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## Distributors Are Key to Manage Message about Gender-Based Pricing and In-Force Rate Increases

By Tom Riekse Jr.

**D**ata doesn't lie. As Long-term care (LTC) Insurance actuaries have analyzed information on claim and underwriting data, carriers have made several adjustments to both in-force and new product pricing and underwriting.

Using data and making smart changes to products is the responsible thing to maintain the long-term growth of LTC Insurance and make sure that this valuable protection product is available to as many consumers as possible. The challenge for LTC Insurance marketers and distributors is to explain the

reasons behind these changes while also furthering the cause of LTC Insurance sales. It's a difficult job, but one that needs to be done in order to increase awareness and refute myths about private LTCI.

One of the obstacles distributors of LTC Insurance confront is similar to what faces doctors when they are dealing with a newly diagnosed patient. Twenty years ago, the doctor had all the information on the disease and potential treatment options while the patient didn't have access to that information.

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Now, anyone with a mobile phone can use Google and uncover information—both good and misguided.

The same thing happens with LTC Insurance. The days of an insurance agent having all the information on the product is gone—there is an extremely high chance that the person interested in LTC has researched LTC Insurance online prior to discussing options with an advisor.

The following examples show how changes to LTC Insurance have affected that conversation with a consumer. Distributors, especially those that represent several carriers, have credibility and play a role that can't be duplicated by insurers. Here is how they need to communicate these important issues.

### ISSUE: GENDER BASED PRICING CHANGES

**What a consumer sees on the internet:** Although the new health care bill largely prohibits charging women larger premiums for health insurance, LTC Insurance is not subject to such rules so carriers are increasing new business premiums on females, those most likely to buy the coverage.

**The carriers say:** Our experience shows that women receive two of three claims dollars and changing to gender based pricing reflects that experience and helps stabilize pricing.

**What distributors need to communicate:** Gender based pricing has been used on Life and Annuity business for years—similar products that require a long-term commitment by the insurer. Carriers who sell policies through the employer market will continue to maintain unisex pricing to comply with those regulations. The claims experience shows that women are benefitting from coverage and will continue to do so in the future.

### ISSUE: GENETIC INFORMATION USED IN UNDERWRITING RISK

**What a consumer sees on the internet:** It's legal for LTC Insurers to discriminate based on their genes—a loophole in GINA, the federal law that prevents insurers discriminating based on genetic information. This means that children of Alzheimer's patients who get genetic testing for the ApoE4 gene may have trouble obtaining LTC coverage if they are asked about it.

**The carriers say:** GINA does not apply to Life insurance or disability insurance and LTC Insurance and similar policies that are subject to anti-selection—i.e., those who may need the coverage someday will be more likely to buy it. Genetic testing allows us to minimize anti-selection.

**What distributors need to communicate:** If easily obtained genetic testing kits are used by applicants prior to apply for coverage that threatens the stability of the policyholder pool. Unless LTC Insurance becomes a mandated purchase similar to health insurance where everyone is insured, genetic history questions will be a necessary part of underwriting. Consumers should understand the types of information that carriers are using to underwrite.

### ISSUE: IN-FORCE PREMIUM INCREASES

**What a consumer sees on the internet:** News stories that several carriers have in-force premiums increases from 40 percent to 80 percent, a “bait and switch” that forces seniors to drop coverage after paying thousands of dollars in premiums.

The carriers say: Based on adverse experience with lapse, interest rate, mortality and morbidity we need to adjust premiums on in-force blocks to mitigate losses to the company and adversely affect shareholders.

**What distributors need to communicate:** Those who had the foresight to purchase LTC Insurance probably made a smart choice. When compared to the cost of current similar coverage, even at issue age, annual premiums are higher today. In addition, most carriers are giving several options to adjust plan benefits and reduce the impact of premium increases. Finally, realize that premium increases are ultimately subject to the oversight of the state departments of insurance who need legitimate proof of the need to adjust premiums.

### CONCLUSION

In addition to distributors, government agencies and nonprofit organizations such as the LIFE Foundation can play a valuable role in discussing some of the issues related to changes in the LTC Insurance business.

Unfortunately (but not surprisingly!), many potential LTC Insurance buyers are not educated in the basic concepts of insurance. They may read information online and need guidance that the insurers by themselves cannot provide. Distributors need to play a key role in this education. ■