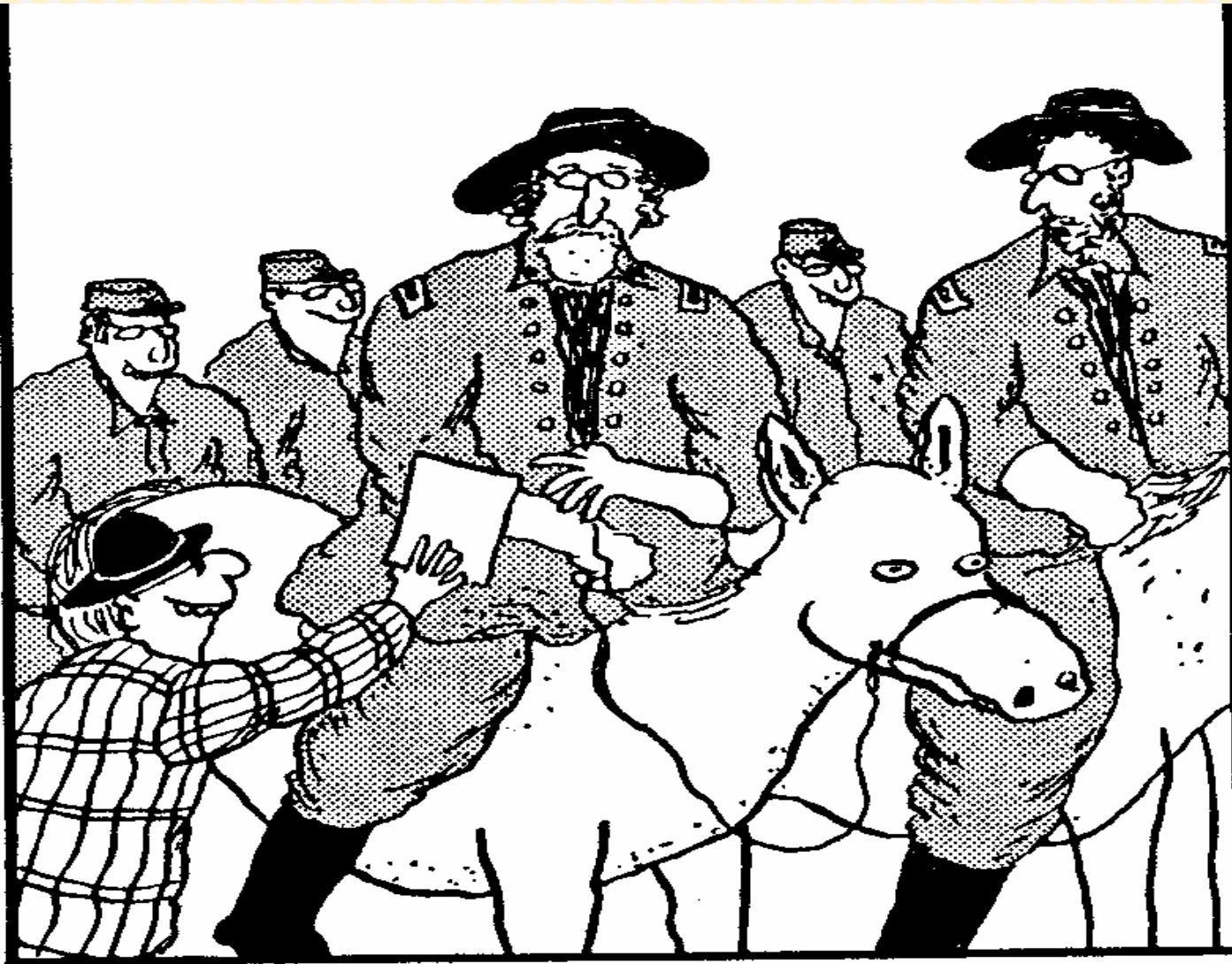


Doveryai, No Porveryai Trust, But Verify

The Transformation of LTC Underwriting

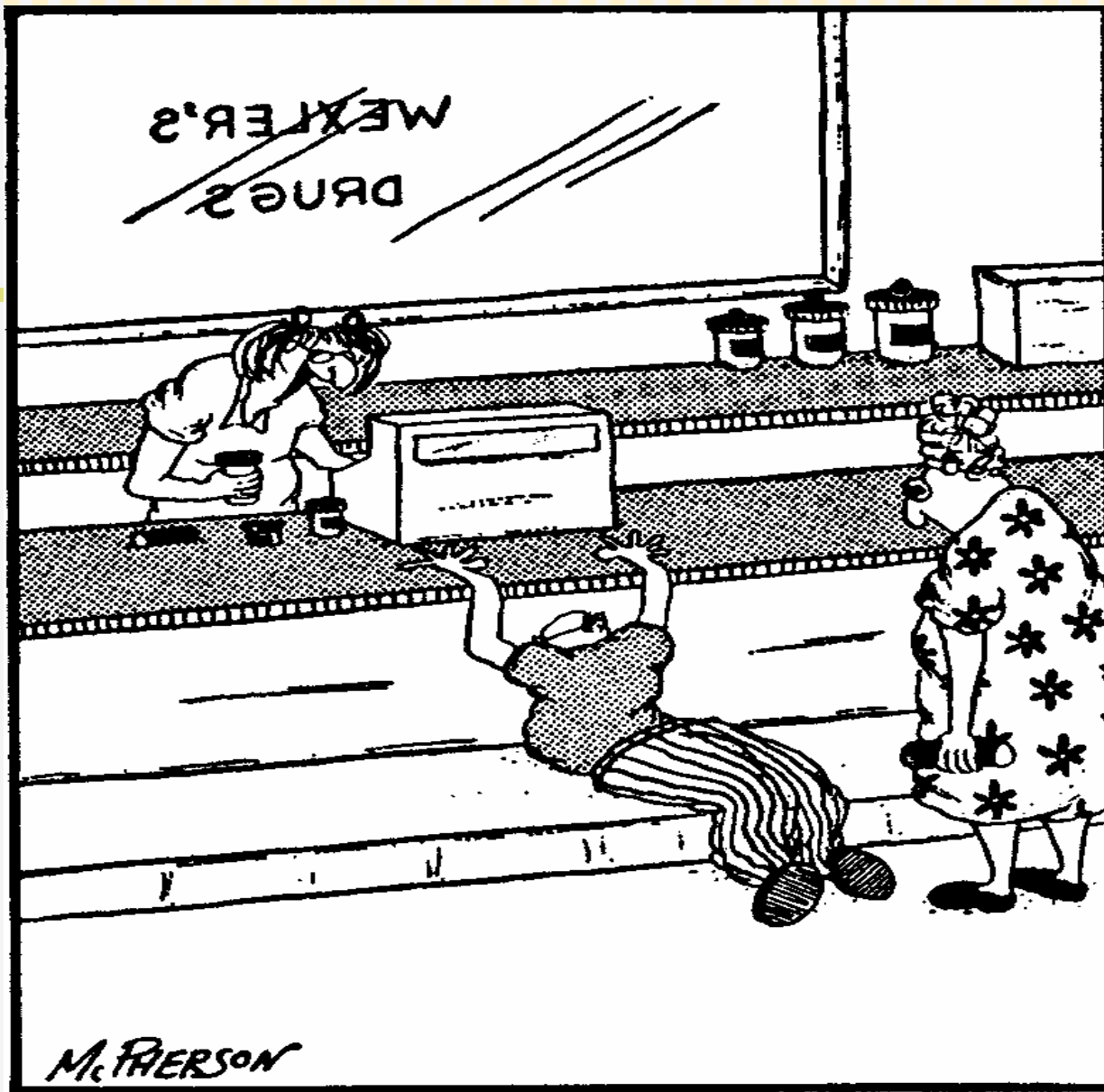
Linda Jonides, FLMI, AALU
Chief Underwriter





Big losers in U.S. history: insurance agent Luke Wackford, who sold life insurance policies to Custer and his men on June 23, 1876





"...and one bottle of extra-potent calcium supplements!"





Back to the 1980s

- Popular movies: Raiders of the Lost Ark and Star Wars
- Oprah's talk show goes national
- Reagan is President
- CDs began replacing vinyl



Back to the 1980s

- Underwriting LTC is in its infancy
- Underwriting philosophy and requirements were based on medical or disability income models
 - Medical records mostly
 - MIB rarely used
 - Face to face assessments were a new tool



Back to the 1980s

- Underwriting decisions relied heavily on what was in the medical records
- Difficult to discover cognitive impairment
- Underwriting guidelines were limited in scope
- Significance of co-morbidities not yet finessed



Forward to the 1990s

- Popular movies were Forrest Gump and Titanic
- Nancy Kerrigan & Tonya Harding incident occurred
- O.J. Simpson trial
- Clinton was President



Forward to the 1990s

- More companies enter the market
- Companies begin to incorporate cognitive testing as a standard for older age applicants
- Telephone interviews became a standard, especially for younger ages



Forward to the 1990s

- More companies began using MIB for LTC applications
- Some companies began using a cognitive screen during telephone interview
- Underwriting guidelines became more detailed and sophisticated



2000 and Beyond

- Number of companies marketing LTC decreases significantly
 - Buyouts and mergers
 - Financial woes
 - Corporate decides LTC is not profitable

AND



2000 and Beyond

RATE

STABILIZATION



Equitable's Experience

- Began marketing LTC products in 1974
- In 1985, began marketing a home health care only product
- Started marketing current LTC product (TQ & non-TQ) in 1996
- Have always obtained medical records on all applicants, regardless of age



Equitable's Experience

- Study was completed in 1980s to validate 100% medical records
 - Declined applications were analyzed
 - Health history found in the medical records was compared to the application questions
 - 64% of applicants should have answered "yes" to a "fatal" question!



Equitable's Experience

- Continue to 100% order medical records for all applicants
- Phone interviews for all applicants
- Study of declined applications from the first quarter, 2004: 10% of applicants should have answered a "fatal" question "yes"



Equitable's Experience

- What are we finding in medical records?
 - Diabetes with poor control, complications or co-morbidities
 - Risk factors for CVA
 - Complaints of memory loss or Rx like Aricept, Exelon and Reminyl
 - Significant risk for falls
 - Complex cardiovascular history



Equitable's Experience

- Small percentage of declines are from the application, phone interview or face-to-face assessment
 - Unacceptable medication
 - Obese plus co-morbidities
 - Applicant admits to using an assistive device
 - Discover health history not listed on the application
 - Applicant fails cognitive exam

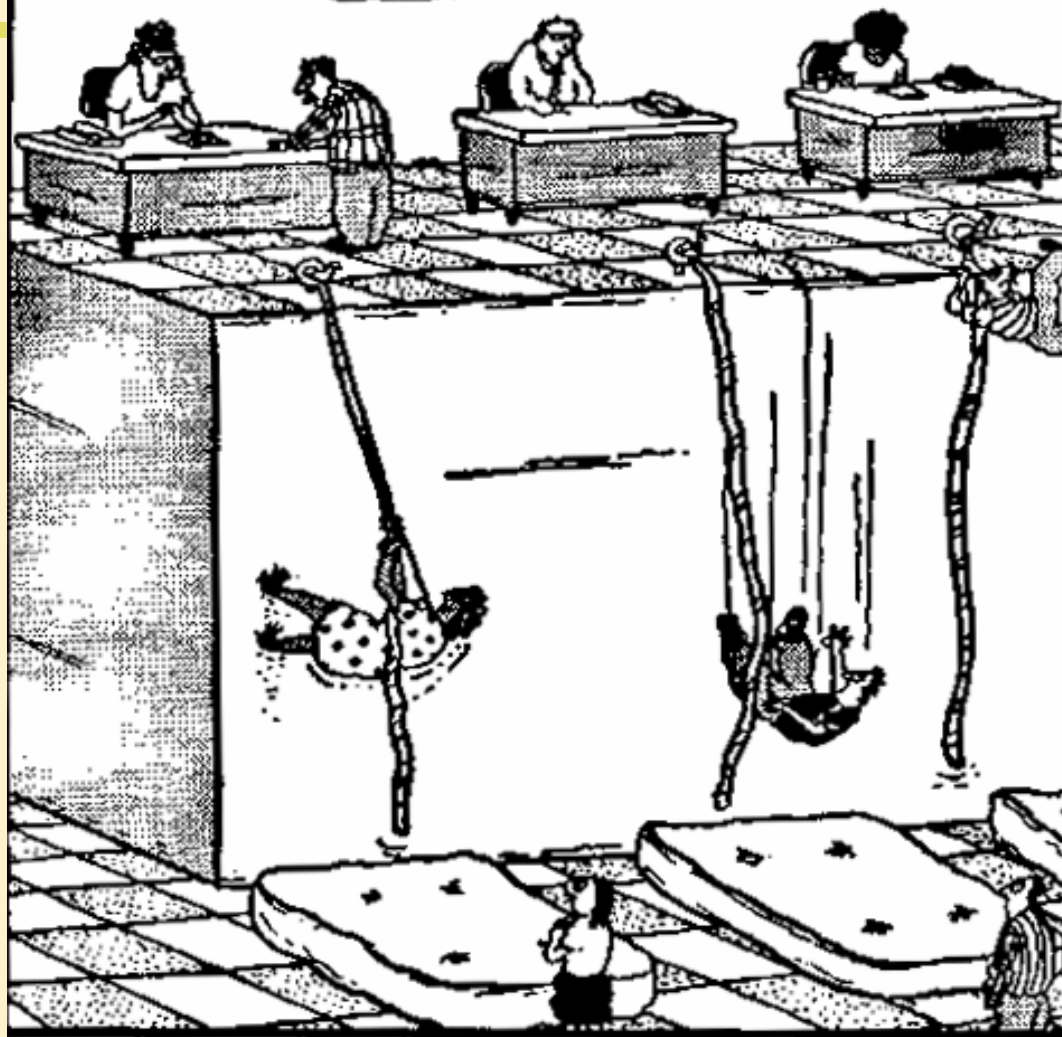


What's Next?



GLOBAL COMMUNITY HEALTH INSURANCE

APPLICATIONS



Equitable
Life & Casualty

What's Next?



- Market toward younger ages (60 or younger)
- Lifestyle factors will heavily influence underwriting decision
 - Inactivity vs. regular exercise
 - Compliance with diet and medication(s)



What's Next?



- Changes in morbidity trends and demographic trends influence risk selection criteria
 - In the future, elderly more likely to be living alone
 - Less likely to have family caregivers
 - Estimated 100 – 125% increase in elderly population by 2030
 - Triple the number of elderly in nursing homes by 2030



What's Next?



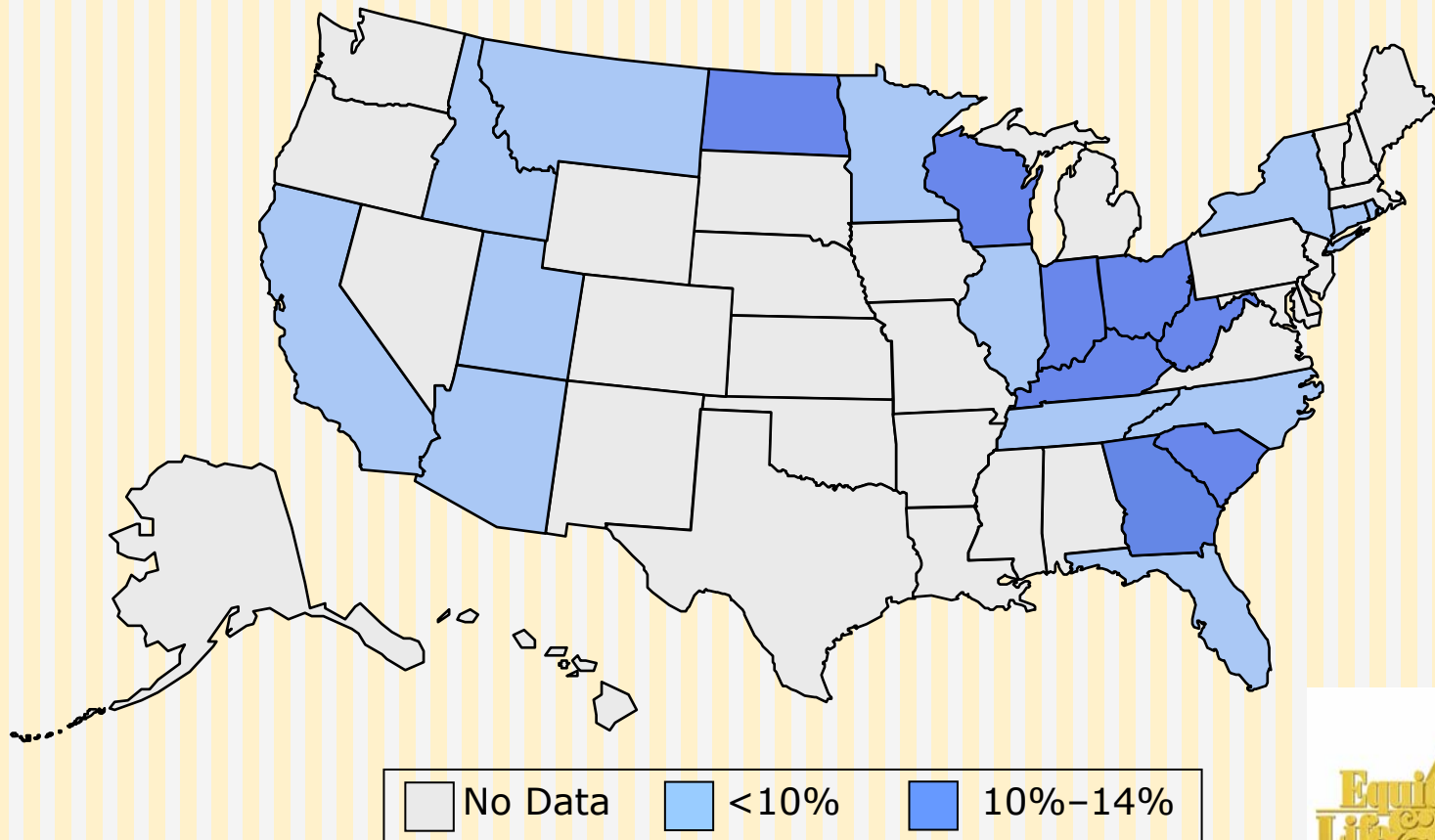
- 28% of Americans over age 50 are obese
- Between 1982 and 1999, the number of obese senior citizens has doubled.
- Obesity complicates geriatric care by placing undue stress on the heart, joints and spine, and aggravates hypertension and diabetes



Obesity Trends* Among U.S. Adults

BRFSS, 1985

(*BMI ≥ 30 , or ~ 30 lbs overweight for 5' 4" woman)



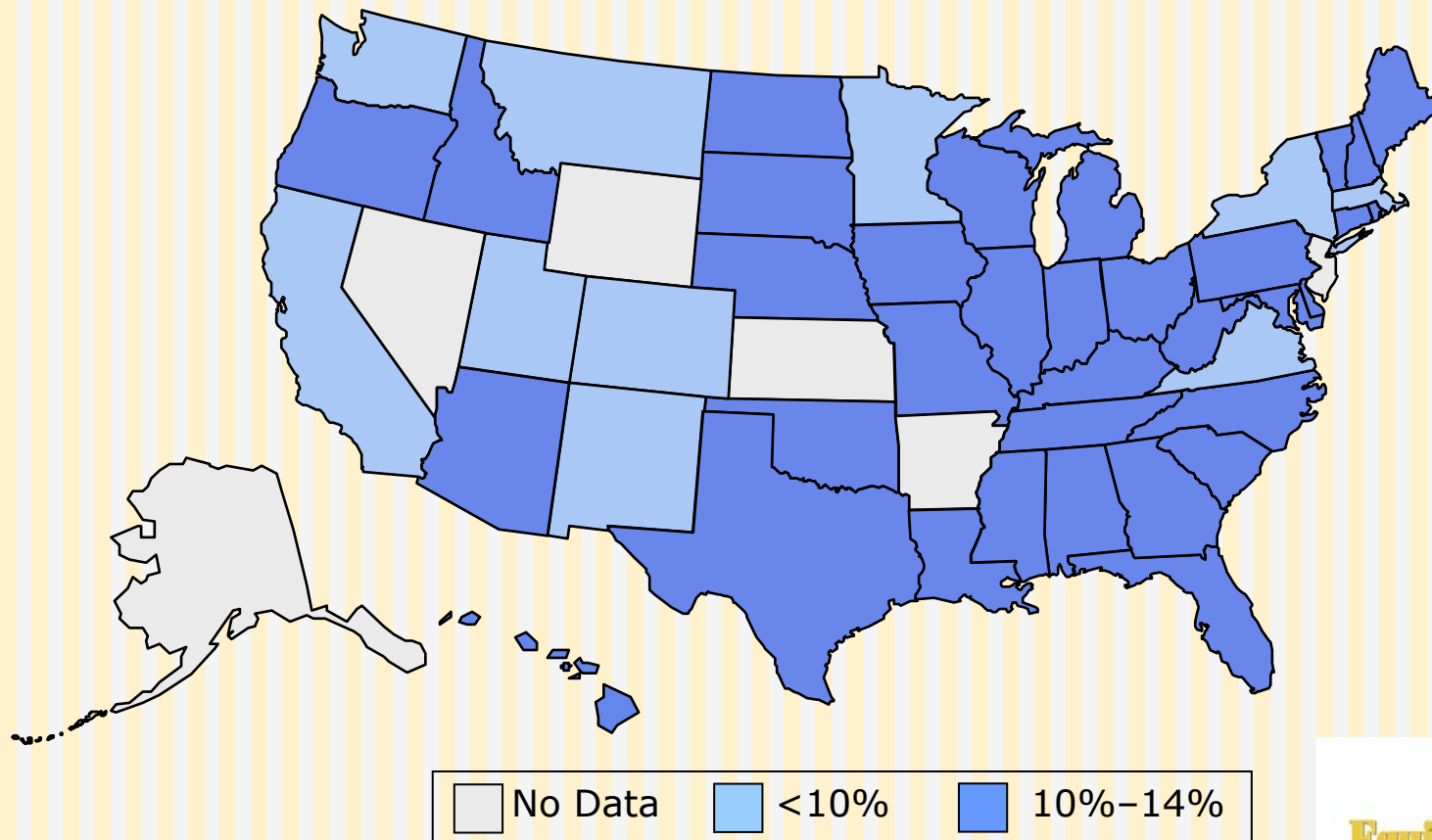
Taken from CDC data:

<http://www.cdc.gov/nccdphp/dnpa/obesity/trend/maps/index.htm>

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What's Next?



- If obesity trends continue, the next generation may not live as long
- Physicians are changing the focus of geriatric care for the obese elderly.
- Obese elderly have less care options (more nursing home stays vs. home care) due to mobility issues.



What's Next?



- Current lifestyle choices will affect quality of life at older age
 - 85% of people age 65+ have hypertension, diabetes or lipid disorder
- Physicians will need to give more focus to:
 - Disease management, if chronic disease is present
 - Chronic disease prevention



What's Next?



- Companies need to proceed cautiously before liberalizing underwriting requirements
- Continually educate agents about the importance of good field underwriting



What's Next?



- Is better, faster, cheaper a feasible option?
 - No longer applicable to underwriting requirements
 - Leverage technology to decrease time service
 - Get agents educated and involved in the process



Questions

