



# Individual Annuities and Individual A&H

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## Individual A&H Topics

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# Individual A&H Topics

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- Product Design Trends
- Modeling & Risk Issues
- Reserve Issues

# Product Design Trends

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Where The Action Is:

- Long Term Care
- Cancer
- MedSupp
- Worksite Products (Jim Baum)

# Product Design Trends

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Where The Action Isn't:

- Major Medical  
Nouveau Products
- Hybrid Products
- Critical Illness
- Unorthodox product designs/benefits

# Product Design Trends

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Why Is There Little Action on Nouveau Products?

- Price
- Lack of Perceived Need
- Regulatory Issues

# LTC – Evolving Issues

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- New Product Features:
  - Limited pay
- Rate Stabilization
  - AAA Practice Note
- New Experience Data
- Adverse Persistency

# Cancer – Evolving Issues

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- Re-Pricing Past Mistakes (e.g. unlimited radiation, chemotherapy, blood)
- NAIC considering reserve methodology that provides for future claim cost inflation

# MedSupp – Evolving Issues

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- NAIC considering reserve methodology that provides for future claim cost inflation



# Disability – Evolving Issues

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- Retirement Contribution Replacement Coverage
- Traditional DI but...
  - tighter benefit structures
  - more stringent underwriting
- Guaranteed Renewable

# Disability – The Other Side

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- What a DI Consolidator is looking for:
  - Claims Practices
  - Underwriting
  - Policy Benefits
  - Inforce Distribution
  - Reinsurance
  - Asset Portfolio

# Individual A&H Topics

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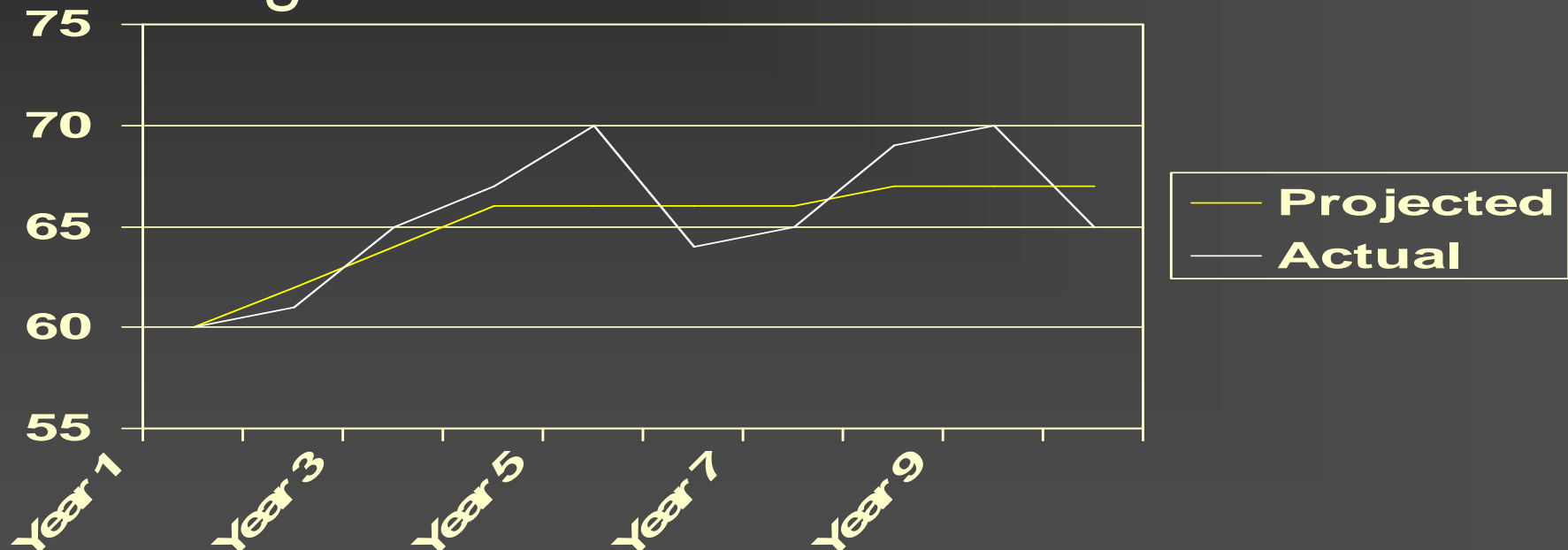
## Risk & Modeling Issues

- Pricing Risk
- Investment Risk

# Individual A&H Topics

## Risk & Modeling Issues

### Pricing Risk – loss ratios



# Individual A&H Topics

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Risk & Modeling Issues  
Investment Risk

Applicable to LTC & DI

# Individual A&H - Reserve Issues

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- Active Life Reserves  
valuing rate increases
- Claim Reserves  
valuing long-tailed claims

# Individual A&H – Reserve Issues Rate Increases

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Nomenclature from “GAAP for Medicare  
Supplement Policies” TSA 42 (1990) pp.  
339 – 373.

# Individual A&H – Reserve Issues

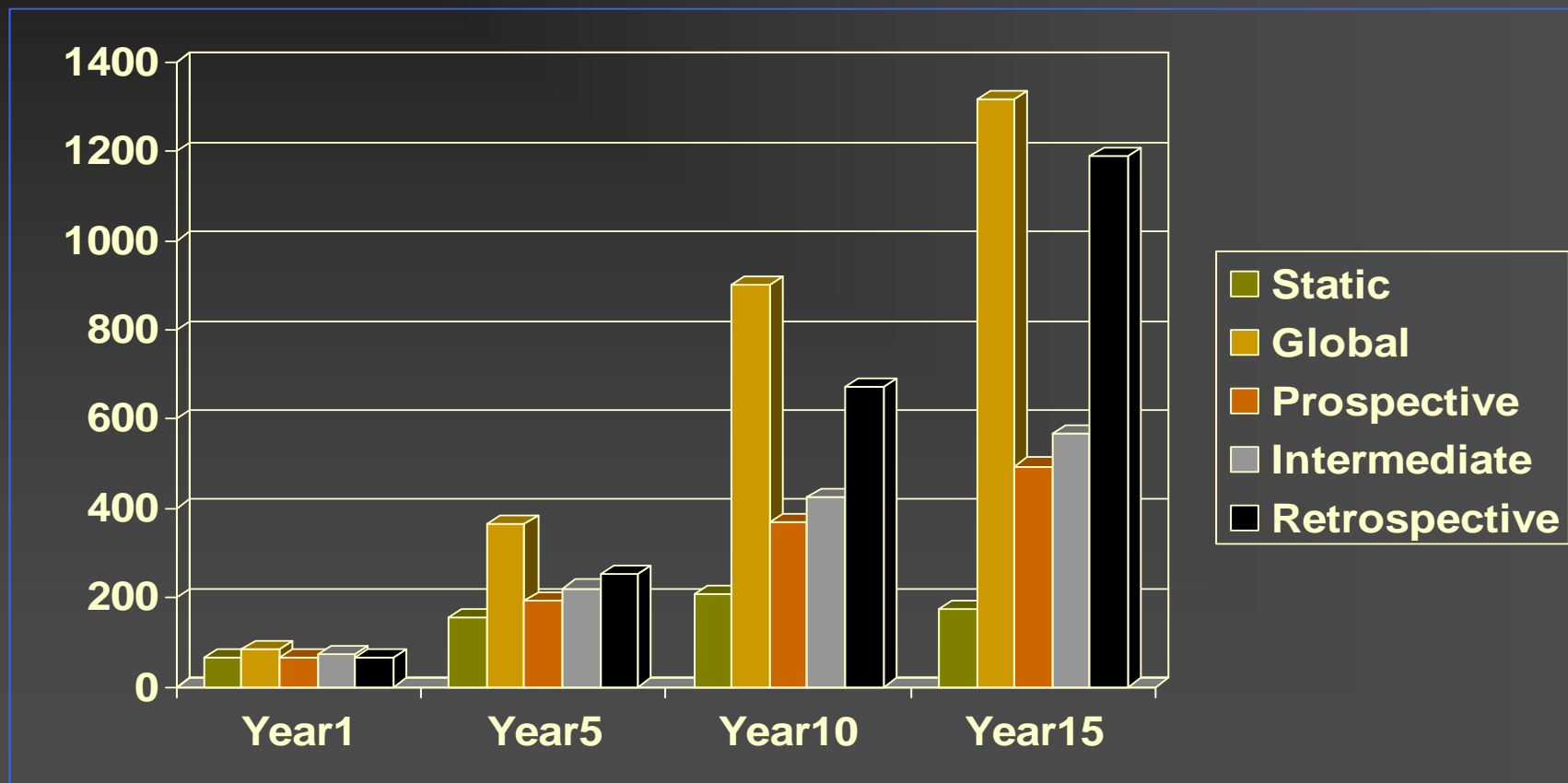
## Rate Increases

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- Static method
- Prospective method
- Retrospective method
- Intermediate method
- Global method



# Reserving For Rate Increases



# Individual A&H – Reserve Issues

## Valuing Long-Tailed Claims

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- Validate! Validate! Validate!
- Compile sufficient claims records
- Use more than one method to cross-validate
- Reflect all salient features in valuation methodology and reserve grouping