

## TRANSACTIONS OF SOCIETY OF ACTUARIES 1967 REPORTS

### IV. GROUP LONG-TERM DISABILITY INSURANCE

**T**HIS brief report is the first on the study of the morbidity experience of Group Long-Term Disability insurance. Because of the rapid growth of insured plans providing such income replacement benefits, the Committee in 1965 called for contributions of experience in order to supplement the continuing study of Group Weekly Indemnity insurance, presented in the preceding Section I. The Committee believes that contributions to date are of insufficient volume to justify a detailed report with many subdivisions of data, but in view of the interest in this benefit the Committee is publishing the experienced rates of disablement for plans with the six-month elimination period, for which the largest exposure has been reported. Additional data will be published in future reports as meaningful experience develops.

Groups selected for the study provide occupational as well as non-occupational coverage but with benefits integrated with workmen's compensation. Virtually all the cases contributed provide also that gross monthly benefits are integrated with some or all of any social security benefits and frequently other benefits payable as a result of the disability. Benefits are payable only on claims incurred prior to age 65 and generally cease at age 65, the normal retirement date for plans included in the study. In addition to the available experience of employer-employee groups in the United States, the study also includes experience which may have been contributed of insured groups in Canada and of trusteeship, association, and union cases. However, groups which the contributing companies individually consider atypical or classify as sub-standard because of industry hazards are excluded from the study. Experience of the calendar year of issue is excluded.

#### *Contributing Companies*

Eleven companies have contributed to the investigation for the calendar years of 1962, 1963, 1964, and 1965 covered in this report. The results are the composite experience of variations in company practices and in underlying administration and claim procedures as well as in experience among groups.

Aetna Life Insurance Company  
Bankers Life Company  
Continental Assurance Company  
Continental Casualty Company

**TABLE 1**  
**GROUP LONG-TERM DISABILITY INSURANCE**  
 (Crude Rates of Disablement per 1,000 Lives; Six-Month  
 Elimination Period; Calendar Year of Issue Excluded;  
 Calendar Years of Experience 1962-65)

Attained Age	Life Years Exposed	No. Claims	Rate of Disablement per 1,000 Lives
All Experience: Males, Females, and Sex Unknown			
Under 40 .....	176,550	187	1.06
40-44 .....	59,240	144	2.43
45-49 .....	48,905	190	3.89
50-54 .....	36,488	215	5.89
55-59 .....	24,692	252	10.21
60-64 .....	12,926	170	13.15
All ages .....	358,801	1,158	3.23
Male			
Under 40 .....	74,311	56	0.75
40-44 .....	27,360	39	1.43
45-49 .....	22,966	53	2.31
50-54 .....	17,193	79	4.59
55-59 .....	12,062	104	8.62
60-64 .....	6,944	90	12.96
All ages .....	160,836	421	2.62
Female			
Under 40 .....	13,188	23	1.74
40-44 .....	4,399	13	2.96
45-49 .....	3,990	26	6.52
50-54 .....	3,320	23	6.93
55-59 .....	2,197	24	10.92
60-64 .....	1,218	10	8.21
All ages .....	28,312	119	4.20

Equitable Life Assurance Society  
John Hancock Mutual Life Insurance Company  
Metropolitan Life Insurance Company  
New York Life Insurance Company  
Provident Life and Accident Insurance Company  
Prudential Insurance Company of America  
Sun Life Assurance Company of Canada

*Analysis of Rates of Disablement*

Crude rates of disablement by lives from 1962-65 experience are presented for the six-month elimination period by sex and age group in Table 1. The first presentation in Table 1 is the aggregate experience by age groupings for male, female, and sex-unknown data combined. Much of the experience contributed could not be separated by sex, but that experience which was sex-coded is presented in the bottom two sections of the table. Attention is called to the substantial reduction in the number of claims available for study when analyzed by sex and to the variation in experience for these subclasses as compared with the aggregate experience. Experience also varied considerably among contributors, most of whom based the definition of disability on the claimant's "own occupation." About 20 per cent of the experience, however, used "any occupation" in the definition of disability applicable at the beginning of benefits.

Claims were reported and included in rates of disablement even though no benefits may have been payable as a result of integration. In an analysis whose rates are not shown here, disablement rates by amounts were generally lower than by lives in a comparison of just those cases where experience was available by both lives and amounts of benefit (prior to social security or other offsets).

Accidents accounted for 10 per cent of the claims coded for a known cause of disablement.

The Committee wishes to point out that these rates result from a study which is still in the course of development; hence the results presented here should be viewed only as early indications of expected rates of disablement. The exposure to date consists primarily of nonbargained plans; therefore, the experience indicated in this report may not be typical of other types of plans. Furthermore, the experience covers a period of favorable economic conditions and generally high employment. Therefore, the Committee recommends that caution be used in interpreting the results.