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New Disability Tables in the United States

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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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Historical Context

| | Individual Disability | Group Disability |
|-------------------------|-----------------------|------------------|
| Current Statutory Table | 1985 CIDA | 1987 CGDT |
| Experience Period | 1973-1979 | 1977-1981 |
| New Table | TBD | 2012 LTD |
| New Experience Period | 1990-2007 | 1997-2006 |
| Effective Date | TBD | October 1, 2016 |



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
- CTR's adjusted for company experience



New Individual Disability Table Changes in Structure

| | New Table | 1985 CIDA |
|---------------------|----------------------------------|-----------------------------------|
| 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 |
| Ages | 20 to 70 | 20 to 65 |
| CTR Durations | Months 1-60, Years 6+ | Weeks 1-13, Months 3-24, Years 3+ |
| Cause (Incidence) | Accident & Sickness | Accident & Sickness |
| Cause (CTR's) | Diagnosis Specific | Accident & Sickness |



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New Individual Table Incidence Rate Modifiers

1. By Contract Type

| Contract Type | Incidence Modifier |
|---------------|--------------------|
| Personal | 100.0% |
| Business | 66.9% |

2. By Issue State (unlikely to be in final valuation table)

| State of Issue | Incidence Modifier |
|----------------|--------------------|
| California | 129% |
| Florida | 117% |
| New York | 115% |
| All Other | 92% |

Source: 2013 IDI Valuation Table Workbook



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New Individual Table Incidence Rate Modifiers

3. By Market

| Market | Incidence Modifier |
|--------------------------------|--------------------|
| Employer Sponsored | 79.9% |
| Individual Bill & Associations | 105.3% |

Source: 2013 IDI Valuation Table Workbook



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New Individual Table Incidence Rate Modifiers

4. By Benefit Period

| Occupation Class | Elimination Period (Days) | Lifetime | Benefit Period | |
|------------------|---------------------------|----------|----------------|------------|
| | | | To Age 65-70 | Short Term |
| M | 30 and Under | 103.2% | 101.3% | 95.1% |
| | 60 | 104.8% | 100.9% | 90.0% |
| | 90 and Over | 118.9% | 97.3% | 88.7% |
| 1 | 30 and Under | 106.7% | 103.9% | 92.7% |
| | 60 | 115.8% | 100.3% | 90.2% |
| | 90 and Over | 141.6% | 96.2% | 95.6% |
| 2 | All | 117.2% | 98.6% | 98.7% |
| 3-4 | All | 100.0% | 100.0% | 100.0% |

Source: 2013 IDI Valuation Table Workbook



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New Individual Table Incidence Rate Modifiers

5. By Smoker Status (only class 1 shown)

| Occupation Class | Gender | Elimination Period (Days) | Incidence Modifier | |
|------------------|--------|---------------------------|--------------------|--------|
| | | | Nonsmoker | Smoker |
| 1 | F | 30 and Under | 99.3% | 108.3% |
| | | 60 | 99.0% | 111.2% |
| | | 90 and Over | 96.8% | 135.5% |
| | M | 30 and Under | 97.9% | 131.9% |
| | | 60 | 96.3% | 155.4% |
| | | 90 and Over | 96.2% | 152.5% |

Source: 2013 IDI Valuation Table Workbook



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New Individual Table Claim Termination Rate Modifiers

1. By Contract Type

| Claim Duration | Termination Modifier | |
|----------------|----------------------|----------|
| | Business | Personal |
| Months 1-12 | 94.2% | 100.0% |
| Months 13-24 | 264.0% | 100.0% |
| Months 25-60 | 264.0% | 100.0% |
| Years 6-10 | 264.0% | 100.0% |

Source: 2013 IDI Valuation Table Workbook



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New Individual Table Claim Termination Rate Modifiers

2. By State of Issue (unlikely to be in final valuation table)

| Claim Duration | Termination Modifier | |
|----------------|----------------------|-----------|
| | Florida | All Other |
| Months 1-12 | 79.4% | 101.6% |
| Months 13-24 | 79.4% | 101.6% |
| Months 25-60 | 79.4% | 101.6% |
| Years 6-10 | 79.4% | 101.6% |

Source: 2013 IDI Valuation Table Workbook



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New Individual Table Claim Termination Rate Modifiers

3. By Benefit Period and Cost of Living Adjustment

| Claim Duration | Termination Modifier Without COLA Benefits | | |
|----------------|--|--------------|------------|
| | Lifetime | To Age 65-70 | Short Term |
| Months 1-12 | 79.1% | 100.0% | 118.1% |
| Months 13-24 | 79.1% | 100.0% | 118.1% |
| Months 25-60 | 79.1% | 100.0% | 118.1% |
| Years 6-10 | 79.1% | 100.0% | 118.1% |

| Claim Duration | Termination Modifier With COLA Benefits | | |
|----------------|---|--------------|------------|
| | Lifetime | To Age 65-70 | Short Term |
| Months 1-12 | 79.1% | 83.7% | 118.1% |
| Months 13-24 | 79.1% | 83.7% | 118.1% |
| Months 25-60 | 79.1% | 83.7% | 118.1% |
| Years 6-10 | 79.1% | 83.7% | 118.1% |

Source: 2013 IDI Valuation Table Workbook



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New Individual Table Claim Termination Rate Modifiers

4. By Diagnosis

| Mapping | Diagnosis Grouping | Mapping | Diagnosis Grouping |
|-----------|----------------------------------|----------|------------------------------------|
| Very High | Cancer | Low | Back |
| | Complications of Pregnancy | | Endocrine, Nutritional & Metabolic |
| | Digestive | | Other Infectious Diseases |
| | Genitourinary | | Diseases of Skin |
| High | Alcohol and Drug | Very Low | Chronic Fatigue |
| | Other Injury | | Carpal Tunnel Syndrome |
| | Other Unspecified External Cause | | Immunodeficiency |
| | Respiratory | | Mental Disorder |
| | Toxicity | | Nervous System |
| Mid | Diseases of Blood | | |
| | Congenital - Perinatal | | |
| | Circulatory | | |
| | Other Musculoskeletal | | |
| | Ill-Defined | | |

Source: 2013 IDI Valuation Table Workbook



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**New Individual Table
Claim Termination Rate Modifiers**

4. By Diagnosis

| Claim Duration | Termination Modifier | | | | |
|----------------|----------------------|-------|--------|--------|-----------|
| | Very Low | Low | Mid | 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% |

Source: 2013 IDI Valuation Table Workbook

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**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

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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.



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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 Changes in Structure

| | New Table | 1987 CGDT |
|---------------------|---|-----------------------|
| Elimination Periods | 1-24 months | 3,6,12 months |
| CTR Durations | Months 1-84, Years 8+ | Months 3-24, Years 3+ |
| Cause of Disability | 14 diagnosis groups | Non-specific |
| New Variables | Indexed monthly benefit Definition of disability | N/A |



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New Group Disability Table Variation in CTR's by Diagnosis*

| Diagnosis | A/E Recovery | A/E Deaths |
|------------------------|--------------|------------|
| Maternity | 129% | 97% |
| Diabetes | 68% | 76% |
| Digestive | 145% | 86% |
| Ill-defined and Misc | 116% | 45% |
| Respiratory | 70% | 90% |
| Mental and Nervous | 125% | 69% |
| Injury other than Back | 189% | 18% |
| Cancer | 110% | 356% |
| Nervous System | 66% | 43% |
| Other | 109% | 71% |
| Other Musculoskeletal | 139% | 17% |
| Circulatory | 98% | 55% |
| Back | 128% | 13% |
| Total Exposure | 122% | 78% |

* Actual-to-expected ratios versus a prior study of industry experience for all causes and durations combined.



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**New Group Disability Table
Modifiers Based on Indexed Monthly Benefit**

| Indexed Benefit | Recovery Modifier | Death Modifier Months 1-84 | Death Modifier Months 85+ |
|-------------------|-------------------|----------------------------|---------------------------|
| \$0-\$999 | 1.04 | 0.99 | 1.02 |
| \$1,000-\$1,499 | 1.02 | 0.99 | 1.02 |
| \$1,500-\$1,999 | 1.00 | 0.99 | 1.02 |
| \$2,000-\$2,499 | 0.99 | 0.99 | 1.02 |
| \$2,500-\$2,999 | 0.98 | 0.99 | 1.02 |
| \$3,000-\$3,499 | 0.97 | 0.99 | 1.02 |
| \$3,500-\$3,999 | 0.95 | 0.99 | 1.02 |
| \$4,000-\$4,499 | 0.92 | 1.11 | 0.95 |
| \$4,500-\$4,999 | 0.89 | 1.12 | 0.83 |
| \$5,000-\$9,999 | 0.85 | 1.16 | 0.75 |
| \$10,000-\$19,999 | 0.81 | 1.09 | 0.65 |
| >=\$20,000 | 0.76 | 1.07 | 0.60 |



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**New Group Disability Table
Recovery Modifiers for Definition of Disability**

| Annual Duration | Own Occupation | Any Occupation |
|-----------------|----------------|----------------|
| 1-5 years | 1.00 | 1.30 - 1.33 |
| 6-10 years | 1.00 | 1.25 - 1.30 |
| 11-15 years | 1.00 | 1.15 - 1.25 |
| 16-20 years | 1.00 | 1.10 - 1.15 |



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**New Group Disability Table
Recovery Modifiers for Change in Definition
(Applied in Month of Change)**

| Indexed Monthly Benefit | Own Occupation Period in Months Lifetime | | | |
|-------------------------|--|-------|-------|-------|
| | <18 | 18-30 | 31-48 | >=48 |
| \$0-\$999 | 8.04 | 8.78 | 11.94 | 14.88 |
| \$1,000-\$1,499 | 7.75 | 9.02 | 12.26 | 15.70 |
| \$1,500-\$1,999 | 7.69 | 9.05 | 12.58 | 15.77 |
| \$2,000-\$2,499 | 7.28 | 8.69 | 12.24 | 14.82 |
| \$2,500-\$2,999 | 6.75 | 8.01 | 11.90 | 13.57 |
| \$3,000-\$3,499 | 6.00 | 7.11 | 11.16 | 12.52 |
| \$3,500-\$3,999 | 5.21 | 6.04 | 10.18 | 11.10 |
| \$4,000-\$4,499 | 4.21 | 5.04 | 8.88 | 9.42 |
| \$5,000-\$9,999 | 2.37 | 2.83 | 6.16 | 5.55 |
| \$10,000-\$19,999 | 1.56 | 1.86 | 4.84 | 3.80 |
| >=\$20,000 | 1.37 | 1.80 | 6.05 | 3.62 |



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New Group Disability Table

Margins

- All Years: 15% on deaths and recoveries

Mortality Improvements


- All Years: Additional 15% on deaths only (proxy for more precise calculations)

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**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
 - 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.

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**New Group Disability Table
Expected Impact**

- Overall claim reserves may be slightly lower
- Variation based on mix by claim diagnosis
- Greater reflection of company experience
- Financial impact less significant than for individual table

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