CONNECTIONS

News from the Group & Credit Department
of Munich American Reassurance Company

From the editor's desk...

Welcome to the spring edition of Group Connections, Munich Re's newsletter for our very important Group, Credit and Debt Protection clients and prospects.

We're glad you're here! I'm now in my 30th year with the Munich Re, and I can honestly say that I've never been prouder of our Group department. I can't remember a time when we brought this much technical horsepower to the table for all our clients and prospects. We are firing smoothly on all six cylinders—actuarial, underwriting, claims, administration, sales and marketing, and treaty—and I'm very proud to be a part of our finely-tuned Group and Credit engine.

We're excited to welcome Sarah Miller, our newest Group actuary, to our Munich Re team. Most recently, Sarah was with Sun Life in Toronto. Besides being an extremely capable actuary, Sarah is also an enormous Toronto Blue Jays fan. Sarah guesses she went to "about 20" Blue Jays games last year, and yes, those really are bobble-head dolls of Blue Jays players on her desk. My mission is clear...by the end of the 2011 baseball season, I need to be certain that there are at least two bobble head dolls of Atlanta Braves players on her desk. Don't bet against me.

We highlight Sarah's addition to our team as well as the well-deserved promotions for Todd Tucker (Group Underwriting) and Tim Moran (Group Actuarial) in this edition of Group Connections.

We're following newly-proposed Federal regulation that could impact Credit and Debt Protection insurance, as well as the creation of the new Consumer Financial Protection Bureau. You'll find our interview with Scott Cipinko, the CCIA's new Chief Executive Officer, in this issue.

Group Connections also highlights EDGE, our new state-of-the-art life underwriting manual that is available to our Group, Credit and Debt Protection customers. The new underwriting manual has been a tremendous hit with our clients; if you would like more information, please don't hesitate to call any of us. You can also learn about our recently completed Medical Evidence of Insurability Survey. Our thanks to Ron Ragan from our Group underwriting team for excellent work on the survey.

You'll also come across information on our Group Calendar letting you know which industry conferences we will be attending in the coming months, as well as information on our upcoming Munich Re Credit and Debt Protection Conference in Savannah May 4-6. We need all of our Credit and Debt Protection customers in Savannah for this exciting event, so if you're still on the fence on whether to attend, please make the decision to join us. You'll be glad you did!

I hope you enjoy this issue of Group Connections, and happy spring everyone! Go Braves!

In this issue...

Introducing... Munich Re Staff is Ready to Serve You

Tim Moran, ASA

Tim Moran was promoted to the position of Assistant Vice President & Group Actuary effective January 16, 2011. Tim joined Munich Re's Group Department in September 2008 with over 18 years of group insurance pricing and reserving experience gained at firms such as CIGNA, Hartford Life, MetLife and Towers Perrin.

Tim is active in both the Group Underwriters Association of America (GUAA) and the Society of Actuaries. He has provided group life rate manual and stochastic analysis service projects to several of our clients. Tim has also taken on a management and peer review role for the pricing aspects of our Smith Group LTD relationship and he is a leader in the group reinsurance Economic Risk Capital (ERC) modeling process.

Tim is an Associate of the Society of Actuaries and a Member of the American Academy of Actuaries. He holds a Bachelors of Science degree in Mathematics and Computer Science from the University of Illinois.

Todd Tucker, FLMI, ARA, ACS, AIAA

Todd Tucker was promoted to the position of Group Underwriting Consultant effective July 1, 2010. Todd joined the Group Underwriting Department at Munich Re on September 1, 1999, after working for several Atlanta area insurance companies.

In addition to Todd's 10 plus years of group reinsurance underwriting experience, he has 13 years of direct group insurance experience in claims adjudication and group underwriting. Todd has a diverse group underwriting background, including group life, group AD&D and special risk, group dental, group LTD and STD.

Todd is active in industry associations including the Group Underwriters Association of America (GUAA). Todd is Munich Re's lead underwriter for several of our Group Life clients.

Sarah Miller, ASA

Munich Re welcomes Sarah Miller, ASA, who recently joined the Group and Credit department as an Actuarial Associate. Initially Sarah will concentrate on modeling and technical projects.

Sarah comes to us after five years with Sun Life Financial in Toronto, Canada. While at Sun Life, she held positions in the reinsurance department and in group retirement services, focused on valuation.

Sarah received her Honors Bachelor of Science in Statistics and Actuarial Sciences from the University of Western Ontario. Sarah is an Associate of the Society of Actuaries and is working towards her fellowship. In mid-January, Sarah learned that she passed her most recent actuarial exam.

A Connections Interview... Introducing CCIA's Scott Cipinko

Connections: *Congratulations on becoming the new Executive Vice President of the CCIA. Please share with us what you consider to be your most important goal for the first six months in office.*

Scott: Thank you. There are many goals that are at the top of the list internally. However, the immediate external goal is to work on legislation in the states, educate new regulators and legislators (policymakers) in the states and in Washington, assess the impact of the new federal regulatory structure on our members' products, and utilize the strong response system we have built that includes coalitions with our allies in the states and in Washington.

Connections: *In your opinion, what is the biggest challenge facing the credit insurance industry today?*

Scott: The economy is the biggest impediment to our members. However, that is not within our control. The biggest challenge to our members' business is the lack of understanding by legislators and regulators of the fundamental role insurance plays as a safety net to protect consumers. We need to help them understand how critical this coverage option is for consumers.

Connections: *Please describe the new "leave behind" pieces that have been created by the various CCIA committees.*

Scott: We learned that policymakers and our colleagues in other trade associations did not fully understand our members' products, especially the non-insurance products. We worked with our members to create single-page product sheets that provide a practical explanation from those in the trenches on each product type underwritten or serviced by our members. It was important to have these pieces created by people who are in the business. The various committees created the pieces which were then reviewed by the Sales and Marketing and Law committees. Each piece was also reviewed by the Federal Affairs Committee and our Washington D.C. lobbyist prior to circulation to our contacts in D.C. and used as leave-behinds on Capitol Hill.

Connections: *Do you believe the state Departments of Insurance will ultimately have greater authority in regulating debt protection products?*

Scott: No. I think that battle was lost by state insurance regulators in the courts. State insurance regulators have not given much thought to debt protection products for a while. They still are concerned about credit insurance. The real battle will be over who regulates credit insurance and other products including those that are not insurance.

Connections: *Let's say you are meeting with a prospective new member company to the CCIA. What do you tell that prospect about the benefits of joining the CCIA?*

Scott: The CCIA is 60 years young. We now provide services for our members' new and evolving products; those still written in connection with a loan transaction and new additions to the core credit insurance products. These new products were created to fit the new services demanded from lenders by consumers.

CCIA members write a variety of Credit Life, Disability and Involuntary Unemployment Insurance delivered in connection with financial transactions. However, our members also underwrite and/or service (administer) Debt Cancellation/Suspension and many other non-insurance products.

Like many other associations, the CCIA supports its membership in providing information to state and federal regulators and legislators and educating you and your staff on credit and debt protection products, their sale and utility.

Why is the CCIA different? We support any products that protect consumers against loss from the inception to the retirement of a loan. The CCIA works with both federal and state regulators as well as state legislators and members of Congress and their staffs in supporting all member products. This is relatively unique to the CCIA.

The CCIA is an exciting and growing organization with new members joining every month. There is committee support, weekly calls, coalitions on issues and room for members to bring new products to the table. In addition to our quarterly meetings, our committees meet by telephone when the issues dictate and our committees work together on a variety of issues. Our organization is active not reactive. The CCIA has a bright future.

Scott J. Cipinko, JD, AIRC
Executive VP & COO
Consumer Credit Industry Association

2011 Conferences

Conference	*Location*	*Dates*	*Attending from Munich Re*
Munich Re Credit & Debt Protection Client Appreciation Conference	Savannah, GA	May 4 - 6	Steve Rulis, Libby Corcillo, Jim Hiers, Joe Malone, Rick Denman, Meg Mathis
GUAA	Chicago, IL	May 15 - 17	Jim Hiers, Libby Corcillo, Tim Moran, Ron Ragan, Joe Malone
SOA Spring Health Meeting	Boston, MA	June 13 - 16	Libby Corcillo, Steve Rulis, Tim Moran, Sarah Miller
CCIA Board Meeting	Chicago, IL	July 25 - 26	Jim Hiers
LIMRA Open House	Windsor, CT	Summer 2011	
LIMRA Group/Worksite Conference	Chicago, IL	September 7 - 10	Richard Beckel
Maine Event	Portland, ME	September 12 - 15	Steve Rulis, Libby Corcillo, Tim Moran, Rick Denman, Jim Hiers, Ron Ragan
GUAA Board Meeting		October 2011	Libby Corcillo
International Claims Conference	Las Vegas, NV	October 2 - 5	Rick Denman
SIAA Annual Meeting	Phoenix, AZ	October 9 - 12	Libby Corcillo, Todd Tucker
SOA Annual Meeting	Chicago, IL	October 16 - 18	Steve Rulis, Libby Corcillo, Jim Hiers
Credit Insurers Association	Atlanta, GA	October 20 - 22	Jim Hiers, Rick Denman, Meg Mathis, Linda Rogers, Tish White
Munich Re Global Disability Conference		4th Quarter 2011	Rick Denman

Group Medical Underwriting Survey

Medical underwriting has been a valuable risk management tool for group insurers for many years. It is an important function that contributes to every group life carrier's bottom line. Munich Re first surveyed U.S. group life insurers in 2000 about the tools and services they utilized in their medical underwriting processes. In 2010 we again surveyed the industry, asking some of the same questions, but also exploring other medical underwriting practices of U.S. group life insurers.

We approached 61 group life insurance companies and administrators to participate in the survey. We were very pleased that 47 organizations participated, representing a broad cross-section of the U.S. group life insurance industry. Our participants include nine of the top ten and in total represent approximately 70 percent of the group life in-force premium as reported in National Underwriter magazine for 2009.

In this survey, we focused on current group life medical underwriting operations and practices. We looked at the size and staffing of medical underwriting units and the average turnaround time for medically underwritten applications. We explored the tools and services that group life carriers are currently using and compared them to the tools and services carriers were using ten years ago. Our survey provides information about medical underwriting manuals and how often they are being updated. We inquired about changes in medical underwriting that U.S. group life insurers are planning to implement in future years. This survey also includes questions about guarantee issue limits and grandfathering coverage.

We also thought it would be interesting to analyze the practices of organizations similar in size to one another and, for some questions, have looked at the results separately for the top ten carriers, the 11th through 20th carriers, and all other carriers (by in-force group life premium as of 2009, according to National Underwriter magazine).

This article highlights a few of our key findings. If you're interested in learning more, please click here for a white paper with additional details http://www.marclife.com/research/pdf/2010-group-uw-white-paper.pdf. If you are interested in obtaining a copy of the full survey results, please contact our survey leader, Ron Ragan (rragan@munichre.com or 678 514-5632); he will be happy share the results with you if your company participated in the survey.

Medical Underwriting Manual

The majority of group life carriers use on-line medical underwriting manuals provided by their reinsurer, such as Munich Re's all new EDGE manual. Updates to underwriting manuals—whether online or printed—generally occur either on an as-needed basis or at least once a year. For 2009 and later, many carriers updated or have scheduled manual updates. These updates may be in conjunction with recent reinsurer manual updates or the adoption of new underwriting tools and services, or may be the result of analyzing the drivers of group life mortality improvements. A graph summarizing the responses to our questions regarding the recency of updates to carriers' underwriting manuals can be found in the white paper and the full survey results.

Medical Underwriting Tools and Services

New medical underwriting tools and services have been adopted since we conducted the 2000 survey, namely Motor Vehicle Record (MVR) and prescription drug checks, teleunderwriting and outsourced Attending Physician's Statements, albeit by a relatively small number of carriers. It surprised us that the "all other" carriers are the early adopters of these new tools and services, rather than the "top 20". It is possible that the larger carriers have more difficulty making changes to their standard process as a result of their large dedicated underwriting teams. Carriers may also want additional evidence of the predictive value of these tools before choosing to adopt them.

Ron Ragan, Underwriting Consultant

By and large, the percentages of carriers using various tools and services have declined from 2010 versus 2000. For example, the paramed exam and MIB were used by all respondents in 2000, compared to 84% and 58% today. Those figures contrast with the increased use of the short form application, which has grown from 50% utilization in 2000 to 67% in 2010. Carriers may be relying more on the short form application in making medical underwriting decisions now than they did in the past, and relying less on ordering medical exams and tests in favor of automating and outsourcing information gathering.

A table comparing the responses from the 2000 survey to the 2010 survey as a percentage of total respondents can be found in the white paper and the full survey results.

A number of carriers identified an automated rules engine (for the medical underwriting manual) as a future new tool. Rules-driven underwriting engines are resource-intensive development projects and generally are used only to approve clean, complete applications up to a pre-determined dollar limit. Many carriers have implemented or are considering alternatives, such as Munich Re's EDGE manual, which clearly identifies impairments to decline and contains calculators to simplify and provide consistency in the underwriting process.

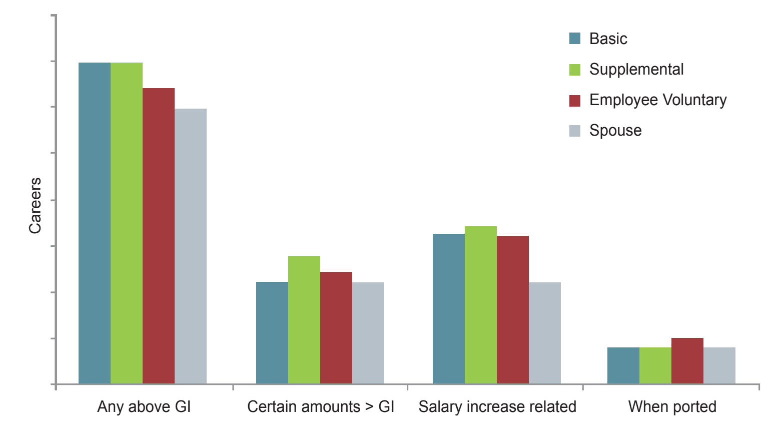
Medical Underwriting Requirements

The majority of respondents accept or decline applicants based solely on the information provided on the short form application, with the majority using 100 debits or less as the accept/decline cut-off point; this has become more restrictive in comparison to 2000. It is possible that carriers who have liberalized other underwriting guidelines are looking to mitigate the additional risk by reducing the acceptable cumulative debits.

A significant majority of respondents indicated that they underwrite all applicants (depending on coverage type) for any amount that exceeds the GI limit. The remaining respondents underwrite the applicant if the amount over the GI limit exceeds a specified threshold, which may be stated as a dollar amount or a percentage. Having a dedicated medical underwriting unit increases the likelihood that a company will underwrite all amounts above the GI limit.

While the summary results might lead to the conclusion that carriers consistently apply the same medical underwriting guidelines to employee basic, supplemental and voluntary life, when we look at the responses at the carrier level, we see the criteria do vary. Interestingly, the “all other” carriers are more likely to underwrite all amounts in excess of the GI limit for basic life than for supplemental or voluntary life. Considering the selection issues associated with employee-paid coverages, the latter appears to be counter-intuitive.

A graph summarizing the responses to our questions regarding criteria for medically underwriting high amounts of group life insurance can be found in the white paper and the full survey results.



When do carriers medically underwrite high amounts of group life insurance?

Grandfathering

In today’s competitive group life environment, agreeing to grandfather current covered amounts is almost always a requirement. Since grandfathering is tantamount to a decision to forgo medical underwriting, we asked some questions about the practice.

The majority of respondents told us that they routinely grandfather group life takeover amounts. The trend, however, is that, the smaller the carrier the more likely that grandfathering is not allowed.

Of the carriers who responded that they do routinely grandfather, close to half said they have limits on the amounts they will grandfather. The limits are wide ranging, from a minimal margin up to the plan maximum, regardless of whether they are expressed as flat dollar amounts, percentages above the GI limit, or a multiple of the GI limit.

We agree that grandfathering is required to be competitive in today’s market. Given that the vast majority of “new” groups are taken over from another carrier, and it’s usually difficult to find out if and when medical underwriting last occurred, , coupled with the fairly common practice of allowing a one times salary buy up at takeover, it’s prudent risk management to place limits on the amounts to be grandfathered whenever possible.

Conclusion

Munich Re expects that medical underwriting will continue to be an important risk management tool for group insurers in the future, especially with the trend toward employee-paid, voluntary group life insurance coverage. Munich Re is here to assist our clients in understanding the appropriate underwriting guidelines and tools for their product offerings.

Once again, Munich Re would like to sincerely thank all of the companies who took the time to participate in this survey. Their participation has helped broaden and strengthen the scope of this survey and will help all of us gain a better understanding of current U.S. group life medical underwriting practices. If you have any questions about the survey, please contact us.

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Munich RE℠

We're heading to Savannah and we hope you'll come along!

Please join us in historic Savannah, Georgia for the 2011 Munich Re Credit & Debt Protection Client Appreciation Conference. We have a great program including sessions on timely and important topics for our business, opportunities to network with Munich Re staff and others from our industry and fun recreation opportunities.

Conference highlights include...

- A live, online demonstration of the ground-breaking EDGE underwriting manual,
- An update on federal legislation from the CCIA,
- Credit & debt protection claim & underwriting breakout sessions,
- Munich Re medical presentation on sleep apnea,
- Your choice of golf, a Savannah culinary experience or a walking tour of the historic district,

And, of course, a return of "Team Trivia" with fun and fabulous prizes.

The conference starts at 5:00 PM on Wednesday, May 4, 2011 and winds up at noon on Friday, May 6, 2011. Accommodations have been arranged at the Mansion on Forsyth Park in the historic district of Savannah.

For more information, contact Jim Hiers or send an email to events@marclife.com, To RSVP, go to www.marclife.com/savannah.

EDGE delivers a sound approach to risk

Making the right risk decisions is essential to success in our industry. Too conservative? You lose sales. Too competitive? You lose money. It isn't easy to find the right balance. And risk decisions must have a basis in fact.

EDGE provides you with a valuable reference option and additional support when you are considering large, older-age or complex cases.

Munich Re came through the recent financial crisis stronger than ever because of our balanced approach to risk. **EDGE** delivers this sound approach, with the science to back up some of the most competitive assessments available.

New methodologies

EDGE features ten calculators, some of which—like our LFT calculator that incorporates BMI—are unique in the industry. Each calculator was developed based on our research and many incorporate a new and more competitive method to assessing particular risks. For instance, Munich Re's methodology for evaluating coronary artery disease is the most forward thinking in the market today.

You can assure your field that you are as current and competitive as possible in your assessment tools and techniques.

Dedicated to serving your needs

Underwriters developed this manual for underwriters to use. It is full of tools to make risk selection easier. We have incorporated a state-of-the-art search engine in the manual to ensure fast, easy, complete search results. The search feature will even prompt you if a word is misspelled. You can bookmark the pages you review most frequently and add personal annotations. Underwriting managers can add group annotations that are seen by everyone on their staff, ensuring consistency.

Our promise to you

EDGE will be available when and where you need it, every time, and **EDGE** will be continuously updated with the latest medical and mortality research. **EDGE** is backed by the financial strength and expertise of Munich Re. You can depend on **EDGE** to deliver:

- Competitive offers,
- Current, evidence-based assessments,
- Useful, time saving tools & calculators.

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