

Life and Annuity Living Benefit Riders

Summary

In U.S. life insurance and annuity markets, there is a growing demand for living benefit riders. These riders provide for the payment of all or a portion of the death benefit or account value upon the occurrence of a covered event prior to death. For insurers and reinsurers there are complexities to issuing, administering and reinsuring such riders. This report, authored by a Milliman team led by Carl Friedrich, investigates life and annuity living benefit riders and their implications from both a direct writer and a reinsurer perspective.

Focusing on living benefits triggered by a covered health event, the report identifies the various types of living benefit riders found in the marketplace, explains rider benefits and how they might vary by state, and provides historical sales data and general filing requirements. The report also explores how underwriting and administration is handled, and examines direct and reinsurance pricing implications of the riders to the extent they impact policyholder optionality and base plan financial characteristics.

In addition, results of a survey of direct company practices around the riders are summarized. One of the findings of the study indicates that in general the overall level of claims activity experienced by the participating companies for these riders has been better than pricing expectations.

Reinsurers were also interviewed and provided perspectives on the various rider types including pricing considerations, contractual issues and administrative factors.

Given the comprehensive nature of the report, individuals and companies can utilize the report to help enhance current practices in supporting these benefits.

The following riders are included in the report.

- Accelerated Death Benefits (ADB) for Chronic Illness
- ADB for Terminal Illness
- ADB for Critical Illness
- Life/Long Term Care Insurance (LTCI) Accelerated Benefits
- Life/LTCI Linked-Benefit Plans
- Annuity/LTCI Linked-Benefit Plans
- Annuity Enhanced Payout Benefits triggered by a qualifying health condition



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Practicing actuaries for life and annuity direct companies and reinsurers. Individuals supporting living benefit riders



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