

# TRANSACTIONS OF SOCIETY OF ACTUARIES 1974 REPORTS

## I. GROUP WEEKLY INDEMNITY INSURANCE

**T**HIS is the twenty-seventh annual report on the continuing study of the morbidity experience of Group Weekly Indemnity insurance. In compiling this report, the Committee has included the available experience of employer/employee groups and has excluded the experience of trusteeships and association cases insuring employees of the member employers and the experience of union cases, whether or not insurance depends upon continued employment. The experience of plans written under State Cash Sickness Laws and the experience of insured groups outside the United States have been excluded.

### RATIO OF ACTUAL TO TABULAR CLAIMS

Throughout this report experience is presented in the form of ratios of actual-to-tabular claims, based on the 1947-49 weekly indemnity tabulars, as reported in the *1962 Reports*. Caution must be used in interpreting the data contained in this report because, among other reasons, the 1947-49 tabulars may not accurately reflect current claim patterns. The maternity tabulars do not reflect the substantial decline in birth rates in recent years, with the result that the actual-to-tabular ratios for maternity benefits are generally somewhere near 50 per cent, while the actual-to-tabular ratios for nonmaternity benefits are generally near 100 per cent or even higher; this wide difference is concealed and may create distortions when the experience for maternity and that for nonmaternity are combined. The tabulars also do not reflect certain factors, such as age distribution, industry classification, or size of case, which may have a relevant effect on the experience results.

### CONTRIBUTING COMPANIES

The Committee wishes to express its gratitude to the companies that generously contributed data to this study. The report contains experience for the years 1969, 1970, 1971, 1972, and 1973. Eight companies contributed data for all five years. While the results generally reflect the composite effect of variations in company practice in administration and claim procedures, as well as variations in experience among groups, it should be noted that the contribution of one company represents a major portion of the total experience.

The majority of the companies contribute exposures and claims based upon policy years ending in the calendar year designated. If the renewal

dates for all cases included in the study were distributed uniformly over the year, then the central point of the exposure for each policy year would be approximately January 1 of that year. However, this assumption may not be very precise because of a concentration of policy renewals in January and July.

The following companies contributed experience for the study:

Aetna Life Insurance Company  
 Connecticut General Life Insurance Company  
 Continental Assurance Company  
 Equitable Life Assurance Society  
 Metropolitan Life Insurance Company  
 Occidental Life Insurance Company of California  
 Prudential Insurance Company of America  
 The Travelers Insurance Company

#### ANALYSIS OF EXPERIENCE

Table 1 shows the experience for the period 1971-73 for each of eight plans (four different elimination periods; two different maximum benefit periods), all of which provide a six-week maternity benefit. All size groups

TABLE 1  
 GROUP WEEKLY INDEMNITY EXPERIENCE  
 PLANS WITH SIX WEEKS' MATERNITY BENEFIT  
 ALL SIZE GROUPS  
 COMBINED 1971-73 POLICY YEARS' EXPERIENCE, BY PLAN

Plan	No. of Experience Units	Weekly Indemnity Exposed (000)	Actual Claims Including Maternity (000)	Ratio of Actual to 1947-49 Weekly Indemnity Tabular
1-4-13.....	647	4,102	2,750	94%
4-4-13.....	200	1,081	513	75
1-8-13.....	2,428	15,891	11,353	106
8-8-13.....	399	3,204	2,297	105
Total, 13-week plans.....	3,674	24,278	16,913	103%
1-4-26.....	325	4,303	4,655	132%
4-4-26.....	43	570	395	78
1-8-26.....	1,860	26,886	26,393	130
8-8-26.....	222	10,710	6,592	83
Total, 26-week plans.....	2,450	42,469	38,035	118%
Total, all plans.....	6,124	66,747	54,948	113%

TABLE 2—GROUP WEEKLY INDEMNITY EXPERIENCE  
 GROUPS WITH LESS THAN 1,000 EMPLOYEES EXPOSED  
 1971-73 POLICY YEARS' EXPERIENCE, BY PLAN

PLAN	NONMATERNITY AND MATERNITY COMBINED EXPERIENCE*				NONMATERNITY AND MATERNITY SEPARATE EXPERIENCE*						
	No. of Experience Units	Weekly Indemnity Exposed (000)	Actual Claims (000)	Ratio of Actual to 1947-49 Weekly Indemnity Tabular	No. of Experience Units	Weekly Indemnity Exposed (000)	Actual Claims		Ratio of Actual to 1947-49 Weekly Indemnity Tabular		
							Nonmaternity (000)	Maternity (000)	Non-maternity	Maternity	Combined
Plans with 6 Weeks' Maternity Benefit											
13-week:											
4th-day sickness...	838	4,102	2,610	91%	598	3,121	2,061	71	102%	37%	97%
8th-day sickness...	2,778	16,229	11,399	108	1,796	11,243	7,414	483	114	44	104
Total.....	3,616	20,331	14,009	104%	2,394	14,364	9,475	554	111%	43%	102%
26-week:											
4th-day sickness...	344	3,747	3,612	115%	266	2,693	2,608	38	123%	27%	117%
8th-day sickness...	2,029	22,725	19,962	116	1,305	14,086	13,150	432	132	44	124
Total.....	2,373	26,472	23,574	116%	1,571	16,779	15,758	470	130%	42%	123%
Plans with No Maternity Benefits											
13-week:											
4th-day sickness...					403	2,481	1,667		101%		
8th-day sickness...					5,969	28,486	16,684		99		
Total.....					6,372	30,968	18,351		99%		
26-week:											
4th-day sickness...					414	4,166	3,227		95%		
8th-day sickness...					6,774	38,211	27,756		99		
Total.....					7,188	42,377	30,983		99%		

\* The separate experience exposure is less than the combined experience exposure because separate experience is not available for all groups.

**TABLE 3—GROUP WEEKLY INDEMNITY EXPERIENCE  
GROUPS WITH LESS THAN 1,000 EMPLOYEES EXPOSED  
1969-73 POLICY YEARS' EXPERIENCE, BY PLAN**

PLAN	RATIOS OF ACTUAL TO 1947-49 TABULAR FOR POLICY YEAR ENDING IN:				
	1969	1970	1971	1972	1973
Plans with 6 Weeks' Maternity Benefit					
Nonmaternity and maternity combined experience:					
13-week:					
4th-day sickness.....	97%	94%	92%	93%	89%
8th-day sickness.....	109	112	108	103	104
Total.....	106%	108%	105%	101%	101%
26-week:					
4th-day sickness.....	113%	118%	124%	110%	110%
8th-day sickness.....	121	118	122	120	107
Total.....	119%	118%	122%	118%	108%
Nonmaternity and maternity separate experience*:					
Nonmaternity:					
13-week:					
4th-day sickness.....	109%	106%	99%	103%	104%
8th-day sickness.....	120	121	113	113	115
Total.....	118%	117%	110%	111%	112%
26-week:					
4th-day sickness.....	118%	120%	134%	120%	115%
8th-day sickness.....	130	127	133	133	129
Total.....	127%	125%	133%	131%	126%
Maternity (all plans).....	46%	51%	51%	40%	37%
Combined					
13-week:					
4th-day sickness.....	104%	100%	96%	97%	97%
8th-day sickness.....	110	112	106	102	104
Total.....	109%	109%	103%	101%	102%
26-week:					
4th-day sickness.....	114%	115%	128%	114%	109%
8th-day sickness.....	123	120	126	125	121
Total.....	121%	119%	126%	123%	119%
Plans with No Maternity Benefits					
13-week:					
4th-day sickness.....	99%	107%	102%	97%	105%
8th-day sickness.....	105	105	102	99	100
Total.....	105%	106%	102%	99%	100%
26-week:					
4th-day sickness.....	103%	91%	94%	87%	105%
8th-day sickness.....	97	94	105	104	98
Total.....	98%	94%	103%	102%	99%

\* The nonmaternity and maternity separate experience is also included in the nonmaternity and maternity combined experience.

are included. The corresponding experience of nonjumbo groups only (units with less than 1,000 insured employees) is displayed in Table 2 for each of four plan combinations. For those nonjumbo units for which the data were available, Table 2 separates the combined experience into its nonmaternity and maternity segments. Also included in Table 2 for each of the four plan combinations is the nonjumbo experience for the period 1971-73 of plans which do not provide a maternity benefit. Table 3 is a five-year trend analysis of the Table 2 experience for each year 1969-73 inclusive. Table 4 is an analysis of experience by size of experi-

TABLE 4  
GROUP WEEKLY INDEMNITY EXPERIENCE  
ALL SIZE GROUPS  
COMBINED 1971-73 POLICY YEARS' EXPERIENCE  
BY SIZE OF EXPERIENCE UNIT

Size	No. of Experience Units	Weekly Indemnity Exposed (000)	Actual Claims Including Maternity (000)	Ratio of Actual to 1947-49 Weekly Indemnity Tabular
Plans with 6 Weeks' Maternity Benefit				
< 50 lives.....	1,848	2,629	1,677	91%
50-99.....	1,573	5,520	3,687	95
100-249.....	1,537	12,594	10,111	111
250-499.....	695	14,282	11,367	109
500-999.....	336	11,778	10,741	121
Total <1,000.....	5,989	46,803	37,583	110%
1,000 or more.....	135	19,944	17,365	119%
Grand total.....	6,124	66,747	54,948	113%
Plans with No Maternity Benefit				
< 50 lives.....	6,116	10,212	5,857	88%
50-99.....	3,472	13,139	7,831	83
100-249.....	2,732	22,020	15,339	106
250-499.....	893	15,400	10,956	107
500-999.....	347	12,574	9,351	105
Total <1,000.....	13,560	73,345	49,334	99%
1,000 or more.....	196	27,496	19,127	95%
Grand total.....	13,756	100,841	68,461	98%

ence unit. Results are shown separately for plans with and without maternity benefits. Table 5 analyzes the nonjumbo experience of plans with no maternity benefit by the female percent composition of the experience units.

Table 1 shows that experience improved in virtually every category. Actual-to-tabular ratios for twenty-six-week plans continue to run higher than those for thirteen-week plans. While the ratios shown in Tables 2 and 3 confirm this relationship for plans with maternity benefits, ratios

TABLE 5  
GROUP WEEKLY INDEMNITY EXPERIENCE  
GROUPS WITH LESS THAN 1,000 EMPLOYEES EXPOSED  
1971-73 POLICY YEARS' EXPERIENCE, BY FEMALE PER CENT  
PLANS WITH NO MATERNITY BENEFIT, ALL BENEFIT PERIODS COMBINED

Female Per Cent	No. of Experience Units	Weekly Indemnity Exposed ('000)	Actual Claims ('000)	Ratio of Actual to 1947-49 Weekly Indemnity Tabular
<11%.....	5,760	29,030	19,181	102%
11-21%.....	2,362	12,407	6,863	87
21-31%.....	1,420	8,276	5,127	94
31-41%.....	1,094	6,792	4,598	99
41-51%.....	835	4,770	3,508	101
51-61%.....	589	3,525	2,692	105
61-71%.....	496	2,967	2,503	111
71-81%.....	441	2,470	2,142	98
81-91%.....	405	2,472	2,214	105
91-100%.....	158	636	506	99
Total.....	13,560	73,345	49,334	99%

for thirteen-week and twenty-six-week plans with no maternity benefits show little difference in the years 1971-73. Compared with the 1970-72 study, ratios for thirteen-week plans improved, while ratios for twenty-six week plans deteriorated. It should be noted that several of the separate experience cells in Tables 2 and 3 consist almost entirely of the experience of one company.

Tables 2 and 3 show that the ratios for plans with no maternity benefits are generally lower than the ratios of the nonmaternity segment of plans with maternity benefits. Table 3 shows that this result, which may be attributable to plan characteristics not reflected in the tabulars, has existed for several years.

As in past studies, Table 4 shows that ratios tend to increase as the size of the group increases.

Table 5 shows that for nonjumbo groups with no maternity benefits, with all benefit periods combined, and with more than 10 per cent female, there is a tendency for the ratios to increase as the female percentage increases. The table also shows a relatively higher ratio for groups with less than 11 per cent female. Both of these results are consistent with those shown by previous studies.

A very cursory comparative analysis of year-to-year fluctuations in the actual-to-tabular ratios of the nonmaternity experience of twenty-six-week plans shown in Table 3 suggests a direct correlation between changes in the ratio and changes in the overall national unemployment rate.

