SOCIETY OF ACTUARIES
LONG TERM CARE INSURANCE SECTION

LONG-TERM CARE NEWS
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# Engagement and Compliance . . . A Direct and Critical Correlation

## Perspectives From a Compliance Leader

By Andrew Baron

In a distracted, changing, and evolving world, maintaining the focus and engagement of a team can be a giant task. As a leader, it is critical to understand that people may have new priorities as time passes and an organization's goals are another priority competing for attention. One priority that should be non-negotiable in an organization is compliance with policies and procedures.

Well-written, properly implemented, and clearly communicated policies and procedures can set the foundation for an effective compliance program. These policies and procedures can delineate the boundaries of acceptable and unacceptable activities.

The myriad of operational and regulatory requirements governing the insurance business makes the development of, and compliance with policies and procedures especially intricate. At the line of business level, the complexities associated with long-term care insurance, for example, can require compliance with life insurance and health insurance regulatory requirements and compliance with those requirements can permeate internal policies and procedures. I believe the best policies and procedures are only as good as the environment in which they are implemented and used. People in a distracted world may be confused and concerned, and consequently not fully engaged in day-to-day responsibilities and goals. This can complicate matters. I believe there is a direct relationship between high levels of engagement and a corresponding effort to comply with policies and procedures. If engagement diminishes, I believe the risk of non-compliance with policies and procedures can increase.

Leaders need to foster positive engagement in this environment, which becomes a delicate balance. Individuals and teams need time to process this new environment, and that requires the patience, support and trust of leaders.

In more than 28 years in the insurance industry, in a variety of management and leadership roles, the following are three keys I have found to be effective in engaging a team's support, commitment, and motivation.

### RECOGNIZE THE UNIQUENESS OF EACH PERSON

Each person is special. Try to ensure they feel that way. I try to understand each person's interests, concerns, and aspirations. What may seem as a trivial concern to some, may be more challenging for others. I try to empathize with each person and strive to create and foster an environment where people feel valued. This fosters a collaborative and respectful atmosphere where diversity of thoughts and ideas are welcomed, and creatively challenged, and positive results can be achieved.

## ENCOURAGE A BALANCE OF RISK

Individuals may be hesitant to innovate in this changing environment. Be there to challenge and support each person to drive ideas and positive results. Each person owns the work they do and how they do it. If mistakes happen, those are opportunities to learn from. I support well-intentioned risks.

## EMPOWERMENT BUILDS TRUST

I have found that empowerment builds trust between a manager and each individual and within the team. When empowered, people seem more confident to openly share knowledge to strengthen the team.

When each person is empowered, the environment can become collaborative, enthusiastic, and positively engaged, and support an effective compliance program. ■

*Lincoln Financial Group is the marketing name for Lincoln National Corporation and its affiliates. The views expressed are those of the author as of the date specified.*

Andrew Baron is assistant vice president, Product Compliance & Filing, for Lincoln Financial Group. He can be contacted at *andrew.baron@lfg.com.*

# A Middle-Market Senior Care Solution

By Bruce Stahl and Winona Berdine

Would you like to have an insurance product in your company's lineup that provides all of the following?

- Reaches the middle market,
- provides security to generations of family members,
- satisfies real customer financial needs and provides them with peace of mind,
- minimizes risk in the morbidity tail,
- reduces asset and interest rate risk, and
- reduces concerns about pandemic risk in facilities.

Many recent innovations in senior care insurance—particularly in long-term care products—have aimed to enhance its fundamental value proposition but have not really resolved the middle market affordability gap. Some innovations designed as product differentiators, such as cash values or nonforfeiture benefits, have increased the cost, making them unaffordable to most middle-market consumers. Even traditional combination products offered on a multi-pay basis can be expensive for the middle market.

The various tax incentives proposed in recent years that have targeted LTCI's high premiums might help to some degree, but they would not really alter the product's underlying risk or middle-market affordability.

Perhaps it's time to consider a living benefits solution that would cover a loved one's long-term care needs and services on a decreasing term basis. Such a product would be intended for purchase by a working relative (generally an adult child) prior to his or her retirement. The policy would fund the potential care needs of someone in whom the purchaser has an insurable interest—a parent, an in-law, or even a spouse—while the policyowner continues to work, and would end when the policyowner retires.

A new product framework we are calling caregiver insurance is one that can respond to this need. Consider a middle-market individual—usually a son or daughter—who is aware they will need to provide care for one or both parents should the parents need help with activities of daily living or supervision due to cognitive impairment. The individual might be unable to physically provide the care for several reasons—either due to living and working at a distant geographic location or due to their job lacking the flexibility to let them take time off work on a regular basis or on short notice. Discussing the matter, the family agrees that once the son or daughter retires, he or she can care for the parents. However, until then, the adult child still needs to earn a living and save for their own retirement needs.

A caregiver insurance policy, that would terminate at the time of the policyowner's choosing (such as their planned retirement), was conceived of and designed as a solution for this need. It covers expenses for the care of a loved one (spouse, parent or in-law) if their health becomes impaired due to aging, accident, illness, or a chronic condition. The coverage, in the form of a monthly payout, would be activated by the policyowner once the parent was diagnosed with covered and triggering impairments, and would stay in place during the selected term—generally the policyowner's expected working years. This would minimize the financial and career impact of caregiving on the policyowner while ensuring proper care for his or her loved one.

The decreasing term nature of the product refers to the amount of time the policy would pay benefits. The term of the policy would be selected at time of purchase, and monthly payments would be available until the end of the term. Payments are oriented primarily toward home care, which could alleviate worries about pandemic-type risks, but can cover facility care as well, should the need be severe.

From the insurers' perspective, the high premium rate increases in LTC over the past several years have been due to concerns about high claims incidence and low mortality at high attained ages. These tail risks can also be avoided by the term nature of this type of insurance. Also, as the benefit period decreases, active life reserves should be comparatively small. The increasing age curve will be offset to some degree by the fact that the policy term is finite and the benefit maximum is reducing.

Although the recipients of the care would be fully underwritten using today's LTCI standards, be aware that the caregiver insurance design is not considered to be LTCI by state regulatory definitions, as it has some fundamental differences from the standard product:

- **Underwriting is on the parent** (or parents) rather than the policyowner. The parent(s) would need to participate in the application process, and allow the insurer to access their medical records. Furthermore, the parent(s) and the policyowner would need to state that they were not coerced into providing information or being covered.
- **The Genetic Information Nondiscrimination Act** (GINA) exclusion is not guaranteed, as this insurance is not considered LTCI. Since medical conditions with a genetic component generally manifest by age 65, this concern may be moot if the covered parties are at least age 65 when the policy is underwritten and issued.
- **No Waiver of Premium or Extension of Benefits.** Because policyholders are expected to be earning an income while the parent is receiving benefits, premium waivers and benefit extensions, which are standard on LTCI policies, are not (and should not be) built in.

While discussing this concept with insurers, we identified several areas where the concept can be enhanced, such as allowing multiple policyowners such as siblings, who share a common insurable interest in the well-being of their parents—the policy's care recipient(s).

This policy is designed to be available to buyers both at worksites and on an individual basis, and has the potential to benefit customers, distributors, carriers, and even the state.

- Customers have access to affordable LTC-style coverage, with premiums intended for when they are earning an income and can pay them. This is generally also when policyowners can least afford to lose time at work, and during the years when they most need to save for their own retirement(s).
- Distributors can offer an affordable living benefits product that can meet a real middle-market need.
- Insurers can provide a lower-risk and less asset-intensive product than standard or combination LTC.
- States can benefit as well through the potential for significantly lower Medicaid costs for two generations, by covering expenses for people who might otherwise require Medicaid assistance and enabling the second generation to prepare for their own future LTC needs.

With people living longer, the caregiver insurance policy design can help finance care in an affordable manner for all parties involved, especially for those in the middle market.

Bruce Stahl, ASA, MAAA, is senior vice president, head of Individual Health for RGA Reinsurance Company. He can be contacted at *bstahl@rgare.com.*

Winona Berdine, is vice president, Business Development, Individual Health for RGA Reinsurance Company. She can be contacted at *wberdine@rgare.com.*

# Digital Long-Term Care Insurer for the Post-Coronavirus World

By David Kwon

*Author's note: This article was written in March as New York was just locking down, with almost no fatalities. It is with great sadness to see that what I (and many in LTC industry) suspected will happen, did happen beyond the worst expectation. Worse yet, we are still in the middle of the pandemic nightmare. I believe that the path toward the brighter future continues to lie in our ability to create break-through innovations with technology.*

## STATE OF LONG-TERM CARE INSURANCE FACING CORONAVIRUS PANDEMIC

Coronavirus has brought an unprecedented global disruption to our society. For the long-term care (LTC) population, the impact of Coronavirus has been especially dramatic.

- In Italy, 17 percent of all deaths are 80+ years old.[1] The survivors may suffer from lasting lung damages.
- Pre-existing conditions linked to higher Coronavirus mortality rates are most common among LTC claimants—cardiovascular disease, chronic respiratory disease, high blood pressure and cancer.[2]
- Assisted living and other LTC facilities are especially vulnerable to the pandemic, which can spread rapidly due to close confinement and LTC claimants' weakened immune systems.

On the other hand, LTC insurers have been grappling with the approaching tsunami of LTC claims, which has been reflected by their astronomical reserves. But the reality is that LTC insurance has remained stagnant for decades. The pre-claim policyholder experience is largely limited to premium payments with the occasional rate change, which can continue for 10 to 20 years until the first claim is filed. The LTC claim process continues to be very analog, relying on paper documentation, phone calls and emails. This is the result of LTC insurers focusing on cost cutting without any meaningful investment for many years, in part due to the lack of compelling opportunities.

Meanwhile, the rest of society is moving toward an experience-driven digital transformation as embodied by Apple, Uber, Google and other digital natives. The effort to defeat Coronavirus is further accelerating the society-wide digital transformation as we use digital technologies to communicate, work and conduct commerce while we maintain social distancing practices.

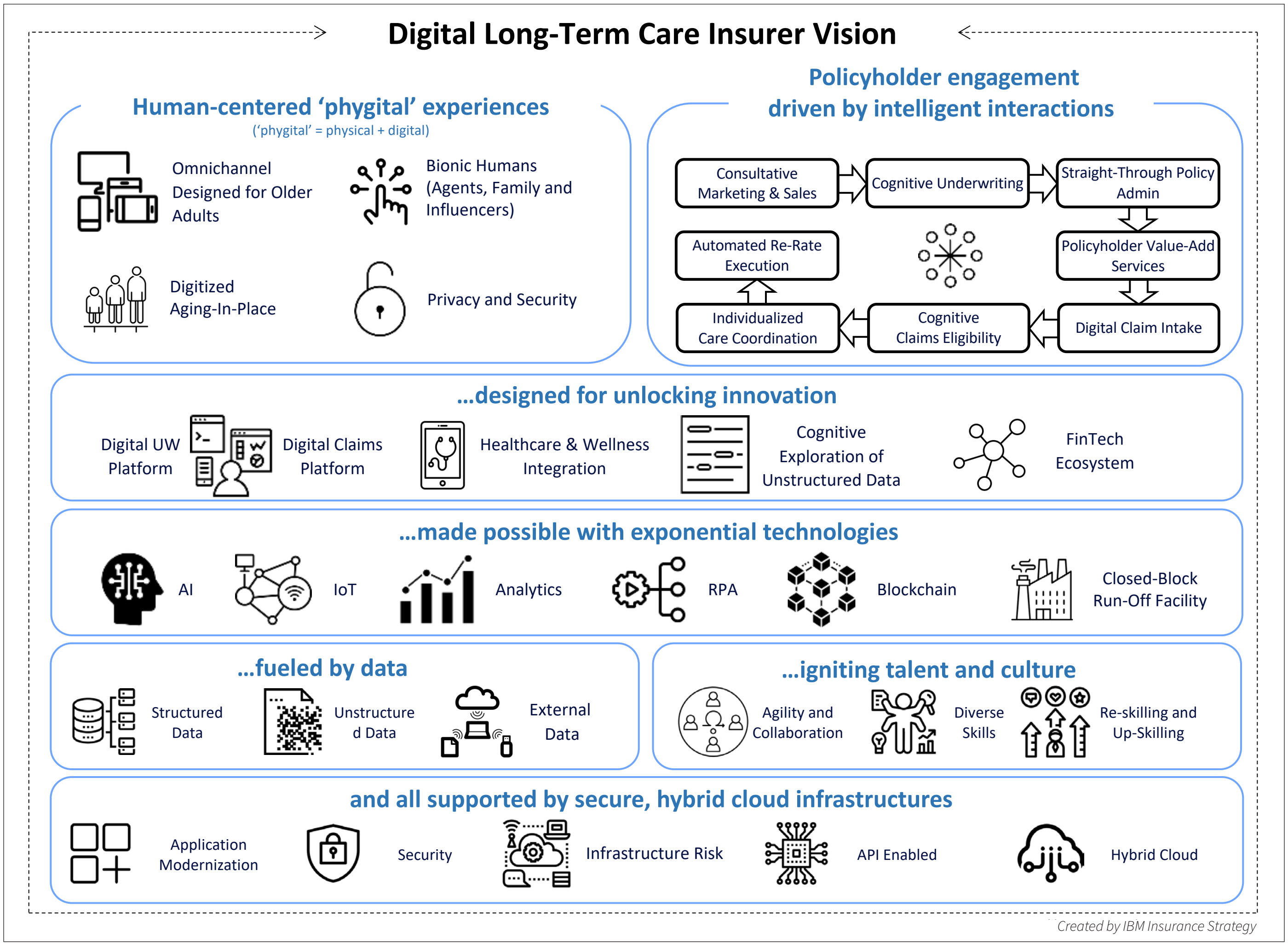
## MEET THE DIGITAL LONG-TERM CARE INSURER

Pressured by the LTC tsunami and catalyzed by Coronavirus, LTC insurers are on the cusp of industry-wide digital disruption. So, what will the future of LTC insurance look like in the post-Coronavirus world?

As with other digitally disrupted industries, the future of LTC insurance will be all about innovative human engagement.

- LTC Policyholders are guided toward healthier lifestyles and offered other valuable pre-claim benefits that mitigate long-term care risks.

FIGURE 1
DIGITAL LONG-TERM CARE INSURER VISION




- LTC Claimants and families are allowed to manage care arrangements in the best interest of the claimant which also lowers total cost of care.
- LTC Insurers become innovators with creative ways to improve policyholder LTC outcome, optimize claim costs, and digitize operations to deliver an outstanding experience while also improving value.

How will the LTC Insurer of the future deliver such experience-driven transformation?

The LTC insurer of the future will consist of the following capabilities:

- **Human-centered phygital experiences:** The LTC insurer delivers remarkable seamless experience, tailored for the aging LTC population throughout the policyholder's servicing life—whenever, wherever.
- **Policyholder engagement driven by intelligent interactions:** Each step in the claim and ongoing care process is transparent, necessary and valuable. Predictive modeling (e.g., policyholder LTC risk score, claim fraud rating) determines critical intervention points to drive additional value.
- **Designed for unlocking innovation:** The insurer's operating model reinvents itself continuously with breakthrough ideas wherever they are found.
- **Made possible with exponential technologies:** LTC systems are modernized and rearchitected to leverage the latest advancements in digital technologies.
- **Fueled by data:** Enrich with external data (e.g., health care data) and digitized unstructured data to enable predictive analytics at the individual policyholder level.

- **Igniting talent and culture:** LTC talents prize creativity and relentlessly seek innovative solutions to transform the operation.
- **Supported by secure, hybrid cloud infrastructure:** Everything runs on a secure technology infrastructure that is ready for the platform-driven multi-cloud world.

## TO THE NEW WORLD OF POSSIBILITIES

Imagine a potential future scenario …

Barbara, a 65-year-old widow and LTC policyholder, is able to detect early onset Alzheimer's using the LTC mobile app's remote cognitive assessment feature. With the help of her neurologist, proper nutrition, and exercise, Barbara slows her Alzheimer's progression and maintains an active lifestyle for years to come.

One day, Barbara has a bad fall at home, which coupled with progressing Alzheimer's, would qualify her to move into an assisted living facility, which her LTC policy covers. However, like most retirees, Barbara wants to stay in her beloved home and community. The LTC insurer makes her wish possible with aging-at-home services that include a fall prevention program, home IoT devices (e.g., movement sensors), and supporting services (e.g., safety check). The new Aging-at-Home solution is a win-win for everyone. Barbara is able to stay in her home and community and close to her family while also avoiding assisted living facility expenses which reduces claims for the LTC insurer.

This is just one of many future scenarios that will be made possible by the digital long-term care insurer, whose potential is limited only by our imagination and ingenuity. Wellness, digital aging-in-place, targeted personalized services … there are many opportunities to encourage policyholders to co-invest in the digital LTC future which will drive faster, prolonged adoption.

The Coronavirus crisis is teaching us that the societies that move decisively can defeat even the most daunting global pandemic. The societies that do not will suffer massive and tragic consequences. Long-term care is a growing national challenge further complicated by the Coronavirus. Digital LTC vision provides a mean to move decisively toward a brighter post-Coronavirus LTC world.

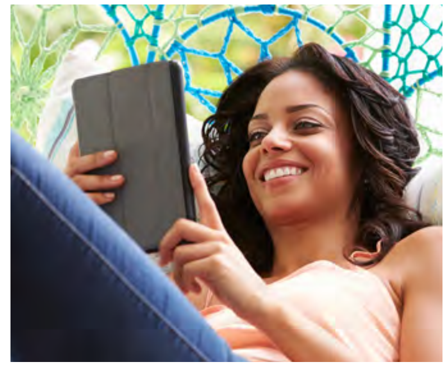
David Kwon, FSRI, ALMI, AIRC, is an IBM Industry Academy member and an associate partner with IBM Enterprise Strategy & Interactive Experience. He can be contacted at *dkwon@us.ibm.com.*

**ENDNOTES**

1. Italian Portal of Epidemiology for Public Health, Study of 16,925 cases in Italy, March 2020.
2. China Center of Disease Control & Prevention, Study of 44,672 confirmed cases in Mainland China. March 2020.

# Long-Term Care News

*Your source for actuarial, regulatory and compliance, marketing, underwriting and claims in long-term care insurance.*



## RESEARCH & REPORTS

Read the newly released "Researching Long-Term Care Insurance Incidence Rates Over Time" report describing two methods, an observation-based analysis and an actual-to-model analysis, to analyze long-term care insurance experience to determine if calendar year trends exist.

## SECTION COMMUNITY

Market risk benefit (MRB) is a new financial statement line Listen as Nolan Tully and Steve Brogan of Faegre Drinker discuss with John Hebig the history of litigation surrounding long-term care insurance litigation and review the key characteristics of each distinct litigation phase. Then, the group examines what the industry might expect from future lawsuits attacking long-term care rate increases in our latest podcast "Long-Term Care Rate Increase Litigation: Past, Present and Future."

Get access to more info at ***SOA.org/sections/long-term-care***