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FOR IMMEDIATE RELEASE

**Press Release**

## **New Milliman study reveals favorable results for life/annuity and LTC combination products**

**SEATTLE** – MARCH 21, 2019 – Milliman, Inc., a premier global consulting and actuarial firm, announces the results of a first-of-its-kind, industry-wide study that examines insurers' experience with combination products – those that couple life or annuity policies with Long-Term Care (LTC) or Chronic Illness (CI) riders.

The study, which includes data from 11 insurers (ten using life insurance-based plans and one using an annuity chassis) focused primarily on incidence rates, lapse / surrender rates, and mortality rates. Policies with LTC accelerated death benefit (ADB) riders and no extension of benefit (EOB) riders comprised about 60% of the exposures, while policies with CI ADB riders represented about 25% (none of which used the discounted death benefit approach); the remaining 15% of exposures were based on policies with both ADB and EOB LTC riders. All policies in the study accelerated the death benefit on a dollar-for-dollar basis.

"Combination products are a growing segment in the marketplace, and there's a need within the industry to begin to measure insurers' experience," says Carl Friedrich, a Milliman principal and consulting actuary and co-author of the study. "Study findings point to better-than-expected results for participating companies, information which can be used to inform key decisions in the product space."

Key findings of the study include:

- Overall, incidence is significantly better than expected. The actual-to-expected (A:E) is very low when measured against stand-alone LTC assumptions and also lower than when measured against combination product assumptions.
- Plans with extension of benefits have relatively higher incidence than acceleration of death benefit only plans, but results are still favorable.
- Mortality results were somewhat lower than industry experience on stand-alone fully underwritten life products, despite the less extensive underwriting done on some of these combination products.
- Lapse rates by count and amount were generally between 2% to 3% for ADB-only policies. Policies with ADB and EOB coverage were slightly lower, but still higher than seen in the stand-alone LTC market.
- Another major factor affecting lapses overall is the type of base plan. Some differences between universal life, whole life, indexed universal life and variable universal life may be partly explained by equity market performance during the exposure period.

Given the length of time for claim termination experience to develop, the study includes a few early indications of claim termination experience, but does not provide a full and detailed analysis. Milliman plans to update this study again in 2019. Detailed study results are available for purchase from Milliman for a fee.



Please contact Gina Ritchie (312-499-5605) for further information if interested, or visit <http://www.milliman.com/insight/2019/Milliman-Combination-Product-Experience-Study/>.

**About Milliman**

Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in healthcare, property & casualty insurance, life insurance and financial services, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe. For further information, visit [www.milliman.com](http://www.milliman.com).

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