

Disability Income

To what extent have recent issues included disability income benefits? What has been the recent experience under such benefits? What modification of the benefits can be taken to enhance their attractiveness to purchasers of life insurance?

MR. BARNET N. BERIN: The Guardian has continuously issued disability income coverage with life insurance from 1916 to date. In recent years, sales have fallen from a high of 10% of issued business by face amount in 1952 to about 3% in 1960 or, if we consider only eligible issues, from a high of 20% in 1952 to about 6% in 1960. This decline is largely due to internal competition from A & H noncancelable disability policies introduced in 1952 as well as external competition from individual and association A & H policies, group disability policies as well as disability income attached to individual ordinary insurance.

We have some recent experience which indicates that our rate of disability measured against 100% Class 3, 6 months waiting period, is about 50%. There is evidence that this ratio is well below 50% at the younger attained ages and over 100% at attained ages over 50. Claim termination rates are somewhat higher than 100% Class 3 rates.

We recently liberalized the limiting coverage age from 55 to 60 with a benefit of \$10 per month per \$1,000 to age 65 and maturity of the policy at that time. This has not improved sales noticeably. The introduction of disability income on term insurance in 1950 produced a temporary spurt in total sales.

To enhance the attractiveness of disability income coverage our company feels it would probably be necessary to drop the waiting period from 6 months to 3 months without a very large increase in premium. We are not considering such a solution but believe that whatever future we have is in the individual A & H noncancelable line.

MR. RUSSELL E. MUNRO: Income disability benefits are optional in London Life policies of \$2,000 and over for males age 18 to 55 and for single women and widows age 18 to 50. The benefit is included in 22% of the total regular Ordinary policies and another 45% include a waiver only benefit. The income proportion has been very stable over several years, but the use of the waiver only benefit has increased in recent years. Clauses with 6 months waiting period have been offered since 1932 and in the interim there have been three rate changes introduced in new business, each reflecting the favorable trend in experience. The actual to expected ratio of our rate of disability on 1932-1954 issues was about 106%, while for the subsequent issues with relatively little experience the ratios were

about 120%. Higher ratios were found at the younger ages, but the exposures were less. Offsetting these ratios to some extent, the termination rates were much higher particularly in the early months of disability and at the younger ages.

Income disability coverage is available to male age 60 or maturity if earlier. The waiver benefit provides a retroactive benefit and for maturing the contract as an endowment at age 65 if the insured is still disabled. The income benefit ceases at age 65. A very important reason for this substantial proportion of business is the fact that the company is actively promoting income benefit in its sales promotion material.