The new LTCI underwriting standards

Selling smarter

By Catherine Dove

Regardless of the type of insurance being discussed, insurance underwriting is essentially about assuming risk.

For life insurance, the risk is death and there is a great deal of actuarial data to make accurate predictions.

For long-term care insurance (LTCi), the risk is different, and, for this assessment, there is less actuarial data because of the number of variables.

In laymen's terms, we could say that mortality is how likely you are to die, and morbidity is how likely you are to have a significant impairment and live.

Now before we try and wrap our arms around some of the new LTCi underwriting standards, let's take a step back to discuss what items had a direct impact on insurers' ultimate decision to tighten up their underwriting on new applicants. Here are the top three in my opinion:

1. *Gender pricing* was introduced in 2013, with the LTCi industry mimicking the life insurance industry by using a gender rate pricing structure on its products.

Today, most of the top carriers have either released products with gender rates or have filed such products, with the products still awaiting approval from state departments of insurance and from the Interstate Compact reviewers.

The blood and urine testing requirement appears to be a direct result of the new shift to gender pricing, as it was released simultaneously.

Insurers instituted the new gender pricing strategy along with underwriting practice to help reduce risk and improve the sustainability of their LTCi products.

2. In 2013, *LTCi claims increased 13 percent*, to $7.5 billion. Insurers began asking themselves, "Are we asking for enough data on new applicants?" and "Why is the average claiming age decreasing?"

3. Carriers began reviewing high-risk conditions and conducting more comprehensive underwriting internal "deep-dives."

Some examples of conditions that encompass the highest potential risk of morbidity continue to be:

- **Diabetes** (which, in combination with other ailments, can lead to debilitating complications such as a stroke, amputation and an increased need for long-term care [LTC] services);
- **Osteoporosis** (which increases the risk of fractures and may cause increased chronic pain – which may ultimately limit activities);
- **Arthritis** (which causes joint deformities and affects weight-bearing activities such as standing or walking, and which, in combination with an increased weight-to-height ratio, may ultimately limit activities).

The bottom line is, LTCi underwriting is changing drastically.

Insurers are now screening for cognitive impairment at younger ages, requiring blood and urine testing, and using more restrictive underwriting when it comes to diabetes.

Insurers are also being more strict about the family profile history (one insurer may include genetic testing of applicants with a family history of genetic disorders); medical records for applicants of all ages; and face-to-face interviews for younger clients.

All of these requirements can have a direct impact on how likely the insurer is to think the applicant has one or more of “the top medical conditions leading to the need for LTC." Some insurers are now combining a paramedical exam with the face-to-face interview if applicants have not seen a doctor or physician within the past two years.

Recent underwriting trends have given insurers more reason to do additional internal “deep-dives” and comprehensive research of existing business.

In years past, such significant underwriting changes would have raised a red flag for many producers; however, in today’s environment, it’s looked upon as insurers doing their due diligence (the “right” thing) in order to remain a relevant and active player in the market.

Tightening up underwriting risk is always a win for the insurer, and the fact that most have already done this (or are planning to) lessens apprehension, and is more likely to be accepted by distribution.

So, these underwriting updates are no longer looked at as a negative – rather a positive that the insurer remains committed to the LTCi industry.

Armed with this information, you can now better prepare your clients for what’s ahead of them when applying for LTCi.

Also, most carriers have underwriters easily accessible who can help with overall underwriting should you have questions on a specific case, (or underwriting questions in general).