Session 61OF, Supplemental Benefits - The Trends that Matter!

**Presenters:**
Randall C. Finn, FSA, MAAA
Christin Kuretich
Darrell D. Spell, FSA, MAAA

[SOA Antitrust Disclaimer](#)
[SOA Presentation Disclaimer](#)
Supplemental Benefits: The Trends that Matter!

Spring SoA Health Meeting – Session #61
June 26, 2018

Christin Kuretich - Trustmark
Randy Finn – Aetna
Darrell Spell – Milliman Inc.
Important Notice

The information in this presentation is general in nature. It is not intended to represent the actions or assumptions of a specific company and the information is not appropriate for anything other than conjecture, speculation, and general dinner conversation.

This presentation was prepared for the specific purpose of providing a general overview of the speakers’ perceptions of trends in the critical illness market and potential developments affecting this product. It is not appropriate for any other purpose. Specifically, Milliman does not intend to benefit any third party recipient of its work product.

Also, Milliman is willing to completely disavow this speaker if he says something foolish!

(I believe Aetna and Trustmark have similar feelings!)
Hierarchy of Insurance Needs*

*Darrell’s personal opinion!
Trend #1a: Bundling – 3 Ways

- Product Positioning through Packaging (Separate Products)
  - Bundling with medical plans
    - Financial protection for rising out of pocket medical expenses
    - Improves employer adoption and engagement
  - Bundling with other supplemental health products
    - HIP and Accident are the most frequent companions
  - Interest in “Portfolio Coverage” – somewhat driven by exchanges
  - Bundling to address ACA needs
  - Bundling with Disability Income
    - Morbidity savings through leveraging DI requirements
    - Material reduction in overall costs
    - Studies show that having a DI and ACC plan can lower Worker’s Comp claims
Trends #1b: Bundling – 3 Ways

- **Embedded Package (Single Product)**
  - Bundling with other supplemental health products
    - HIP and Accident are the most frequent companions
  - Recent activity in HI product base with CI and Acc benefits embedded
    - AFLAC started a trend
    - Quite a few followers
    - Category Confusion
    - “A little of everything”
    - Simpler for claims
    - Something is better than nothing
Trend #1c: Bundling – 3 Ways

- Bundling with Life Insurance Products
  - Extension of benefits (separate pool) and acceleration of benefit
  - Permanent life products (whole life, UL)
  - Financed through additional premiums or at “no-cost” (but with benefit haircut)
  - Keeping it simple: 5 primary triggers
  - Regulatory hurdles:
    - Acceleration benefit: passing the incidental value test
    - Extension of benefits: filing A&H product in all jurisdictions (most life companies use the Interstate Compact)
Trend #2: Flexibility is Mandatory

- **Flexibility is a theme**
  - Strong trend toward carriers “doing their own thing”
  - Evident in a few key ways
    - Selection of benefits covered – extensive options being offered on all products
    - Exception is in some of the bundled products where options are limited

- **Concessions and Accommodations**
  - Guaranteed Issue thresholds and requirements
  - Underwriting and rating flexibility
    - Pre-x waivers
    - Rate guarantees
    - Perpetual guaranteed issue

- **Compensation Options**
  - Number of options available continues to increase
  - Combination of % premium and fixed $
    - Enrollment/ben admin subsidies
    - Expense support
Trend #3: Distribution is Expanding

- Majority of VB business still controlled by brokers
- Group VB product capabilities has attracted more Group ancillary brokers
- Medical carriers have officially entered VB space, with distribution and integration
- Brokerage shops increasing their expertise
  - Large brokers have dramatically increased their expertise of supplemental products
  - Exchanges accelerated their interest
  - They have heavy influence on the market
- Legacy individual distribution continues to be healthy
Trend #4: Group Hybrid Continues

- Convergence of Individual and Group Products
  - Welcome the group hybrid contract
    - Not really new as this has been occurring for several years but has continued
    - Significant enough that it warrants mention
    - Continuing in all three supplemental product lines (HI, CI, Acc)
  - Can be difficult to tell if the contract is group or individual
    - How do you define “group”? Is it based on who owns the contract, how it’s distributed, how rates are filed and how flexible they are?
  - Large case markets trending towards more traditional Group product
    - Attained age rating, self/summary billing, maximum contract variability
  - More competition for distribution
    - Extensive compensation options available
Trend #5: Critical Illness bests Cancer  
(Admittedly a minor trend but noteworthy)

- Critical Illness or Cancer?
  - CI now the preferred product in this category
  - Lump sum approach is simple and easy to understand
  - CI Sales have Surpassed Cancer
    - Is this cannibalization?
    - Does this mean the end of “cancer insurance”?
Trend #6: Product Specific Enhancements

- Hospital Indemnity
  - The product is the trend. Strong move for carriers to enter this space
  - Increasing confidence in acceptability of product designs by regulators
  - Hospital Indemnity products marketed as a complement to HDHPS

- HSA Compatibility
  - Results in less appealing “skinny” product designs
  - Inconsistent interpretation by carriers as to requirements to state “HSA Compatible”
  - Introduction of non-health related benefits to enhance attractiveness

- Non HSA Compatible Plans where viable
  - Rich benefits
  - Robust options
Trend #7: Product Specific Enhancements

- Critical Illness
  - More focused menu of benefit triggers
    - Modest list of key triggers is primary focus
    - Very expansive list continues to be available in background for special circumstances
  - Increased GI amounts
  - Waiving of pre-ex
  - Market nearly fully shifted to “First After” payment of benefits
  - Rate reductions to remain competitive
Trend #8: Product Specific Enhancements

- Accident
  - Continued expansion of benefit offerings
    - Imaging benefits
    - Alternative therapies
  - Severity triggers on payment levels
  - Lump Sum approach with Accident – new design
  - $3 a month Accident plan?
Trend #9: Compliance Concerns have Shifted

- Focus on HSA Compatibility
  - No sickness bens on accident
  - Skinny HI plans
  - Definitions on CI

- Confidentiality Concerns
  - Increasing attempts to keep proprietary information out of public domain

- Rating Flexibility
  - Obtaining regulator’s approval of increasingly flexible rate structures
Trend #10: We Speak Different Languages

- “STD” in the real world isn’t something you want to buy
- “GI” doesn’t mean what we think it means
- “Portability” – ask an average person what this means
- “Guaranteed Renewable/Conditionally Renewable” – huh?
- “In-Situ” – again, huh?
Thank You