined Underwriting

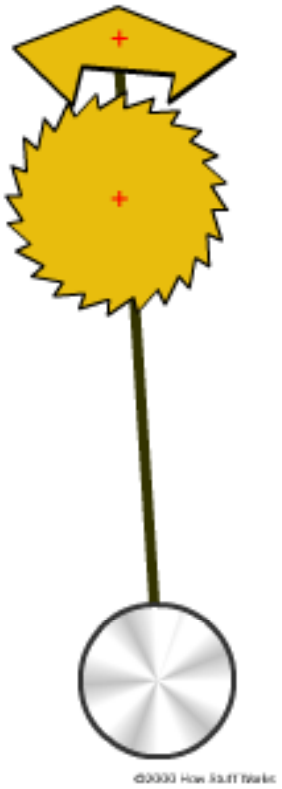
- Short formal application
- PHI
- Cognitive screen
- No exams or medical records
- MIB
- Prescription drug checks
- Shorter process time

# Streamlined Underwriting a Combo product

- Limited details
- Self-reported information
- Client preparation
- Supplemental info

# What have we learned?

- Where is the pendulum swinging now?



# LTC Insurance is not DI or Life Insurance

## The Insurable Event

- Life Insurance → Death
- Disability Insurance → Inability to work
- LTC → Disability and Dependency

(ADL Dependency or Cognitive Impairment)

**Combination Life-LTC**
**Focus on Disability, Dependency and Death**

# Clinical Profile of All Paid LTC Claimants

| Disabling Condition | % Approved Claims* |
|---|---|
| Pure Dementia | 25% |
| Cancer | 13% |
| Stroke | 9% |
| Fractures/Injuries | 7% |
| Arthritis, Rheumatic Disease | 6% |
| Parkinson's Disease | 5% |
| Cardiomyopathy, CHF | 4% |
| Respiratory Disease | 4% |
| Disorders of the Spine | 3% |
| Falls and Gait Abnormalities | 2% |

**Top ten conditions account for 78% of paid claims**

LTCG Underwriting and Claims Data Base 2016

# Clinical Profile of All Paid LTC Claimants

| Disabling Condition | Mean Duration (months) |
|---|---|
| Pure Dementia | 36.2 |
| Cancer | 6.2 |
| Stroke | 30.9 |
| Fractures/Injuries | 23.7 |
| Arthritis, Rheumatic Disease | 24.8 |
| Parkinson's Disease | 29.1 |
| Cardiomyopathy, CHF | 17.1 |
| Respiratory Disease | 15.0 |
| Disorders of the Spine | 27.6 |
| Falls and Gait Abnormalities | 26.2 |

LTCG Underwriting and Claims Data Base 2016

# Risk Management: Life-LTC Underwriting

## Actuarially, where is the underwriting sweet spot?

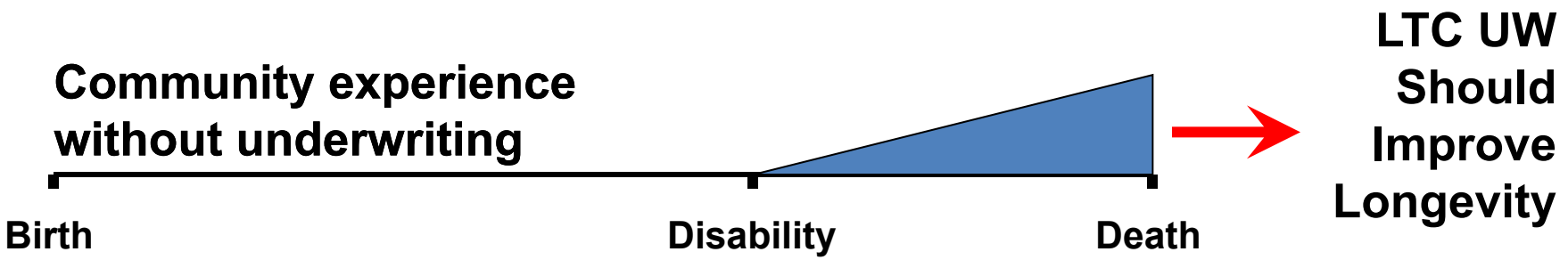
- Percentage of policyholders that receive benefit payments?
  - Only during the acceleration?
  - Also during the extended benefit rider?
  - How many exhaust their extended benefit rider?
- Longevity – how many years before death or LTC claim?
- What is the expected LTC underwriting selection period?
- What are the lapse rate assumptions?
- What is the expected salvage rate

## What we know

- Accelerated Death Benefit → two year elimination period funded by policyholder's cash
- Actuaries seem to have embraced less-than-Standard risks (~table D)
- "Live long, die quickly"

# The Focus of LTC Underwriting

- LTC Underwriting strives to identify excess morbidity
  - Currently disabled
  - Imminently disabled
  - High lifetime risk of future disability
- **Morbidity ∝ Mortality → Mortality should decrease**



# Conundrum of Underwriting and Longevity

**Community experience today**

**What will be the Impact of Life Underwriting on LTC duration?**

**Life is longer, morbidity compressed**

**CANCER**

Increased longevity, shorter duration of disability

**Live longer, delayed morbidity**

**CAD**

Increased longevity, no effect on duration of disability

**Live longer, same onset morbidity**

**AD,OA,RA**

Increased longevity, longer duration of disability

# Combo Life LTC acts like LTC Insurance

**Average Age of Applicants**

Combo LTC-Life: 64.2 years

Long Term Care Insurance: 56.2 years

## Combo Products

- Sold to older individuals
- 'Need' drives sale more than future protection
- More morbidity, more medication
- More specialists, more hospitalizations
- Extremely low lapse rates → very long tail
- Growth in popularity of LTC riders → growing LTC risk

# LTC Underwriting Objectives

**Protect the Risk Pool** (premium stability)

- Select a better than Community Risk Pool
  - Prevent Adverse Selection
  - Identify High Risk Applicants
    - Currently disabled
    - High probability of early disability
    - High lifetime probability of disability
    - High likelihood of an early death
- Maximize Acceptance Rate

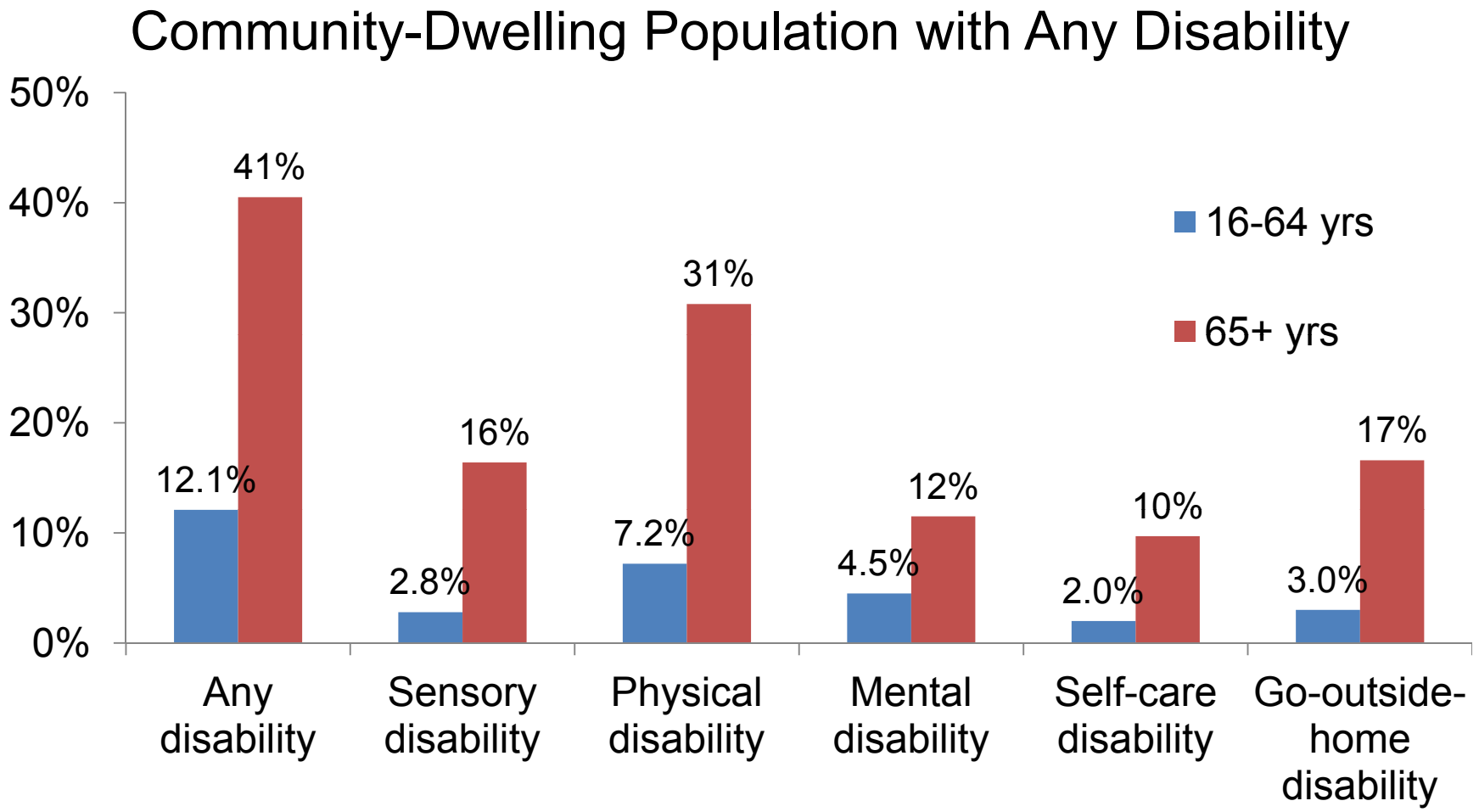
## Goal: Produce a 7-10 Year UW Effect

# Risk Factors New To Life Underwriting

## Unique LTC Risk Factors

- Lifestyle, living arrangement, compliance
- Cognitive status
- Activities of Daily Living
- IADL abilities (IADL impairments herald decline in function)
- Medical Conditions + their impact on function and cognition
  - Current status and level of independence and activity
  - Extent, severity and stability of each condition and potential impact
  - Interaction of comorbid conditions on functional abilities

# Disability is Common




Source: U.S. Census Bureau, 2005 American Community Survey

# LTC Risk Factors Are Also Common

## Applicants older than 65 years of Age

- Arthritis:  48% of applicants
- Cancer: 21% of applicants
- Osteoporosis:  54% of female applicants
- Diabetes and/or hypertension: 16% of applicants
- Stroke, TIA, coronary artery disease also prevalent
- Dementia or memory loss:  3.8% applicants

LTCG LTC Underwriting Data Base 2016

# Asymmetry of Information

| | Admitted in Application | Found only in Medical Record |
|---|---|---|
| Diabetes | 82.1% | 17.9% |
| Stroke/TIA | 32.0% | 68.0% |
| Fractures | 45.7% | 54.3% |
| Hypertension | 82.4% | 17.6% |
| Imbalance | 2.8% | 97.2% |
| Falls | 10.8% | 89.2% |
| Memory Issues | 13.0% | 87.0% |

Minimum 400 Cases

LTCG LTC Underwriting Data Base 2016

# Why do We Assess Function?

## Applicants admit on their applications

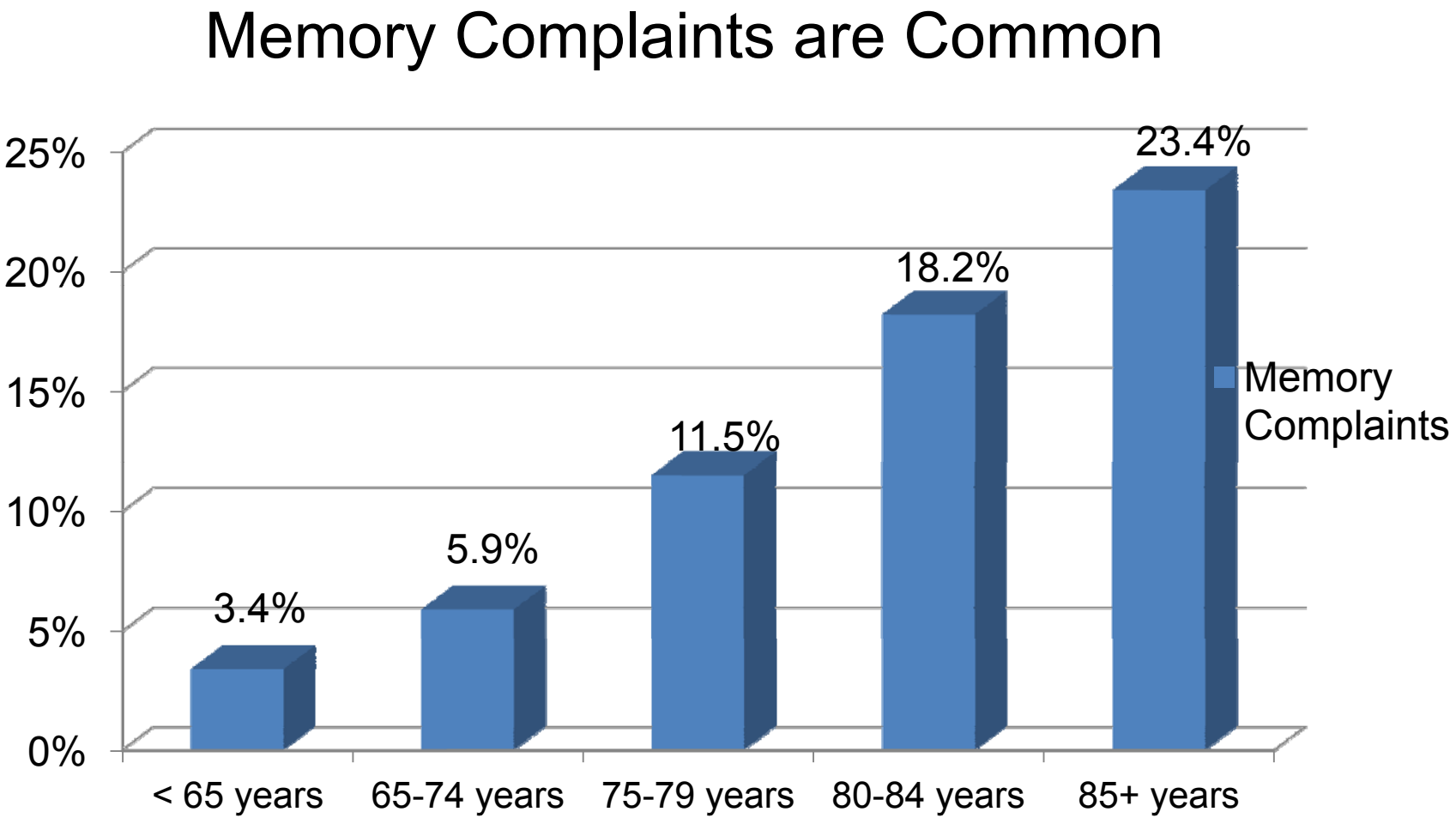
- No regular exercise: >35%
- Does not drive: >7%
- Relies on someone else for IADL:  >12%
- **Potentially disabling chronic condition: >37%**

## Physicians document in medical records

- Focused on activity and severity of disease
- Little info on impact of disease on function, little info on impact of disease on independence, very little info on cognition

LTCG LTC Underwriting Data Base 2016

# Screening for Cognitive Impairment

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# Cognitive Impairment

Number one claimed event in LTC in USA

- By frequency, by average cost, by duration
- Pure dementia represents ~25% of new claims
- Cognitive impairment accounts for >35% of new claims
- Cognitive impairment underlies close to 40% of ongoing LTC claims at 24 months
- Open cognitive claim duration creeping above 36 months
- Open LTC claim now more than $98,000

LTCG LTC Claim Data Base 2016

# Cognitive Impairment - Impact on Mortality

Dementia: a substantial impact on life expectancy

- Survival from diagnosis: range 4-9 years
- Survival Time, women diagnosed at age[1]
  - Age 65 years: 7.5 years
  - Age 70 years: 5.8 years
  - Age 80 years: 4.4 years
  - Age 90 years and older: 3.9 years
- Men approximately 20-25% shorter survival times
- Canadian study – median survival 6.6 unadjusted years
- No apparent prolonged survival effect from cholinesterase inhibitors

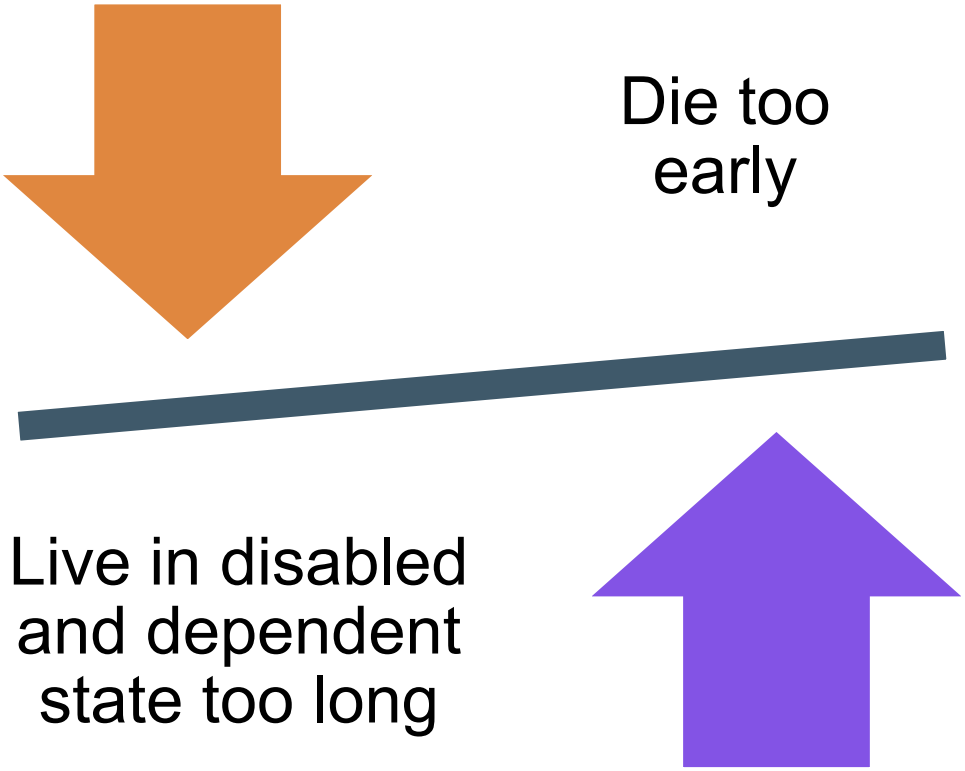
[1]Xie, J, et.al., Survival times in people with dementia. British Medical Journal, Online bmj.39433.616678.25, January 2008.

# A Merger of Risk Management Sources

**An underwriter will always want more than less RMI**

- Comprehensive application or tele-application with reflex questions
- Age-based assessment of function
- Age-based assessment of cognition
- Medical records
- Rx history
- MIB
- Fluids
- DMV records
- Credit scores

## Balance Life and LTC Risks



# Key Combo Underwriting Risk Factors

**Balance between Mortality and Morbidity**

- Diagnosis: extent, severity, stability of each condition
- Interaction of comorbid conditions
- Height-weight (BMI), lifestyle, living arrangement
- Cognitive status
- Functional status
  - Current ADL abilities
  - IADL abilities
  - Current level of activity and independence
  - Past history of ADL disability

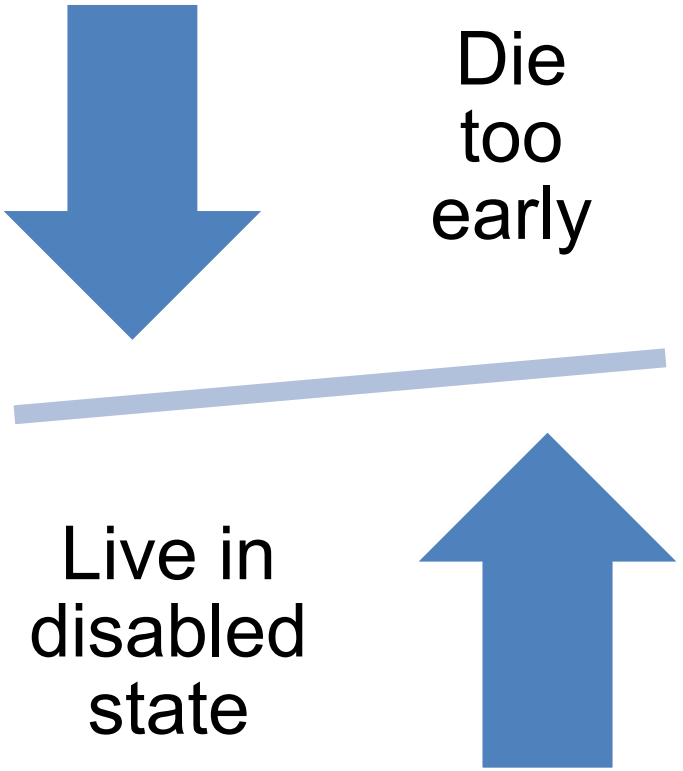
# Combo Underwriting – The Process

Finding a balance between mortality and morbidity

- Assess Life decision first to determine eligibility, then review Life risk
  - Usually up to a Table 3-4 or Table D rating for Life (as determined by actuarial and reinsurer's pricing)
- Next, assess insurability for LTC
  - Disease severity and potential impact on independence
  - Focus on current function and cognition
- Must be insurable for both Life and LTCI
- If declined, determine if reapplication is possible

# Advocate for Approval

- Life Risk
  - Diagnosis - weigh all factors and make best recommendation for debits/credits
  - Consider addition of flat extra
  - Consider 'worst case rating' then advocate if clinically reasonable
- LTC Risk
  - If an isolated decline criteria for one condition and all else favorable within period of stability - advocate
  - Uninsurable if condition is directly related to a significant or imminent lifetime loss function or cognition or progressive disability
  - Substandard LTC risks may be acceptable
- Case Conference for marginal risks



# Combo Life-LTC Underwriting Experience

## Combo Underwriting Decline Rates: 6-12%

| | Life Only | LTC Only | Both Life and LTC |
|---|---|---|---|
| Decline Rate | 15% | 34% | 51% |

- Field Underwriting is critical
- Medical Department plays an important role in ~30% cases
- Life Declines – Cardiac disease and Cancer
- LTC Declines – Musculoskeletal disease, rheumatological disease, cognitive impairment and psychiatric disorders

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# The Importance of Case Consultation

- Case Consults with the Medical Department
  - Investigate rare conditions
  - Understand rare presentations of common conditions
  - Evaluate the interplay and tension between morbidity and mortality
  - Understand that impact of comorbidity
  - Refine debit estimates
- Interaction between Underwriting and the Medical Department is critical to effective risk selection
  - Improves acceptance rates
  - Refine the reapplication period (if any)
  - Handle high face-value appeals

# LTC-Life Combo Risk Management

## Key Points - Underwriting Combo products

- Life underwriting focused on actuarial assumptions and well founded mortality tables
- LTC focuses on the functional impact of disease as well as mortality with much more emphasis on function and cognition
- Critical to understand the trade-offs between morbidity and mortality
- Comorbidity's impact on morbidity and mortality is important
- Critical to understand the impact of combo policy design and pricing on future utilization and risk selection

## Don't forget Claims Management

# It's Time to Underwrite - Case #1

**67F, Premium $10K x 10 yrs; Face $115K; LTC 6 years ($345K), non-smoker**

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-1999: questionable TIA/migraine due to blurry vision. MRI and carotid doppler were negative. Repeat MRI in 2004 was "stable", CT scan of brain in 2011 was negative but MRI indicated white matter demyelination

- Hyperlipidemia – cholesterol in July 2015 231; Taking Zetia

- 2006 Nuclear stress test - negative

- 2011 chest CT: 2 pulmonary nodules with mild scarring; no suspicious lesions; PFTs normal

# It's Time to Underwrite - Case #2

## 64F; Premium $58K, Face $60K  LTC 2/5 years, non-smoker

- Application
  - Clean application, 5'7" 145#
- Phone Interview
  - MCAS +1.81, systems engineer 40-50/wk.  Active., lost 34 lbs d/t exercise/diet.
  - PCP 8/15 pain L thumb, referred to ortho dx arthritis of thumb; esophageal hernia repair '14; HTN '82; R breast CA 2008, stage IIIA, mastectomy, 8 of 24 lymph nodes positive.  Meds: Zestril, Linzess prn, Boniva
- Medical Records (APS)
  - LOV 8/15  Thumb hurting her after jamming it.  BP 102/70, 5'7" 151lbs  X-ray showed mild to mod degenerative changes.
  - Meds: Ibandronate, Linzess, Lisinopril
  - Breast CA – stage 3a  with 8 positive lymph nodes, surgery only in 2005
  - Hiatal hernia repair 2014
  - Osteoporosis improved DEXA since last evaluated noted in 3/15. -2.0 in femur, -1.4 in spine
  - HTN since '82 per applicant, BPs acceptable, no labs received

# Case #2 continued

## 64F; Premium $58K, Face $60K  LTC 2/5 years, non-smoker

Life Guidelines

- Breast CA stage IIIA, w/mets 8+ nodes, surgery,8 years ago - Decline
- Hiatal hernia repair fully recovered – Standard, no debits
- Osteoporosis – Standard, no debits
- Hypertension – Standard, no debits

LTC Guidelines

- Breast CA stage IIIA w/mets 8 lymph nodes, >60 months - Standard
- Hiatal hernia repair > 12 months – Acceptable, Standard
- Osteoporosis - Individual Consideration
- Hypertension – Acceptable, Standard

# It's Time to Underwrite - Case #3

**67M; Face: $75K, Premium: $78K, 2/5 years, non-smoker**

- Application
  - 5'8" 145#
  - RX:  no significant current meds
  - LOV:  9/15 yearly check-up w/blood and EKG – all WNL
  - 2009 Left ankle fracture s/p MVA, treated w/ 8 stainless steel pins & 1 plate, full recovery, no limitations, continues to be a long distance runner
- MIB – none
- Rx – none
- Phone Interview with Cognitive Screen
  - Works FT as Court Bailiff
  - Long distance runner; weights 45-60min 3x/wk; bike 30-60 min 2x/wk; run/treadmill 45-90 min 3x/wk.
  - MCAS: +1.91

# Case #3 continued

## 67M; Face: $75K, Premium: $78K, 2/5 years, non-smoker

- Medical Records (APS)
  - LOV:  9/15 Routine Exam; 5'8"/115#, BMI: 17.5
  - 12/15 Health Summary: History of Aortic Valve Disorder, Pulmonary Valve Disorder, Tricuspid Valve Disorder, Left Atrial Enlargement, Sinus Bradycardia (no details or explanation in progress notes)
  - 9/14 Echo: EF60-65%, trace AR/TR, trace/mild PR, normal RSVP
  - 9/14 Carotid Duplex: mild,<30%, non-obstructive stenosis bilateral ICA's
  - 9/14 LE Arterial Duplex: negative
  - 9/15 EKG: Borderline, marked functional bradycardia (40 bpm). P QRS V1 Superior P axis Short PR H Rate-40.  Negative t-waves – May be normal - possible anteroseptal ischemia, 2/11 EKG: sinus bradycardia: 57 bpm; 2/12 EKG: sinus bradycardia 55bpm; 9/13 bradycardia: 49 bpm
  - Hyperlipidemia, Treated w/ Simvastatin 20mg daily; 9/15 chol: 154 trig; 65, Cho/HDL ratio: 2.3
  - 9/14 Acute grief reaction, spouse & mother died, no Rx indicated, no symptoms
  - Left ankle fracture s/p motorcycle accident, treated w/ surgery 9/09.

# Case #3 continued

**67M; Face: $75K, Premium: $78K, 2/5 years, non-smoker**

- Life Guidelines
  - AR/TR/PR, rate as Triple Valve Disease: Decline
  - Bilateral Carotid ICA Stenosis <30%:  +25 Debits
  - Sinus Bradycardia, w/ BPM >40:  +0 debits
  - All other history acceptable without debits
- LTC Guidelines
  - BMI – Individual Consideration
  - AR/TR/PR, trace to mild, no treatment required, normal CV function - Approve
  - Bilateral Carotid ICA Stenosis <30% - Individual Consideration
  - Sinus Bradycardia, w/ BPM >40 - Acceptable
  - Active and Independent, all other history acceptable

# It's Time to Underwrite - Case #4

## 71M, Face $100K, Premium $120K, 2/7 years, non-smoker

Application

- 5'9" 172#, BMI 25.3
- LOV 11/2014 with PCP; Urology LOV 12/01/2014 mild incontinence from prostatectomy
- Low back pain/arthritis June 2015 – described CT scan, no surgery, no limits
- Prostate cancer June 2008, stage and Gleason score unknown, prostatectomy, no chemo or radiation/last PSA in 2014 was 0.6
- Loss of balance summer 2015; no Rx or symptoms, resolved

Phone Interview with Cognitive Screen

- Retired bus driver
- Drives, exercises yard work/gardening 3x/week, walks 2 miles/day; very active
- Foreign travel Caribbean 7 days/cruise/dates unknown
- MCAS +1.39

# Case #4 continued

## 71M, Face $100K, Premium $120K, 2/7 years, non-smoker

Medical Record (APS)

- LOV 11/13/2015 – BP 132/82, 5'8" 179, BMI 27.2
- LBP/OA/DDD – Treated with ESI – 11/2014, 1/2015, 7/2015 and prior June 2013, no documented functional limits, MRI done 06/04/2013 moderate DDD with no significant pathological findings
- Prostate CA – June 2008, Gleason 6 with negative nodes, prostatectomy only, clean margins, stage T2, no chemotherapy or radiation, occasional urge incontinence, bladder spasms, Rx Hyoscyamine, last PSA 0.6 (stable for 7+ yrs)
- Loss of balance – Spring 2015, no treatment, resolved on own, no recurrence
- Hypertension – no Rx, average BP x 2 - 129/78
- Depression – doc under PMH, no doc symptoms or Rx in records, active, no functional limits
- Fall – doc 09/2014, c/o knee and back pain, no therapy other than recommended ESI for back

# Case #4 continued

## 71M, Face $100K, Premium $120K, 2/7 years, non-smoker

Life Guidelines

- Build – Standard; Hypertension – Acceptable, Standard
- Back pain rate as non-specific cause, rate as chronic pain as ongoing symptoms with radiculopathy, ESI in past year - +50 debits
- Prostate CA, prostatectomy, best T2 age > 7 years, Gleason 5-6 – Standard
- Loss of balance rate as vertigo cause unknown, no diagnosis – +25 debits
- Depression rate as mood disorder, mild, mild or moderate – Standard
- Fall rate as single fall cause unknown, fully recovered – Standard

LTC Guidelines

- Build, hypertension, depression – all Standard
- Fall last 12 months ago age 64-74 – Decline versus SS rating
- Back pain with multiple ESI last 12 months – Decline versus SS rating
- Prostate CA, >7 years out, Stage II at worst, Gleason 6, stable PSA – Acceptable

**1+1≠2, the Challenges of Underwriting Combo Life-LTC Policies**

**That's All Folks . . .**

**Questions?**