

# Worksite Underwriting

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*“Three’s a Crowd and Other Interesting Facts  
About Group Underwriting”*

**SOA LTC Conference**

*Tuesday, January 27, 2002*

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**VP LTC Underwriting**



# Presentation Focus:

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## **DEVELOPING A NEW WORKSITE UNDERWRITING PROGRAM**



# Agenda

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- **Target Market(s)**
  - Product/Compensation
  - Marketing Organization
  - Target Groups

Cont. next page...

## Agenda cont...

- **Underwriting**
  - Group vs. Individual in Group
  - MGI vs. Full Underwriting
  - Participation Requirements
  - MGI Benefit Levels
  - Applications

Cont. next page...



## Agenda cont...

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- **Approval Process (RFQ)**
  - Forms
  - Workflow
  - Exceptions
- **Administrative Handling**
- **Market Organization Training**

# Target Market

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## A. Target Market Questions

- 1) **Small** ( $\leq 149$  EE) **Medium** (150 - 999) **Large** (1000+)
- 2) Traditional Agents/Brokers vs. "Group Marketers"

## B. Product Questions

- 1) Individual vs. Group?
- 2) Packaged benefits vs. "Free Form"

## C. Target Groups

- 1) How to define?
  - **Size**
  - **Characteristics**



# Target-Market Groups

## (characteristics)

TARGET	NON-TARGET
<ul style="list-style-type: none"><li>• Average age <math>\geq 45</math></li><li>• High income employees (<math>\geq</math> \$30,000 avg.) Low annual staff turnover (exempt <math>&lt; 10\%</math>, non-exempt <math>&lt; 15\%</math>)</li><li>• High tech, skilled labor or “white collar”.</li></ul>	<ul style="list-style-type: none"><li>• Average age <math>&lt; 40</math></li><li>• Low average income (<math>&lt; \\$25,000</math>)</li><li>• High staff turnover</li><li>• Low skilled laborer</li></ul>

# Target-Market Groups

## (characteristics)

TARGET	NON-TARGET
<ul style="list-style-type: none"><li>• High enrollment in multiple benefit programs</li><li>• Active marketing support of employer</li><li>• LTC not previously offered</li></ul>	<ul style="list-style-type: none"><li>• Poor enrollment w/existing benefits or limited benefits available</li><li>• Low employer support</li></ul>

# Target-Market Groups

## (characteristics)

<b>TARGET Examples</b>	<b>NON-TARGET Examples</b>
<ul style="list-style-type: none"><li>• Auto manufacturing plant</li><li>• White collar business (Law offices and non-retail)</li><li>• Hospital (Professional &amp; Mgmt. only)</li><li>• Teachers/Educators</li></ul>	<ul style="list-style-type: none"><li>• Low skill manufacturer</li><li>• Hospital (non-professional staff)</li><li>• Low salary service businesses</li></ul>

# Underwriting

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- **First underwrite the group!**
  - 1) Are there any groups you just don't want?
  - 2) Do you give same benefits to all groups or vary?
  - 3) Do you offer MGI to all or only certain groups?
  - 4) What OEP scenarios make sense?

## Underwriting cont...

- **Second, you underwrite the Individuals!**
  - **Common MGI eligibility criteria include:**
    - 1) Hours worked/FT vs. PT/Time on job
    - 2) Maximum sick days
    - 3) ADL's/Assisted Devices

## Underwriting cont...

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- **Participation Requirements**
  - **Suggest both minimum number and % of employees (example: greater of 15 or 10% of employees.**
  - **Match OEP length to nature of group and capabilities of marketer**

## Underwriting cont...

- **MGI Benefit Levels**
  - **Consider market place. Do you want National or Regional maximums?**
  - **Market largely offering limited (non-lifetime) Benefits**

## Underwriting cont...

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- **MGI Benefit Levels cont...**
  - **Consider the different risk longer benefit periods represent for 45 year olds vs. 65 year olds?**
  - **What is your company's true risk tolerance? Consider both Actuarial and Cultural factors**

## Underwriting cont...

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- **Applications**

- 1) Question do you use existing or create new applications?
- 2) I suggest you create new applications designed for group market

## Underwriting cont...

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- **Applications**

- 3) Include questions such as:

- Employer vs. spouse vs. family member
    - Employer name/number/address, etc.
    - MGI criteria
    - Occupation/retirement date

# Approval Process

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**This may be the hardest part but the most important thing to do right!**

**You need to control who writes, what business and how it is written!**

## Approval Process cont...

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1) Request for Quote (RFQ) should include questions on:

– **Demographics of group**

- Ages and incomes
- Presence of disabled employees
- Number & location of worksites

– **Marketing Plan**

– **Previous LTC offerings**

– **Benefit Packages to offer**

– **Employer Commitment**



## Approval Process cont...

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2) Census should be requested to:

- **Verify demographic info**
- **Demonstrate employer involvement**
- **Plan appropriate OEP**

3) List Bill/Payroll Forms

## Approval Process cont...

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### 4) Workflow

- **1st have RFQ reviewed by “upline” Sales Mgmt**
- **Final approval/denial by H.O.**
- **Document approval w/formal “Implementation Memo”**
  - a) List OEP open and close dates
  - b) Give date apps must be in H.O.
  - c) Describe U/W type and participation reqm’t
  - d) Give effective date of policies

## Approval Process cont...

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### Common Exception Requests:

- 1) Spouse MGI
- 2) Waiving Participation Requirements
- 3) Lifetime Benefits on Small Groups
- 4) OEP extensions (especially after OEP closed)

# Marketing Organization Training

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**Work very closely with your Marketers.**

**I advise:**

**1) Create a good “Worksite Producer’s Guide”,  
Making sure to cover:**

- a) Target Groups and Approval Process
- b) Participation and Benefit levels for MGI

# Marketing Organization Training cont...

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## **I advise:**

- 2) Do Live Training of Sales Management**
- 3) Explain likely exception handling and why**
- 4) Ensure Sales and Risk “Messages” match**

# Marketing Organization Training cont...

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**I advise:**

- 5) Have knowledgeable Senior Staff talking to Agents/Marketing Org. on all approves in early stages to **CAPTURE TEACHING MOMENTS!****

**For Questions, Comments or  
Suggestions, please contact me at:**

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