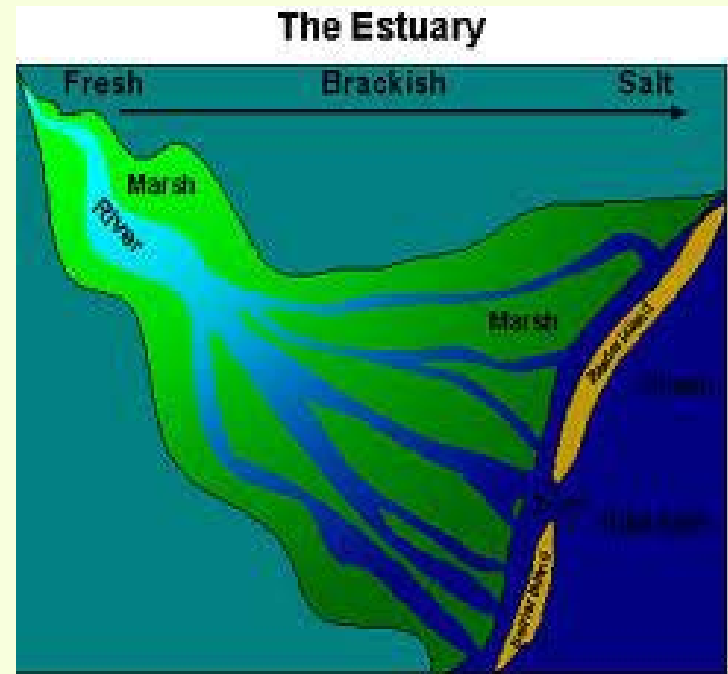


# A TALE OF THREE ESTUARIES: CONFLUENCES OF GROUP & INDIVIDUAL DISABILITY

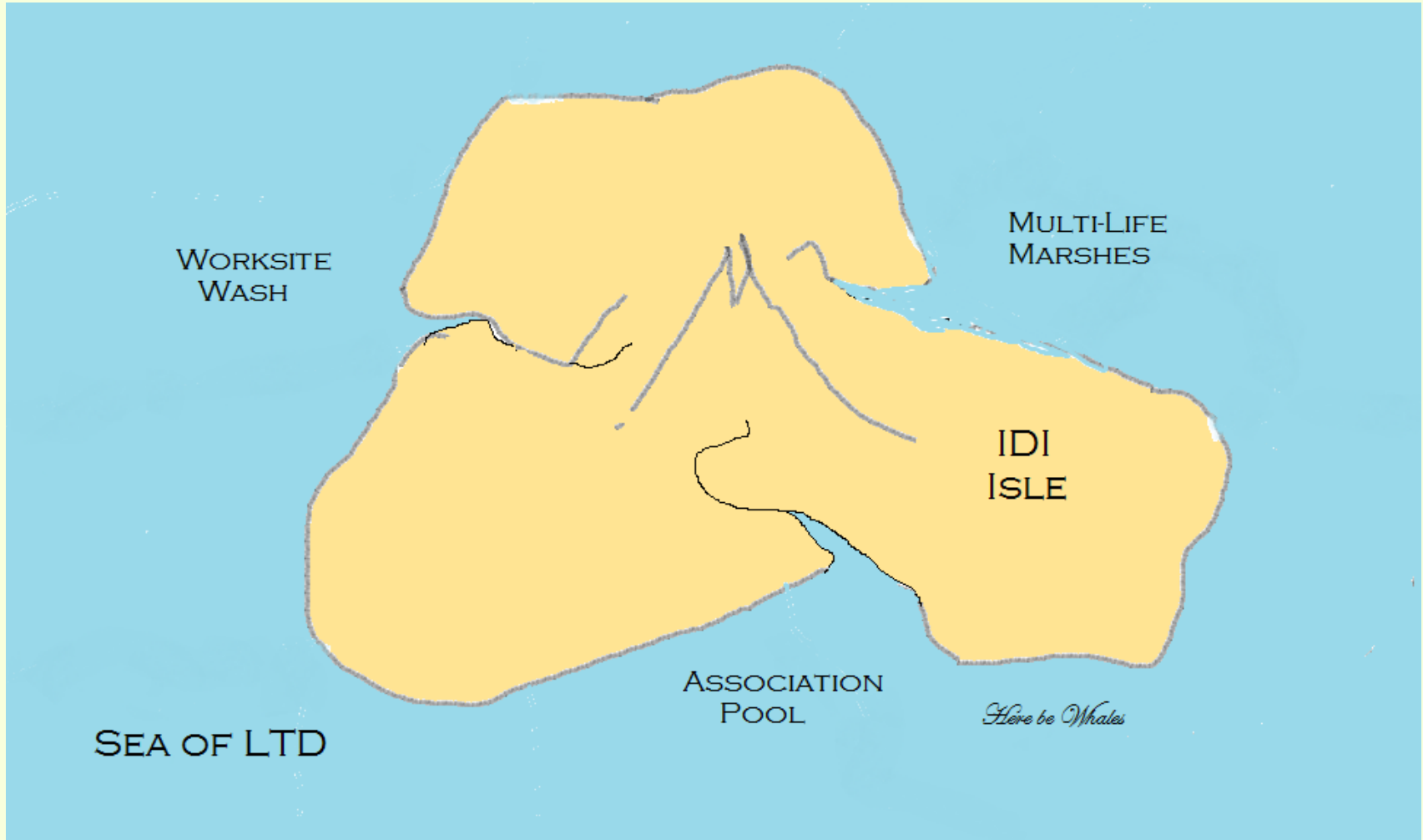


Presented by:  
Tom Penn-David, FLMI/M, RHU  
to: Society of Antuaries, PD 108  
October 18,2011



# CONTENTS

---



# WHAT ARE THEY?

---

- **Worksite/Voluntary** – employer sponsored but employee paid – generally modest amounts and benefit periods – high GR ages
- **Multi-life/LTD** – employer paid – richer benefits - \$40K plus monthly benefits
- **Association** – offered to members of associations, either as discounts on IDI or sold using LTD platform with IDI underwriting, rates and billing



# HOW DO THEY MERGE?

---

- Sales – Group Agent vs Ind Agent
- Comp – Level vs Heaped
- UW – GI & Participation & Actively-at-Work vs Evidence of Insurability
- Issue – Enroll vs Application
- Admin – List Bill vs Individual
- Claims – largely similar



# MULTI-LIFE/LTD

---

- Multi-Life IDI either stand-alone or in combination
- Several new entrants in late '90s following Unum
- Stand-alone for sales to particularly targeted groups or companies – example Intern programs
- Combination sales designed to meet specific needs, generally high income needs
- Several designs of combo sales
- Comp = individual w/discounts
- Prominent in LTD mkt in early 2000's



# MULTI-LIFE: WHO & HOW MUCH?

- Unum, Met, Principal, Standard = Group & Ind
- Mass Mutual, Northwestern Mutual, Ameritas, Ohio National = Individual only
- Special cases – MoOmaha, Berkshire/Guardian
- Sales = 35% of individual disability market

	Multi-Life		All IDI	
	Sales	In Force	Sales	In Force
Noncan	127,818	1,143,250		3,901,589
GR	7,931	87,184		1,068,975
Total	135,749	1,230,434	431,099	4,970,564

Source: LIMRA 2010 Survey

SOA 2011: 108 PD - Disability  
Convergence



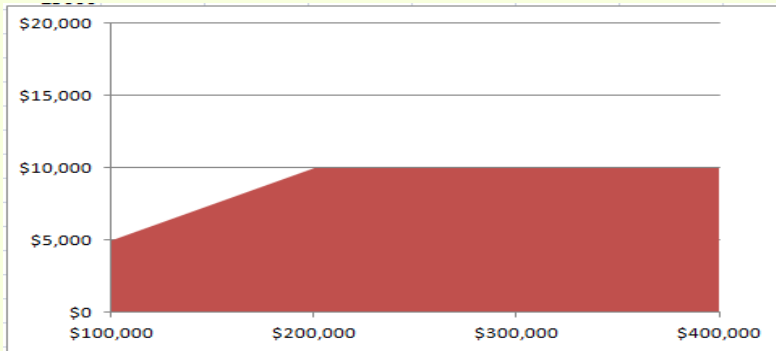
# MULTI-LIFE RISK MANAGEMENT

	Comp vs Lapse	Rate Guarantee	Risk Selection
Group Chassis	↓	↓	?
Ind Chassis	↑	↑	?

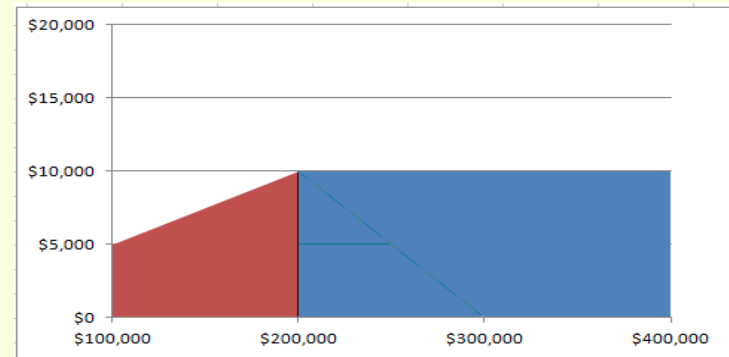
- Level 15% vs first year comp 70%
- Limited (2-3) year group rate guar vs noncan
- Aggregate risk selection vs individual medical and financial underwriting



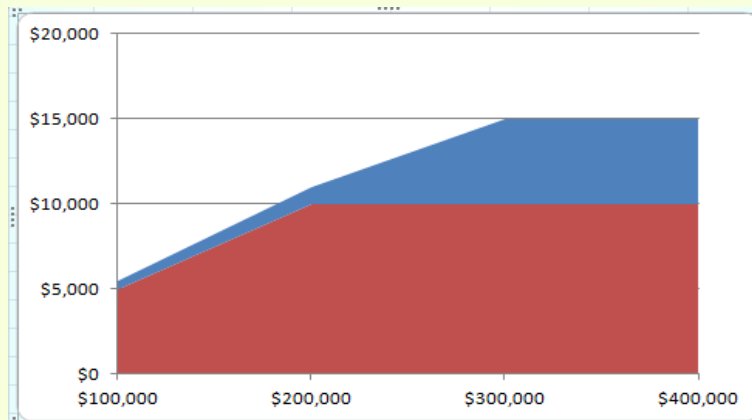
# MULTI-LIFE CASE DESIGNS



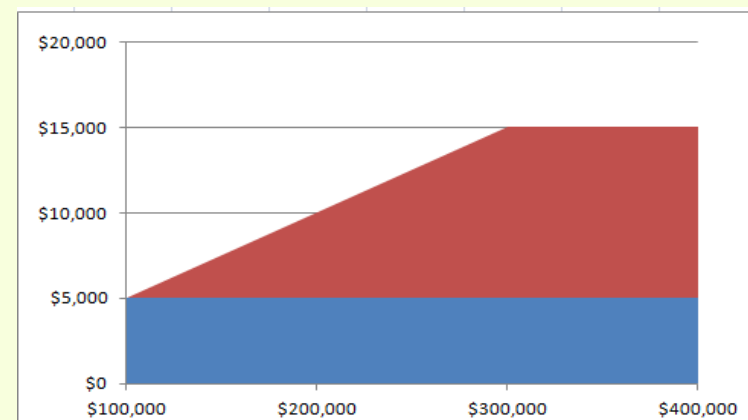
Basic LTD



Carve-Out



Buy-Up

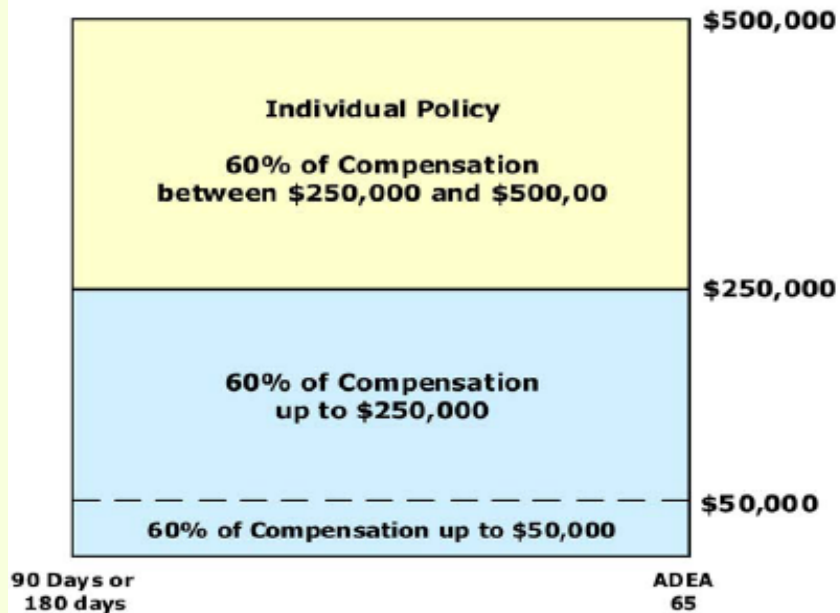


Reverse Buy-Up





# INTERESTING MULTI-LIFE CASES



Source: Citigroup "Salary Continuation And Long Term Disability Benefits" January 1, 2003

- Citigroup design
- UBS & back-door integration
- UPMC – execs to \$35K – specialty docs carved out



# WORKSITE/VOLUNTARY - WHAT IT IS

---



- “The terms worksite and voluntary are used interchangeably and are defined as individual or group life and health products, sold at the worksite and paid for by the employee through payroll deduction”  
- Lowerre/Brazell, National Underwriter, 7/27/2010

- Originally mostly individual – now interchangeable
- Products include life, disability, cancer/CII, limited medical, vision, dental, etc – Disability #2
- Key distinctions around enrollment process(in-house or 3<sup>rd</sup> party) and sales process



# WORKSITE – WHO PLAYS

---

## Individual

- AFLAC
- Unum/Colonial
- Allstate Worksite
- Transamerica WMD
- Mutual of Omaha
- Humana Spec Ben

## Group

- CIGNA
- Assurant Emp Ben
- Guardian
- Hartford
- ING EB
- Lincoln

➔ Others include Colorado Bankers/Dearborn, Combined, RSL, American Fidelity, United Teachers, OneAmerica

➔ Product chassis NOT related to characterization



# WORKSITE – HOW MUCH?

- Sources: LIMRA, Gen Re, Eastbridge

- LIMRA 2010:

	Sales	Inforce	% IF
2009	155,438	523,582	30%
2010	159,423	552,625	29%

- Eastbridge: 2009 Worksite disability sales = \$1.1 billion (38% of sales = virgin)

	Sales	Inforce	% IF
STD	137,000	537,000	26%
LTD	146,000	899,000	16%
Total	283,000	1,436,000	20%

- Gen Re: 2009 Voluntary

- Total Ind + Group ~ \$1 billion sales, \$3 B inforce ?

All data are \$000 of premium

Sources: LIMRA 2010 Survey, National Underwriter, Gen Re Australia



# ASSOCIATION – THE DARK POOL

---

- Typically sold on group chassis
- SI or full underwriting
- Step-rated or level premium
- Individual billing and lapses
- Issue limits range from \$3,000 to \$15,000
- Separate from IDI association discounts



# ASSOCIATION – THE PLAYERS

---

- Difficult to find reliable size, player info
- Customers are mostly national and regional professional associations (AMA, ABA, etc)
  - TPAs often control claims, admin
- Largest insurers are New York Life, Hartford, AIG, Aegon, UHC (old Commercial block)
- Group disability premium \$1 to \$1.3 billion
  - IDI 2010 premium \$99.5 million



# WHAT NEXT?

- Impacts of PPACA
  - Which way employer paid benefits?
  - Impact of MLRs on “ancillary” products
- Impacts of Economy (“Great Recession”)
  - 2008-2010 sales
  - Impact on disability financial results
  - New entrants to group disability market



- Impacts of U.S. Deficit
  - Future taxability
  - Future inflation and interest rates

Questions: [tompenn@Ant-Re.com](mailto:tompenn@Ant-Re.com)

