



SOCIETY OF  
ACTUARIES®

2019 ANNUAL  
MEETING  
& EXHIBIT

October 27-30  
Toronto, Canada

## Session 068: Munich Re Session Series Part 3: Voluntary Insurance and the Changing Workplace: Practical Approaches to Identifying New Opportunities

[SOA Antitrust Compliance Guidelines](#)

[SOA Presentation Disclaimer](#)

# Voluntary Insurance and the Changing Workplace: Practical Approaches to Identifying New Opportunities

**Bill Bade, FSA, MAAA**

**Bill Rowell, MBA, CPA**

October 28, 2019



# SOCIETY OF ACTUARIES

## Antitrust Compliance Guidelines

Active participation in the Society of Actuaries is an important aspect of membership. While the positive contributions of professional societies and associations are well-recognized and encouraged, association activities are vulnerable to close antitrust scrutiny. By their very nature, associations bring together industry competitors and other market participants.

The United States antitrust laws aim to protect consumers by preserving the free economy and prohibiting anti-competitive business practices; they promote competition. There are both state and federal antitrust laws, although state antitrust laws closely follow federal law. The Sherman Act, is the primary U.S. antitrust law pertaining to association activities. The Sherman Act prohibits every contract, combination or conspiracy that places an unreasonable restraint on trade. There are, however, some activities that are illegal under all circumstances, such as price fixing, market allocation and collusive bidding.

There is no safe harbor under the antitrust law for professional association activities. Therefore, association meeting participants should refrain from discussing any activity that could potentially be construed as having an anti-competitive effect. Discussions relating to product or service pricing, market allocations, membership restrictions, product standardization or other conditions on trade could arguably be perceived as a restraint on trade and may expose the SOA and its members to antitrust enforcement procedures.

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- **Do not** discuss prices for services or products or anything else that might affect prices
- **Do not** discuss what you or other entities plan to do in a particular geographic or product markets or with particular customers.
- **Do not** speak on behalf of the SOA or any of its committees unless specifically authorized to do so.
- **Do** leave a meeting where any anticompetitive pricing or market allocation discussion occurs.
- **Do** alert SOA staff and/or legal counsel to any concerning discussions
- **Do** consult with legal counsel before raising any matter or making a statement that may involve competitively sensitive information.

Adherence to these guidelines involves not only avoidance of antitrust violations, but avoidance of behavior which might be so construed. These guidelines only provide an overview of prohibited activities. SOA legal counsel reviews meeting agenda and materials as deemed appropriate and any discussion that departs from the formal agenda should be scrutinized carefully. Antitrust compliance is everyone's responsibility; however, please seek legal counsel if you have any questions or concerns.

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## **Bill Bade, FSA, MAAA**

Bill founded Sydney Consulting Group with a strong desire to provide client-focused actuarial, compliance, and strategic support to carriers of all sizes in the voluntary benefits industry.

Bill has been successful at every stop throughout his career, earning distinguished honors such as The Allstate Corporation's Chairman's Award, The Allstate Corporation's Volunteer of the Year, Allstate Benefits Employee of the Year, Outstanding Senior Math Major, and one of a select number of college students awarded a Research Experience for Undergraduates at Worcester Polytechnic Institute.

In addition to Sydney Consulting Group, Bill also founded Sydney Administrators, a third party administrator (TPA), and Sydney Insurance Agency.

## **Bill Rowell, MBA, CPA**

Bill Rowell, MBA, CPA, has spent 10 years in the Insurance Industry, with most of that time as an Accountant. He's progressed through roles in Controls, Financial Reporting, and Management Reporting with emphasis in Distribution. At Manulife, Bill is now an AVP, Voluntary Benefits, with responsibilities encompassing customer journeys, process improvement, overall profitability, and distribution. Early in his career, Bill spent time in public healthcare and has a B.Sc in Molecular Biology and Genetics. His diverse background allows him to bring a unique perspective to Voluntary Benefits and Insurance in general.

October, 28<sup>th</sup> 2019

# New Opportunities in **VOLUNTARY BENEFITS**

SOA Annual Meeting

*Sydney*

PRESENTED BY:

**Bill Bade, FSA, MAAA**  
*Sydney Consulting Group*

# GLOBAL HEALTH INSURANCE

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Context for today's presentation

## Universal Health Insurance

- **Compulsory/Mandated Health Insurance**
  - Netherlands, Switzerland, Affordable Care Act (ACA) in the United States
- **Single Payer Health Insurance**
  - Canada, Taiwan
- **Hybrid Single Payer / Private Systems**
  - Australia, France, Spain, United Kingdom, Medicare

## Privatized Health Insurance

- **Pre-ACA Medical in the United States**
- **Voluntary Products**



# PRODUCT SUMMARY CANADA

Health insurance is primarily purchased through the workplace (90% sold on group product chassis)

Benefit Type	Number of Insureds / Market Size	Estimated Market Penetration
Extended Health	~ 25,000,000	68%
* Drugs	\$11.3b	N/A
* Dental	\$8.1b	N/A
* Paramedical / Vision	\$3.4b	N/A
* Hospital	\$1.8b	N/A
* Travel	\$0.9b	N/A
Long Term Disability	~ 12,000,000	33%
Other	~ 20,000,000	55%
* Group AD&D	~ 16,000,000	44%
* Individual Personal Accident	~ 2,000,000	5%
* Critical Illness	~ 2,000,000	5%

# US MARKET

High performing market is expected to continue its rise

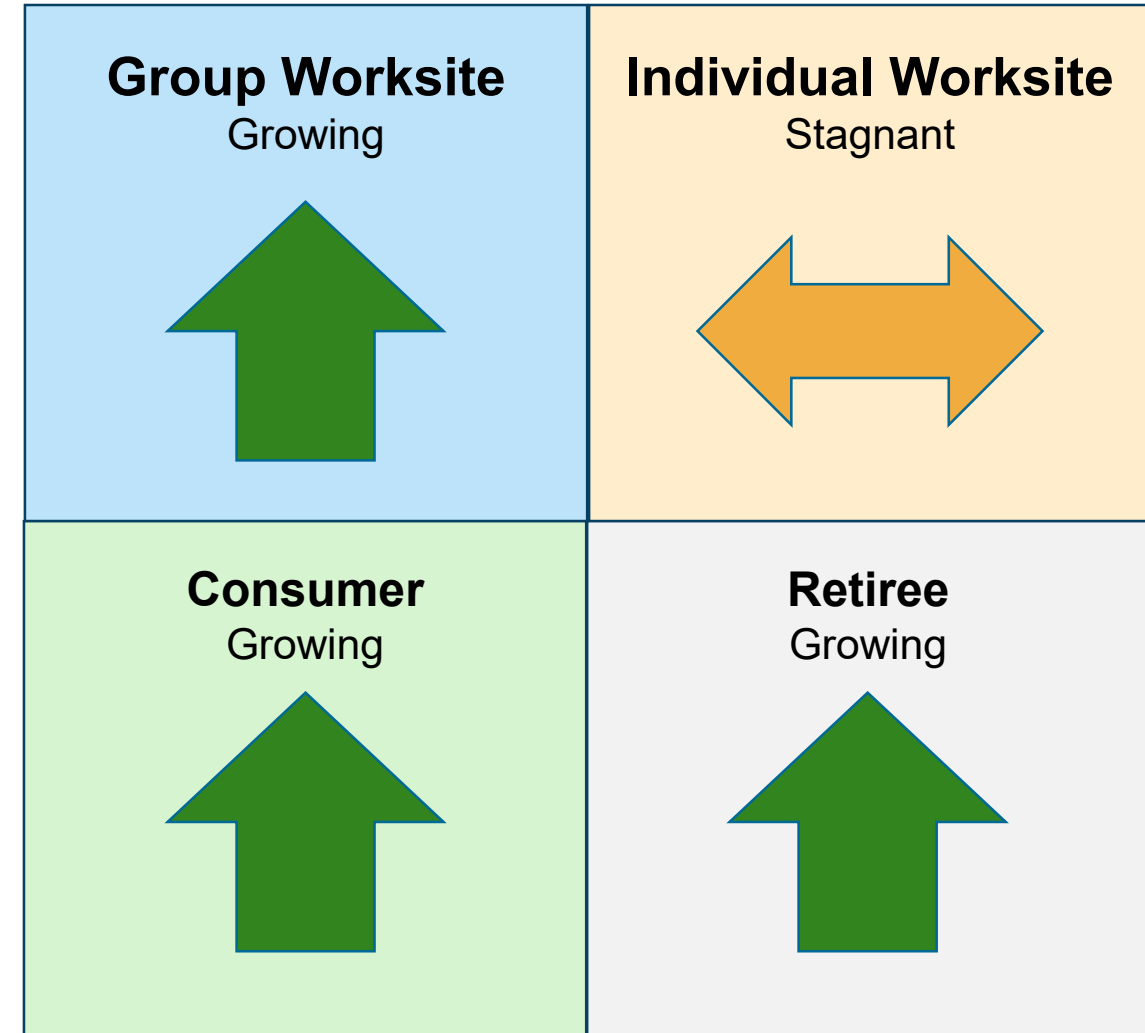
## Sustained Growth

Similar to much of the last decade, 2019 is expected to be a strong sales growth year for supplemental benefits. The growth rates are attributed to both new employer accounts and takeovers of existing business.

**“Voluntary Benefits”:** Expect 10% to 20% growth  
Accident, Cancer, Critical Illness, Disability (LTD / STD), Hospital Indemnity, Term Life, Universal Life, Whole Life, etc.

Sustained growth has created additional pressure on both expenses (e.g. enrollment costs associated with group business) and profitability (e.g. additional underwriting concessions, more frequent pricing updates, etc.).

## Market Channel Overview (Not Intended to be Comprehensive)

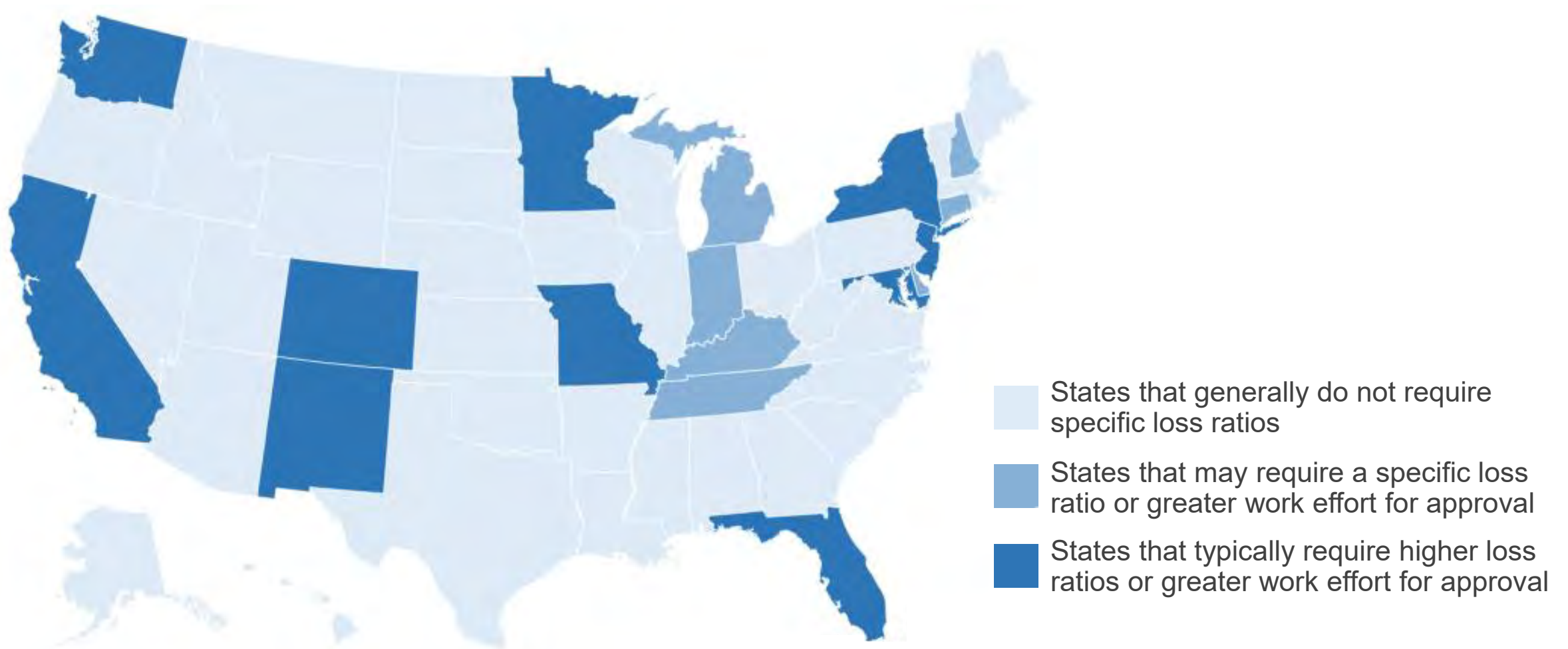


# TODAY'S GROUP ACCIDENT MARKET<sup>1</sup>

<b>Aflac</b> 2017; Indemnity	<b>MetLife</b> 2018; Expense	<b>aetna</b> 2018; Indemnity	<b>National Guardian</b> Life Insurance Company 2010; Indemnity	<b>PAN AMERICAN LIFE</b> INSURANCE GROUP 2015; Expense
<b>Allstate</b> BENEFITS 2014; Indemnity	<b>MetLife</b> 2016; Indemnity	<b>Assurity</b> 2017; Expense	<b>MassMutual</b> 2016; Indemnity	<b>RELIANCE STANDARD</b> 2018; Indemnity
<b>COMBINED</b> INSURANCE A Chubb Company 2012; Indemnity	<b>VOYA</b> FINANCIAL 2016; Indemnity	<b>KEMPER</b> 2017; Indemnity	<b>securian</b> FINANCIAL 2015; Indemnity	<b>Liberty Mutual</b> 2015; Indemnity
<b>APL</b> AMERICAN PUBLIC LIFE 2009; Indemnity	<b>Dearborn National</b> 2016; Indemnity	<b>Standard Life</b> AND ACCIDENT INSURANCE COMPANY 2015; Indemnity	<b>KEMPER</b> 2017; Expense	<b>THE HARTFORD</b> 2018; Indemnity
<b>Bankers Fidelity</b> 2016; Expense	<b>Colonial Life</b> 2012; Indemnity	<b>Sun Life Financial</b> 2018; Indemnity	<b>GTL</b> GUARANTEE TRUST LIFE 2014; Expense	<b>Cigna</b> 2016; Indemnity
				<b>BOSTON MUTUAL</b> LIFE INSURANCE COMPANY - 1891 - 2015; Indemnity
				<b>TheStandard</b> 2017; Indemnity

<sup>1</sup>Intended only as a high level overview. Not intended to be complete, e.g. additional carriers include Symetra, Transamerica, Guardian, Lincoln, and Prudential among others. Twenty-one of twenty-seven products above are indemnity.

# REGULATORY ENVIRONMENT



# LOOKING AHEAD

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## Five Predictions



1. Competition will continue a race to zero that spurs additional investment in operational efficiency and strategic partnership
2. Dynamic regulatory environments will be influenced by elections and other external forces
3. Carriers will be forced to weigh consumer-driven plan design options and their impact on profitability
4. Growth strategies will become increasingly sophisticated as data and information becomes more accessible
5. Voluntary Benefits will remain a key focus of product development and innovation

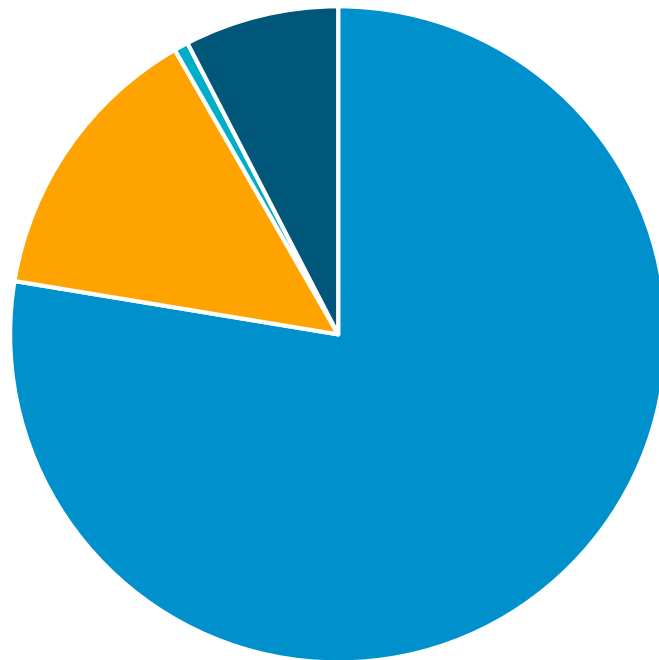
A blue-tinted photograph of four business professionals in a meeting. Two men and two women are gathered around a table, looking at documents and talking. The image is semi-transparent, allowing the text to be clearly visible.

# MISCELLANEOUS HOT TOPICS

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# CRITICAL ILLNESS BENEFIT TRIGGERS

Claim Payments



- Core Benefits (77.6%)
- Common Benefits (14.1%)
- Childhood Conditions (0.7%)
- Miscellaneous Conditions (7.6%)

## Core Benefits (7)

Invasive Cancer, Non-Invasive Cancer, Heart Attack, Stroke, Major Organ Failure with Transplant, End-Stage Renal Failure, Coronary Artery Disease (Bypass Surgery)

## Common Benefits (11)

Skin Cancer, Bone Marrow Transplant, Heart Valve Surgery, Sudden Cardiac Arrest, Coronary Artery Disease (Angioplasty or Atherectomy), Complete Loss of Sight, Complete Loss of Speech, Complete Loss of Hearing, Coma, Severe Burns, Benign Brain Tumor

## Childhood Conditions (8)

Cerebral Palsy, Down Syndrome, Type I Diabetes, etc.

## Miscellaneous Benefits (40+) Excluding Wellness

ALS, MS, ARDS, Occupational HIV/Hepatitis, Advanced Alzheimer's, Meningitis, Lyme Disease, Legionnaire's, etc.

# EXPERIENCE TRENDS

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Analyzing carrier refreshes of Accident pricing

## Accident

- **Falling price levels, particularly for large groups**
- **New rate filings since 2017 ranging from \$125 to \$300 average premium**
- **Off the Job plan designs ranging as low as \$2/week (or less) for Employee-Only Coverage**
- **Persistency historically better than Hospital Indemnity, but worse than Critical Illness**





# EXPERIENCE TRENDS

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Benchmarking Filed Experience and Assumptions

## Hospital Indemnity

- **Employee Only Price points vary dramatically by the benefits included and amounts payable**
  - HSA Compatible plans range between \$10 to \$45 per month for an Employee
  - “Complete” plans with outpatient and surgical benefits can cost as much as \$60 to \$120 per month
  - Some benefits such as prescription drug and outpatient physician tend to be very expensive
- **Recent rate filings indicate higher than anticipated costs for maternity claims and spouses overall, with slightly lower overall incidence in older worksite population (40-64)**
- **Persistency historically has trended worse than Accident in early durations**
  - Group product experience is still emerging
  - First year commissions for Hospital Indemnity often lower than Accident or Critical Illness

# COMMISSIONS AND TECHNOLOGY

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Considerations for Balancing Competition and Profitability

## Expense Monitoring and Reporting

- How are technology allowances or credits budgeted and approved in your company today?
- Is there an advantage to having a “standard offer” approach?
- Do you analyze technology fees at the block level, by broker, by platform?

## Pricing and Practical Considerations

- “Case by Case” approach vs Block-level approach – which is best for me?
- What filing restrictions exist (e.g. MLR) and are you filed to allow for pricing loads?
- Do your current expense assumptions adequately cover these fees?
- What happens if tech fees were to be paid for 100% of groups?

# EXPERIENCE RATING

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Practices dependent by product risks, and product chassis

## Accident

- Traditionally priced with composite claim costs for a worksite population
- Claims experience has been reported to be generally better than expected
- Majority of benefits filed have been entirely indemnity-based or expense-based with relatively low maximums, almost entirely removing the impact of medical trend
- Traditional worksite approach has been to not modify rates unless experience is poor

## Hospital Indemnity

- Individual products typically do not see intentional experience rating over time – indemnity benefits are theoretically not impacted by trend
- Group composite rates are sensitive to enrollment demographics – may have greater need to rerate groups which deviate substantially from “standard” distribution
- Group Hospital Indemnity profitability more sensitive to anti-selection, particularly when maternity is included and pre-ex has been waived

# PRICING CHALLENGES

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Profit Implications of Emerging Product Trends

## Accident

- Is “Commoditization” of Accident a concern? Could this impact persistency?
- At what point do premiums become too low to cover expenses?

## Hospital Indemnity

- Is there concern around sustainability of No Pre-Ex Maternity coverage in an HSA Compatible plan?
- Can Heaped Commissions affect decision-making at time of renewal rate offer?



# INTEGRATION CHALLENGES

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Medical Claims Integration presents unique business case – particularly for the Group Market

## Opportunities with Integration in the Group Market

- Offer a significantly differentiated claims experience when integrating with medical data
- Greater customer satisfaction from groups and/or insureds at time of claim
- Improved retention over time due to having a unique implemented process

## Challenges with Integration in the Group Market

- **Higher incidence creates a higher price point for an integrated product (all else being the same)**
  - Price load can be 15% to 100% higher, or more
  - Impact to pricing varies widely by product line, benefits, and approach
  - How to apply this rate load? What about groups that add medical later? Management over time?
- **Outside of pricing issues, a number of other practical issues arise:**
  - How do we get the data – partnerships with medical, self-funded TPAs or providers? Privacy issues?
  - Which roadblocks exist due to issues on how medical claims are stored?
  - Is the policy form language set up to support claims adjudication based on diagnosis or procedure codes?

# INTEGRATION SOLUTIONS

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Medical Claims Integration presents unique business case

## Product Simplification

- **Trend is to “spreadsheet products”, can this be reversed through an integrated capability?**
- **Communication is key to illustrate a strong value proposition for integration**
  - What is the goal – Cover a very wide range of services, or pay claims more often?

## Funding Methods

- **Can a price impact be partially absorbed by an employer contribution to the original amount?**
- **Challenging discussion on “reality” of the claims experience**

## Modified Benefit Design

- **Should focus be on “episodes of care” or still linked to individual services?**
- **Higher dollar payouts more likely to be submitted and have a reduced impact when automated**

# REINSURANCE TOPICS

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Assessing viability of reinsurance for Accident and Hospital Indemnity

- **Traditionally, Accident and Hospital Indemnity not a prime reinsurance candidate**
  - Low single claim risk, shorter duration liabilities
  - Exception for Individual Non-Cancellable contracts and AD&D benefits
- **Does increasing competition improve the business case for reinsurance?**
  - As Accident price levels fall and claims experience runs closer to pricing, could there be more demand for downside protection?
  - Volatility with maternity claims – is there a reinsurance opportunity here for smaller blocks to scale?
- **Single life risk is considered low, yet many Hospital Indemnity plans include portability and no lifetime maximum**
  - Does this set up for a single life risk exposure with Cystic Fibrosis, Cancer, or Chronic Condition confinements?

A blue-tinted photograph of four business professionals in a meeting. Two men are shaking hands in the foreground, while a man and a woman are looking at documents in the background.

# CONTACT INFORMATION

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# WHO WE ARE

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Sydney is a client-focused organization that provides health care solutions, including product strategy, actuarial, compliance, data, and consumer education services. We are data-driven problem solvers employing actuaries, compliance professionals, and operational staff. We do not consider ourselves successful unless you meet your objectives.

# Voluntary Benefits

Bill Rowell MBA, CPA, CMA

October 28<sup>th</sup>, 2019



# Agenda

**Evolution within Group Benefits**

**How They Help Sponsors**

**Headwinds**

**How We're Engaging**

**Emerging Solutions**

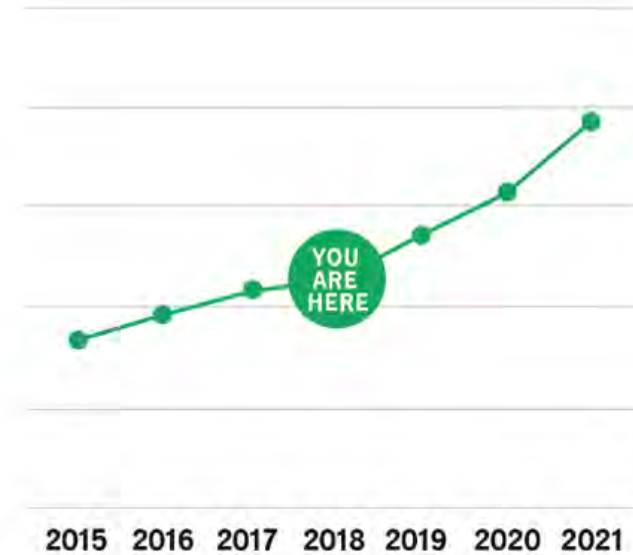


# Evolution within Group Insurance

## Sponsor Pressures

- Increasing Cost of Healthcare

ANNUAL DRUG SPEND PER CLAIMANT



Source: Express Scripts Canada Drug Trend Report 2019

# Evolution within Group Insurance

## Sponsor Pressures

- Increasing Cost of Healthcare
- Competing for Talent
  - Members Expect More Choice
  - Demographics
  - Gig Economy

# Evolution within Group Insurance

## Sponsor Pressures




- Increasing Cost of Healthcare
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## Sponsor Responses

- Reduce Benefits
- Prioritize Cost when Selecting Provider
- Flex Benefits
- Diversify Benefits
- Increase Benefits

# Voluntary Benefits

## Helping Sponsors Respond

-  Reduce Sponsor Cost
-  Increase Member Selection
-  Diversify Offerings

# Voluntary Benefits

## Headwinds

- Regulation
- Paternalistic Sponsors
- Competition
- Canadian Mindset to Healthcare



# Voluntary Benefits

## Historical Platforms

- Education
- Ease of Purchase
- Regular Engagement

# Increasing Engagement

## → Grocery Store Strategy

- Some form implemented within all layers of distribution
  - Advisors
  - Consultants
  - Third Party Administrators
  - Insurance Carriers
- Create Trust/Reliability/Ease of Doing Business
- Stock the “Shelves” with desirable products
- Let the member choose the offerings they need

# Increasing Engagement

## → Competitor/Provider Strategy

- Healthcare Provider Yelp
- Available to Anyone
- Interacts with Members every time they need a Provider
- Builds a community of Providers and Members

Source: <https://www.sunnet.sunlife.com/mbrportal/req/secure/p.php/personalizedWelcome?rstmp=1570589593064>

# Manulife *Vitality*



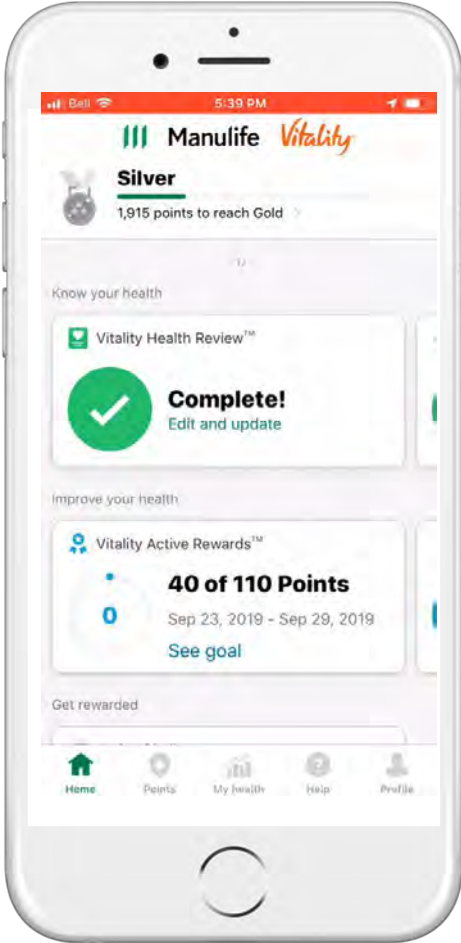
Know your health



Improve your health



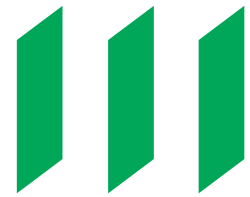
Get rewarded



# Emerging Products

## Where Do We Go From Here

- Evolution Timeline Shortens
- Solutions stay Simple
- Product Diversification comes from Everywhere



**Manulife**