

# **New Disability Tables in the United States** Agenda

- Historical Context
- New Individual Disability Table
- New Group Disability Table

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### **Historical Context**



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# New Individual Disability Table

# New Individual Disability Table General Structure

- Base incidence and claim termination rates ("CTR's", i.e., deaths and recoveries)
- Incidence and CTR modifiers
- Reserve margins added

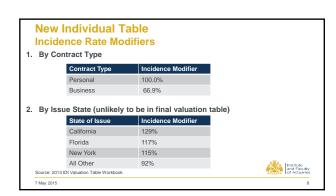
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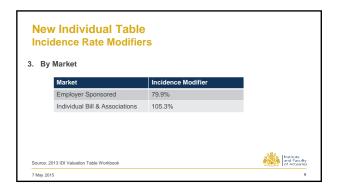
CTR's adjusted for company experience



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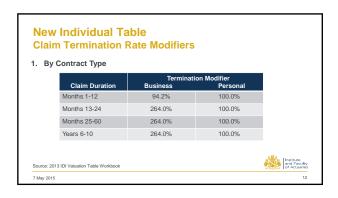
#### **New Individual Disability Table Changes in Structure** New Table Elimination Periods 0,7,14,30,60,90,180,360,720 days 0,7,14,30,90 days Occupation Classes M (Medical), 1,2,3,4 1,2,3,4 20 to 70 20 to 65 Ages CTR Durations Months 1-60, Years 6+ Weeks 1-13, Months 3-24, Years 3+ Accident & Sickness Accident & Sickness Cause (Incidence) Accident & Sickness Cause (CTR's) Diagnosis Specific Institute and Faculty of Actuaries 7 May 2015



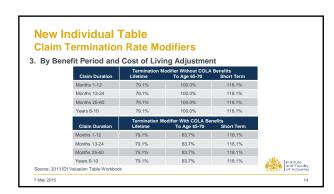


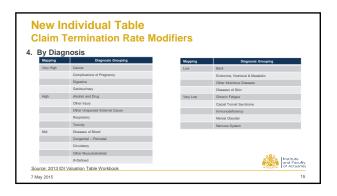
### **New Individual Table Incidence Rate Modifiers** 4. By Benefit Period 30 and Under 103.2% 104.8% 100.9% 90 and Over 118.9% 97.3% 88.7% 103.9% 100.3% 106.7% 60 115.8% 90.2% 95.6% 98.7% 96.2% 98.6% All 117.2% 100.0% 100.0% 100.0% Institute and Faculty of Actuaries

### **New Individual Table Incidence Rate Modifiers** 5. By Smoker Status (only class 1 shown) Elimination Period (Days) 30 and Under 108.3% 90 and Over 96.8% 135.5% 30 and Under 97.9% 131.9% 60 96.3% 155.4% 90 and Over 152.5% 96.2% 7 May 2015



### **New Individual Table Claim Termination Rate Modifiers** 2. By State of Issue (unlikely to be in final valuation table) Claim Duration Months 1-12 79.4% 101.6% Months 13-24 79.4% 101.6% 101.6% Months 25-60 79.4% Years 6-10 79.4% 101.6% Institute and Faculty of Actuaries Source: 2013 IDI Valuation Table Workbook





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Claim Duration	Very Low	Terr Low	mination Modi Mid	fier High	Very High
Months 1-12	44.8%	89.1%	114.2%	114.1%	137.8%
Months 13-24	71.5%	96.4%	95.6%	124.3%	218.9%
Months 25-60	88.2%	87.0%	94.4%	173.1%	216.1%
Years 6-10	110.3%	95.7%	95.8%	161.1%	186.2%

New Individual Disability Table Reserve Margins	
Incidence Rate Margin	
5%	
Claim Termination Rate Margin	
Year 1: 5%	
Years 2+: 15%	
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# New Individual Disability Table Limitations Does not reflect change in definition of disability from "own occupation" to "any occupation" during claim Does not separate claim terminations between mortality and recovery Does not project mortality improvements Does not differentiate between total and residual (or partial) disability

# New Individual Disability Tables Reflecting Company Specific Experience

- Applies only to disabled life reserves, not active life reserves
- Experience should be reviewed annually for major segments
- Experience is measured in 5 buckets:
  - Year 1
  - Year 2
  - Years 3-5
  - Years 6-10
  - Years 11+
- Valuation Basis = New Table x Factor
- Factor is an actual-to-expected ratio by duration, weighted for credibility.
   It cannot exceed 1.30.





# New Individual Disability Table Expected Impact

### Disabled Life Reserves

- Generally higher than current table
- Especially for lifetime benefit periods and medical occupations

### Active Life Reserves

- Difficult to estimate impact
- Depends on slope of claim costs, rather than absolute level

### General

- Greater reflection of company experience



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# **New Group Disability Table**



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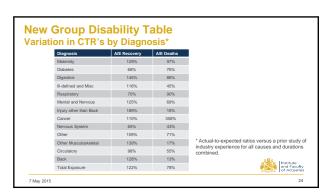
# **New Group Disability Table General Structure**

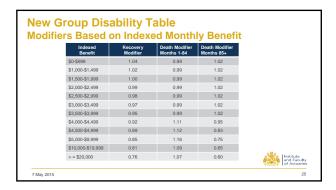
- Base claim termination rates
  - Separate for deaths and recoveries
  - 12 diagnosis groups built into base rates
- Claim termination rate modifiers
- No incidence rates
- Reserve margins added
- Adjustments for company experience

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New Group Disability Table		-
Margins		
<ul> <li>All Years: 15% on deaths and recoveries</li> </ul>		
Mortality Improvements		
- All Years: Additional 15% on deaths only (proxy for more preci-	se calculations)	
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New Croup Dischility Toble		
New Group Disability Table		
Reflecting Company Specific Experience		
Experience should be reviewed annually for major segments		
Experience is measured in 5 buckets:     Year 1		
- Year 2		
- Years 3-5		
- Years 6-10		
<ul><li>Years 11+</li><li>Valuation Basis = New Table x Factor</li></ul>		
Factor is an actual-to-expected ratio by duration, weighted for credibility.		
It cannot exceed 1.30.	Institute and Faculty of Actuaries	
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New Group Disability Table		
Expected Impact		
<ul> <li>Overall claim reserves may be slightly lower</li> </ul>		-
Variation based on mix by claim diagnosis		
Greater reflection of company experience		
Financial impact less significant than for individual table		
- i manda impacticos significant tran for individual table		
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