



Risk Review

Created by and for the members of the Group Underwriters Association of America • Spring 2003

FROM THE PRESIDENT

The evolution of our business

By Teresa Robison, FLMI, CLU, Nationwide Life Insurance Company
GUAA President

Evolution. Did you ever think you would hear that term associated with insurance? I suppose that over the last few years this is not a word association that would surprise you as much as it might have ten or more years ago. We've all seen, and many have experienced, mergers and acquisitions in our industry. We've lived through piles of legislative changes and the threat of socialized medicine. All of these events contribute to the evolution of our business.

Continuing to remain relevant

As an association, GUAA must evolve as well in order to remain relevant to our members. Some of the things we're working on for 2003 are designed to help us to continue to be a relevant part of our members' professional lives.

Beginning in 2003 we will host a booth at industry functions to foster membership in GUAA. Functions being evaluated include LOMA and HIAA conferences, among others. We hope to put our name in front of people who may not be aware of our existence.

We are introducing a new pricing structure this year that will

encourage companies to send multiple attendees to our meetings. Our surveys have shown this is important to our members and indeed, will encourage higher attendance at each meeting.

We're taking a look at our meeting structure, content and timing. Comments from some of our more tenured members indicate our meetings may be getting too predictable. So we are looking at ways to keep things interesting for both new and long-term members.

Survey via e-mail is on the way

You will shortly receive a survey via e-mail from your Board of Directors asking for input on a number of issues. Please take a few minutes to complete this survey. Your thoughts regarding your expectations of GUAA are important to us. Taking heed of our members' needs is critical if we want to be around for another 25 years.

I, for one, am looking forward to an exciting year for GUAA. I hope to see you—and two or three of your co-workers—this June in Boston!



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Tom Kirner's independent article: The first of many?

By Wayne Fisher, CoreSource
GUA A Education and Development Director

We are very pleased to include the article by Tom Kirner in our newsletter. His is the first independent article written for the newsletter. I would love to include other articles as well. To that end, I encourage you to consider sending an article to my attention for the newsletter. You will reach many of your colleagues in the industry and be recognized as someone who is knowledgeable and willing to contribute to our understanding of the Group Underwriting industry.

After all, we are the gatekeepers to a trillion dollar industry! Please send your questions, comments and articles to my attention at wfisher@coresource.com.

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Become a GUA A

member today.

GUA A membership provides opportunities for professional development, networking and information gathering. It is a forum where you can meet with industry leaders, policy makers, and others who influence the group insurance marketplace.

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Group life underwriters look forward to new Group Life Insurance experience study

By Joe Malone, Munich American Reassurance Co.
GUAA Life Committee Co-Chair

The Group Life Committee was pleased to sponsor a workshop at our Denver meeting by Karen Edgerton, FSA, MAAA, who is Second Vice President, Actuarial Pricing with Swiss Re. Karen is also co-chair of the Group Life Experience Committee of the Society of Actuaries (SOA). This committee has been re-energized and its 12 members have begun the challenging task of producing a Group Life insurance experience study. The last study included data from 1985 through 1989 and was released in 1995. A new study is long overdue and eagerly awaited by the Group Actuarial and Underwriting communities.

The last study... may have raised as many questions as it answered

Karen looked back at the last study with us. This study was a useful tool, although it did have certain limitations. It may have raised as many questions as it answered. Only 13 insurance companies submitted the data and three large contributors accounted for 70% of the data.

The structuring of the new study

The goal of the current Group Life Committee is to include a broad cross section of the industry in the new study. Sixty Group Life Insurers have been asked to participate. Karen explained in detail how the Group Life Committee is structuring this new study to avoid the problems and data issues encountered in the last study. The committee has already spent more than a year in planning for the study. The data requirements for exposures and claims have been clearly defined and agreed upon. An outside firm will be used to compile the data submitted, in order to protect the confidentiality of each insurance company's data and experience.

Two studies in one

The new study will actually be two studies in one. The first part will focus on death claims, AD&D claims, and Waiver of Premium claims. The second part will be a separate Waiver of Premium experience study.

The Group Life experience study will analyze claims data for the three years from 1999 through 2001.

The Waiver of Premium experience study will look at deaths and recoveries for reported disabled lives over the ten-year period from 1992 through 2001. It is anticipated that

the Waiver of Premium experience study will provide group insurers with the data needed to develop a new valuation table.

This table would replace the commonly used Krieger Table, which is very outdated, and develop a new experience table for pricing Waiver of Premium benefits.

We hope that all 60 United States group life insurers will submit data for this study

Monumental and significant results will be released in early 2005

The new Group Life Insurance experience study is a monumental and significant undertaking. Requests for data were sent out in late 2002. The target year for submission by group life insurers is 2003. The goal of the Group Life Experience Committee is to release the two studies in early 2005.

We hope that all 60 United States group life insurers will submit data for this study and that the industry can cooperate to enhance its knowledge and understanding of this dynamic and important segment of the insurance industry.

Interesting workshops highlighted Denver meeting

By James Wilmot, Blue Cross Blue Shield of Illinois
GUAA Medical Committee Co-Chair

Once again the Medical Committee provided a variety of interesting and informative workshops at the Denver meeting. The Committee expresses its thanks to all who attended and especially those who actively participated. This participation adds to the interest and candid nature of the workshops.

Broker panel

Committee member Kristen Russell facilitated a session with a panel of two representatives from local agencies: Paul Smith of Smith and Company and Jim Sampson of Flood and Peterson.

The panel spoke of the recent trend in group sales of “buy ups” or consumer based plans, which allows the employer to fund a benefit plan, yet allow the employees to “buy up” to a richer benefit at the employees’ expense.

It’s important to have an honest and trustworthy relationship with underwriting staff

Both representatives spoke of how important it is to have an honest and trustworthy relationship with the underwriting staff. To avoid communication problems and other delays they expressed the need for underwriters to clearly communicate a requirement. It

is then their job to communicate to the client why that requirement is necessary prior to a rate offer.

They strongly prefer an underwriter who tells them the details of a requirement rather than a curt reply, or an immediate “no” to a request for consideration from the broker.

Other discussion items were checklists developed for the brokers to assist with necessary requirements, the brokers’ analysis of a carriers’ reputation, starting with the manner and speed of claim payment, as well as the extent of the network.

Let’s Talk Shop session—Large Group

Co-Chair Ann Marie Wood led a lively discussion on the recent trend in new consumer type products allowing the employee more flexibility, and the employer, a method to keep costs down.

Participants discussed the difficulties of obtaining experience from existing carriers when they are evaluating a new group. The level of detail varies depending on the carrier as well as the size of the group.

Major discussion items were: loading for one or more options on a dual/triple option plan, monitoring participation after enrollment, continued interest in electronic enrollment, and a greater demand from customers for electronic reporting.

Underwriting file documentation

Committee member Elaine Owens arranged for Patricia Eyres, President of Litigation Management

and Training Services, Inc. to present a two-part summary of managing business communications productively and legally.

Ms. Eyres provided actual documented cases that ended up in the courts. She provided examples of “buzz words” to avoid and key principles of word management.

She also discussed avoiding future confusion, clear communication, and professionalism in e-mail communication.

Effective documentation is our strongest ally in regulatory matters as well as litigation

She left us all with the understanding that effective documentation is our strongest ally in regulatory matters as well as litigation.

Those who attended were impressed with Ms. Eyre’s ability to present a detailed summary of her experience and research in a shortened version specifically for the GUAA seminar.

For further information, contact Ms. Eyres directly at Litigation Management and Training Services Inc. or through the GUAA website by contacting the Medical Committee Chairperson.

more ►

Medical workshops

continued from previous page

The challenges of large group sales

New committee member Colleen Mullen and committee member Patrice Hammond led a discussion of the challenges of sales in a competitive large group environment.

Bo Rogero, local Sales Manager for Pacific Life and Annuity, was the representative from Sales.

He described the difficulty in obtaining experience for a new carrier and if there is a high concentration of HMO enrollment, the lack of credibility of the experience.

During the session we discussed the time-frames encountered and how every effort is made to shorten the time it takes to secure a rated offer, and thereby the time involved for the employer to make a decision.

Mr. Rogero stated that his experience is that cases rushed together at the last minute tend to have many more problems afterwards.

This explains the need for the right level of detail in preparing checklists to assist all phases of the quote.

Let's Talk Shop session—Small Group

Committee Co-Chair Jim Wilmot hosted a session of topics relating to the processing of small group. Attendees always remark how much they get from these sessions because of the discussions relating to problems and challenges experienced due to the nature of the small group business.

Items of interest continue to be eligibility, audits for eligibility, participation, newly formed businesses, financial stability, reinstatement, and retiree coverage.



Scenes from Denver



REINSURANCE COMMITTEE REVIEW

Workshops spark interest

By Curt Zepeda, ING RE
GUAA Reinsurance Committee Co-Chair

The meeting in Denver was another big success! The Reinsurance Committee had three workshops that sparked great interest among the attendees, as well as a General Session, and the usual Let's Talk Shop session. Chuck Meintel and Kevin Riley from JHA presented the results of their own industry survey, showing current trends, employee benefits, and what the future may hold in LTD.

Tony Plampton and Rob Anderson from Re-Solution Intermediaries provided us with information on the traditional and new alternative Cat products.

Gary Howard and Dave Wilson, from PRAM, had a very informational presentation on underwriting pharmacy risk in today's climate. On Wednesday, Dr. Gerald Silverstein and Tom Frank from Celtic Life educated us on the intricacies of managing the transplant risk.

While we discussed many topics of interest during our Let's Talk Shop session, the audience was scarce due to overlapping with the Disability Let's Talk Shop session, but we will try to better coordinate the sessions in order to attract a larger participation to all of them.

If you are in the reinsurance side of the industry and would like to help us in the Reinsurance Committee, please contact Curt Zepeda or Boris García-Zakzuk for additional information. Our email addresses can be found on the GUAA website, www.guaa.com.

Open enrollments of voluntary products (LTD, STD, Life)

By Thomas C. Kirner, CLU, FLMI, Smith Group

Recently the question posed was what companies routinely do with requests for open enrollments for take-overs of voluntary programs. Here is a summary of the responses.

It seems fairly clear that insurers resist open enrollments. One individual went so far as to say they don't even use the term "open enrollments" in the underwriting department. It sends the wrong message. The anti-selection risks of open enrollments in general seem to outweigh the opportunity for increased participation.

On LTD and STD, underwriters may agree to an open enrollment. Situations in which an open enrollment might be allowed include: employers who had open enrollments routinely, cases with low participation and a plan to improve it, and cases with adequate rate levels. Situations in which open enrollments don't make sense include smaller cases, cases with good participation, and low participation cases with no clear plan to improve participation.

When agreed to, open enrollments have conditions

When agreed to, open enrollments have conditions. Contractual

provisions addressing the open enrollment situation might be advisable.

Consideration should be given to clearly and contractually excluding previously declined individuals without newly approved evidence of insurability.

Some would try to use a stricter pre-x on the open enrollees

Pre-existing condition limitations can offer the insurer some protection (although pre-x is not as common with STD as LTD). Some would try to use a stricter pre-x on the open enrollees.

In addition, some feel limiting buy-up options (e.g. on a core buy-up plan) or even lowering the maximum without evidence of insurability are prudent measures.

Larger cases, some would agree, are okay if there was a participation target. (What to do if the target is not met was not addressed.) Finally, some would impose a load on the case.

Life presents perhaps a more difficult situation in that preexisting conditions limitations are not found in life contracts. Here, if really pressed, underwriters would try to limit the amount any individual could purchase, try to require a set participation, and load the rates on optional amounts.

Looking ahead to Boston

By Kim Miller, Pacific Life & Annuity, Programming Co-Director

Our committees continue to bring you exciting workshops with insightful speakers. They work extremely hard to do this and without the committees, our program would not be where it is today. In addition to our exciting keynote speaker (see next page), Dr. Bill Rabel, Senior Vice President, LOMA Education and Training Division, will conduct a CEO Roundtable. Our committees have put together another great agenda of workshops including:

Dental Committee

A Broker's Perspective; Associations/MET's/PEO's; and Let's Talk Shop.

Disability Committee

Smoke and Mirrors of Claim Management; IDM and Absence Management; Large Group Financial Underwriting; Small Group Financial Underwriting; Underwriting Blue Collar; and two Let's Talk Shop sessions.

Life Committee

Group Life & AD&D Underwriting Seminar with Case Studies; Portability of Group Life Insurance; Broker's Perspective on the Group Life Insurance Market; and two Let's Talk Shop sessions.

Medical Committee

Risk Adjusters: Factors Affecting Risk Rating on Small and Large Groups; Small Group Profitability: Underwriter and Actuarial Views; Small Group Medical Underwriting Processes; and three Let's Talk Shop sessions.

Reinsurance Committee

2002 U. S. Group Life Survey and Let's Talk Shop.

See you in Boston!



OUR NEXT MEETING

GUAA revolutionizes industry meetings!

by James B. Hiers, III, FLMI, ALHC, HIA, ACS
Munich American Reassurance Company

What better place to be revolutionary than Boston, a historic site of the American Revolution. Thanks to GUAA's excellent Committees (all five of them!), our June program will once again deliver an unbelievable amount of bang for the buck. Go ahead, check out the programs of those other industry associations—I truly doubt you will be able to top GUAA's unique blend of superior programming, terrific networking opportunities, and outstanding meeting sites! GUAA's meeting in Boston on June 22nd through the 25th will be no exception.

One of my duties as the appointed Marketing and Membership Board member is to review survey forms that you kindly complete and report the finding to the Board. Trust me, I share everything with them—the positive *and* the negative. We truly value your opinion. An honest effort is made to incorporate as many of your suggestions as possible.

Thanks in large part to your feedback, **GUAA will be offering a volume discount to companies sending three or more delegates to the Boston meeting!** For early-bird registrations (for companies sending three or more delegates), the price will be \$499 per delegate. This represents a \$100 savings per delegate! A great deal!

Your very important job is to go forward and spread the word to your co-workers and friends in the industry. We're looking for our biggest GUAA crowd ever in Boston, but we need your help to pull it off! Please encourage anyone you think who would benefit from attending to give GUAA a try in Boston. They'll be glad they did!

NBC News
White House
correspondent
David Gregory



Our Keynote Speaker

Our keynote speaker, David Gregory, will highlight Monday morning. He was named White House correspondent for NBC News in February 2001. He reports from the White House for NBC News broadcasts, including *Nightly News with Tom Brokaw*, *Today*, and MSNBC, NBC's 24-hour news and information network.

Prior to being named White House Correspondent, Gregory traveled the country and reported from Austin, Texas on the Bush campaign, covering an array of issues and topics throughout the 2000 election cycle. In addition, he reported for NBC News on the Republican primaries, from the Republican National Convention, the Presidential Debates and through Election Day. He also spent over a month reporting from Austin, Texas on the Florida recount.

Gregory has been a correspondent with NBC News since 1995, reporting for all the news division's broadcasts. Prior to covering the Bush campaign, he covered the Clinton impeachment, among other stories. Gregory covered the trial of Oklahoma City bomber Timothy McVeigh and the trials of O.J. Simpson. He has also served as an anchor for MSNBC.

GUAA members speak out

Thanks to all who attended the meeting in Denver. We think it was another outstanding meeting, and so did you, based on the feedback we received. Here is just a sampling of responses from delegates, expressing what they liked best about our November 2002 meeting in Denver:

statements
comments
guaa

"Networking. Dan Clark's presentation. Workshops."

"The variety of workshops included presenters with extremely valuable information."

"Underwriting File Documentation was very helpful."

"Good variety and workshop topics."

"I attended all the Medical Sessions and they were all informative."

"Networking with others."

"I felt the focus on Worksite (Voluntary) was great. It is very misunderstood."

"The Keynote Speaker ... was impeccable."

"Well organized. Excellent notebook packet."

Be in Boston in June!

From June 22 to June 25, we'll meet in beautiful and historical Boston at the Boston Marriott Longwharf, located in the heart of Boston's world famous waterfront. We'll be next to the New England Aquarium, across the street from Faneuil Hall/Quincy Market and one block from the Italian North End. Two blocks from the hotel, you will enjoy many historic Freedom Trail sites, the Boston Common and the Public Gardens with outdoor cafes and exclusive designer shops nearby.

For information on workshops and NBC News reporter David Gregory, our Keynote Speaker, please see pages 6 and 7.

**Annual Meeting
Boston Marriott Longwharf
June 22- 25, 2003**



The Marriott Longwharf is located downtown on Boston Harbor at historic Long Wharf, one block from Faneuil Hall and Quincy Market.

Marriott Boston Longwharf
296 State Street Boston, MA 02109
phone: 617-227-0800



Above: Scenes from Denver

**Check out
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resource!**

Risk Review is an information resource publication on all aspects of group insurance underwriting including Group Health, Group LTD and STD, Group Life and AD&D, Group Dental, and Voluntary Products

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