

TRANSACTIONS OF SOCIETY OF ACTUARIES 1968 REPORTS

V. GROUP LONG-TERM DISABILITY INSURANCE

THIS report extends last year's initial study of the morbidity experience by lives under plans with a six-month elimination period by (1) adding an additional year's experience to the table of rates of disablement and (2) developing rates of termination for the early durations following the elimination period. Although additional contributions have increased the volume of experience available, the Committee believes that the total amount of data is too small to justify a more detailed analysis at this time.

The experience is predominantly that of employer-employee groups in the United States. Groups which a contributing company considers atypical or classifies as substandard because of industry hazards are excluded. Plans 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 also provide that gross monthly benefits be 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 Committee wishes to point out that this study is still in the course of development; hence the results presented here should be viewed only as early indications of expected rates of disablement or termination. The exposure to date consists primarily of nonbargained plans; therefore, the experience indicated in this report may not be representative of other types of plans. The experience covers a period of favorable economic conditions and generally high employment. For these several reasons, the Committee recommends that caution be used in interpreting the results.

Contributing Companies

Thirteen companies have contributed to the investigation for calendar years of experience 1962, 1963, 1964, 1965, and 1966 covered in this report. The results are the composite experience of variations in company practices and in the underlying administration and claim procedures, as well as of variations in experience among groups.

Aetna Life & Casualty Company
Bankers Life & Casualty Company
Bankers Life Company
Connecticut General Life Insurance Company

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

Analysis of Rates of Disablement

Table 1 shows crude rates of disablement by lives, and by sex and age group, for the period 1962-66 for plans with a six-month elimination period. Experience of the calendar year of issue is excluded. The first part of this table summarizes the experience for male, female, and sex-unknown exposure combined. About one-half of the exposure contributed could not be separated by sex. The experience for which exposure was sex-coded is presented in the bottom two sections of the table. Attention is called to the small number of claims underlying the disablement rate for each sex-age cell.

Experience also varied considerably among contributors, most of which based the definition of disability at commencement of benefits on the claimant's "own occupation." Approximately 15 per cent of the experience, however, is based on an "any occupation" definition for the full period of disability.

Claims were reported and included in rates of disablement even though, because of the existence of social security or other disability income under plans with an offset provision, no benefit may have been payable.

Accidents accounted for 9 per cent of the claims coded for a known cause of disablement.

Analysis of Rates of Termination

Table D-1 shows crude rates of termination from death or recovery by lives, and by sex and age groups, for the period 1962-66 for plans with a six-month elimination period. Because many of the terminations were designated "death" or "recovery," only the rate of termination from the combination of these causes is presented. Rates of termination were not calculated for any experience cell for which there were fewer than ten terminations. Table D-1 also identifies the actual number of terminations which have occurred during the period of observation. Because of the small number of terminations, rates of termination are shown on an annual basis only and have been truncated at the end of three years of

TABLE 1
 GROUP LONG-TERM DISABILITY INSURANCE
 CRUDE RATES OF DISABLEMENT
 PER 1,000 LIVES EXPOSED
 (Six-Month Elimination Period; Calendar
 Year of Issue Excluded;
 Calendar Years of Experience 1962-66)

Attained Age	Life Years Exposed	No. Claims	Rate of Disablement per 1,000 Lives
All Experience: Males, Females, and Sex Unknown			
Under 40.....	321,174	322	1.00
40-44.....	95,375	236	2.47
45-49.....	80,000	319	3.99
50-54.....	60,384	374	6.19
55-59.....	42,737	417	9.76
60-64.....	25,651	349	13.61
All ages.....	625,321	2,017	3.23
Male Experience Only			
Under 40.....	123,360	103	0.83
40-44.....	44,077	69	1.57
45-49.....	37,074	107	2.89
50-54.....	27,439	141	5.14
55-59.....	19,834	166	8.37
60-64.....	11,188	172	15.37
All ages.....	262,972	758	2.88
Female Experience Only			
Under 40.....	24,155	43	1.78
40-44.....	7,552	29	3.84
45-49.....	6,899	44	6.38
50-54.....	5,382	38	7.06
55-59.....	3,889	38	9.77
60-64.....	1,911	20	10.47
All ages.....	49,788	212	4.26

TABLE D-1
GROUP LONG-TERM DISABILITY INSURANCE
CRUDE TERMINATION RATES PER 1,000 CLAIMS EXPOSED
(Six-Month Elimination Period; Calendar Years of Experience 1962-66)

DURATION OF DISABILITY	AGE AT DISABLEMENT					
	Under 30	30-39	Under 40	40-49	50-59	60-64
	Male and Female Combined					
1st year (last 6 months) . . .	348	294	311	232	146	105
2d year	251	225	234	218	146	109
3d year	*	*	*	108	140	*
	Male Only					
1st year (last 6 months) . . .	436	296	344	218	129	109
2d year	*	223	230	208	142	101
3d year	*	*	*	*	130	*
	Female Only					
1st year (last 6 months) . . .	197	292	266	253	194	*
2d year	*	224	237	234	158	*
3d year	*	*	*	*	170	*

NUMBER OF CLAIMS TERMINATED BY DEATH OR RECOVERY

DURATION OF DISABILITY	Male and Female Combined					
	Under 30	30-39	Under 40	40-49	50-59	60-64
1st year (last 6 months) . . .	54	105	159	195	202	72
2d year	16	32	48	89	103	35
3d year	1	4	5	14	42	9
	Male Only					
1st year (last 6 months) . . .	42	58	100	110	131	63
2d year	9	17	26	51	75	28
3d year	1	2	3	8	30	7
	Female Only					
1st year (last 6 months) . . .	12	47	59	85	71	9
2d year	7	15	22	38	28	7
3d year	0	2	2	6	12	2

* Involves fewer than ten terminations.

disablement. It should be noted that the termination rates for the first year of disablement relate to the six-month period following the end of the elimination period.

The claims exposed to termination included 2,017 claims reported in Table 1 supplemented by 2,533 claims on experience units which were not included in the development of rates of disablement. The compiling company separately analyzed the termination rates for only those claims which were included in the rates of disablement study and found no significant difference in the results.

TABLE D-2
GROUP LONG-TERM DISABILITY INSURANCE
RATIOS OF ACTUAL TERMINATIONS TO NUMBERS
OF TERMINATIONS EXPECTED FROM THE
1964 COMMISSIONERS DISABILITY TABLE*
(Six-Month Elimination Period; Calender Years
of Experience [1962-66])

Duration of Disablement	All Ages of Disablement Combined
Male and female combined:	
1st year (last 6 months)	39%
2d year	80
3d year	88
Male only:	
1st year (last 6 months)	36
2d year	76
3d year	85
Female only:	
1st year (last 6 months)	45
2d year	89
3d year	95

* As published by the Health Insurance Association of America, Table B1, Volume III

Table D-2 presents ratios of the actual terminations used in the development of Table D-1 to the number of terminations which would have been produced by application of termination rates from the 1964 Commissioners Disability Table to the Table D-1 exposure. Because of the small number of claims in most of the sex-age cells, especially in the third year of disablement, these ratios are shown only for all ages combined. The low ratios in the first year may be due to the shorter elimination periods of the experience underlying the first-year termination rates of the Commissioners Disability Table.