



2017 SOA
Life & Annuity
Symposium

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Session 25 PD, Perspectives on the Surge in Worksite Voluntary Life Sales

Moderator:

Robert T. Eaton, FSA, MAAA

Presenters:

Robert T. Eaton, FSA, MAAA

William Gus Mehilos, FSA, MAAA

Michael W. Santore, FSA, MAAA

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Perspectives on the Surge in Worksite Voluntary Life Sales

Session 25

2017 Life & Annuity Symposium
May 9, 2017

Panelists:

Bill Mehilos, FSA, MAAA
Mike Santore, FSA, MAAA
Robert Eaton, FSA, MAAA

Moderated By:

Mike Santore, FSA, MAAA



SOCIETY OF ACTUARIES

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Agenda

- Introductions and get-to-know-you
- What do we mean by *worksites*?
- Trends in the worksite market
- Popular life policy riders
- Survey and questions

Introductions



Your speakers

Bill Mehilos

Consulting Actuary

Milliman

Indianapolis

formerly with Trustmark

Robert Eaton

Consulting Actuary

Milliman

Tampa

Mike Santore

Consulting Actuary

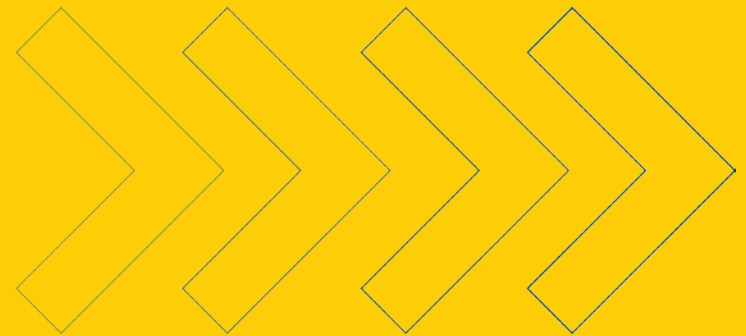
Milliman

Indianapolis

formerly with Transamerica

But who are you?

What do we mean by worksite?

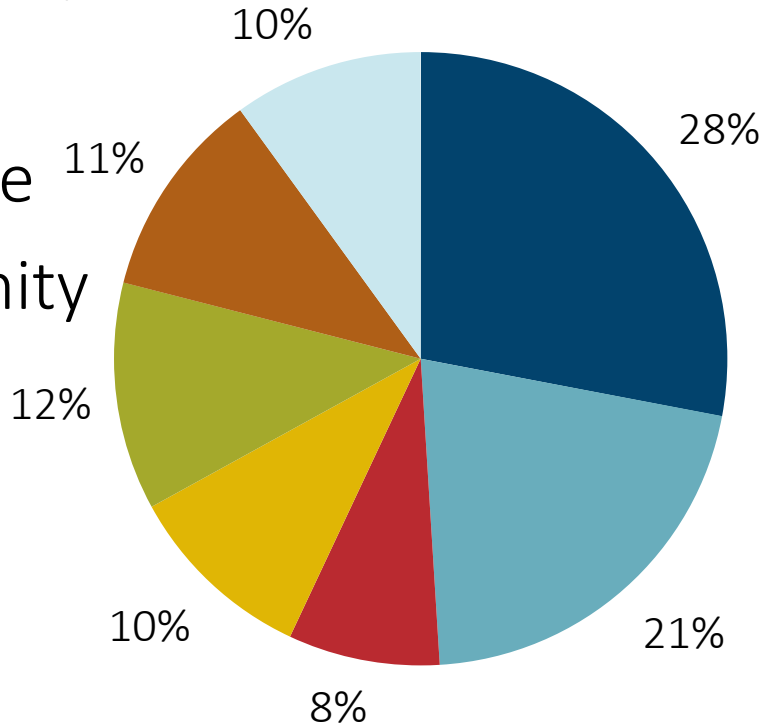


What do we mean by worksite?

- Sold at employer
- Distinction between worksite and voluntary group term
- Usually voluntary and employee paid via payroll deduction
- Can be term or permanent
- Filed as individual or group

Worksite products

- Critical Illness or specified disease
- Accident
- Disability Income
- Hospital Indemnity
- Term Life
- Permanent Life
- Other...



Worksite 2013 Mix of Sales by Product*

- Life
- DI
- HI/Supp Med
- Cancer/CI
- Accident
- Dental
- Other

* Source: Eastbridge Consulting

How is this different from individual?

- Sold in a group environment
- Underwriting differences
- Group billing

Sales process

- Types of enrollments
- Shift of linking with enrollment of core medical benefits
- Sometimes ancillary enrollment services (benefit statements, dependent audit)
- Shorter sales process than individual

Product features

- Usually intended for death benefits, not a major emphasis on investment component
- Usually nothing complex like VUL, IUL, or complex ULSG
- Policyholders typically don't vary premium (payroll deduction)
- Riders (Robert to expand upon later)
- Re-enrollments (increases/other products, billing changes)

Other policy characteristics

- Policy Sizes
- Commissions
- Participation
- Lapsation

Stakeholders

- Carriers
- Distribution
- Employers
- Employees

Trends in the worksite market



(Santore's slides – placeholder)

Popular riders



Life policy riders - Ancillary

- Waiver of premium (e.g. disability)
- Child term life
- Spouse term life
- Accidental death
- Terminal illness

Critical illness riders

- Accelerates benefit in the event of covered critical illnesses
- Five major benefit triggers
 - Cancer
 - Heart attack
 - Stroke
 - End-stage renal failure
 - Major organ failure
- Rider to life policy, typically has limited coverage
- Usually sold with permanent policy (UL, WL)

Critical illness riders

- Difficult to pass test of incidental value
 - Health rider must have a value of 10% or less of the base life policy
 - Critical illness incidence rates are high compared with mortality
- Benefit structure should reflect this
 - Smaller acceleration amounts (10% - 50%)
 - Reduction in acceleration amounts for certain age brackets
- Indemnity payment (e.g. lump sum)

Chronic illness / LTCi riders

- Triggered by activity of daily living (ADL) deficiency
- Inability to perform 2 / 6 of:
 - Bathing
 - Dressing
 - Eating
 - Toileting
 - Transferring
 - Continence
- Sold usually with permanent policies (UL, WL)

Chronic illness / LTCi riders

- Eligibility
 - Elimination period (e.g. 90 days)
 - Must be certified eligible by licensed health care practitioner

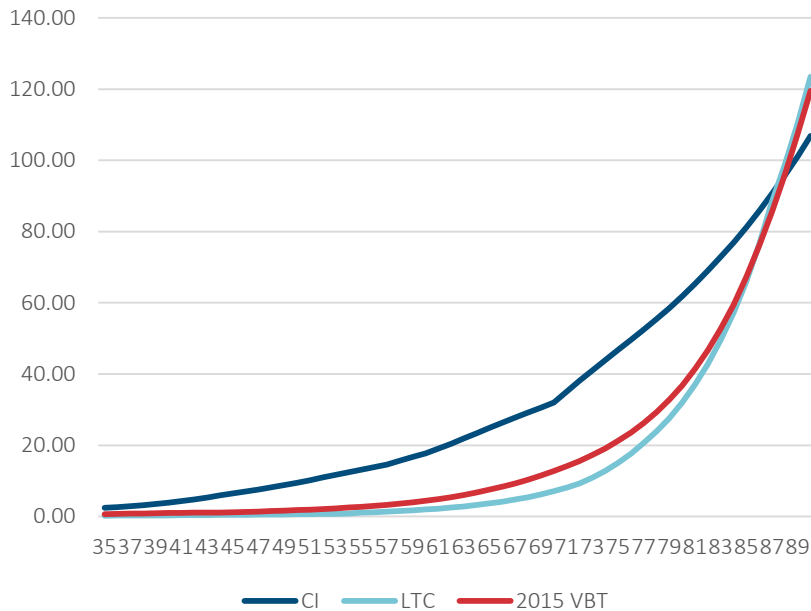
Chronic illness / LTCi riders

- Payments may be reimbursement or indemnity
- Indemnity acceleration:
 - X% of FA each year you qualify
 - Single lump sum
 - Daily or monthly amounts (e.g. \$300 / day, 4% FA per month)
 - HIPAA limits apply
- Reimbursement
 - LTCi only
 - No limit on tax qualified benefit payments

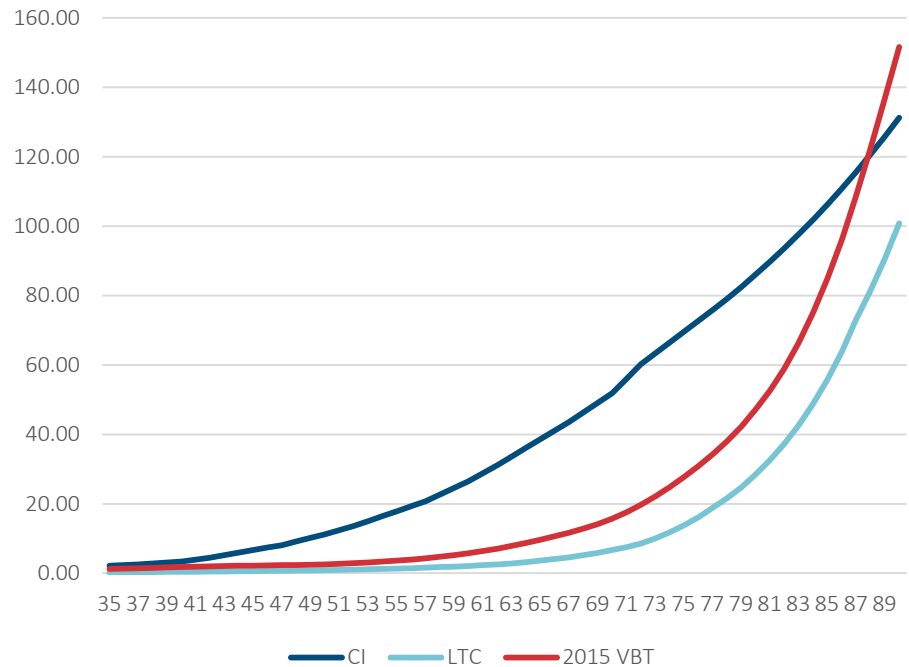
Critical v Chronic (LTC) incidence

- How can we pass the incidental value test?

Female Incidence per 1000 by AA



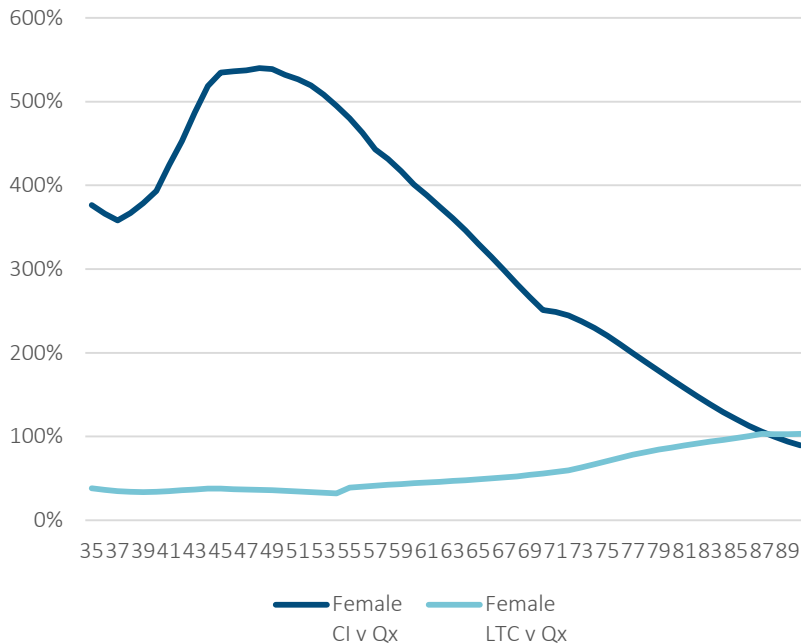
Male Incidence per 1000 by AA



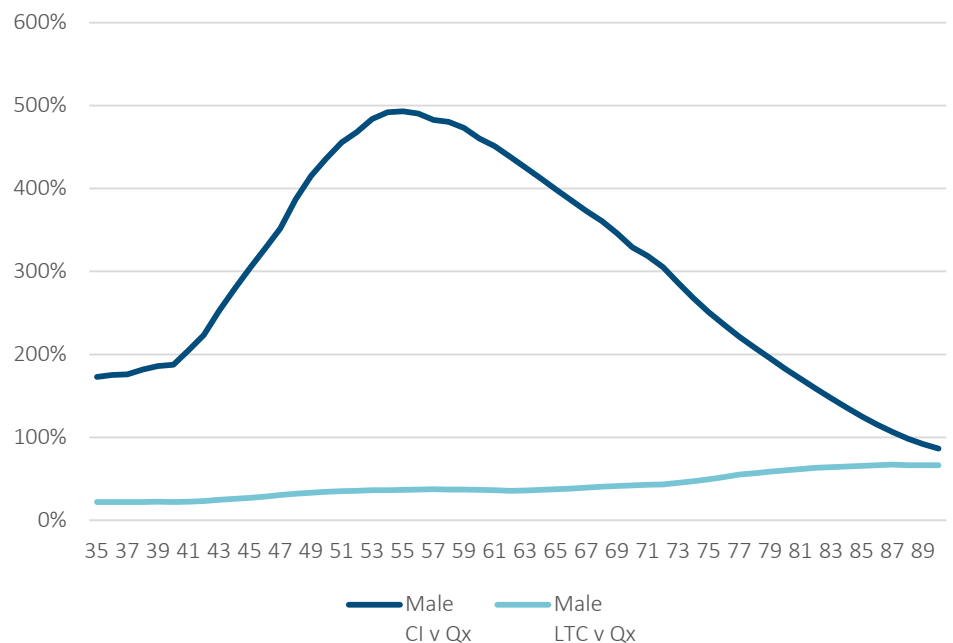
Critical v Chronic (LTC) incidence

- How can we pass the incidental value test?

Female Qw v Mortality by AA



Male Qw v Mortality by AA



Critical v Chronic (LTC) incidence

- How can we pass the incidental value test?
- Limit maximum payouts
- Adjust payouts by age
- Remove critical illness and chronic illness payouts which also qualify as terminal illness

Chronic illness / LTCi riders - Financing

- Accelerated benefits model regulation (620)
- IIPRC Additional Standards for Accelerated Death Benefits
- Dollar-for-dollar
 - Explicit premium paid for rider (e.g. 4% of base policy)
 - Benefits paid out exactly as requested (e.g. requested acceleration of 40%, pays 40% FA)
 - Pooling of risk among all rider purchasers
- Actuarial discounting
 - No explicit premium
 - 'haircut' taken from accelerated amount to account for actuarial present value of taking early death ben
 - Expenses also assessed at payment

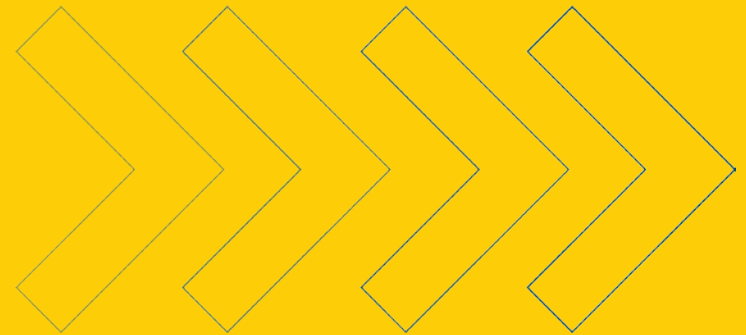
Chronic illness / LTCi riders - Financing

- Actuarial discounting
 - No explicit premium
 - 'haircut' taken from accelerated amount to account for actuarial present value of taking early death ben
 - Expenses also assessed at payment
 - No pooling - individual policyholders pay on benefit
- Lien approach
 - No explicit premium
 - Interest assessed on accelerated amount
 - No pooling

Chronic illness / LTCi riders - Marketing

- Easy to market \$0 premium rider
- Many include this as a part of all policies
- Dollar-for-dollar approach simpler at benefit payment
 - Easier to understand
 - Less policyholder confusion

Worksite life survey



Survey

- What questions would you like to see?



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