Group vs. Multi-Life

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Group vs. Multi-Life

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Types of Multi-Life Prospects

- Associations
- Employers
  - Executive carve-out-only cases
  - Cases involving rank-and-file employees
    - Large cases
    - Small cases

Key consideration: don’t get into something you can’t service properly

Income Potential from Multi-Life Prospects

- Associations
  - Low immediate income; may work out long-term
- Employers
  - Executive carve-out-only cases: Great opportunity
  - Cases involving rank-and-file employees
    - Large cases – not the holy grail some people think
      - Can lead to deferred sales also
    - Small cases – may be more attractive

Size Requirements

- Group Voluntary
  - Only half a dozen carriers
  - Minimum size varies: 500+ is common
  - Must convince carrier of good penetration
  - Risk when participation falls short
- Multi-Life
  - Generally 5+ policies
  - Risk when participation falls short
- Individual policies
  - No minimum

How Do You Decide What Type of Plan to Propose to a Large Employer?

- There are many different aspects to employer LTCi programs
- Employers generally don’t know what to request
- Our job
  - Ask the right questions so we can determine the employer’s goals
  - Explain design alternatives that will meet their various goals
  - Make their selected program successful

Questions to Ask an Employer

- How will the selection process work? Who will make the decision?
- Who would be eligible?
- What is the size of the group?
- What health conditions exist?
- What is most important?
  - Price
  - Underwriting
  - Flexibility and counseling
  - Servicing particular eligibles
  - Other goals or issues?

Questions to Ask an Employer

- How can we educate people in advance?
- How would we be able to reach eligible people?
- Where are the eligible people located?

If we use a single carrier approach, it is important to know how to sell the case to the insurer, especially if it involves Guaranteed Issue

- Cathi will talk about what insurers want to know
- Roch will discuss how to make the program work

There are many dimensions to employer LTCi

- Employer-paid vs. voluntary vs. core/buy-up
- Different programs for execs vs. rank-and-file
- Guaranteed issue vs. underwritten
- Counseling vs. not
- Design
- # of carriers

Design Choices

- Limit choices (with counseling, can have more "behind the screen")
  - Home care
  - Benefit period
  - Elimination period
- Group Programs have improved significantly
  - Benefit increases
  - Exclusions
  - Spouse discounts
  - Share care

Underwriting Issues

- Guarantee Issue is available
  - With “true group voluntary”
  - Only for employees under age 65
  - Only for large cases
- With a one-carrier multi-life program, simplified underwriting may be available
  - Sometimes a minimal guaranteed-to-issue policy
- With multiple carriers, reduced UW is NOT available, but preferred discounts are available

Commission Issues

- Group Voluntary has lower group commissions
  - But more carrier support
  - Carriers may quote net behind your back
- Multi-Life and Individual have full commissions
  - May be an offset due to the discount
  - Guaranteed-to-issue may have no comp

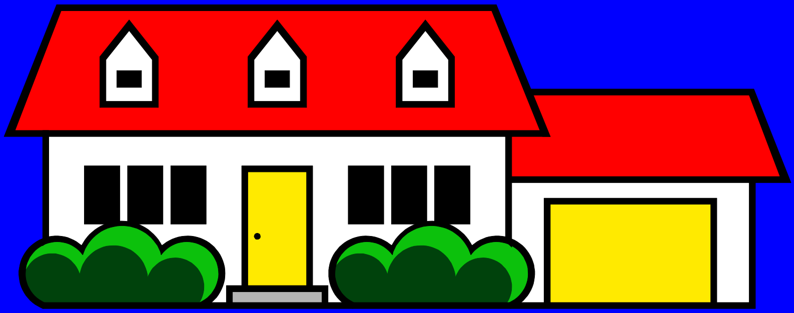
If LTCi exists, Working Care-givers:

- Spend about 10% **less** time with an *insured* care recipient, but **much more quality** time.
- Are nearly twice as likely to keep working.
- Are less stressed. (Note: Those who experience job disruptions are 3 times more likely to report severe stress.)

MetLife Study of Employed Caregivers (March, 2001)

Impact of LTCi on Working Care-givers

When people provide care for parents or grand-parents, do they live together?



- Some prefer to live together; more often, they don't.

MetLife Study (March, 2001)

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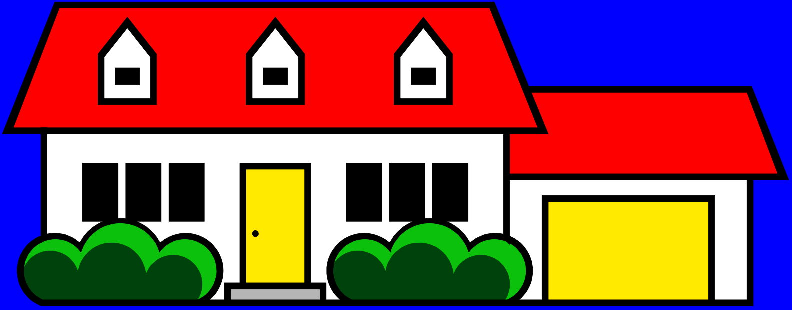

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- 54% live together if there is **<u>no</u>** LTCi

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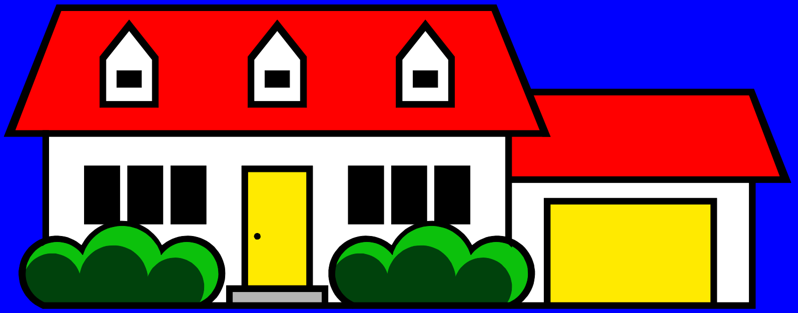


- Some prefer to live together; more often, they don't.
- 54% live together if there is **<u>no</u>** LTCi
- 37% live together if there **<u>is</u>** LTCi

Conclusion: LTCi helps to avoid living together 33% to 50% of the time.

MetLife Study (March, 2001)

Buy-Up Programs Can Be Excellent

- Provides a small basic coverage
- Employees can add:

  -- more daily benefit -- spouse insurance

  --longer benefit period -- home care, etc.
- Less expensive for the employer than buying robust coverage
- Encourages more employee participation

Weaknesses of Buy-Up Programs for Employees who do NOT Buy-Up

1. Eventual benefit will be very low
   – Low initial amount ($1,000- $2,000/month)
   – No automatic benefit increases
   – Hard to improve coverage later
2. Employees drop coverage when they leave
3. But employees might think they are OK, while employed

Value of $2000/month at age 75
Basis: $4500 current cost/5% inflation

Age today	Ave. Monthly Cost	% covered
25	$51,603	3.9%
35	$31,680	6.3%
45	$19,449	10.3%
55	$11,940	16.8%
65	$ 7,330	27.3%

Notes: By age 85, only about 60% as valuable.

Current costs are commonly higher.

Inflation is likely to exceed 5%.

Future Purchase Option Every 1-3 Years to Offset Past Inflation

Advantages

- Low initial premium, so easier to get started
- First several price increases will be small if purchased when young
- As price increases, disposable income may increase faster
- May track actual inflation (often 5% minimum)

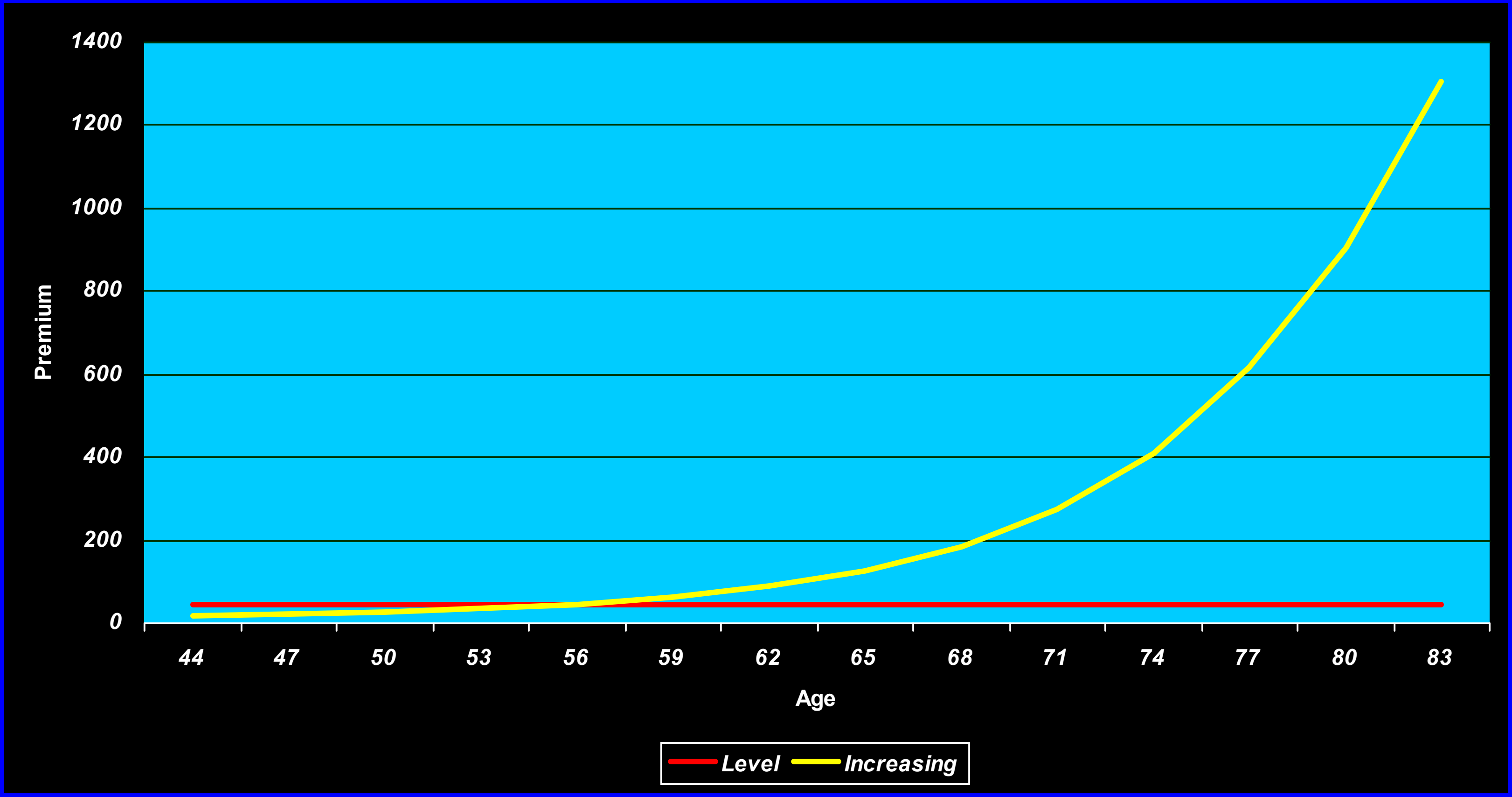
Future Purchase Option

- Are premiums for the add-ons disclosed?
- Are enrollees given projections to see how this would likely unfold?
- Will employees have meaningful coverage when they need LTC?
- Can enrollees shift out of this design in the future to avoid premiums increasing precipitously?

5% Compound Benefit Increase

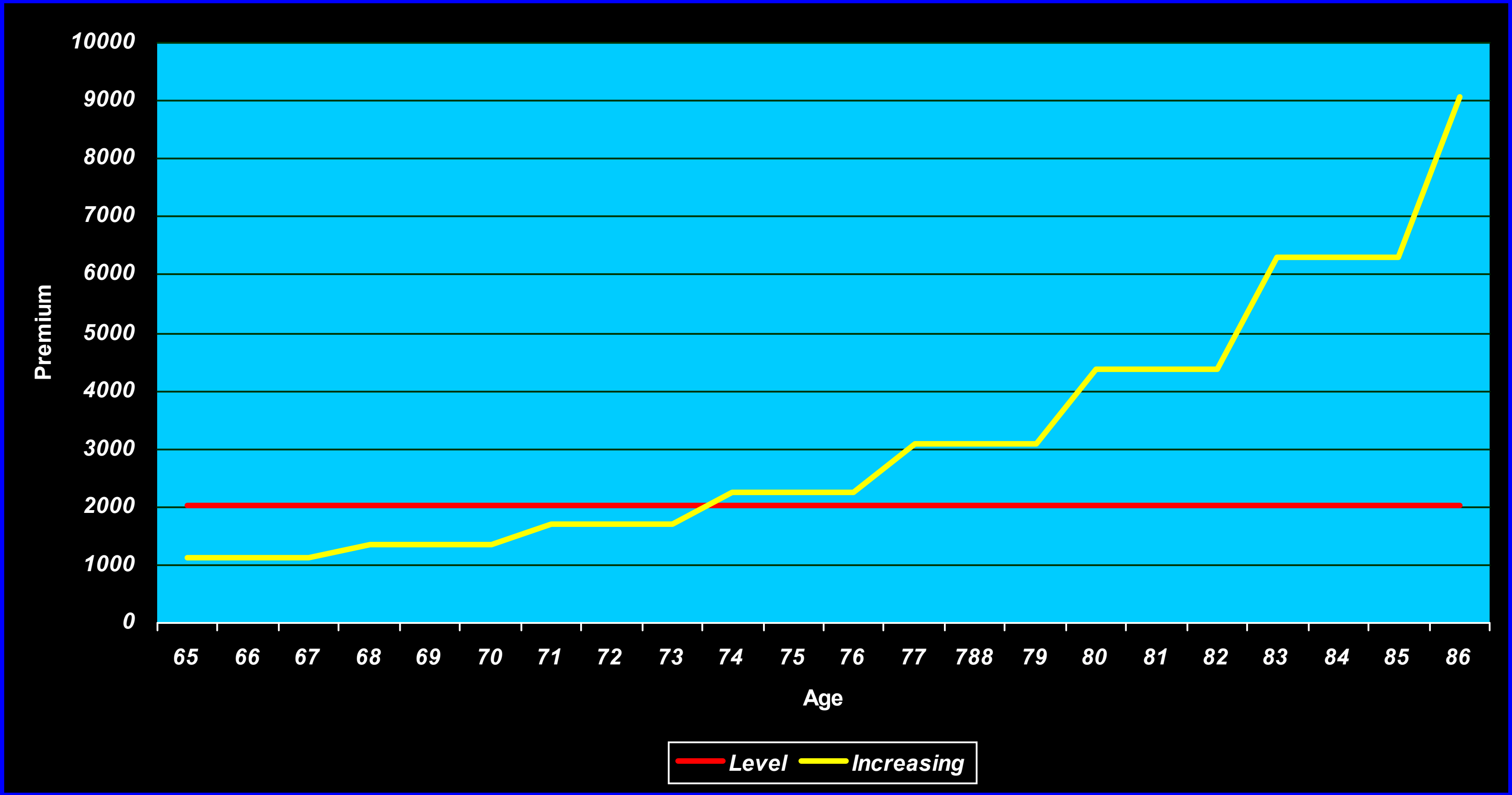
- Advantages
  - Premium priced to stay level
  - Benefits increases annually, by 5%
  - Increases forever, even while on claim
- Disadvantages
  - Can triple initial premium for young people
  - Does not match actual inflation

Premium Comparison Over Time
45-year-old Enrollee



Future Purchases (yellow) vs. Pre-Funded 5% (red)

Premium Comparison Over Time
65-year-old Enrollee



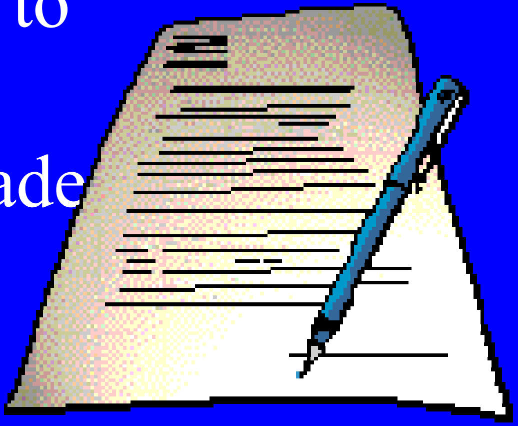
Future Purchases (yellow) vs. Pre-Funded 5% (red)

Encouraging Relatives to Apply

It is more important that relatives get insured.

To encourage spouses & other relatives to apply:

- Review the eligibility of various relatives
- Look for incentives, such as discounts, to encourage enrollment
- Obtain commitment on efforts to be made to secure applications from relatives



Remember: it is relatives who impact productivity

Services for people who are uninsurable

- Employees may currently be burdened caring for family members
- Some family members may be uninsurable, even if not needing care now
- Some healthy people will decline the insurance and then need care

What can be done to help these people?

For more information and help designing a program to fit your organization's needs, please contact…

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  Overland Park, KS 66210-1100