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Current Perspectives on Long-Term Care Underwriting

by Joline Allen and Bruce A. Stahl

One of the main challenges today for reinsurers and direct writers is mapping their accepted long-term care insurance applications into optimally appropriate underwriting risk classes. Underwriting manuals provide not just procedures and assumptions, but also an instructive view into how direct long-term care (LTC) writers look at risk.

Over the past five years, RGA has provided quotes on more than 50 different LTC insurance policy forms, the vast majority of which were for new business. With LTC now a viable business line for more than 25 years, we recently undertook a comparative review of underwriting manuals to assess how direct insurers today assess and underwrite LTC risk.

What we found was that LTC underwriting has become remarkably uniform in some aspects, and in others, a significant range of opinions exist. The number of underwriting risk classes each direct writer uses may contribute to the range of opinions. For context, about 35 percent of our sample used three asset classes, about 35 percent used four or more, and the remaining insurers used only two.

BODY MASS

To compare the LTC underwriting manuals, we first sought to create a means for apples-to-apples comparisons. Therefore we selected specific average male and female heights as the underwriting starting point: for men, 5 feet 10 inches; and for women, 5 feet 7 inches.

Some kind of medical question verification is a nearly universal underwriting requirement for LTC applicants, no matter what their ages.

For men and women of those heights, minimum acceptable weights in the underwriting manuals were fairly consistent. For men, about 60 percent of the underwriting manuals used 120 pounds, and 40 percent used between 130 and 135 pounds. Minimum acceptable weights for women of the selected height were a little less consistent, with about 20 percent of insurers using 100 pounds, about 60 percent using 110 pounds, and about 20 percent using 120 pounds.

Maximum acceptable weights were somewhat less consistent. About 50 percent of the insurers set the maximum acceptable weight for 5-foot-10-inch males at an amount over 285 pounds. About 20 percent of the insurers set the maximum at between 275 and 285 pounds, and about 30 percent set it between 260 and 265 pounds. For women of the selected height, about 30 percent of the insurers set the maximum acceptable weight between 270 to 280 pounds, about 40 percent between 240 to 260 pounds, and about 30 percent had maximum acceptable weights of less than 240 pounds.

In mapping the contracts we have reinsured, we found that LTC insurers with the fewest risk classes tended to restrict acceptances to individuals with weights in the lowest maximum weight ranges.

COGNITIVE ASSESSMENTS

We also looked at the rules LTC underwriting manuals set down to determine at what ages insurers need to use face-to-face assessments versus telephone interviews.

The minimum age required by all of the manuals for face-to-face assessments is either age 70 or age 72. For telephone assessments, however, about 60 percent of the insurers have a minimum age of 65, about 20 percent have age 60, and the remaining insurers set the minimum under age 60.

Insurers that use cognitive telephone assessments for younger-age applicants tend to have fewer underwriting classes. Also, one-third of the manuals that do not require face-to-face cognitive assessments for applicants of ages 70 and 71 do require cognitive assessments by telephone for applicants under age 60. Interesting differences such as this

one may prompt an observer to wonder why insurers appear to be less aggressive at some issue ages than at others, yet the differences may simply point to the insurers' confidence in the tool being used.

DEPLOYMENT OF OTHER UNDERWRITING TOOLS

Some kind of medical question verification is a nearly universal underwriting requirement for LTC applicants, no matter what their ages. At younger ages (defined by each insurer), verification is usually acceptable through a telephone interview. The minimum age at which insurers require actual medical records for verification, however, varies significantly. About 40 percent of the LTC insurer underwriting manuals we reviewed require medical records for applicants either over age 70 or 72, about 30 percent require them for applicants over age 65 or 66, and the remainder require them for all applicants.

Not surprisingly, LTC insurer underwriting manual age requirements for face-to-face assessments of physical independence tended to correlate highly with their face-to-face assessment requirements for cognitive impairment. However—and this is surprising—the correlation is not perfect. After all, it would seem logical for an insurer to ask a nurse or paramedic to do both assessments while with the applicant.

Finally, about 60 percent of the LTC underwriting manuals we reviewed required the conducting of prescription drug searches on all applicants as part of standard underwriting, and about 20 percent required that MIB searches be conducted. Interestingly, we noted that LTC insurers that conduct MIB searches on applicants also had lower minimum weight requirements. Whether this is coincidence, or whether insurers requiring MIB searches are giving greater weight to the MIB results than to the applicant's weight, is an interesting point to ponder.

UNDERWRITING IMPAIRMENTS

We selected 10 medical conditions to show the range of ways insurers now underwrite LTC when the applicants have medical impairments. The 10

