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# Those Wonderful

## LONG-TERM CARE INSURANCE SECTION TRACKS

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The 8th Intercompany Long-Term Care Insurance Conference held in March 2008 consisted of 56 sessions covering a range of long-term care insurance (LTCI) topics each with a track-specific focus. There were three additional general sessions. The Medical Director's Forum was held on Sunday and the obesity trend, rising prevalence of mental disorders, and screening for pre-cognitive disorders were the main topics of discussion. The conference began with keynote speaker, Paul Nussbaum, Ph.D., and his engaging presentation about the brain. He spoke of a brain healthy lifestyle and being proactive in promoting brain wellness at all ages. The conference concluded with a CEO forum where hot topics such as sales and distribution, public perception of LTCI and product development were discussed.

### ACTUARIAL

The actuarial track focused on current developments such as product design, asset liability management, economic capital, stochastic analysis, product experience analysis, international development and regulation.

One of the leading purchasing barriers of LTCI is the high premium rate. The first session analyzed driving cost factors and illustrated different approaches to achieve affordability. Approaches such as linking inflation protection to the actual Consumer Price Index (CPI), using guaranteed purchase options based upon the original issue age, and cost sharing were explored. The next session compared securitization and reinsurance for their purposes, structures and strength. LTCI has been growing worldwide; the third session provided snapshots of the current public and private LTC systems in the European and Asian markets. The fourth session brought in representatives from Standard and Poor's and Fitch to discuss Enterprise Risk Management (ERM) and how the Economic Capital Model (ECM) is used to evaluate the ERM process by the rating agencies. The next session explored the tradeoffs and trends of stochastic modeling in the insurance industry. Examples were utilized to illustrate the process of developing stochastic assumptions. The regulatory and valuation update session overviewed

rate stabilization, partnerships, changes in the National Association of Insurance Commissioners (NAIC) Experience Reporting Forms and developments in principle-based reserving. The seventh session presented the findings of the 5th SOA Intercompany LTC Experience Study. This study showed that the leading cause of claim is Alzheimer's Disease/dementia. The final session discussed the future of LTC in both the public and the private sector.

### MANAGEMENT TRACK

The management track sessions ranged from adapting to the new market to new reporting standards and risk management. The first session covered applying passion to LTC and how every company needs a vision or mission with applicable values. Another session included a panel discussion about public awareness, the main focus being that in order to improve positive awareness, the product needs to be simplified and cost effective. The next session focused on the baby boomers wanting a second life during retirement, which presents different health challenges and will require a new sales technique for LTCI. Wellness/sports programs, internet information and access to nurses on the phone are all new needs of this age group.

The first session geared toward sales highlighted how medical advancements, such as biomarkers, now indicate biological conditions and potential diseases in individuals. This phenomenon is leading to changes in the sales market. The second sales-directed session consisted of four roundtable discussions about mid-income sales, worksite sales, stand-alone product sales and asset-based products.

One technical session covered ERM, economic capital and specific LTC risks such as claim utilization, investment risk, product design risk and reputational risk. The other technical management session described new regulations and reserving approaches that LTC will have to answer to in the future including principle-based reserving, International Financial Reporting Standards (IFRS) and embedded value.



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## OPERATIONS TRACK

The operations track was composed of five sessions at this year's conference. One session covered how awareness of multi-life products has improved sales, but also uncovered that the long application process is leading to the demise of sales. The next session took a real-life situation and described ways to adapt to regulatory changes, increase speed to market, extract data items and keep good employees. Solutions including leveraging Business Process Management (BPM), using a data warehouse, automating manual tasks and enhancing the user interface were all discussed in detail. The third session covered technological advancements such as e-applications, e-signatures, imaging, health interview teleprocessing and having marketers trained to take an application. These were all suggested as ways to improve application fulfillment. The use of Third Party Administrators (TPAs) was debated in another session. Pros considered were speed to market, specialization in senior sensitive sales and help with underwriting. Cons presented were no control over service, no access to data, the sales force not wanting to work with the TPA and accusations of being noncommitted because the work is not done in-house. The final operations track session highlighted the needs of a new claim system. These include the need to be automated, scalable and easily accessible online 24/7 for demanding baby boomers.

## CLAIMS

The claims track focused on how to improve claim management and delay or prevent claims. The importance of interdepartmental communication was also highlighted. In the first session, the panel shared personal experiences on the process and challenges in adjudicating complicated policy provision. The second session stressed that clear, verbal and written communication with claimants is one of the keys to a healthy claim culture. The third session was a heated debate on the creation of claim arbitration versus independent review. The next discussion covered leading LTC risk triggers, risk-identifiable tools—such as Enhanced Mental Skills Test (EMST)—and wellness assessments, risk-preventive methods and treatments such as

counseling, intervention, care management and in-home wellness coaching. The fifth session was dedicated to methods designed to reduce cognitive claim cost through improved cognitive functions and delayed cognitive disease progression. The highly informative last session emphasized the importance of the cooperation between the actuarial and claims departments.

## UNDERWRITING

The underwriting track held an interactive session comparing applications to actual claims where real-life applications were presented and the audience voted whether to accept, deny or investigate further. The results were displayed in time with the discussion and then the real-life claims were presented and discussed. Two other sessions presented the differences in underwriting between reimbursement and indemnity products, and various combination products.

## COMPLIANCE

The compliance track covered the current government initiatives in LTCI, regulatory updates and litigation risk avoidance. The session covering partnership programs addressed the motivation for the program, the status of current expansion and lessons learned from the implementation over the last year. The second session illustrated how the integration of LTC into managed care can meet the challenges of growing demand and cost, care coordination and quality oversight. The third session emphasized how to minimize litigation risk through honest, accurate and timely communication. The regulatory update session contained federal initiatives, current status of state adoption of the 2006 NAIC LTCI models and the progress on Interstate Insurance Product Regulation Commission (IIPRC).

## POLICY AND PROVIDERS TRACK GROUP

The first three sessions covered the future of LTC. One session focused on the need for elder care to shift from disease care to disease prevention and postponement. The second forecasted that the baby boomers will make long-term care popular now

CONTINUED ON PAGE 18

that they know LTC does not mean institutional help. The last session covered the increasing trend of Alzheimer's Disease and explained as the population lives longer, there are increased chances of people developing Alzheimer's, dementia or other mental disorders.

The last three sessions debated standardization, partnerships and success of tax incentives. Standardization would expand distribution and reduce the complexity of the administration requirements; however, it would also complicate underwriting and remove the flexibility in products. The presenters argued that partnerships would encourage reciprocity and uniformity. Tax incentives are now implemented in 30 states as either a tax credit or tax deduction. After completing sales research, the presenters concluded that tax incentives are not enough to convince someone to buy coverage.

## FIELD MARKETING

The developments in the field marketing track have been exciting. The first session showed how communication among sales, marketing and actuarial departments is critical to the success of LTCI. Alternatives to the traditional brokerage distribution channel were discussed in the second session. With the rolling out of the partnership program and the Own Your Future Campaign, the third session focused on how to leverage these opportunities in field marketing. In the fourth session, presenters shared various successful sales strategies. As the effective date of the Pension Protection Act (PPA) of 2006 approaches, the fifth session provided a comparison of current combination products, and the impacts under PPA. The sixth session featured presentations from a traditional MGA broker, a financial advisor and a home care provider to define the driving factors to close a sale. There was a panel discussion about sales motivations, including financial or family, and how the two approaches can compensate each other. The last session focused on how to penetrate the worksite

market, critical factors for enrollment strategies and traits of a successful carrier based on the presenters' personal experiences.

The group track featured successful enrollment strategies, the carrier transfer process and effective carrier support. The first session featured an interactive discussion on the future of plans regarding the group partnership program, the co-insurance/managed care option, the feasibility of combination plans and the opportunity of group plan transfers. Five case studies presented in the second session showed that communication and education about the plan to the employee are critical to the high enrollment rate. The third session involved a discussion about the carrier transfer process from various perspectives. In the fourth session, discussions and case studies illustrated the key to success with both large and small voluntary associations. This last session utilized results of an audience poll and presession survey to compare and contrast different views on issues such as carrier branding, marketing materials, consumer awareness and product complexity along with underwriting simplicity.

## HOME OFFICE MARKETING

The first session identified problems in home office marketing from training new agents to product complexity and solutions from personally tailored product features to government help. The second session described the process of creating salable marketing materials including consolidating gathered information into actionable plans considering market segments and audience. Results from research conducted on the baby boomer generation were the focus of the third session. Some recommendations included peer-to-peer conversations, overcoming misperceptions and developing online resources. The last session featured a panel discussion on the sale process from a LTCI specialist, a financial planner and a senior insurance product representative. ■