

# Employee Benefit Adviser

## Group DI: The carriers' take

Leading group disability companies share how

By Brian M. Kalish

November 1, 2012

Although much of the profession's attention has been focused on health reform, "with great uncertainty in the economy, more individuals are recognizing the importance of protecting their income, especially as it relates to being out of work due to a sickness or injury," says Kathy Plummer, director of product and market development at Unum. "Employees are going to continue to look to their employers to keep these kinds of benefits in place if they already provide them, or provide access to them as part of a well-balanced benefit program." Indeed, the benefit might provide a value based on cost and protection. "When compared to medical coverage, group disability coverage is very affordable and can be paid for by the employer, the employee or shared between them," she observes. "This type of funding flexibility allows for tailoring to any employer's benefit program strategy." To understand more about where the group DI market is going, EBA asked carriers for the latest details about their products.

### **Is there a correlation between unemployment, the slow economic recovery, and DI claims experience?**

It's difficult to know the extent to which incidence rates are truly driven by the economy; that said, following the recession our incidence rates increased for a brief period, but since then have gradually declined. While this is the overall trend observed, specific industries, and of course individual customers as well, follow their own unique patterns.

- Kevin Krzeminski, SVP and general manager, benefit sales, Liberty Mutual Insurance

We've seen an uptick in LTD claims incidence in recent years, driven in part by the economy and the aging workforce. Disability trends, for the most part, have been volatile, with little clear pattern or direction. It's interesting: absence trends vary by industry and by health condition; but the changing workforce/demographics has many employers experiencing more chronic conditions such as arthritis, behavioral health and cancer. The uncertainty of today's job market and the status of the economy in general are factors contributing to the volatility.

- Jake Jacob, director of health and productivity, Unum

From 2010 to 2011, MetLife saw an approximate 16% reduction in short-term disability claims received. However, there was also an estimated 14% reduction in STD covered lives. Additionally, for long-term disability, the number of claims corresponds to the number of covered lives, both showing a 10% decrease. These numbers appear to be stable and not reflective of the job market in flux.

In my experience, two things happen when economic times are tough:

1) People who are already out of work and receiving disability income benefits are more challenging to engage in an effective return-to-work program because they feel uncertainty about having a job to return to, and also worry about keeping that job if they return.

2) People with borderline conditions who have continued to work sometimes see a disability claim as some assurance of income rather than trying to maintain their job while managing their illnesses. For example, the person with poorly controlled diabetes, or with multiple conditions, might qualify for disability but have continued working through their condition. Now, they begin to worry that if they lose their current job they may not get another one.

*-David Stoneback, AVP, group disability growth strategies, MetLife.*

The industry as a whole has continued to see an uptick in long-term disability claims. The 2012 Council for Disability Awareness Long-Term Disability Claims Review analyzes LTD insurance claims data from 2007 to 2011 and shows that:

\* \$9.3 billion in LTD insurance claim payments were made in 2011 by CDA member companies that participated in this year's study. This represents a 2% increase over payments made in 2010.

\* Forty-three percent of participating companies reported increased claim incidence from 2010 to 2011, with 38% reporting incidence as flat from 2010, and 19% reporting lowered incidence. Companies continue to believe the economic environment is a factor.

*- Michael Klachefsky, national practice leader, Workplace Possibilities, Standard Insurance Company*

When unemployment rates rise you typically see a spike in disability claims incidence. We are seeing this play out with many of our larger employers where data is credible enough to believe. Incident rates historically run at three claims per 1,000 insured lives and we are seeing numbers north of four claims per 1,000 in many of our clients.

*- Jeff Spencer, SVP, Holmes Murphy & Associates*

### **Are there any new trends emerging in Group DI return-to-work benefits embedded in the plans?**

All programs create an incentive to return to work. This has been a key provision in disability programs for years. They are designed to allow employees to receive up to 100% of their pre-disability income as they attempt to return to work. The insurance has as much to gain as the claimant in returning someone to work, as it frees up reserves from the liability side of the balance sheet.

*-Spencer, Holmes Murphy & Associates*

In the past, when employers considered disability, the focus often seemed to be on the cost of the specific claim. Little attention was paid to the disabled worker along the entire disability continuum. Traditional return-to-work programs were not much more than alternative work options and other limited, reactive strategies.

Select carriers are starting to understand the benefit of taking a holistic, preventative approach to disability and employee absence in order to keep employees on the job, or get them back to work sooner following a disability or leave of absence.

*- Klachefsky, Standard Insurance Company*

Most Group DI coverage includes rehabilitation incentives. The most common across carriers is a Work Incentive Benefit. For a claimant who is attempting to work part-time, their "rehabilitative earnings" are not fully deducted from their benefit, allowing them to receive an increase in income while attempting to work (rather than a dollar-for-dollar deduction of all earnings from the benefit paid). Most carriers' Work Incentive Benefit provisions allow some period of time where the employee may

receive between benefits, earning and other income, up to 100% of pre-disability earnings. MetLife's standard plan allows this for up to 24 months.

Most group provisions allow an individual to work during the elimination period (part time or full time) and still qualify for benefits. MetLife's unique approach to this is that for the claimant who attempts a full-time return to work during the elimination period but does not succeed, we will count those days worked toward the elimination period (the period of time that passes from date of disability until date benefits begin). The number of days is limited based on the length of the plan elimination period.

There are also resources, such as rehabilitation counselors, supporting return to work, which may include providing local assistance to help claimants identify job alternatives, create resumes, coordinate training and/or actively search for jobs.

*-Stoneback, MetLife*

### **For 2013, are clients requesting plan changes or are demands relatively stable?**

We have not seen a marked shift in plan design features being requested, however we continue to see a shift toward voluntary benefits. We anticipate this shift will continue into the foreseeable future.

*-Amy Friedrich, VP, specialty benefits, Principal Financial Group*

It's a mix; while there is no broad trend, there is greater interest by employers in evaluating corporate policies and processes, identifying gaps or inconsistencies, and seeking administrative relief through disability integration or outsourcing of leave programs.

Attendance policies, for example, that vary across departments and/or divisions within an organization can be problematic. Employers with unmanaged sick leave programs - in the health care industry in particular - are evaluating the cost-benefit of transitioning these leave programs to a managed short-term disability program in order to better control absence and productivity. It's a cost-containment strategy.

*-Jacob, Unum*

Brokers and consultants should work with insurers to update group disability programs to meet their evolving needs and the changing market. This fall, we have seen employers exploring:

\* Lowering total disability costs through disability programs that focus on value, particularly for employers with poor disability plan performance. The design of these programs lets employers provide an attractive employee benefit at an affordable cost.

\* Programs that require medical underwriting. There is a move away from open enrollment programs that accept everyone regardless of health conditions and issues.

\* Eligibility waiting periods, particularly in industries with high employee turnover.

*-Krzeminski, Liberty Mutual Insurance*

As we move into 2013, customers will continue to look for programs that are flexible and customizable to the needs of employees and the overall organization. The Standard has seen an increase in interest for services that help employees return to work or stay at work. These are in addition to absence management services that help employers track and administer leaves, such as FMLA.

*-Klachefsky, Standard Insurance Company*