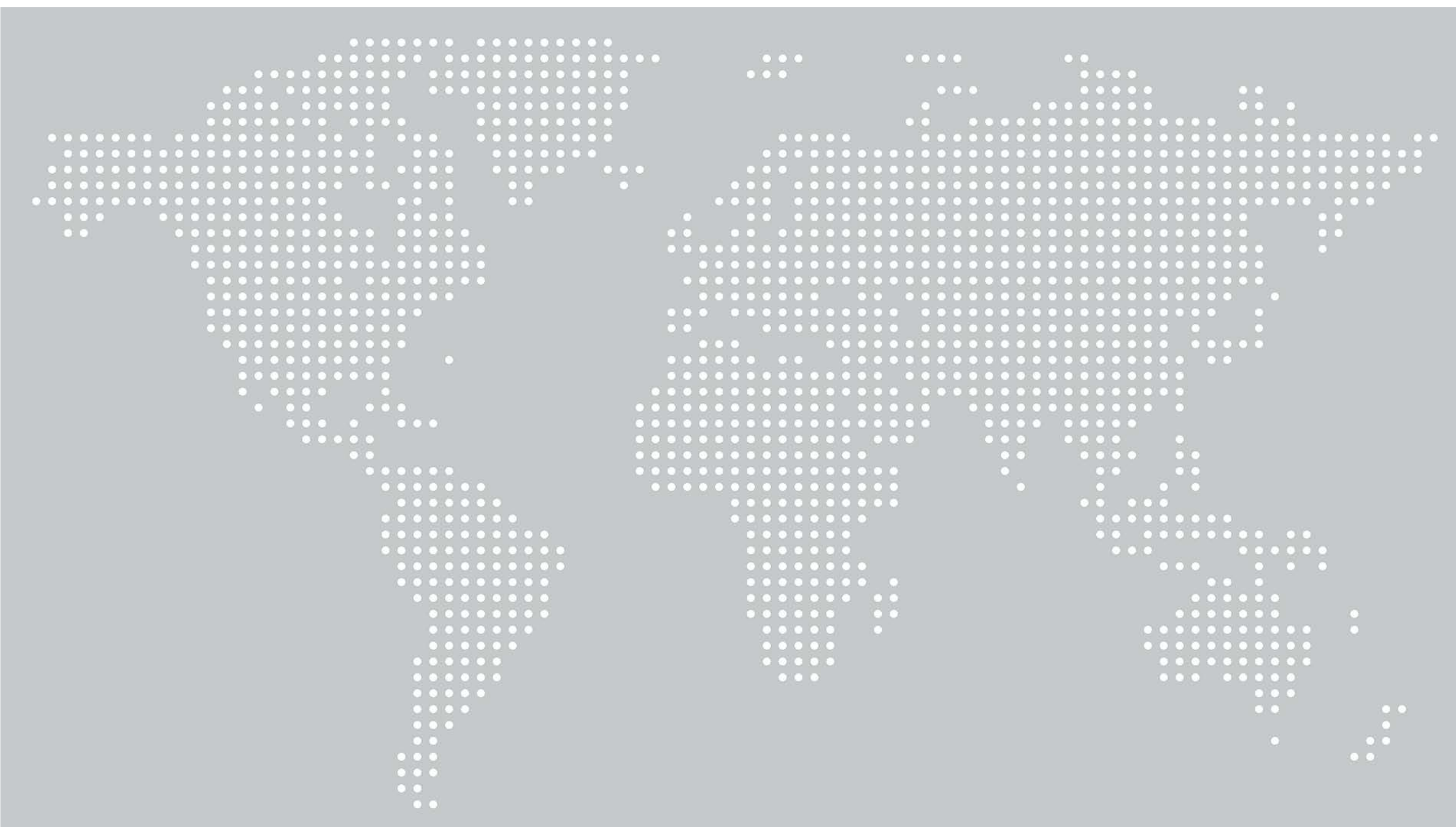
MILLIMAN REPORT

2020 Annual Survey of the U.S. Individual Disability Income Insurance Market

September 2020



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Milliman

Table of Contents

Section I: Introduction

This report presents the results of Milliman's 2020 Annual Survey of the U.S. Individual Disability Income (IDI) Insurance Market. Milliman first conducted this survey in 2007 and has annually conducted IDI surveys since then, except for 2015. Fifteen insurance companies that are active in the U.S. IDI market provided data and other information about new business sold from 2015 through 2019, sales distributions, underwriting requirements, product offerings and pricing, favorable and unfavorable trends, and opportunities and obstacles affecting the IDI market. This year companies have also reported on their progress in implementing the 2013 IDI Valuation Table (2013 IDIVT).

Scope of the 2020 IDI Market Survey

The scope of the IDI market discussed in this survey includes traditional noncancelable (noncan) and guaranteed renewable IDI policies. Policies are generally individually underwritten, with the exception of policies sold in the employer-sponsored multi-life (ESML) market, where guaranteed standard issue (GSI) underwriting is common. Although the maximum benefit periods may be as short as 12 months, the most prevalent maximum benefit periods are to age 65 or longer.

The survey excludes the type of IDI plans sold at worksites to employees, where policies seldom have benefit periods longer than two years and often pay disability benefits that are due to accident only. In the worksite disability insurance market, the application typically involves a short health questionnaire and simplified underwriting, unlike the traditional IDI market, where the applications and medical underwriting are more extensive. Worksite disability policies are one of a number of insurance coverages sponsored by employers and made available to employees on a voluntary basis.

The focus of the 2020 IDI Market Survey is the last five calendar years. Past IDI Market Survey reports are available to readers upon request.

Contributors

Figure 1 lists the 15 contributors to the survey. In total, these 15 companies issued IDI policies with $402 million of new annualized premium in 2019. We estimate that their total premium represents over 90% of the IDI market in terms of new sales.

FIGURE 1: CONTRIBUTORS TO THE 2020 IDI MARKET SURVEY

- Ameritas
- Assurity
- Guardian
- Illinois Mutual
- MassMutual
- MetLife
- Mutual of Omaha
- Northwestern Mutual
- Ohio National
- Principal
- RiverSource
- State Farm
- The Standard
- Thrivent
- Unum

Reliance and limitations

In conducting the 2020 IDI Market Survey and preparing this report, we have relied upon the information provided by the contributors. To the extent that this data is incomplete or inaccurate, our results may be materially affected.

This report is being made available to the general public. This report cannot be published in any other form or publication without written permission from Milliman. Milliman does not intend to benefit any third-party recipient of its work product.

Qualifications

We, Robert Beal and Tasha Khan, are consulting actuaries with Milliman. This report provides an opinion regarding trends in the IDI market. We are members of the American Academy of Actuaries and meet its qualification standards for rendering this opinion.

About Milliman

Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in life insurance and financial services, property and casualty insurance, healthcare, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe.

Section II: Survey highlights

This section summarizes highlights and observations from the report. This year's survey presents the results of 15 IDI companies that contributed to the 2020 IDI Market Survey.

Highlights

- The combined new IDI annualized premium issued in 2019 for all 15 companies increased by 0.4%, reaching $402 million. The highest annual growth rate in 2019 among the 15 companies was 17%; the lowest was negative 33%. Seven of the 15 companies reported positive growth in new premium in 2019.
- The combined new IDI annualized premium issued year-to-date in 2020 through June increased by 1.8%. The growth rates by company ranged from 25% at the highest to a negative 34% at the lowest. Only five companies have shown positive growth in their year-to-date premiums.
- The percentage of new IDI annualized premium in 2019 issued to doctors and surgeons was 32%, compared to 30% in 2018.
- Four companies issued over 40% of their new IDI annualized premium in 2019 to doctors and surgeons, with one company's percentage reaching 64% in 2019.
- The employer-sponsored multi-life market continues to increase its share of new IDI annualized premium, reaching 44% in 2019.
- Brokers issued a higher percentage of IDI new premium than career agents in 2019, 42% versus 40%. This is the first year during the last five years that brokers issued more premium than career agents.
- The percentage of new IDI annualized premium issued with noncancelable products increased slightly in 2019, but has remained in the 80% to 82% range over the last five years. However, the noncancelable percentage varies considerably by occupation, market, and distribution channel.
- One company increased its maximum issue limit from $20,000 for the top nonmedical and medical occupation classes to $30,000. No other company has followed.
- There were no significant changes in the replacement limits based on earned income.
- The percentage of employee paid Employer Sponsored Multi-life new annualized premium issued using voluntary guaranteed standard issue underwriting decreased from 61% in 2018 to 57% in 2019.
- The average underwriting decline percentage among 14 companies has remained stable over the last four years at 15%. The issued-as-applied percentage has decreased somewhat, while the issued other percentage has increased.
- Companies' overall satisfaction with the profitability and new sales results of their IDI businesses increased slightly since the last IDI Market Survey.
- Observations pertaining to stable or improving claim experience were the most prevalent of the favorable trends by the companies.
- The uncertainty regarding the potential impact of COVID-19 on IDI blocks was mentioned by a number of companies as an unfavorable trend, in addition to low interest rates, which were mentioned more frequently compared to prior surveys.
- Only five of 14 companies indicated that they had completed implementation of the 2013 IDI Valuation Table, which needs to be finished by the end of 2020. Companies mentioned a variety of issues they faced during the implementation, including the complexity of the new table, insufficient data needed to calculate reserves under the new table, and a lack of internal resources.

Concluding observations

The IDI market continues another year with strong profitability and flat sales, having less than 0.5% growth in new annualized premium from 2018 to 2019. The main obstacles to long-term growth observed by the contributing companies are the lack of diversification in the IDI market, lack of knowledge or appreciation of IDI benefits, and an aging distribution force.

Since early 2020, a new challenge is facing IDI carriers that has the potential of negatively affecting both new sales and claim experience - COVID-19. A few companies mentioned the uncertainties that they are facing from the potential impact on their IDI businesses. Milliman is currently conducting a survey of IDI companies pertaining to the current and expected impact of COVID-19 on their businesses. This survey will be released later this year and will most likely lead to additional surveys in order to track the impact of COVID-19 on IDI companies and how they are responding.

Section III: Sales results

This section analyzes trends in the new business sold by the 15 IDI contributors from 2015 through 2019.

Volume of annual sales from 2015 through 2019

Figure 2 shows total volume of new policies and annualized premium sold by the contributing companies from 2015 through 2019. The number of new policies and the volume of new annualized premium has increased slowly over the last five years. Total annualized new sales premium in 2019 was $402 million, which is essentially flat relative to new sales reported in 2018. The number of new policies dropped in 2019 relative to 2018 mainly because one company issued a high volume of smaller-sized policies in 2018 but did not repeat this in 2019.

FIGURE 2: NEW POLICIES AND ANNUALIZED PREMIUM BY ISSUE YEAR FROM 2015 THROUGH 2019

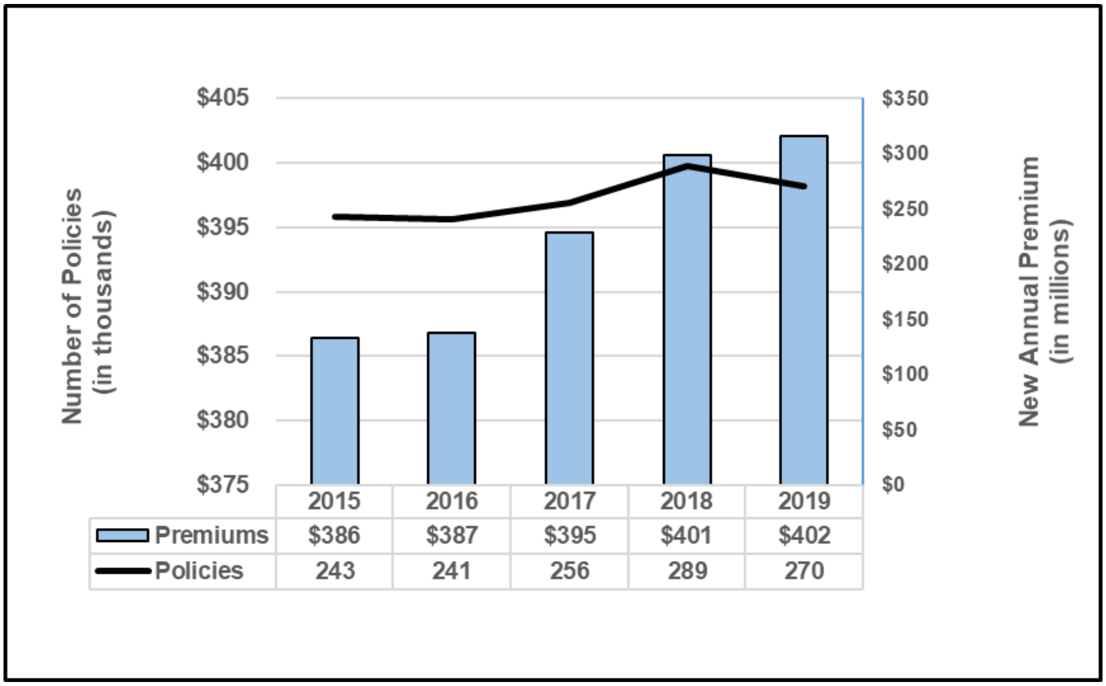
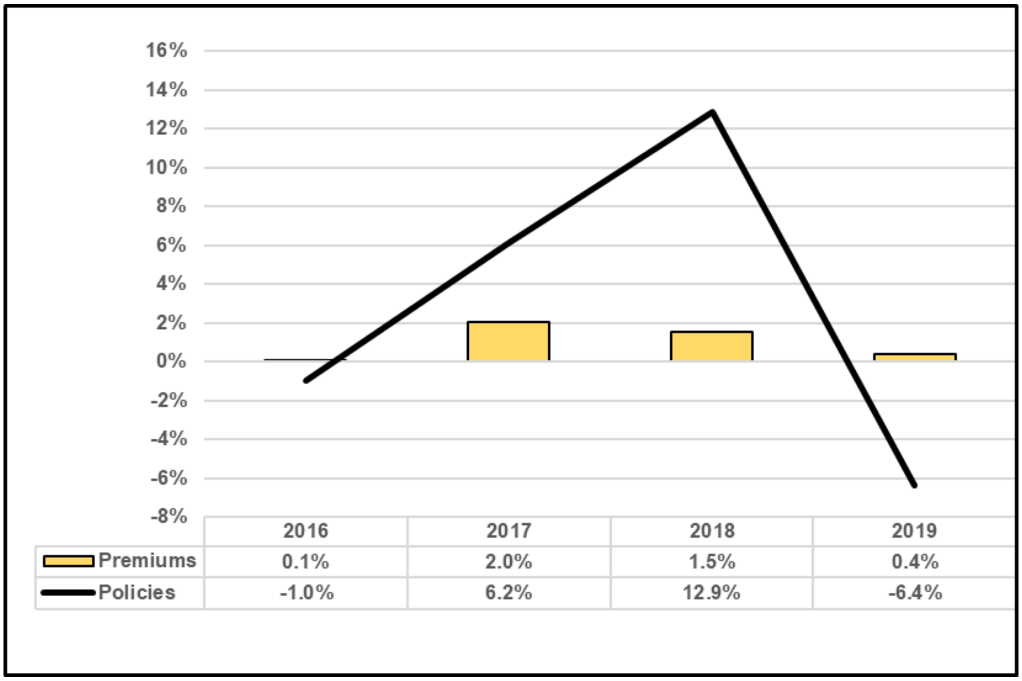


Figure 3 shows the annual growth rates (AGRs) in new policies and new premiums since 2016. The jump in the 2018 AGR for new policies is due in part to higher growth from a few companies that have traditionally sold smaller-sized policies. The AGRs for new premium in years 2016 and 2019 were less than 0.5% while the AGRs in years 2017 and 2018 were between 1.5% and 2.0%.

FIGURE 3: ANNUAL GROWTH RATES IN NEW POLICIES AND NEW PREMIUM FROM 2016 THROUGH 2019



	2016	2017	2018	2019
Premiums	0.1%	2.0%	1.5%	0.4%
Policies	-1.0%	6.2%	12.9%	-6.4%

Figure 4 shows the cumulative new annualized premium by company as a percentage of total new premium in 2019, ranking companies by their new premium (i.e., Company 1 had the largest volume of new premium in 2019). The top five IDI contributors in 2019 produced 77% of the total new annualized premium among the 15 companies, and the top 10 IDI companies produced more than 96% of the total new annualized premium.

FIGURE 4: CUMULATIVE NEW ANNUALIZED PREMIUM BY COMPANY IN 2019 AS PERCENTAGE OF TOTAL ANNUALIZED PREMIUM

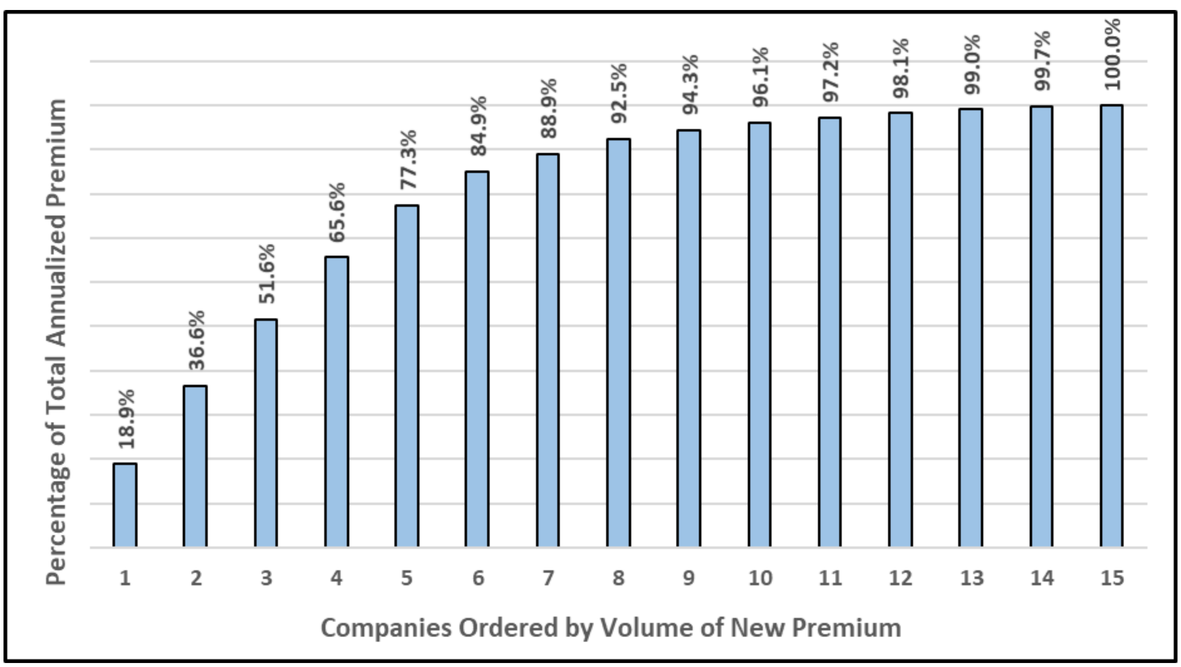


Figure 5 compares the AGRs in new annualized premium in 2019 for the 15 companies, ordered from the company with the highest AGR in 2019 (on the left) to the one with the lowest (on the right). Seven companies reported a positive AGR in 2019, ranging from 3% to 17%, while eight companies reported negative growth, ranging from -2% to -33%. There is not a lot of consistency in the AGRs for each company from year to year. One company that had one of the highest AGRs in 2018 had a negative AGR in 2019.

FIGURE 5: COMPARISON OF COMPANIES' NEW ANNUALIZED PREMIUM AGR IN 2019, RANKED HIGHEST TO LOWEST

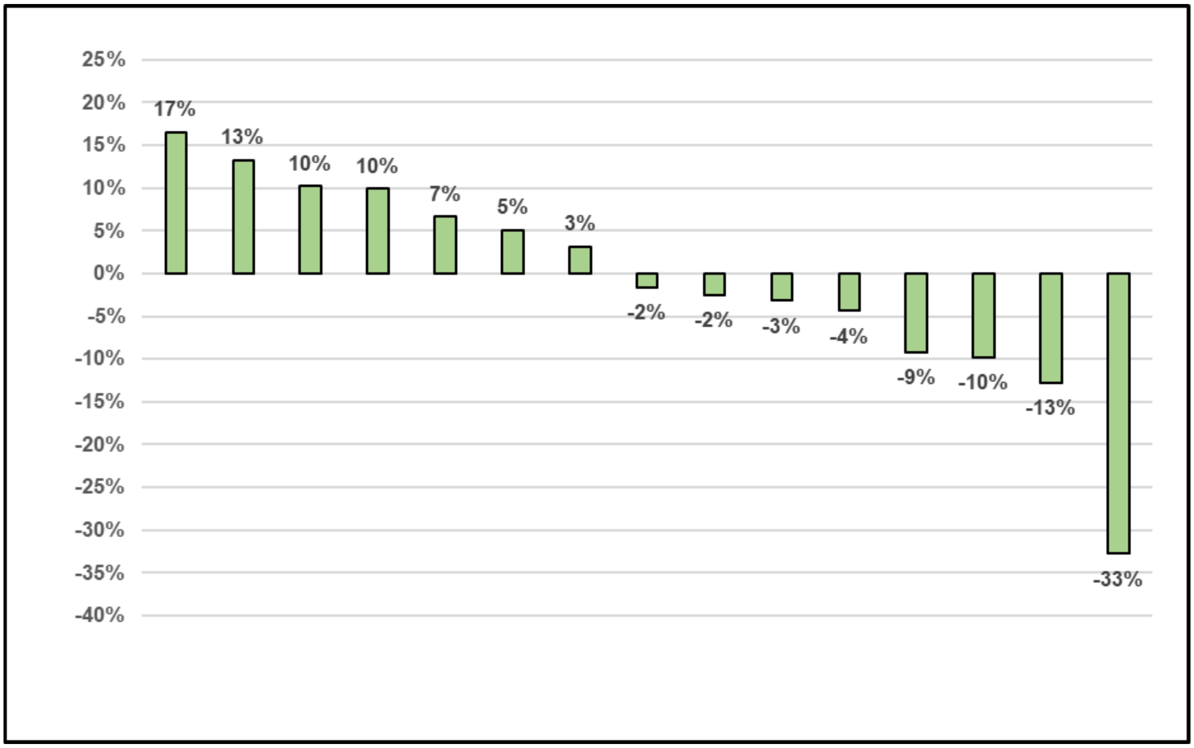
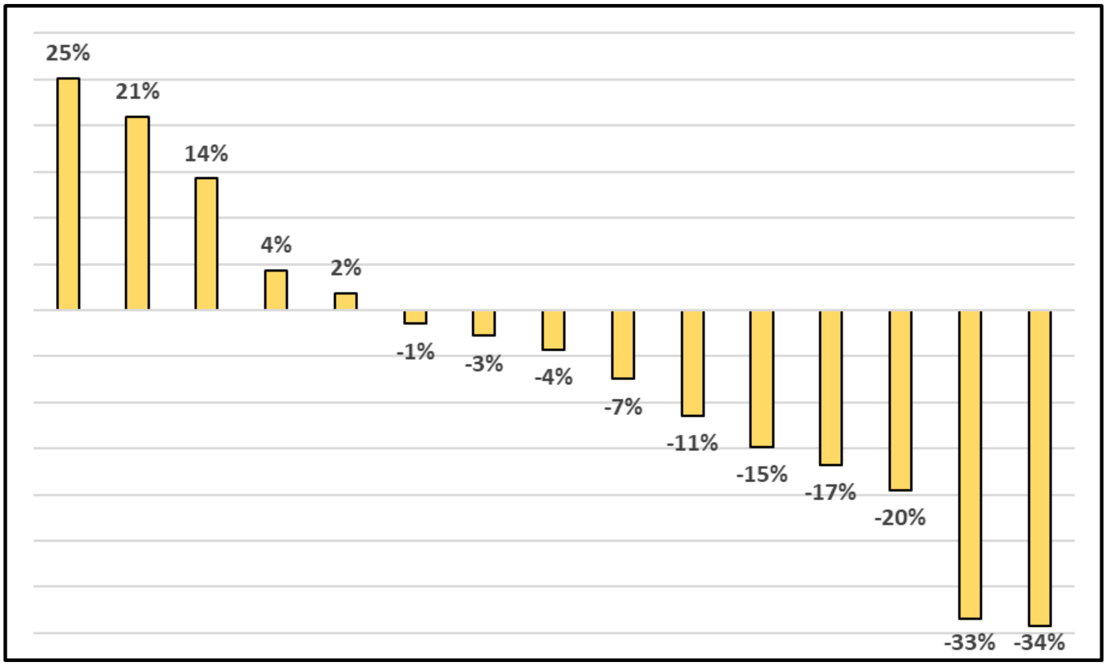


Figure 6 shows the growth in the year-to-date (YTD) new premium from January to June by company, ordered from the highest growth on the left to the lowest on the right. The average YTD growth rate from 2019 to 2020 was 1.8%. There is considerable variability in the YTD growth rates among the companies, ranging from a positive 24% to a negative 34%. Four of the 15 companies had positive growth in new premium in 2020 through June.

FIGURE 6: COMPARISON OF COMPANIES' NEW ANNUALIZED PREMIUM YTD GROWTH FROM 2019 TO 2020 (JANUARY – JUNE)



Business products

Two common IDI products offered by companies for the business market are overhead expense (OE) policies, which reimburse insureds for business expenses incurred while they are disabled, and disability buyout (DBO) policies, which provide funds for buying out a disabled partner's share of the business.

Ten of the 15 companies sold OE policies in 2019. The OE premium in 2019 represented 3.5% of total premium for these 10 companies. Six of the 15 companies sold DBO policies in 2019. The DBO premium in 2019 represented 1.7% of total premium for these six companies.

Key occupations

Eleven of the 15 companies split their new annualized premium among key professional and executive occupations. The combined new premium from these 11 companies represented 93% of the combined new premium for the 15 contributors over the last five years. Figure 7 shows the combined distribution of new annualized premium by issue year from 2015 through 2019 for these 11 companies.

FIGURE 7: PERCENTAGE OF NEW ANNUALIZED PREMIUM BY KEY OCCUPATION ISSUED FROM 2015 THROUGH 2019

YEAR	DOCTORS AND SURGEONS	DENTISTS	LAWYERS	EXECUTIVES	ACCOUNTANTS
2015	29.1%	8.0%	6.5%	15.6%	2.2%
2016	29.4%	8.9%	6.1%	14.3%	2.0%
2017	31.0%	8.6%	6.1%	11.9%	2.0%
2018	29.6%	8.2%	6.4%	11.4%	1.9%
2019	32.3%	8.4%	6.4%	11.8%	1.7%
Average	30.3%	8.4%	6.3%	12.9%	2.0%

The percentage of new premium from doctors and surgeons jumped from 29.6% in 2018 to 32.3% in 2019. The percentage of new premium from executives has been steady, ranging from 11.4% to 11.9% over the last three years. The percentage of new premium from lawyers has stayed in the 6.1% to 6.5% range over the last five years. The percentage of new premium from dentists has remained in the 8.0% to 8.9% range over the five-year period.

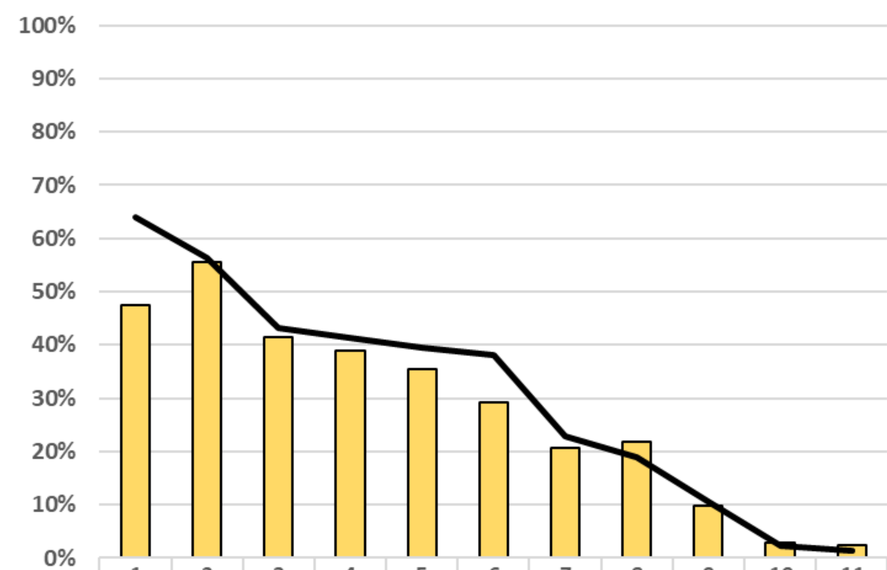
Figure 8 shows the AGR for new premium from 2016 through 2019 for these key occupations. The AGR of new annualized premium for doctors, surgeons, and dentists was negative 3.2% in 2018, but a positive 9.4% in 2019. The AGR for lawyers was slightly negative in 2019 compared to positive 7% annual growth in the two prior years. The AGR for executives was a positive 4.5% in 2019, following three years of negative growth. The AGR for accountants was negative 10.9% in 2019.

FIGURE 8: AGR IN NEW ANNUALIZED PREMIUM BY KEY OCCUPATION FROM 2016 THROUGH 2019

YEAR	DOCTORS AND SURGEONS	DENTISTS	LAWYERS	EXECUTIVES	ACCOUNTANTS
2016	2.7%	12.8%	-4.6%	-7.1%	-9.3%
2017	14.3%	5.7%	7.0%	-9.6%	10.8%
2018	-3.2%	-4.0%	7.4%	-2.9%	-3.1%
2019	9.4%	3.1%	-0.2%	4.5%	-10.9%

Figure 9 compares the average percentage of new annualized premium issued to doctors and surgeons from 2015 through 2018 to the 2019 percentage for the 11 companies. The companies are ordered by size of their 2019 percentages, with No. 1 having the largest percentage. In 2019, six of the 11 companies had percentages in excess of 30%. Six companies increased their percentages by 1% to 2% in 2019 from the average over the prior four years, while two companies had significant jumps, specifically 17% and 9%.

FIGURE 9: PERCENTAGE OF NEW ANNUALIZED PREMIUM ISSUED TO DOCTORS AND SURGEONS, AVERAGE 2015-2018 VS. 2019, BY COMPANY



	1	2	3	4	5	6	7	8	9	10	11
Avg 2015-2018	47%	55%	41%	39%	35%	29%	21%	22%	10%	3%	2%
2019	64%	56%	43%	41%	39%	38%	23%	19%	11%	2%	1%

Markets

The IDI market is split into three segments:

1. **Individually sold business**
   This segment consists of policies sold to individuals, typically one-on-one through agents or brokers. The individuals' employers are not involved in the endorsement of the IDI product or the payment of the premiums. Normal individual medical and financial underwriting is typically involved.

2. **Employer-sponsored multi-life (ESML) business**
   ESML business is composed of two primary subsets. In the first, referred to as "employer-pay DI," employers purchase IDI products for groups of employees in lieu of or as a supplement to group long-term disability (LTD) insurance. In the "voluntary" or "employee-pay IDI" subset, employers allow insurers to offer IDI coverage to employees on-site and to collect premiums through payroll deductions or list billing. The latter situation differs from the worksite disability market, described above in the Introduction of this report, because traditional IDI products rather than short-term and simplified ones are sold in the ESML market.

   In both employer-pay and employee-pay cases, underwriting can vary from traditional medical underwriting to guaranteed standard issue, depending upon the size of the case and the level of participation among eligible employees. Premiums for ESML groups are typically discounted 15% to 35%, depending upon the size of the case, the premium payer, or other demographic factors.

3. **Associations**
   In this segment, carriers seek endorsements from professional associations to provide IDI coverage to association members at discounted premiums. In general, the association market utilizes traditional underwriting. However, as an incentive for purchasing coverage, IDI carriers will sometimes offer some form of guaranteed underwriting (i.e., guaranteed standard amounts up to a $1,500 monthly benefit after the first 100 members sign up) in addition to a premium discount, typically 10%.

Companies generally have more favorable claim experience in the ESML market than in the individually sold or association business. Less anti-selection occurs in the ESML market than in the other markets because the decision to purchase—in the case of employer-pay business—or the available selection of policy options is at the plan level. Due to the favorable claim experience and opportunities for additional sales, the ESML market has been the focus of more aggressive marketing efforts in the IDI industry in recent years.

Figure 10 compares the annual percentages of new annualized premium by market from 2015 through 2019. The percentage of new annualized premium issued in the ESML market has increased each year since 2016, reaching 44.3% in 2019. The percentage of new annualized premium issued in the Individually Sold market has decreased each year since 2017, reaching 51.1% in 2019. The percentage of new annualized premium issued in the Association market has remained flat over the 2017-2019 period after a drop from 2016 to 2017. The reader should be aware that certain companies specialize in serving the professional association market by offering conditionally renewable disability products on either individual or group platforms. These companies, which collectively represent the majority of the professional association market, are not included among the contributors to this survey.

FIGURE 10: DISTRIBUTION OF NEW ANNUALIZED PREMIUM BY MARKET, 2015 THROUGH 2019

YEAR	INDIVIDUALLY SOLD	ESML	ASSOCIATIONS	TOTAL
2015	52.8%	41.5%	5.7%	100.0%
2016	52.5%	41.5%	6.0%	100.0%
2017	53.2%	42.4%	4.4%	100.0%
2018	52.5%	43.0%	4.5%	100.0%
2019	51.1%	44.3%	4.6%	100.0%
Average	52.4%	42.6%	5.0%	100.0%

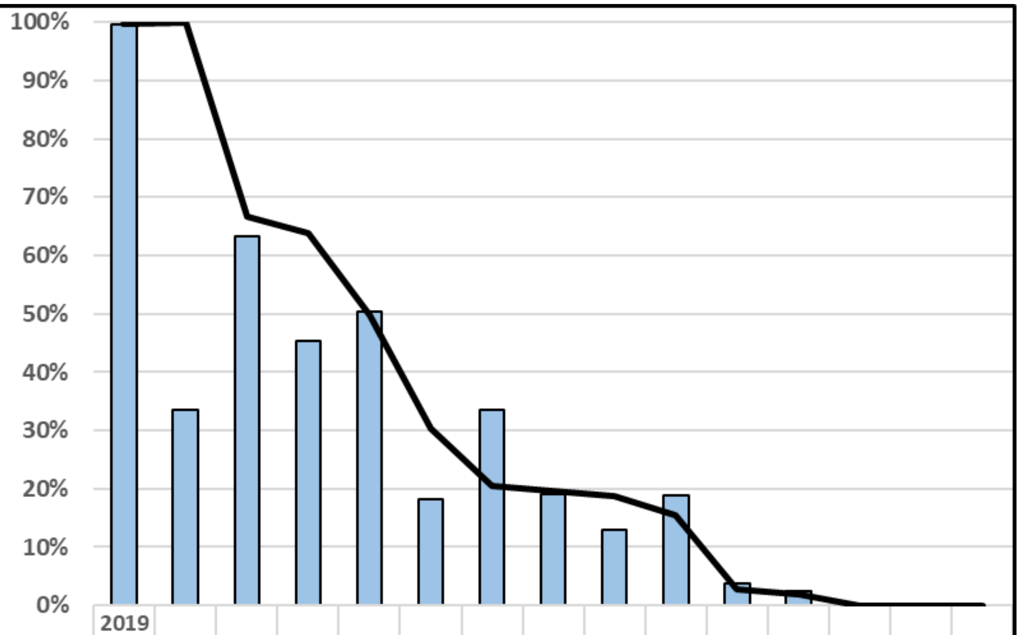
Figure 11 provides the AGRs in new annualized premium by market for years 2016 through 2019. There do not appear to be consistent patterns in the annual AGRs for new annualized premium in the three markets. The ESML market has grown the most consistently from year to year, except for a flat year in 2016. The associations market suffered a large drop in new annualized premium in 2017 as a result of MetLife's strategic decision to target only the employer-sponsored multi-life market.

FIGURE 11: ANNUAL GROWTH RATE IN NEW ANNUALIZED PREMIUM BY MARKET, 2016 THOUGH 2019

YEAR	INDIVIDUALLY SOLD	ESML	ASSOCIATIONS	TOTAL
2016	-0.5%	0.2%	5.4%	0.1%
2017	3.3%	4.3%	-24.8%	2.0%
2018	0.2%	2.9%	3.8%	1.5%
2019	-2.2%	3.3%	2.3%	0.4%
Average	0.2%	2.6%	-4.2%	1.0%

Figure 12 compares the average percentage of new annualized premium issued in the ESML market from 2015 through 2018 to the 2019 percentage, by company. The companies in the chart are ordered so that No. 1 has the highest percentage in 2019 and No. 15 has the lowest. Two of the companies issued all of their 2019 new premium in the ESML market, and three companies had percentages that ranged from 50% to 67%. Three companies issued no business in the ESML market.

FIGURE 12: PERCENTAGE OF ESML PREMIUM TO TOTAL NEW ANNUALIZED PREMIUM, AVERAGE 2015-2018 VS. 2019, BY COMPANY

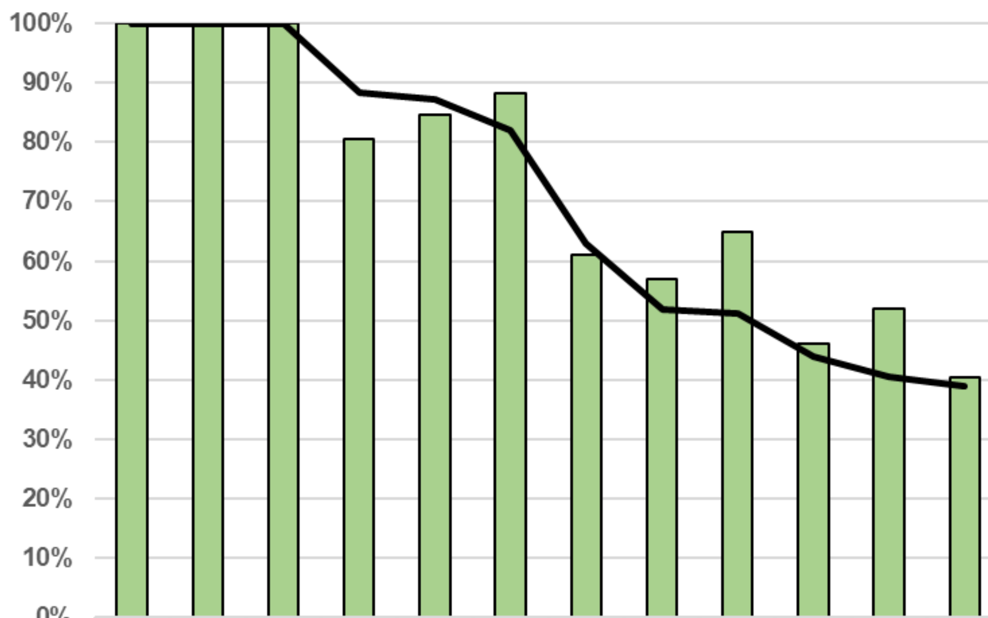


Avg 2015-2018	100%	33%	63%	45%	50%	18%	34%	19%	13%	19%	4%	2%	0%	0%	0%
2019	100%	100%	67%	64%	50%	30%	21%	20%	19%	15%	3%	2%	0%	0%	0%

Figure 13 compares the percentage of new ESML annualized premium issued under employee-pay arrangements from 2015 through 2018 to the 2019 percentage, by company. The companies in the chart are ordered so that No. 1 has the highest 2019 percentage and No. 12 has the lowest.

The three companies that do not sell in the ESML market are excluded from this chart. One hundred percent minus these percentages represents the corresponding employer-pay percentages. The overall employee-pay percentage in 2019 was 57%, and averaged 61% over the prior four years. There was considerable variability among the 12 companies. Three companies issued only employee-pay ESML plans. The employee-pay percentages in 2019 exceeded or were the same as the four-year averages for three of the other nine companies.

FIGURE 13: PERCENTAGE OF EMPLOYEE-PAY TO TOTAL ESML NEW ANNUALIZED PREMIUM, AVERAGE DURING 2015-2018 VS. 2019, BY COMPANY



	1	2	3	4	5	6	7	8	9	10	11	12
Avg 2015-2019	100%	100%	100%	81%	85%	88%	61%	57%	65%	46%	52%	40%
2019	100%	100%	100%	88%	87%	82%	63%	52%	51%	44%	41%	39%

Distribution channels

Contributors split their new annualized premium by the following four distribution channels:

1. **Career agents**
   These producers are career agents for the companies whose IDI products they are selling. Some companies refer to these producers other than as career agents. The companies employ the producers included in this distribution channel.
2. **Brokers**
   Brokers are either independent producers or career agents for companies that are different from the companies whose IDI products they are selling.
3. **National accounts**
   National accounts are insurance companies that enter into marketing arrangements with IDI carriers whereby their agents sell either the products of the IDI carriers, and the companies typically receive compensation in the

form of marketing allowances from the IDI carriers, or the agents sell private-label IDI products, which are administered by the IDI carriers under turnkey arrangements.

4. **Other producers**
   Examples of other producers include personal producing general agents (PPGAs) and members of producer organizations.

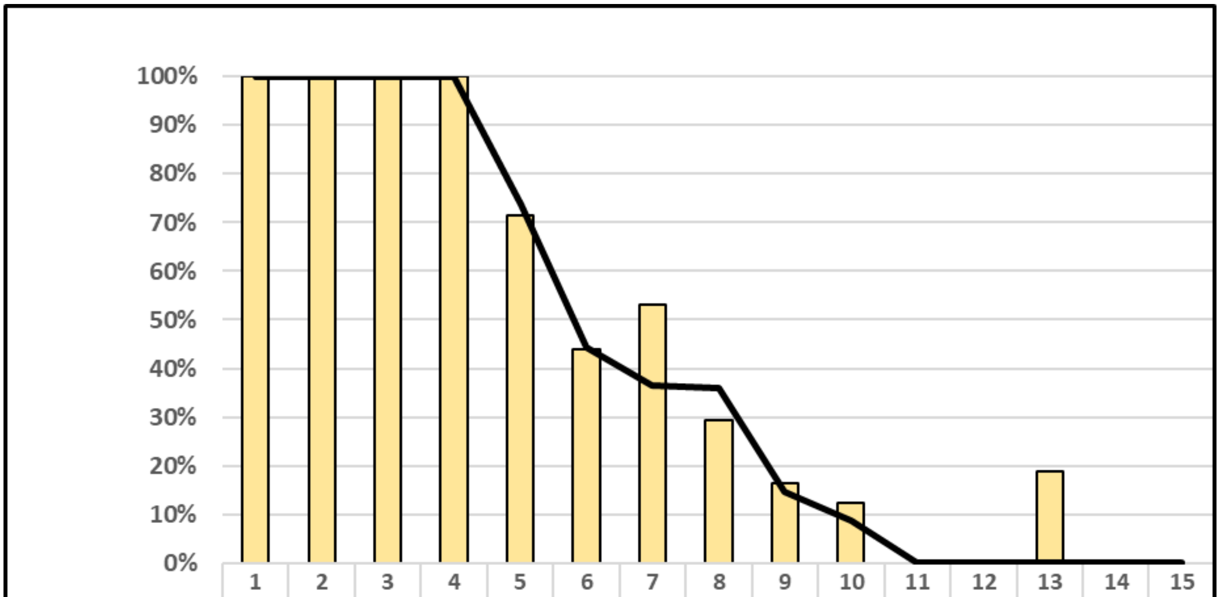
Figure 14 shows the mix of new premium by distribution channel for the 15 companies, combined, for the years 2015 through 2019. Career agents and brokers have had roughly the same share of new IDI annualized premium over the last five years. Brokers sold more new premium than career agents in 2019 for the first time over the last five years.

FIGURE 14: MIX OF NEW ANNUALIZED PREMIUM BY DISTRIBUTION CHANNEL ISSUED IN YEARS 2015 THROUGH 2019

YEAR	CAREER AGENTS	BROKERS	NATIONAL ACCOUNTS	OTHER PRODUCERS	TOTAL
2015	42.4%	41.0%	4.1%	12.5%	100.0%
2016	42.2%	42.2%	4.3%	11.3%	100.0%
2017	42.1%	40.8%	4.5%	12.6%	100.0%
2018	42.0%	40.6%	4.3%	13.0%	100.0%
2019	40.2%	42.8%	4.1%	13.0%	100.0%
Average	41.8%	41.5%	4.2%	12.5%	100.0%

The percentage of new annualized premium sold through career agents for all companies combined was 40% in 2019 and 42% over the 2015-2018 period. Figure 15 compares the average percentage of new annualized premium sold by career agents in 2019 to the average over the prior four years (2015-2018). The companies in the chart are ordered so that No. 1 has the highest average percentage in 2019 and No.15 has the lowest. Four of the 15 companies sell only through their career agents, and three issued no new IDI premium through career agents over the last five years. One company decided to sell only through brokers during the last five years.

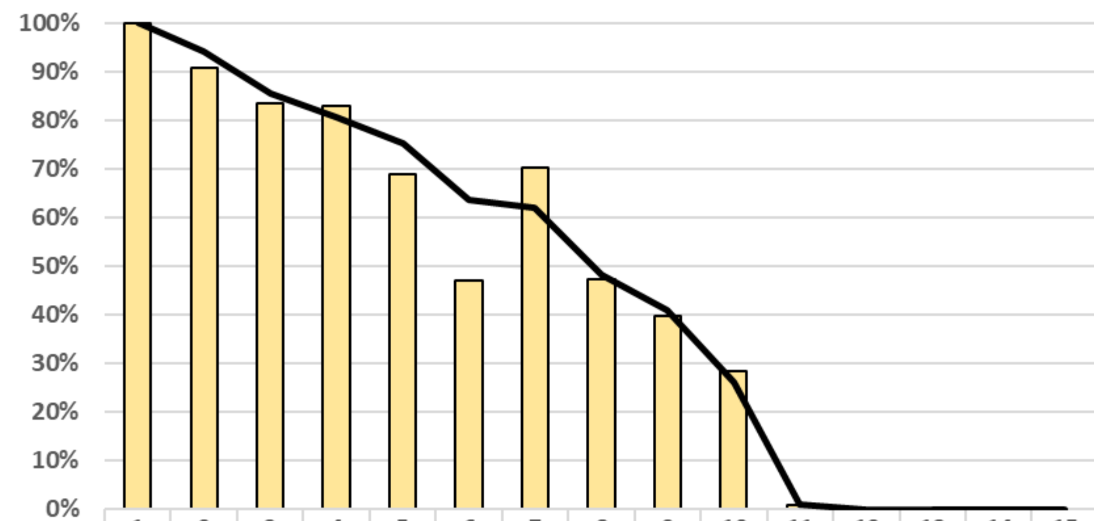
FIGURE 15: PERCENTAGE OF NEW ANNUALIZED PREMIUM SOLD THROUGH CAREER AGENTS: AVERAGE DURING 2015-2018 VS. 2019, BY COMPANY



	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Avg 2015-2018	100%	100%	100%	100%	71%	44%	53%	29%	16%	12%	0%	0%	19%	0%	0%
2019	100%	100%	100%	100%	74%	44%	36%	36%	15%	9%	0%	0%	0%	0%	0%

The percentage of new annualized premium sold through brokers for all companies combined was 43% in 2019 and 41% over the 2015-2018 period. Figure 16 compares the percentage of new annualized premium sold by brokers in 2019 versus the average from 2015 through 2018, by company. The companies in the chart are ordered so that No. 1 has the highest average percentage in 2019 and No. 15 has the lowest. Eleven of the 15 companies sell some portion of the new premium through brokers although for one of these 11 companies the broker percentage is only 1%. Four of the companies do not sell via brokers at all.

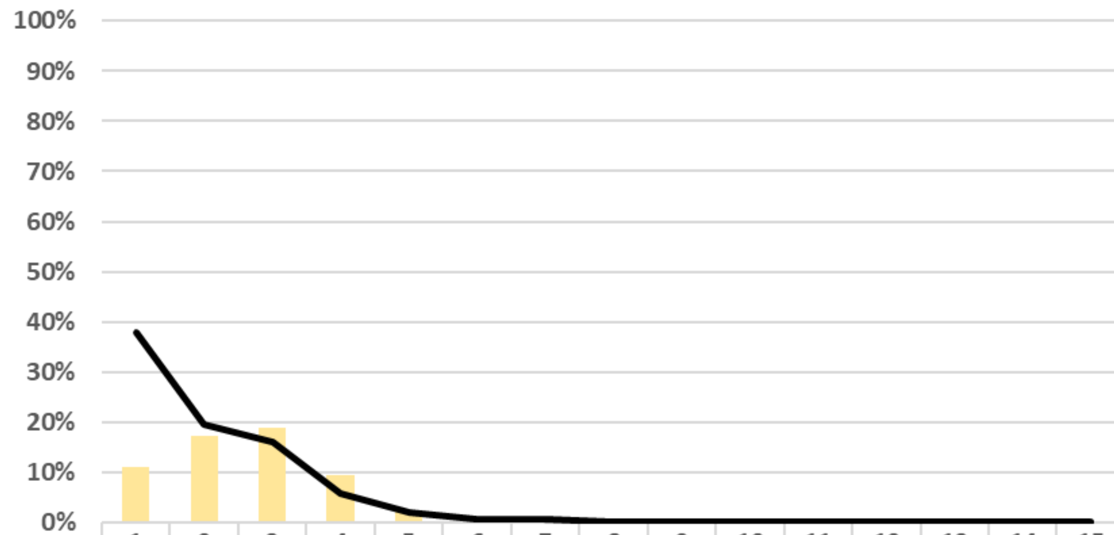
FIGURE 16: PERCENTAGE OF NEW ANNUALIZED PREMIUM SOLD THROUGH BROKERS: AVERAGE DURING 2015-2018 VS. 2019, BY COMPANY



	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Avg 2015-2018	100%	91%	84%	83%	69%	47%	70%	47%	40%	29%	1%	0%	0%	0%	0%
2019	100%	94%	85%	81%	75%	64%	62%	48%	41%	26%	1%	0%	0%	0%	0%

The percentage of new annualized premium sold through national accounts for all companies combined was 4% in 2019 and 4% over the 2015-2018 period. Figure 17 compares the percentage of new annualized premium sold through national accounts in 2019 versus the average from 2015 through 2018. The companies in the chart are ordered so that No. 1 has the highest average percentage in 2019 and No.15 has the lowest. Six of the 15 companies sell IDI policies through national accounts. Seven of the 15 companies issued new business through national accounts in 2019.

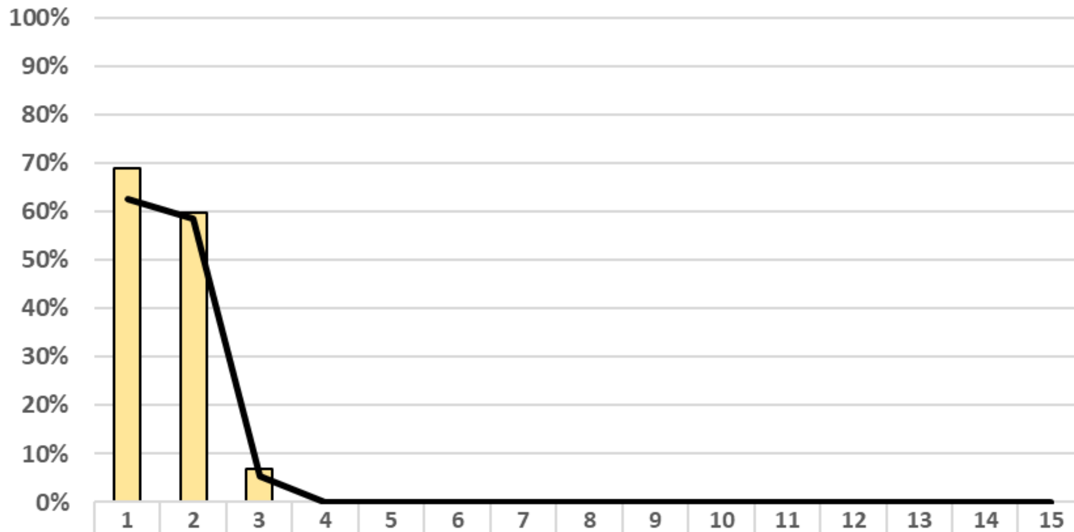
FIGURE 17: PERCENTAGE OF NEW ANNUALIZED PREMIUM SOLD THROUGH NATIONAL ACCOUNTS: AVERAGE DURING 2015-2018 VS. 2019, BY COMPANY



	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Avg 2015-2018	11%	17%	19%	9%	2%	0%	1%	0%	0%	0%	0%	0%	0%	0%	0%
2019	38%	19%	16%	6%	2%	1%	1%	0%	0%	0%	0%	0%	0%	0%	0%

The percentage of new annualized premium sold through other types of producers for all companies combined was 13% in 2019 and 12% over the 2015-2018 period. Figure 18 compares the average percentage of new annualized premium sold by other types of producers in 2019 versus the average from 2015 through 2018. The companies in the chart are ordered so that No. 1 has the highest average percentage in 2019 and No.15 has the lowest. Only three of the 15 companies sell IDI policies through other types of producers.

FIGURE 18: PERCENTAGE OF NEW ANNUALIZED PREMIUM SOLD THROUGH OTHER TYPES OF PRODUCERS: AVERAGE DURING 2015-2018 VS. 2019, BY COMPANY



	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Avg 2015-2018	69%	60%	7%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
2019	63%	58%	5%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Noncancelable trends

Figure 19 shows the percentages of new IDI premium issued to noncan policies over the last five years by market, key occupation, and distribution channel. Noncan policies guarantee renewability and premium rates for the life of the policy. As shown below, noncan policies are the predominant IDI policy form. Guaranteed renewable (GR) policies guarantee renewability during the life of the policy but premium rates may be changed on a class basis and require approval from state insurance departments. DBO policies (discussed in the subsection above on business products) guarantee renewability as long as the underlying business relationship between the insured and the business beneficiary continues. DBO policies are labeled conditionally renewable (CR) and not noncan or GR in the Annual Statement Blank of the National Association of Insurance Commissioners (NAIC).

For reporting in Milliman's IDI Market Survey, DBO policies that have guaranteed premiums are generally included with the noncan business, although there may be a few exceptions. By subtracting the noncan percentages shown below from 100%, the reader is able to derive the corresponding GR percentages.

FIGURE 19: PERCENTAGE OF NEW ANNUALIZED PREMIUM ISSUED ON NONCAN PRODUCTS

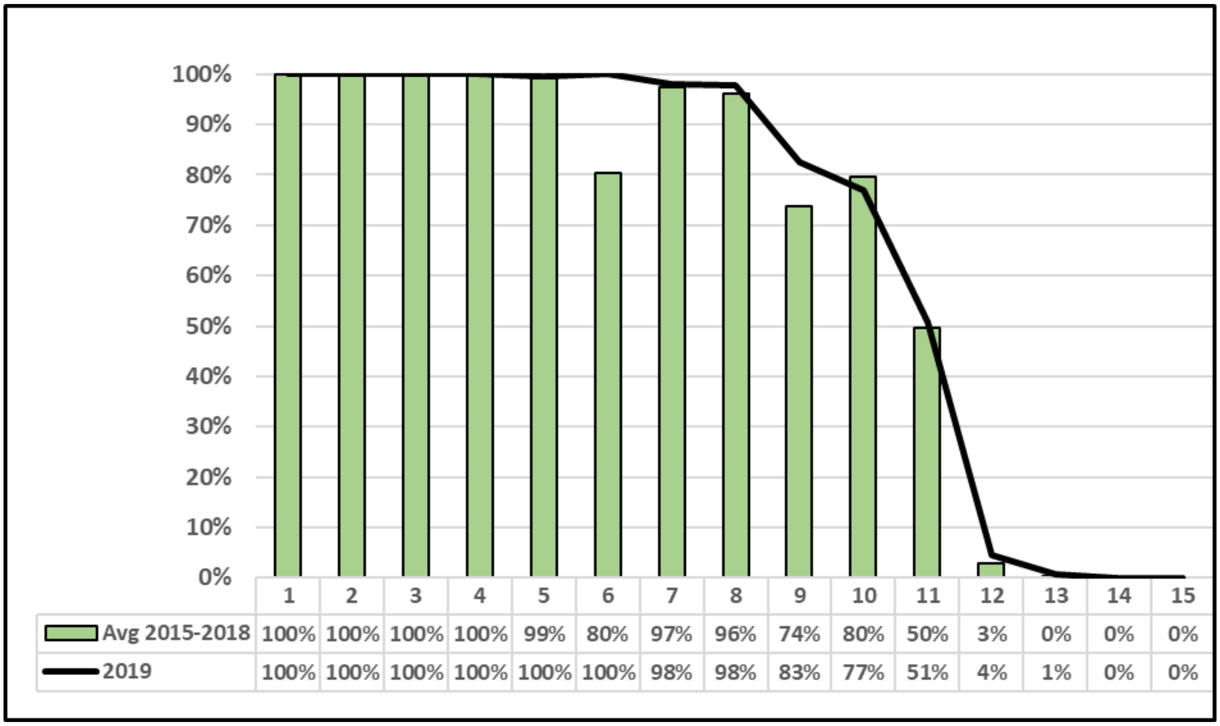
ISSUE YEAR	2015	2016	2017	2018	2019	AVERAGE
Total	81.2%	82.3%	81.9%	81.5%	82.4%	81.9%
BY MARKET						
Individually sold	70.5%	71.7%	71.7%	69.8%	74.8%	71.7%
Association	96.2%	96.2%	93.8%	93.4%	92.0%	94.5%
ESML	92.8%	93.6%	93.4%	94.5%	90.3%	92.9%
Employee-pay	91.6%	92.8%	91.8%	93.6%	92.4%	92.4%
Employer-pay	94.8%	94.9%	95.8%	96.1%	87.4%	93.6%
BY KEY OCCUPATION						
Doctors and surgeons	90.5%	91.2%	92.6%	92.8%	93.6%	92.2%
Dentists	90.2%	91.6%	91.0%	92.2%	92.9%	91.6%
Lawyers	85.1%	86.4%	85.5%	88.8%	88.6%	86.9%
Executives	76.5%	76.5%	80.1%	80.0%	80.3%	78.6%
Accountants	75.8%	74.7%	74.0%	75.3%	76.3%	75.2%
Other occupations	73.1%	74.1%	73.1%	71.9%	72.0%	72.8%
Business owners	73.0%	75.0%	72.8%	74.2%	74.5%	73.9%
BY DISTRIBUTION CHANNEL						
Career agents	68.1%	70.0%	69.1%	67.6%	68.2%	68.6%
Brokers	88.4%	89.4%	88.8%	89.3%	89.9%	89.2%
National accounts	92.0%	92.6%	92.9%	93.7%	92.9%	92.8%
Other producers	98.7%	97.7%	98.1%	98.2%	98.7%	98.3%

While the percentage of new annualized premium issued on noncan policies changed little from year to year, differences occur among the various categories:

- Among the three markets, IDI premium issued in the individually sold market has a significantly lower noncan percentage than IDI premium issued in the ESML and association markets. The employer-pay segment of the ESML market saw a fairly significant drop in the percentage of noncan new premium in 2019.
- Among the various key occupations listed above, doctors and surgeons and dentists have the highest noncan percentages (in excess of 91%), and “other occupations” has the lowest noncan percentage (averaging 73% over the last five years).
- Among the various distribution channels, the “other producers” channel has the highest noncan percentage (averaging 98% over the last five years) and the career agents channel has the lowest noncan percentage (averaging 69% over the last five years).

Figure 20 compares the percentage of new annualized premium issued on noncan policy forms in 2019 to the average from 2015 through 2018. The companies in the chart are ordered so that No.1 has the highest average percentage in 2019 and No.15 has the lowest. Six of the 15 companies sell primarily noncan policies, and four sell primarily GR policies. Five companies offer a mix of noncan and GR products. Two companies had a significant jump in their noncan percentages in 2019 compared to the percentage for the prior four years.

FIGURE 20: PERCENTAGE OF NEW ANNUALIZED PREMIUM ISSUED ON NONCAN PRODUCTS: AVERAGE DURING 2015-2018 VS. 2019, BY COMPANY



Section IV: Underwriting

This section discusses the current underwriting requirements of the 14 IDI companies that contributed to this part of the survey. One company does not contribute to the underwriting portion of this survey.

Issue and participation limits

The issue limit is the largest amount of monthly benefit that an IDI carrier will issue to an individual insured. Figure 21 compares the highest, median, and lowest issue limits among the 14 contributors for the top nonmedical occupation class and for the top medical occupation class in 2019 and 2020. Figure 21 also shows the number of contributors that are at the highest limit.

FIGURE 21: MAXIMUM ISSUE LIMITS, 2018 AND 2019

	TOP NONMEDICAL OCCUPATION CLASS		TOP MEDICAL OCCUPATION CLASS	
YEAR	**2019**	**2020**	**2019**	**2020**
Measure:				
Highest Limit	$20,000	$30,000	$20,000	$30,000
Median Limit	$20,000	$20,000	$17,500	$20,000
Lowest Limit	$10,000	$10,000	$7,000	$7,000
No. Companies at Highest Limit	11	1	6	1

Since the last IDI Market Survey, one company has increased its maximum issue limit for the top nonmedical and medical occupation classes to $30,000. This company had the first increase in the highest maximum issue limit among the 14 contributors in several years. One company increased its maximum issue limit for nonmedical occupation classes to $20,000. Three companies increased their maximum issue limits for medical occupation classes to $20,000.

The participation limit is the largest total monthly benefit amount that an IDI company will permit an insured to have from all sources of IDI and group long-term disability (LTD), including coverage from other companies. Most companies are willing to participate at higher amounts when the insured has group LTD because the LTD benefits are typically taxable and offset for Social Security and workers' compensation disability benefits.

The table in Figure 22 compares the highest, median, and lowest participation limits, when group LTD is not present, among the 14 contributors in 2019 and 2020 for the top nonmedical and medical occupation classes.

FIGURE 22: MAXIMUM PARTICIPATION LIMITS WHEN GROUP LTD IS NOT PRESENT, 2019 AND 2020

	TOP NONMEDICAL OCCUPATION CLASS		TOP MEDICAL OCCUPATION CLASS	
YEAR	**2019**	**2020**	**2019**	**2020**
Measure:				
Highest Limit	$35,000	$35,000	$30,000	$30,000
Median Limit	$27,500	$30,000	$22,500	$27,500
Lowest Limit	$12,000	$12,000	$7,000	$7,000
No. Companies at Highest Limit	2	2	4	7

One of the 14 contributors increased its maximum participation limit when no group LTD is present for its highest nonmedical occupation class from $20,000 to $30,000. None of the other 13 contributors changed these participation limits. Three of the 14 contributors increased their maximum participation limits when no group LTD is present for their highest medical occupation classes from $20,000 to $30,000. The other 11 contributors did not change these participation limits.

The table in Figure 23 compares the highest, median, and lowest participation limits, when group LTD is present, among the 14 contributors in 2019 and 2020 for the top nonmedical and medical occupation classes.

FIGURE 23: MAXIMUM PARTICIPATION LIMITS WHEN GROUP LTD IS PRESENT, 2019 AND 2020

	TOP NONMEDICAL OCCUPATION CLASS		TOP MEDICAL OCCUPATION CLASS	
YEAR	**2019**	**2020**	**2019**	**2020**
Measure:				
Highest Limit	$40,000	$40,000	$35,000	$35,000
Median Limit	$30,000	$32,500	$30,000	$32,500
Lowest Limit	$12,000	$12,000	$12,000	$12,000
No. Companies at Highest Limit	1	1	4	7

One of the 14 contributors increased its maximum participation limit when no group LTD is present for its highest medical occupation class from $20,000 to $35,000. None of the other 13 contributors changed these participation limits. Three of the 14 contributors increased their maximum participation limits when group LTD is present for their highest medical occupation classes from $30,000 to $35,000. The other 11 contributors did not change these participation limits.

Replacement limits

A replacement limit is the highest monthly disability benefit that an insurer will issue on an applicant (including all sources of IDI and group LTD) based on an applicant's earned income. Because of the different tax treatments of disability benefits, replacement limits depend on the premium payer, i.e., the insured or the employer. Disability benefits are taxable to the insured when the employer pays the premium, but they are not taxable if the insured pays the premiums with after-tax income. Consequently, companies typically offer higher replacement ratios in employer-pay cases than when the insured pays the premium.

Most companies offer higher replacement limits when applicants are also covered by group LTD due to the benefit offset provisions in group LTD coverage and the taxable nature of LTD benefits when the employer pays the premiums. Replacement limits have increased over the past few years as competition in the ESML market has increased. Replacement limits with LTD also tend to be flatter percentages of earned income in order to align better with LTD plan designs.

The tables in the next four figures compare the current median and maximum monthly replacement limits among the 14 survey contributors over a range of annual earned incomes, varying between premium payee and whether group LTD is present:

- Figure 24: Employee-pay policies when no group LTD is present.
- Figure 25: Employee-pay policies when group LTD is present.
- Figure 26: Employer-pay policies when no group LTD is present.
- Figure 27: Employer-pay policies when group LTD is present.

The ratios of maximum to median for the 2020 replacement limits measures the closeness of the median limits to the maximum limits. The ratios 2020/2019 compare the median and maximum replacement limits in 2020 to those in 2019 in order to observe where changes over the last year have occurred.

FIGURE 24: MEDIAN AND MAXIMUM 2020 MONTHLY REPLACEMENT LIMITS BY ANNUAL EARNED INCOME, FOR EMPLOYEE-PAY POLICIES WHEN NO GROUP LTD IS PRESENT

	2020 MONTHLY REPLACEMENT LIMIT			2020 / 2019	
ANNUAL EARNED INCOME	MEDIAN	MAXIMUM	MAXIMUM TO MEDIAN	MEDIAN	MAXIMUM
$20,000	$1,290	$1,370	1.06	100%	100%
$40,000	$2,415	$2,525	1.05	100%	100%
$60,000	$3,410	$3,610	1.06	100%	100%
$80,000	$4,250	$4,610	1.08	100%	100%
$100,000	$5,050	$5,500	1.09	100%	100%
$125,000	$6,033	$6,600	1.09	100%	100%
$150,000	$7,163	$7,700	1.08	100%	100%
$175,000	$8,175	$8,810	1.08	100%	100%
$200,000	$9,325	$9,860	1.06	101%	100%
$250,000	$11,450	$11,910	1.04	100%	100%
$300,000	$13,000	$13,750	1.06	100%	100%
$350,000	$14,795	$15,540	1.05	100%	100%
$400,000	$16,050	$16,500	1.03	100%	100%
$450,000	$16,700	$18,225	1.09	101%	100%
$500,000	$17,855	$19,890	1.11	102%	100%
$550,000	$18,623	$20,000	1.07	101%	100%
$600,000	$19,985	$20,150	1.01	102%	101%
$650,000	$20,000	$21,150	1.06	100%	102%
$700,000	$20,050	$22,150	1.10	100%	101%
$750,000	$21,075	$23,150	1.10	104%	101%

FIGURE 25: MEDIAN AND MAXIMUM 2020 MONTHLY REPLACEMENT LIMITS BY ANNUAL EARNED INCOME, FOR EMPLOYEE-PAY POLICIES WHEN GROUP LTD IS PRESENT

	2020 MONTHLY REPLACEMENT LIMIT			2020 / 2019	
ANNUAL EARNED INCOME	MEDIAN	MAXIMUM	MAXIMUM	MEDIAN	MAXIMUM
$20,000	$1,298	$1,390	1.07	100%	100%
$40,000	$2,450	$2,700	1.10	100%	100%
$60,000	$3,575	$4,000	1.12	101%	100%
$80,000	$4,540	$5,335	1.18	100%	100%
$100,000	$5,600	$6,665	1.19	100%	100%
$125,000	$7,025	$8,225	1.17	99%	100%
$150,000	$8,500	$9,000	1.06	100%	100%
$175,000	$9,650	$10,280	1.07	99%	100%
$200,000	$10,925	$11,700	1.07	100%	100%
$250,000	$13,541	$14,530	1.07	100%	100%
$300,000	$16,210	$17,370	1.07	100%	100%
$350,000	$18,830	$20,030	1.06	100%	100%
$400,000	$21,550	$22,540	1.05	100%	100%
$450,000	$23,950	$25,040	1.05	100%	100%
$500,000	$26,630	$27,750	1.04	101%	100%
$550,000	$29,065	$29,800	1.03	100%	100%
$600,000	$30,000	$32,000	1.07	100%	100%
$650,000	$30,000	$34,250	1.14	100%	100%
$700,000	$30,000	$35,000	1.17	100%	100%
$750,000	$30,000	$35,000	1.17	100%	100%

FIGURE 26: MEDIAN AND MAXIMUM 2020 MONTHLY REPLACEMENT LIMITS BY ANNUAL EARNED INCOME, FOR EMPLOYER-PAY POLICIES WHEN NO GROUP LTD IS PRESENT

	2020 MONTHLY REPLACEMENT LIMIT			2020 / 2019	
ANNUAL EARNED INCOME	MEDIAN	MAXIMUM	MAXIMUM	MEDIAN	MAXIMUM
$20,000	$1,455	$1,830	1.26	99%	100%
$40,000	$2,805	$3,545	1.26	100%	100%
$60,000	$4,225	$4,855	1.15	101%	100%
$80,000	$5,470	$6,070	1.11	102%	100%
$100,000	$6,500	$7,200	1.11	100%	100%
$125,000	$7,828	$8,630	1.10	100%	100%
$150,000	$9,125	$9,900	1.08	100%	100%
$175,000	$10,555	$11,785	1.12	100%	100%
$200,000	$11,925	$13,355	1.12	100%	100%
$250,000	$14,700	$16,200	1.10	100%	100%
$300,000	$16,163	$18,215	1.13	100%	100%
$350,000	$17,625	$20,000	1.13	100%	100%
$400,000	$19,840	$20,245	1.02	100%	100%
$450,000	$20,090	$21,420	1.07	100%	100%
$500,000	$20,600	$22,800	1.11	103%	100%
$550,000	$21,500	$23,500	1.09	105%	100%
$600,000	$22,450	$24,250	1.08	107%	100%
$650,000	$23,450	$25,000	1.07	109%	100%
$700,000	$24,300	$26,070	1.07	112%	100%
$750,000	$25,000	$27,375	1.10	114%	100%

FIGURE 27: MEDIAN AND MAXIMUM 2020 MONTHLY REPLACEMENT LIMITS BY ANNUAL EARNED INCOME, FOR EMPLOYER-PAY POLICIES WHEN GROUP LTD IS PRESENT

	2020 MONTHLY REPLACEMENT LIMIT			2020 / 2019	
ANNUAL EARNED INCOME	MEDIAN	MAXIMUM	MAXIMUM	MEDIAN	MAXIMUM
$20,000	$1,463	$1,830	1.25	98%	100%
$40,000	$2,825	$3,545	1.25	100%	100%
$60,000	$4,288	$4,900	1.14	101%	100%
$80,000	$5,696	$6,300	1.11	100%	100%
$100,000	$6,925	$7,500	1.08	100%	100%
$125,000	$8,700	$9,300	1.07	100%	100%
$150,000	$10,535	$11,025	1.05	101%	100%
$175,000	$12,100	$12,625	1.04	100%	100%
$200,000	$13,850	$14,300	1.03	100%	100%
$250,000	$17,338	$18,070	1.04	100%	100%
$300,000	$20,600	$21,370	1.04	102%	100%
$350,000	$23,608	$25,000	1.06	101%	100%
$400,000	$26,684	$27,720	1.04	100%	100%
$450,000	$29,450	$31,000	1.05	100%	100%
$500,000	$30,000	$33,660	1.12	100%	101%
$550,000	$30,000	$36,340	1.21	100%	104%
$600,000	$30,000	$37,500	1.25	100%	107%
$650,000	$30,000	$38,500	1.28	100%	110%
$700,000	$30,000	$39,500	1.32	100%	110%
$750,000	$30,000	$40,500	1.35	100%	109%

Two companies increased their participation limits for employee-pay business when no group LTD is present, which increased the median participation limits among the 14 companies for annual earned incomes of $200,000 and higher and increased the maximum participation limits for earned incomes of $600,000 and higher.

Two companies changed their participation limits for employee-pay business when group LTD is present. These changes had a minor impact on the median participation limits among the 14 companies and no impact on the maximum participation limits.

Two companies increased their participation limits for employer-pay business when no group LTD is present, which primarily increased the median participation limits among the 14 companies for annual earned incomes of $500,000 and higher and made no impact on the maximum participation limits.

Two companies increased their participation limits for employer-pay business when group LTD is present, which had a minor impact on the median participation limits and increased the maximum participation limits for earned incomes of $550,000 and higher.

Underwriting requirements: Individually sold market

The tables in Figures 28, 29, and 30 show the blood testing, financial documentation, and paramedical examination requirements for 13 contributors' normal underwriting rules in 2020. One company did not submit any underwriting requirements because it no longer sells IDI products in the individually sold market. A number between parentheses in any response indicates how many companies have this requirement.

FIGURE 28: BLOOD TESTING LIMITS IN 2020

For ages under 45 and amounts $1,000 to $5,000, oral fluids are required; for ages under 45 and amounts $5,000 and higher, blood and urine are required; for ages over 45 and amounts $1,000 and higher, blood and urine are required
Blood testing required for ages 41-64 and amounts $2,500 and higher, for ages 18-40 and amounts over $5,000
For amounts $1,500 and above, depending on age and BP. Some ages we get blood on all.
Blood testing required for amounts over $2,000
Blood testing required for amounts $2,500 and higher
Blood testing required for amounts $3,000 and higher (3)
Blood testing required for amounts $4,000 and higher
Blood testing required for amounts over $4,000
For ages 18-50, blood and urine required for amounts >= $5,001; for ages 51-60 and amounts >= $3,001
For ages <= 50 and amounts <=$6,000, no labs required; for ages over 50 or amounts >$6,000 labs required
Blood testing required for amounts over $6,000 and ages over 45

.

FIGURE 29: FINANCIAL DOCUMENTATION LIMITS IN 2020

Documentation required for all or most cases (3)
Documentation required in all cases except for medical students and residents and for new professionals. Also documentation not required under simplified underwriting rules.
Documentation required for amounts of $3,000 and higher
Documentation required for amounts over $4,000
Documentation required for amounts over $5,000 (2)
For employees, no documentation required for amounts up to $3,000 and W2 for amounts $3,000 and higher. Limits vary for business owners.
Documentation required for amounts of $6,100 and higher
Documentation not required for employees with amounts up to $5,000; documentation required for employees with amounts over $5,000 and all self-employed.

FIGURE 30: PARAMEDICAL EXAMINATION LIMITS IN 2020

Paramedical exams not required
Paramedical exams required for cause only
Paramedical exams required for amounts of $5,000 and higher
Paramedical exams required for amounts over $15,000 or ages 51-64.
Paramedical exams are required for ages over 50 and amounts over $10,000.

Companies were asked if they are using or considering using tele-applications, pharmaceutical databases, motor vehicle records, and electronic underwriting engines in their underwriting. One of the 14 companies did not respond because it no longer sells IDI products in the individually sold market. Figure 31 summarizes the responses of the other 13 companies.

FIGURE 31: UTILIZATION OF TELE-APPLICATIONS, PHARMACEUTICAL DATABASES, MOTOR VEHICLE RECORDS, AND ELECTRONIC UNDERWRITING ENGINES

UNDERWRITING TOOLS	USING NOW	HAVE PLANS IN NEAR FUTURE	JUST BEGINNING TO THINK ABOUT IT	NOT CONSIDERING
Tele-applications	9	1	2	1
Pharmaceutical databases	13	0	0	0
Motor vehicle records	11	0	0	2
Electronic underwriting engines	4	4	3	2

All 13 of the IDI companies utilize pharmaceutical databases in their underwriting. Eleven companies utilize motor vehicle records, and two are not considering using this tool. One of these 11 companies pointed out that its use of motor vehicle records was subject to the discretion of the underwriter. Nine companies utilize tele-applications. Four companies utilize electronic underwriting engines, and four companies have plans to utilize electronic underwriting engines in the near future.

Underwriting requirements: ESML market

The ESML market has three categories of underwriting, depending upon case size, participation of eligible employees, and other demographic and risk factors:

1. **Normal underwriting**
   Normal underwriting involves traditional medical and financial underwriting. We include simplified medical underwriting in this category.
2. **Guaranteed standard issue (GSI)**
   GSI underwriting involves issuing policies to employer-sponsored cases on a standard basis for all actively at work applicants, up to a specified monthly amount limit, with no medical underwriting.
3. **Guaranteed to issue (GTI)**
   GTI underwriting involves traditional medical and financial underwriting of policies in employer-sponsored cases, with a guarantee that policies will be issued to eligible employees, albeit possibly rated and/or with waived impairments.

The tables in Figures 32 and 33 show the GSI underwriting requirements for ESML cases reported by nine companies currently active in the ESML market. Figure 32 shows the voluntary GSI requirements typical of employee-pay cases, and Figure 33 shows the GSI requirements typical of employer-pay cases, which include 100% of eligible employees.

FIGURE 32: EMPLOYEE-PAY (VOLUNTARY) GSI REQUIREMENTS, 2020

	MAXIMUM ISSUE LIMITS BY CASE SIZE				PARTICIPATION REQUREMENTS BY CASE SIZE			
MINIMUM NUMBER OF ELIGIBLE LIVES	10 LIVES	50 LIVES	200 LIVES	1,000 LIVES	10 LIVES	50 LIVES	200 LIVES	1,000 LIVES
10	$3,000	$5,000	$5,000	$5,000	100%	30%	30%	30%
10	$4,000	$5,000	$7,000	$8,000	>25% or 10 lives	25%	25%	25%
15	$5,000	$5,000	$5,000	$5,000	50%	20%	20%	20%
30	NA	$3,000	$5,000	$5,000	NA	30%	30%	30%
30 or 30% of total group	NA	$5,000	Case by case	Case by case	30%	30%	30%	30%
Minimum 50 eligible lives, 15 must apply	N/A	$5,000	$15,000	$15,000	N/A	30%	15%	15%
75	N/A	N/A	$10,000	$10,000	N/A	N/A	30%	25%
Approximately 75	NA	NA	NA	NA	NA	NA	NA	NA
75 with incomes $100,000 and above	NA	NA	NA	NA	NA	NA	NA	NA

Note: "NA" means that the company did not provide its requirements. The participation requirement percentages apply to the number of eligible lives.

The minimum number of lives required on employee-pay (voluntary) GSI cases ranges from 10 to 75. The maximum GSI issue limits on employee-pay cases vary by case size, e.g., $3,000 to $5,000 for cases of 10 and 50 lives, $5,000 to $15,000 for cases of 200 and 1,000 lives. Participation requirements on voluntary cases also vary by case size—in general, the larger the case, the lower the participation requirement. In the past, a participation target of 30% was typical. Minimum participation requirements now range from 15% to 30% for all but the smallest cases. The only change from the voluntary GSI requirements reported in 2019 was when one company increased its minimum number of lives from 15 to 30.

FIGURE 33: EMPLOYER-PAY (MANDATORY) GSI REQUIREMENTS, 2020

	MAXIMUM ISSUE LIMITS BY CASE SIZE			
MINIMUM NUMBER OF LIVES	10 LIVES	50 LIVES	200 LIVES	1,000 LIVES
5	$5,000	$8,500	$10,000	$10,000
5	xxx	xxx	xxx	xxx
5	$10,000	$12,500	$15,000	$15,000
5	$20,000	$20,000	$20,000	$20,000
10	NA	NA	NA	NA
10	$3,000	$8,000	$8,000	$8,000
10	$2,500	$10,000	$10,000	$10,000
10	$4,000	$7,500	$10,000	$15,000
10	$10,000	$17,500	Case by case	Case by case
15	$5,000	$5,000	$5,000	$5,000

Note: "NA" means that the company did not provide its requirements

The minimum number of lives required on employer-pay cases, where participation of eligible lives is mandatory, ranges from five to 15 lives. Because of a lower risk of anti-selection, the maximum GSI limits on employer-pay cases tend to be higher than for employee-pay cases at the same sizes. One company currently reports that it offers a maximum GSI limit of $20,000 on cases that have at least five lives. There were no apparent changes to the mandatory GSI requirements reported in 2019.

Figure 34 shows the distribution of ESML new premium for issue years 2015 through 2019 by type of underwriting split between employee-pay and employer-pay plans. These results are from all companies that are active in the ESML market today and that contributed to the new sales results in Section III above. From 2015 through 2019, GSI business averaged 56% of the employee-pay ESML new premium and 92% of the employer-pay ESML new premium.

FIGURE 34: DISTRIBUTION OF ESML NEW ANNUALIZED PREMIUM BY TYPE OF UNDERWRITING, ISSUE YEARS 2015 THROUGH 2019

	EMPLOYEE-PAY			EMPLOYER-PAY		
ISSUE YEAR	GSI	GTI	NORMAL AND SIMPLIFIED ISSUE	GSI	GTI	NORMAL AND SIMPLIFIED ISSUE
2015	55.6%	1.1%	43.3%	90.3%	0.8%	8.9%
2016	53.3%	1.2%	45.5%	92.1%	0.8%	7.1%
2017	53.5%	1.2%	45.3%	93.5%	0.6%	5.9%
2018	60.8%	1.1%	38.1%	92.3%	0.6%	7.1%
2019	57.0%	0.8%	42.2%	93.1%	0.5%	6.4%
Average	56.1%	1.1%	42.8%	92.3%	0.7%	7.0%

The companies were asked to rate their satisfaction with the morbidity results of their employee-pay (voluntary) GSI cases. The table in Figure 35 compares the responses from the IDI market surveys in 2019 and 2020 of seven companies that are active in the ESML market. Ratings are from 1 to 5 in their responses, where a rating of 1 means the company is very dissatisfied with the morbidity results, a rating of 3 means morbidity is meeting the company's expectations, and a rating of 5 means the company is very pleased.

FIGURE 35: COMPANY RATINGS OF THEIR VOLUNTARY GSI MORBIDITY

RATING	2019	2020
1 (least satisfied)	1	0
2	2	3
3	4	4
4	0	0
5 (most satisfied)	0	0
Average	2.4	2.6
Median	3	3

Three companies expressed dissatisfaction by giving ratings of 2 in both years, although one of the three companies had increased its rating of 1 in 2019 to 2 in 2020. The four other companies indicated that their experience met their expectations with ratings of 3.

Simplified underwriting programs

One of the typical impediments to IDI sales has been the extensive and time-consuming underwriting requirements, particularly when compared with individual life insurance underwriting. To overcome this obstacle, a number of IDI companies have introduced simplified underwriting programs for the less risky segments. Under these programs, some routine underwriting requirements (e.g., medical tests and financial documentation) were abbreviated or waived to speed up and simplify the IDI underwriting process.

Nine companies described the simplified underwriting programs that they used during the last year. Figure 36 provides their responses.

FIGURE 36: SIMPLIFIED UNDERWRITING PROGRAMS IN 2019

We have a simplified DI plan which uses a shortened application. We do not order exam or labs and limit the face amount to $3000 and the BP to 2 years
We have programs with simplified financial requirements and no lab requirements. We are also preparing a new pilot to test a program that would allow for quick issue using simplified medical knock out questions and EHRs.
We require no fluids up to $6,000 and age 50.
Certain amounts require less underwriting as well as a different product with knock out type questions.
Accelerated Underwriting for simplified medical underwriting only.
We do not require labs or financials if the issue age <=50 (<=64 for multi-life), MIB <= $6,000 issue, and participation amount <=$10,000 (excluding LTD).
We remove the requirement of lab tests and income documentation. This is available for individuals age 50 or less applying for benefit amounts of $10,000 or less of business overhead expense insurance, or $6000 or less of disability income insurance ($3000 or less, if applicant is age 46 to 50). Use of our TeleApp application process is required.
We have a screening application on Short Term DI, with RX Profile accompanied with rules.
Individuals are eligible for a simplified DI contract ($500/$2000 monthly benefit, 90-day deductible period, 60-month maximum period, no additional riders) if they meet the following criteria: -Are applying for, or have been approved in the last 45 days for, $100,000 or more of underwritten life insurance. -Receive a standard or better rating on their life insurance. -Have no individual DI coverage in force or pending. (If they have group DI the monthly benefit reduces to $500) -Are employed 10 hours or more per week. -Answer No to eight simplified underwriting questions.

Changes in underwriting program since the last survey

Companies were asked to describe any changes in their underwriting programs since the last IDI market survey. Four companies responded. Figure 37 lists their reported changes.

FIGURE 37: CHANGES IN UNDERWRITING PROGRAMS SINCE THE LAST SURVEY

We implemented some temporary underwriting requirement changes in response to the COVID pandemic.
We no longer order prescription drug checks on every application.
We implemented new underwriting requirements due to new product
We allow physician residents and fellows, within six months of program completion, who have provided their fully-executed employment contract, to apply for up to maximum issue and participation limits via Simplified Underwriting (no labs required).

Underwriting decisions

Companies were asked to provide the distribution of their underwriting decisions for years 2015 through 2019 in the following categories:

- Issued as applied
- Rated and/or waived
- Modified (e.g., issued with a shorter benefit period than originally applied for)
- Declined

The table in Figure 38 compares the weighted average underwriting decisions among 13 companies for all policies for which an underwriting decision was made from 2015 through 2019. Of the 14 companies contributing to the underwriting part of the survey, one company did not submit underwriting decision data because it does not sell in the Individual Bill market. The weighted averages are based on annual premiums. In prior analyses, we have based these averages on the arithmetic mean. This analysis is intended to exclude applications with missing information or that were withdrawn. The "issued other" category combines rated, waived, and modified underwriting decisions.

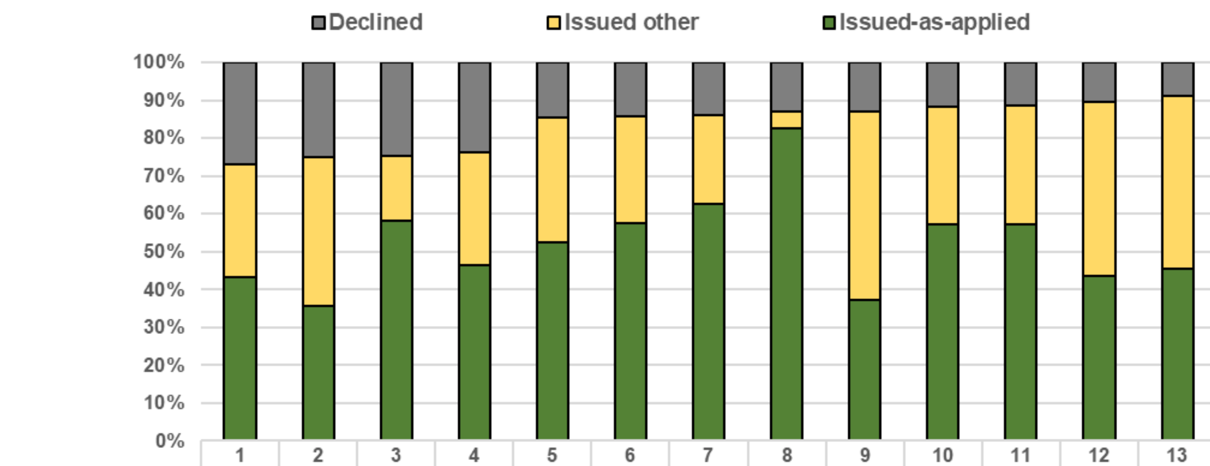
FIGURE 38: AVERAGE UNDERWRITING DECISIONS, 2015 THROUGH 2019

ISSUE YEAR	ISSUED AS APPLIED	ISSUED OTHER	TOTAL ISSUED	DECLINED
2015	50.6%	35.5%	86.1%	13.9%
2016	48.6%	35.9%	84.5%	15.5%
2017	48.1%	36.8%	85.0%	15.0%
2018	48.4%	36.4%	84.8%	15.2%
2019	46.7%	37.8%	84.5%	15.5%
2015-2019	**48.5%**	**36.5%**	**85.0%**	**15.0%**

The average declined ratio has been consistently in the 15.0% to 15.5% range over the last four years. There was a noticeable decline in the issued-as-applied percentage in 2019, which was offset largely by the increase in the issued other percentage.

The chart in Figure 39 shows the weighted average distribution of underwriting decisions over the last five years for the 13 companies that sell in the individually sold market. Companies have been labeled 1 through 13 and sorted so that No. 1 has the highest decline percentage and No. 13 has the lowest. The average issued as applied percentages over the last five years ranged from 35.6% to 82.7% for the 13 companies, the average issued other percentages ranged from 4.4% to 49.9%, and the average declined percentages ranged from 8.8% to 27.0%.

FIGURE 39: AVERAGE DISTRIBUTION OF UNDERWRITING DECISIONS BY COMPANY, 2015 THROUGH 2019



	1	2	3	4	5	6	7	8	9	10	11	12	13
Declined	27.0%	24.9%	24.8%	23.8%	14.5%	14.3%	13.8%	12.9%	12.8%	11.6%	11.3%	10.4%	8.8%
Issued other	29.9%	39.5%	17.0%	29.9%	32.9%	28.2%	23.4%	4.4%	49.9%	31.3%	31.5%	46.1%	45.6%
Issued-as-applied	43.1%	35.6%	58.2%	46.3%	52.6%	57.5%	62.8%	82.7%	37.3%	57.1%	57.2%	43.4%	45.6%

These results indicate a wide range of underwriting practices among the 13 companies. For example, the company with the lowest average declined percentage over the five years (8.8%) has one of the highest average issued other percentage and one of the lowest issued as applied percentages. This suggests that this company may be less willing to issue policies as applied but more willing than many companies to modify the policy benefits or apply waivers in order to issue the policy.

Section V: Product and pricing

This section of the survey explores the range of product development and pricing activity in recent years and the availability of certain types of coverages. Fourteen of the 15 surveyed companies responded to the product-related section of the survey.

New product and premium rate changes since the last survey

Four companies described products implemented since the 2019 IDI Market Survey, which are summarized in Figure 40.

FIGURE 40: PRODUCT CHANGES SINCE THE 2019 IDI MARKET SURVEY

We introduced new overhead expense, disability buy-out and reducing term IDI policies.
We introduced a new product that contains additional riders and coverages.
We introduced a Student Loan Reimbursement rider and a Lump Sum Payment at Retirement rider.
We launched new product in California

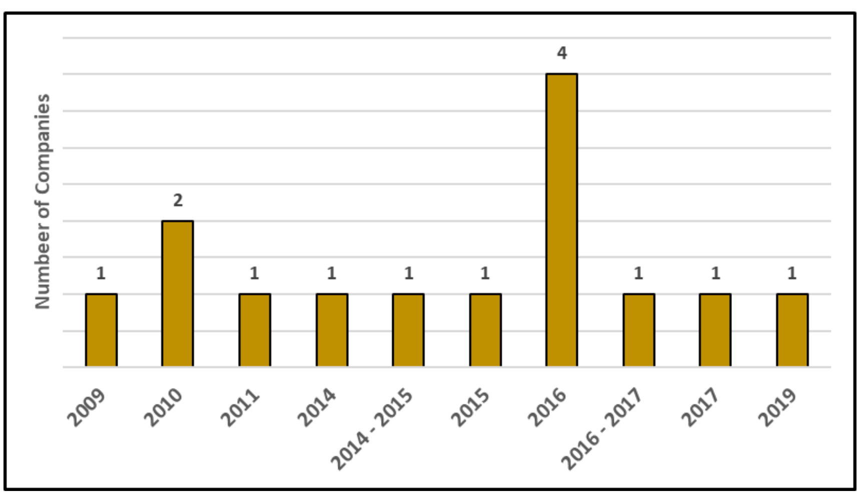
Four companies introduced new premium rates since the last IDI Market Survey, which are summarized in Figure 41.

FIGURE 41: PREMIUM RATE CHANGES SINCE THE 2019 IDI MARKET SURVEY

We extended the 5% Tele-app discount to all non-medical occupations. Previously this discount was limited to select occupations.
We introduced fully underwritten, gender-specific premium rates and discounts in the multi-life market.
We introduced new premium rates with the new product. The changes vary but overall they tend to be a lowering of rates.
We introduced a 10% preferred occupation discount for select occupations.

Figure 42 shows the years in which the 14 companies released their current IDI portfolios. Seven of the 14 companies released their current IDI products in 2016 and later.

FIGURE 42: RELEASE YEARS OF CURRENT IDI PORTFOLIOS



Current product features

Figure 43 shows how many of the 14 companies offer various product features in their current IDI product portfolios. Companies offer these features in the base policy or add them via riders.

FIGURE 43: CURRENT IDI PRODUCT FEATURES

PRODUCT FEATURE	NUMBER OF COMPANIES
ADL (catastrophic)	10
Return of premium	3
Lifetime sickness	1
Pension completion	3
Critical / serious illness	5
Pure own occupation	11
Pure own occupation for doctors	8

Mental/nervous limitations

Figure 44 shows how many companies include a mental/nervous (MN) limitation in their base IDI policies. The prevalent MN limitation applies to the first two years during a claim. Each line indicates whether a company has a two-year MN limitation and, if so, whether full MN coverage (i.e., over the full benefit period) is available. The numbers in parentheses indicate how many companies had the same response.

FIGURE 44: TWO-YEAR MN LIMITATION PROVISIONS

DOES YOUR BASE POLICY HAVE A 24-MONTH MN LIMITATION?	IS FULL MN COVERAGE AVAILABLE?
Higher classes have a 5-year limitation; all other have a 2-year limitation	Higher classes have a 5-year limitation; all other have a 2-year
Yes (7)	Yes (7)
Individual Billed DI-No; Multi-life -Yes	Individual Billed DI-No; Multi-life -Yes
Yes/No (3)	Yes/No (3)
No (2)	No (2)

Seven companies include a 24-month MN limitation in all of their base IDI policies and allow full MN coverage in some situations. Three companies indicated that they include a 24-month MN limitation in some of their IDI policies but not all (Yes/No). Another company includes a five-year limitation in policies issued to higher nonmedical occupation classes and a 24-month limitation in all other policies. Another company does not include the 24-month MN limitation on individual billed policies but does require it on ESML policies.

A number of companies make full MN coverage available through a rider even if the base policy has a 24-month MN limitation. However, this option may not be available to everyone. The table in Figure 45 lists the segments for which full MN coverage is not available.

FIGURE 45: SEGMENTS FOR WHICH FULL MN IS NOT AVAILABLE

Not available on fully underwritten IDI or voluntary GSI
All IDI in California and certain occupations in multi-life cases - underwriting approves on case level basis
Individual, voluntary multi-life and employer-pay with less than 20 lives.
Medical occupations
Select medical occupations
Only available for GSI of 20+ lives
Not available to anesthesiologists and emergency room physicians
Some state-specific restrictions
A 24 month limitation is required for blue- and gray-collar occupations, and our lower medical classes

Geographical pricing

Companies were asked to list all states in which they charge premium surcharges on issued policies due to higher claim costs. Figure 46 lists the 18 states (including Puerto Rico) for which at least one company has a premium surcharge, the number of such companies for each state, and the median, minimum, and maximum surcharges. For most companies, the premium surcharge for a state was a single percentage applied to all policies. For some companies, the premium surcharges for a state vary by a number of factors and, in these cases, the premium surcharges represent averages.

Thirteen of the 14 companies have a premium surcharge in at least one state. Eleven companies have a premium surcharge in California, and eight in Florida. One company sells a different product in California than in other states because California has not approved its newer product. The 10% premium surcharge in Vermont by one company is due to Vermont not approving the company's MN limitation. One company has a higher premium surcharge for policies sold in the ESML market than in the individually sold market.

FIGURE 46: PREMIUM SURCHARGES BY STATE

STATE	NO. COMPANIES	MEDIAN	MINIMUM	MAXIMUM
California	11	27.5%	20.0%	90.0%
Florida	9	10.0%	7.5%	20.0%
Arizona	3	10.0%	10.0%	20.0%
Nevada	3	20.0%	10.0%	20.0%
Louisiana	2	10.0%	10.0%	10.0%
New Mexico	2	10.0%	10.0%	10.0%
Arkansas	1	10.0%	10.0%	10.0%
Delaware	1	10.0%	10.0%	10.0%
Hawaii	1	10.0%	10.0%	10.0%
New Hampshire	1	10.0%	10.0%	10.0%
New Jersey	1	10.0%	10.0%	10.0%
New York	1	30.0%	30.0%	30.0%
Puerto Rico	1	25.0%	25.0%	25.0%
Rhode Island	1	10.0%	10.0%	10.0%
Texas	1	10.0%	10.0%	10.0%
Utah	1	10.0%	10.0%	10.0%
Vermont	1	10.0%	10.0%	10.0%
West Virginia	1	10.0%	10.0%	10.0%

Premium surcharge for tobacco use

All 14 companies have a premium surcharge for tobacco use. Figure 47 shows the range of premium surcharges for tobacco use among the 14 companies.

FIGURE 47: RANGE OF PREMIUM SURCHARGES FOR TOBACCO USE

Median	25.0%
Minimum	20.0%
Maximum	35.0%

Figure 48 lists the different definitions of tobacco used by the companies. Six companies continue to refer to “tobacco use,” while others have expanded it to “nicotine use.” Two companies include marijuana, and one has expanded the definition to include electronic cigarettes.

FIGURE 48: VARIATIONS IN THE DEFINITIONS OF TOBACCO USE

Tobacco use (6)
Tobacco or nicotine use
Nicotine use
All forms of nicotine, tobacco, and marijuana use
Cigarette, electronic cigarette, nicotine cessation products, chewing tobacco, cigars, and marijuana

Section VI: General trends

This section explores general trends that are indicative of the health of the IDI business. Fourteen companies contributed to this section of the survey.

Companies' satisfaction with profitability and sales results

Companies rated their overall satisfaction with the profitability and sales performances of their IDI businesses, ranking from 1 to 5, where 1 indicates that the contributor is very dissatisfied and 5 that the contributor is very satisfied. Figure 49 compares this year's responses from the 14 companies with their responses from last year's survey.

FIGURE 49: COMPANIES' SATISFACTION WITH THEIR PROFITABILITY AND SALES RESULTS

	OVERALL PROFITABILITY		OVERALL SALES RESULTS	
RANKING	2019 SURVEY	2020 SURVEY	2019 SURVEY	2020 SURVEY
1 (very dissatisfied)	0	0	0	0
2	1	0	5	3
3	4	5	5	7
4	7	7	3	3
5 (very pleased)	2	2	1	1
Average	3.7	3.8	3.0	3.1
Median	4	4	3	3

The average overall profitability ranking increased from 3.7 to 3.8 as one company increased its rating from 2 to 3. The average overall sales results ranking increased from 3.0 to 3.1 as two companies increased their overall sales rankings from 2 to 3.

Making the IDI sale easier

IDI coverage is difficult to sell compared with individual life or annuity products. Many companies look to simplify the process in order to improve sales. Surveyed companies listed the actions they have taken over the last year to make the IDI sale easier, which are summarized in Figure 50. Companies mentioned a wide range of actions designed to facilitate the sales, issue, and underwriting processes. The focus of many companies over the last year has been on implementing or improving administrative and underwriting processes.

FIGURE 50: STEPS TAKEN BY COMPANIES TO FACILITATE THE SALES PROCESS

UNDERWRITING CHANGES
Increased limits for requiring phone interview
Relaxed underwriting requirements due to coronavirus
No longer order prescription drug history on all applications
Introduced a new underwriting portal
Introduced online underwriting processes
Introduced decision-tree framework which helps to identify the proper occupation class
Fluid less underwriting up to $6,000 for under age 50
Simplified UW process for lower benefit amounts
Using new electronic health record vendors to streamline medical underwriting
Introduced higher issue & participation limits
Increased maximum issue & participation limits in some classes
Simplified underwriting available up to new-in-practice limits for graduating residents and fellows

ADMINISTRATIVE CHANGES
Introduced tele-applications
Enhanced the enrollment platform
Introduced a new administration portal
Launched a new policy administration system
Introduced online administrative processes
Introduced a full electronic suite program, allowing paperless processing from application to policy delivery
Increased emphasis on electronic applications
PRODUCT CHANGES
Allowed 5-year MNDA on 4A-6A, 6M
Introduced 10% preferred occupation discount for select white-collar occupations
Introduced a student loan reimbursement rider and a lump sum payment at retirement rider
Introduced mental & nervous coverage period choice
Increased the maximum catastrophic disability benefit amount for GSI
MARKETING AND SALES
Enhanced marketing materials - message, tone and voice
Allocate additional resources for agent training

Favorable trends in the IDI market

Companies listed favorable trends that they are seeing in the IDI market. Figure 51 shows their responses. There were nine observations pertaining to stable or improving claim experience. There were 10 observations pertaining to favorable sales growth either in total or in specific markets. Some companies mentioned more corporate focus on IDI and other recurring premium risk products.

FIGURE 51: OBSERVED FAVORABLE TRENDS IN THE IDI MARKET

CLAIM EXPERIENCE
Stable claim incidence
Claim incidence rates continue to be favorable
Stable claims and stable reserves
Claims continue to be very favorable
Favorable claim incidence in 2019
Claim termination rates are consistent
Technological advances that allow for claimants to return to work
Strong claims management
Stable loss ratios

MARKETING AND SALES
Sales remain strong despite market conditions
Good overall sales growth
Three in-house DI specialists to focus on DI vs. other internal life wholesalers
Strong sales in the MGSI market
Continued strong sales in medical markets
Increased agent interest
Increased awareness for IDI products given the coronavirus pandemic
Current health crisis has highlighted the need for protection products
Technological advances that allowed workforce to work from home.
Shift from medical occ classes to non-medical occ classes after introduced premium loads on medical classes in 2015

UNDERWRITING
Increased limits not requiring financial documentation
Technological advances that allow for more seamless underwriting
Increased non-medical limits

OTHER FAVORABLE TRENDS
Internal focus on DI as a core line of business
Increased corporate focus on recurring premium risk products.
Greater adoption of electronic applications and electronic policy delivery
Stable persistency
Release of our new product will better align us with the rest of the market on price and available coverage options

Unfavorable trends in the IDI market

Companies listed the unfavorable trends that they are seeing in the IDI market. Figure 52 shows the various responses. Uncertainties around the potential impact of COVID-19 were mentioned five times. This year's responses included more concern about the ongoing low interest rates, which are a key assumption in IDI pricing. There was only one observation pertaining to unfavorable claim experience, namely low claim termination rates observed in 2019.

FIGURE 52: OBSERVED UNFAVORABLE TRENDS IN THE IDI MARKET

COVID-19
Uncertainty surrounding COVID-19 and economy / low interest rates / unemployment
COVID-19 impacting sales and potentially impacting claim experience
COVID-19 impact on sales, underwriting, claims, and workforce
Pandemic operational difficulties
Expecting an increase in lapses due to COVID-19
INTEREST RATES
Low new money rates
Historically low interest rates
Interest rate pressure
Low interest rates
Continuing low interest rates
MARKETING AND SALES
Limited number of carriers creates challenges
High medical concentration
Medical business continues to grow more quickly than nonmedical business
Client belief that IDI not necessary (e.g. "I have group coverage, don't need more")
Consumer knowledge of DI continues to be a hurdle
Continue to have a higher concentration of medical business than desired
Aging client base with focus on retirement not protecting current earnings
Decreasing profitability on some dental occupations
DISTRIBUTION
Lack of attention and capacity for health products
Lack of distribution focusing on middle income DI clients
Advisor belief that IDI not necessary or too complicated, or lack of knowledge of how to sell IDI
Lack of distribution asking consumers about income protection
GUARANTEED STANDARD ISSUE
Low participation on voluntary GSI
Low GSI closing rates
CORPORATE
Lack of time and resources allocated to DI products over Life products and administrative systems
Loss of IDI & GSI market and marketplace knowledge across home office staff and producers
OTHER UNFAVORABLE TRENDS
High rate of retired and withdrawn applications prior to an underwriting decision.
Most current sales come from an outdated product
Unfavorable claim terminations in 2019

Obstacles to the long-term financial health of the IDI market

Companies listed obstacles in the IDI market that could impede future growth and profitability. Figure 53 shows their various responses. The numbers in parentheses beside some observations indicate the number of companies that had the same or similar observations. Like the last IDI Market Survey, the two largest obstacles to the long-term financial health expressed by the companies pertain to market limitations (i.e., diversification and awareness of the need for IDI products) and distribution challenges (aging or disengaged IDI producers).

FIGURE 53: OBSTACLES TO THE LONG-TERM FINANCIAL HEALTH OF THE IDI MARKET

MARKET
Flat market with little growth
Limited number of carriers creates challenges
Risk diversity
Demographic and gender shifts to majority female will strain current unisex rates
Aging client base
Consumers not recognizing the need for IDI
Consumer lack of knowledge
Continued lack of education on the importance of disability income
Lack of product awareness
Educating consumers about DI and raising awareness

DISTRIBUTION
Aging distribution with inadequate succession planning
Aging producers, young producers focusing on asset management
Distribution model is aging.
Advisors not engaged
Agent lack of knowledge
Lack of agent training for DI
Diversity of distribution sources

ECONOMY
Low interest rates (2)
Economy - low interest rates and increasing unemployment
Potential future economic downswings
Impact of looming recession

REGULATORY
Impact of potential regulatory issues
Unfavorable regulatory environments
State regulations that hinder product innovation and don't address current employment trends

UNDERWRITING
Impact of changing underwriting guidelines - will emerging practices result in better or worse claims experience?
Lack of participation on voluntary GSI
Loosening of underwriting rules due to competitive pressures

OTHER OBSTACLES
High target surplus requirements
Lack of innovation
A return to the overly rich benefits and underwriting concessions of the 1990's to beat the competition.

Opportunities for growth in the IDI market

Companies were asked to list opportunities for long-term growth in the IDI market. Figure 54 lists the various responses. The wide range of listed growth opportunities in Figure 54 indicates that companies are trying to branch out from the more traditional market segments that have defined the IDI market over the years.

FIGURE 54: OPPORTUNITIES FOR GROWTH IN THE IDI MARKET

ESML MARKET
Continued growth of the multi-life (GSI) block of business
Employer-paid GSI
Greater than 25 life GSI groups
GSI residency (GME)
Employer pay markets
GSI combination with group LTD
WHITE COLLAR OCCUPATIONS
Executive/white collar
White collar professionals
White collar
Corporate executives
White collar executives and professionals
DISTRIBUTION
Dedicated wholesalers specializing in DI to simplify process & educate advisors
Younger advisors
Non-traditional distribution channels
Advisors currently not selling DI
BLUE/GREY COLLAR OCCUPATIONS
Blue and grey collar occupations
Skilled trades
Blue/Grey collar professionals
MEDICAL OCCUPATIONS
Medical occupations
Medical markets
NONMEDICAL OCCUPATIONS
Non-medical non-dental W2 workers
Non-medical occupations
SMALL BUSINESS OWNERS
Small business owners
Self-employed
OTHER OPPOURTUNITES
Millennials
Expansion into New York
Gig/subcontractors
Fully underwritten business both individual and multi-life
Higher income middle-income market

Observed changes in IDI claim patterns

While the overall financial results may indicate continued profitability for many companies, attention to changes in claim patterns can identify early indicators of future unfavorable morbidity results and enable companies to address potential claim issues before they become unmanageable. Companies were asked to describe any changes to their historical claim patterns observed since the last IDI Market Survey. Figure 55 lists the various responses. Seven companies observed no significant change in the claim patterns over the last year. There were eight observations pertaining to unfavorable changes that were observed over the last year.

FIGURE 55: CHANGING CLAIM PATTERNS IN THE IDI MARKET OBSERVED SINCE THE 2018 IDI MARKET SURVEY

FAVORABLE CHANGES
Continued downward trend in incidence rates
Stable or no changes (7)
UNFAVORABLE CHANGES
Claims for our graded benefit product increased by 60% even with a slight decrease in paid premium
More recently there has been a 200% increase in claim notices resulting form COVID-19
Low claim terminations
Increasing prevalence in Mental/Nervous claims
Significant increase in claims based on risk of disability due to potential exposure to COVID-19
Continued downward trend in termination rates
Claim notices that have no premise of sickness or injury, but claimed economic disability
Higher benefit amounts in the small group market

IMPLEMENTATION OF THE 2013 IDI VALUATION TABLE

By the end of 2020, IDI companies must begin valuing new claims and new policies using the 2013 IDI Valuation Table. We asked the 14 companies contributing to the survey where they stand regarding the implementation of the new valuation table. Figure 56 summarizes their responses.

FIGURE 56: CURRENT STATUS OF THE 2013 IDI VALUATION TABLE IMPLEMENTATION

STATUS	COUNT
Our TPA has completed making changes to its valuation systems to comply with 2013 IDI VT.	1
Our TPA is currently working on changing its valuation systems to comply with 2013 IDI VT.	1
Our TPA currently has not begun updating its valuation systems to comply with 2013 IDI VT.	0
My company has completed making changes to our valuation systems to comply with 2013 IDI VT.	4
My company is currently working on changing our valuation systems to comply with 2013 IDI VT,	8
My company currently has not begun updating its valuation systems to comply with 2013 IDI VT.	0

We asked if companies had begun integrating the new valuation table into their claim experience studies and their financial projection systems. Figure 57 summarizes their responses.

FIGURE 57: HAVE COMPANIES INCORPORATED THE NEW VALUATION INTO THEIR EXPERIENCE STUDIES AND FINANCIAL PROJECTIONS?

QUESTIONS	YES	NO	CURRENTLY WORKING ON IT
Has your company studied its IDI claim experience relative to the 2013 IDIVT?	9	2	2
Has your company analyzed the impact of the 2013 IDIVT on the profitability of new business?	8	4	2

The 2013 IDI Valuation Table is much more complex than the 1985 CIDA table that it replaced. We asked companies to describe the issues they had to deal with in order to implement the new valuation table. Figure 58 summarizes their responses.

FIGURE 58: 2013 IDI VALUATION TABLE IMPLEMENTATION ISSUE

Too much granularity in active life reserve factors
Updating valuation extract for expanded classifications
Time constraints - It was hard to find the time to update the coding in our software and the extracts that feed them with so many other projects competing for our time
Making changes to a legacy system that will be sunset next year
Modifying existing processes to include new data elements
Lack of internal resources, outsourced to consultant
Data by diagnosis is not available.
Training new business, underwriting, and claims areas to capture occupation and place into appropriate expanded classes for new business and new disabled claims
Our claims system didn't always capture the data consistently to differentiate by claim cause
Coincides with other major changes such as GAAP LDTI, data infrastructure improvements and conversion to a new system.
Data issues - we don't store actual occupation at time of issue, so don't have distinction of medical vs non-medical occ classes for the majority of our business
Time constraint - Modifying our termination rate study took time away from other projects. We are a small department.
Credibility of business that is split medical and non-medical occupations
Increase in claim reserves for new claims is not insignificant.
Developing experience studies with framework that differs from 85 CIDA
Identifying claims for Occ Class M was challenging on older policies where that data was not captured consistently or well.

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