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Session 120PD
Introduction to Accident Insurance

Track: Health Disability Income/Health

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Summary: In this session, the panelists describe the types of accident products currently being marketed and discuss a variety of issues related to product design, underwriting and marketing. They also discuss data sources, public and private, that are available for use in pricing accident products and comment on the expected profitability of these products.

MR. DANIEL D. SKWIRE: Our topic this morning is "Introduction to Accident Insurance." Accident insurance has been an interesting product lately. It's been gaining newfound popularity in markets, but it's really quite an old product, and it's had an interesting history. We're going to talk this morning about some of the reasons for this newfound popularity. We're going to introduce you to some of the common forms of accident insurance in the market today, and we're going to talk about why accident insurance, though it is essentially a simple product, can in some ways be a little more complicated than it seems at first.

Now, I'm a bit of a literature buff, and when I signed up to do a speech on accident insurance, I was pleased to discover that Mark Twain had already given a speech on accident insurance, which made my job considerably easier. Let me tell you a little bit about Mark Twain's involvement with this product. As you may know, for much of his adult life he lived in Hartford, Conn., the insurance capital of the world. During the 1870s, he served on the board of directors of a small start-up insurance company called The Hartford Accident Insurance Company.

I think he was one of those "celebrity" members of the board of directors. He was on the board for advertising purposes. Every so often, the board would roll him out at its meetings and at industry meetings and have him give a humorous speech or an advertisement of some kind. And in 1874 he gave a speech to an industry gathering, much like this one, where he described some of the products his company sold and he talked a little bit about why accident insurance was such a great product.

I'm going to read a couple of paragraphs from the speech that Mark Twain gave that day. He said:

> Certainly, there is no nobler field for human effort than the insurance line of business, especially accident insurance. Ever since I have been a director in an accident insurance company, I have felt that I am a better man. Life has seemed more precious. Accidents have assumed a kindlier aspect. Distressing special providences have lost half their horror. I look upon a cripple now with affectionate interest, as an advertisement. I do not seem to care for poetry anymore. I do not care for politics. Even agriculture does not excite me. But to me now there is a charm about a railway collision that is unspeakable.
>
> There is nothing more beneficent than accident insurance. I've seen an entire family lifted out of poverty and into affluence by the simple boon of a broken leg. I've had people come to me on crutches, with tears in their eyes, to bless this beneficent institution. In all my experience of life, I have seen nothing so seraphic as the look that comes into a freshly mutilated man's face when he feels in his vest pocket with his remaining hand and finds his accident insurance ticket all right.

I couldn't have said it any better myself.

We'll move up a couple decades here, to 1919, in our history of accident insurance. In addition to being a literature buff, I'm also a history buff. I have my office decorated with old insurance policies, and as I was preparing the talk, I realized that one of those was an accident insurance policy that dated back to 1919.

It was a policy from Aetna that provided $5,000 of accidental death and dismemberment (AD&D) coverage. It covered accidents due to travel, fire or elevators, which probably tells us more than we wanted to know about elevators in 1919, and the cost of the policy was $1 for a term of 12 months. You can see from those terms why the policy might be appealing. It was certainly low cost, $1 a year. It was also a very low unit cost, so you could get a large face amount for the dollar that you were paying in premium. Finally, it was a product that was simple to understand. It was easy to understand the risks that you were facing, so it didn't take a complicated sales pitch to persuade someone to purchase this kind of coverage.

The reasons that accident insurance is gaining in popularity today are much the same reasons that we saw in the 1800s and the early 1900s. The product is easy to understand. It's easy to underwrite, especially in comparison with products like disability insurance that involve medical questionnaires, histories, lab tests and so forth. It's a very simple application for accident insurance. It's an easy product to mass market. It can be explained simply through the mail or over the telephone. And it's an easy product to afford because the unit rates are quite low.

When I prepared this talk, I didn't have a specific modern example to show you how accident insurance is marketed today. Then last week in the mail, I got an accident insurance solicitation, courtesy of my bank. It had a nice little form already filled out with my name as the account holder and a coverage amount of $10,000. The premium is paid in full by my bank for my $10,000 of coverage. If I check a little box, the bank will continue my $1,000 of coverage for as long as I have the checking account with them. And, oh, by the way, the bank is happy to sell me more coverage at $1 per month per additional unit. All I have to do to get the coverage is check off three little boxes. One box says that, yes, I want the coverage. The second asks how much additional coverage would I like to buy. The third asks if it is just for me or if it is for my family. That and a signature are all it takes to buy a pretty sizeable amount of accident coverage. It's easy to explain and it's easy to purchase. So, certainly, it has some appeal as a mass-market product. I think this is what's behind the resurgence of interest these days in accident insurance.

Let's talk in more detail about some of the forms of accident insurance that are available. Figure 1 shows the product can be offered on a variety of different regulatory platforms. I've seen this done in just about every way you can imagine. Certainly, individual policies can be sold. There are often different advantages to trying to work through different types of groups, affinity organizations or other groups. The product can be sold by traditional group, by which I mean employer, association, union and so forth.

Figure 1

Platforms for Accident Insurance

- Individual
- Traditional Group
- Discretionary Group
- Group Trust
- Blanket

In the session on association groups earlier in this meeting, there was a great presentation on some of the compliance issues associated with those types of groups. Even though I've lumped association groups under traditional group, there are some special issues to consider with associations. These issues are related to state regulations on extra-territoriality and the difference between where the association is located and where all the individual members live can add a little bit of complexity in that regard.

Discretionary groups are a catch-all for types of groups that don't fit neatly into that "traditional" category. These could be groups such as customers of a retail institution, account holders at a bank (such as the solicitation that I received), credit card holders, credit union members, et cetera. The term "discretionary" means that the groups are not explicitly defined in state insurance regulations, but that they are permissible at the discretion of the insurance commissioner, so the rules vary from state to state. When you file this kind of product, you might have to explain to the commissioner the type of group that you're going to sell to and get specific approval for that group.

Group trusts can also be used as a means of finding a way to market coverage to individuals without other types of affiliations. Finally, blanket coverage is a special category. Ray is going to talk in more detail about this, but, essentially, blanket coverage is a way of offering a group plan to individuals where you're not issuing certificates to each of the individuals. You might be covering, for example, spectators at a sporting event, and the policy just says we'll cover whatever spectators are present at the event on a given date. So that's another structure that is fairly common to use for accident insurance.

Compliance issues, in general, are one of the areas where accident insurance can be a little more complicated than it seems at first. Some of the issues involved in selling to nontraditional groups can get a little hairy. If you want to market to retail customers, for instance, it can take a little bit of work to get the right compliance strategy put together and to get the state approvals lined up. And, of course, you've got 50 different sets of regulations to worry about in that context.

As Figure 2 shows, there are a whole variety of types of accident insurance. I'll take you through a few of them, and then Jeff and Ray will each talk in more detail about some of the specific forms that they've worked with at their companies. The most basic form, probably the one with which you're most familiar, is accidental death and dismemberment coverage. This coverage comes in various forms, but usually you have a fairly good-sized face amount that would be paid in the event of death as a result of the covered accident or for certain losses specified in the contract. The dismemberment piece would usually be loss of sight, speech, or hearing or two limbs. Sometimes, portions of the face amount will be paid out for lesser losses of, say, a hand or a foot.

Figure 2

Types of Accident Insurance

- Accidental Death & Dismemberment (AD&D)
- Comprehensive Worksite Accident
- Travel Accident
- Blanket Accident
- Student Accident
- Accident Only Disability
- Catastrophic Accident

In one of its modern incarnations, accident insurance has developed into a more comprehensive product, which I've called "comprehensive work site accident." This is the product that Jeff will be talking about. This product would typically be sold through payroll deduction at the work site. There might be as many as 20 or 30 different forms of accident-related benefits packed into one policy, so it's much more comprehensive in nature than AD&D coverage.

Travel accident is another specialized form of accident insurance. Even within that category, there are additional twists and turns. Travel accident might be for employees of a particular company and cover them only for business travel. It might be the kind of coverage you used to see in the vending machine at the airport, where you could purchase the coverage before your flight. It might cover only certain people, or certain types of transportation, or certain days.

We talked a minute ago about blanket accident, which covers sporting events or student plans, et cetera. Student accident is another form of blanket accident insurance, and this is the area that Ray is going to talk to us about in more detail today.

Accident-only disability insurance is a different type of product. You'll often see it as a low-end option on a disability product. It has a couple of aspects that are different from the other types of accident coverage. Rather than being a lump sum, the benefit is a weekly or monthly indemnity payment, which introduces some additional variables into the pricing. You now have to consider the continuance of the claim, rather than simply the incidence rate or the initial occurrence. In addition, the definition for an accident-only disability product will be a little more complicated. Instead of simply defining that an accident occurs or a loss occurs, you will probably be looking at the person's ability to perform his or her job. So you will be getting into more "disability" types of definitions, which add some complexity. It's sort of halfway between an accident product and a more traditional type of disability product, but it does have its place. I've seen it used, for example, as a substandard offering on disability products if someone is declined for coverage because of a medical history. It's also a method of mass marketing disability through channels that might not have tolerance for a great deal of medical underwriting.

There's also catastrophic accident coverage, which is a type of policy that has gotten some attention in recent years. Catastrophic accident is in some ways like the dismemberment piece of an AD&D policy. It covers only very severe accidents, so you're covered for loss of limb, or sight, speech and hearing, or it could have other types of definitions, such as the loss of activities of daily living (ADLs) as a result of an accident. That is almost a twist on a long-term-care policy. Typically, catastrophic accident plans have very large face amounts, because you're dealing with such infrequent occurrences that the unit rate is very, very low. In order to be in the right kind of premium target, you get face amounts that are quite sizeable. You may see policies for $500,000, $1 million, or $1.5 million of coverage. That's a very specialized type of coverage.

I mentioned that comprehensive-worksite benefits add on a variety of features to a standard AD&D platform. Figure 3 lists some of those benefits. There will be some degree of death or dismemberment coverage. That's probably the most costly piece of the benefit, and that's the basic face amount of the policy. Then there will be additional benefits. There will typically be a long list of specified losses—fractures, burns and different types of things that could happen as the result of an accident? with a dollar amount attached to each one. A hospital confinement benefit that pays an indemnity for each day in the hospital as a result of an accident is a common element of these policies and one that takes some attention in pricing. Then there will be a variety of ancillary benefits with some fixed-dollar amounts attached, or possibly the policy will reimburse you for actual expenses connected with physical therapy, medical appliances or modifications to the home. So comprehensive-worksite accident benefits cover a wide variety of risks and losses associated with accidents.

Figure 3

Comprehensive Worksite Accident Benefits

- Death or Dismemberment
- Specified Losses: fractures, burns, etc.
- Daily Hospital Confinement
- Daily Intensive Care Benefit
- Physical Therapy / Rehab
- Medical Appliances
- Seat Belts
- Home / Work Modification

Etc., etc.

I'm going to talk now about some of the issues involved in the pricing of accident insurance. One of the biggest challenges in pricing these products is where to go to get the information underlying the morbidity assumptions. There are a variety of possibilities and each one of them has some pros and cons. I listed a few sources for you on Figure 4. If you have experience data available from your company's own portfolio of products, that's probably the best starting point. Nothing is better than your own experience. Unfortunately, because of the low incidence rate on products like AD&D and the more traditional forms of accident insurance, it takes a sizeable block of business to begin developing credible claims experience. So you may have some information to work off of, but it may not provide as much detail as you would like on all the specific forms of benefits that are offered as part of your policy.

Figure 4

Pricing of Accident Insurance

Data Sources

- Experience data
- Injury facts (National Safety Council)
- Bureau of Labor Statistics
- 1985 CIDA Disability Table
- Milliman USA Medical Databases

There are other places to turn if your experience data isn't quite enough. There's a publication called "Injury Facts" that's published by the National Safety Council. That's a booklet that has a wide variety of statistics connected with accidents. (I think there's also an international version if you're in international markets.) It's not specifically related to insurance. It's more population data, but it does have some good, specific information on accidents due to a whole variety of causes. It can be a great starting point.

Likewise, the Bureau of Labor Statistics publishes some very helpful information, specifically connected to on-the-job versus off-the-job accidents, that's available through a variety of Web sites and publications. There is good information by occupation and industry if you have products that are rated using those categories as variables. The two of those, "Injury Facts" and Bureau of Labor Statistics, are probably the best of the published sources of information. They're a little high-level, but they can get you pointed in the right direction.

Depending on the product that you're working with, the 1985 Commissioners Individual Disability Table A (CIDA) may have some good information for you. It's a disability table, so it's focused on ability to work and it has incidence rates and continuance rates. It is split into accident and sickness, so the accident statistics are available separately. You do have to be careful, though, if you're looking at incidence rates off the CIDA table, that you remember the context in which it's sold. It's sold as part of a disability product, so the incidence rate is not just the occurrence of the accidents: it's the occurrence of the accident plus the person's inability to work as a result of it. It may not translate directly into some of the other types of accident products that we're talking about, but you have the advantage of a complete table full of statistics by gender, by occupation class and by age. It can be helpful in figuring out how to manipulate the statistics you get from other sources in order to get a more specific pricing basis.

Finally, there are some private medical databases available. I mentioned the ones from Milliman USA because those are the ones that I have access to and that I'm familiar with, but there are other ones available from organizations like Medstat. There's information available if you're dealing with older ages, for instance, from Medicare data. There is also population data, and data from some of the worker's comp loss organizations. This type of information is going to be connected to medical claims, but will typically have information available on the causes of these claims and some of the specific diagnosis information. We've had success working with that information and translating it back into accident incidence rates, as well as into the information that's needed to price some of the ancillary benefits on these contracts.

Figure 5 is a quick illustration of the type of information that's available on some of those databases. Typically, you might have information about the type of accident. Is it due to a motor vehicle, a fall or a poisoning? The International Classification of Diseases (ICD-9) code on diagnosis will tell you the specific reason the person has gone to the doctor or has been hospitalized. Is it a burn or a fracture? Then there is cost information, details on the medical claim, essentially. If the person was in the hospital, how long was the stay? If the person went to the doctor, how much did it cost and how many visits were there? By working with this information, you can tie it back to an exposure database to come up with incidence rates. And by virtue of the diagnosis information and the cost information, you can track down the length of stay in the hospital. This means that, if you're pricing a hospital indemnity benefit, or the cost for treatment for a fracture, that you have some idea of how much you're going to be reimbursing people for these various benefits.

Figure 5

Pricing of Accident Insurance
Milliman USA Medical Databases

Accident Type	ICD9 Code	Cost Information
X	X	X
X	X	X
X	X	X

- Combine with exposure data for incidence rates
- Detailed cost information
- Analyze by accident type or diagnosis

Figure 6 is an example of some data that we pulled out of one of these databases. In this case, we're looking at data on hospital admissions for travel accidents. When we split it out for different causes—motor vehicle, air and rail—you can see that the vast majority of the hospital admissions were due to motor vehicle accidents. Then we've shown the length of stay in the hospital. We also broke it down by the type of diagnosis? burn, loss of limb and "other." We've shown the difference in length of stay for these different conditions. If you're pricing a policy that has a heavy portion of the cost tied up in hospital benefits, for instance, then some medical information might help you price it more specifically. In other policies, these are minor benefits and may not be a major factor in your price.

Figure 6

Pricing of Accident Insurance

Hospital Admission Data for Travel Accidents

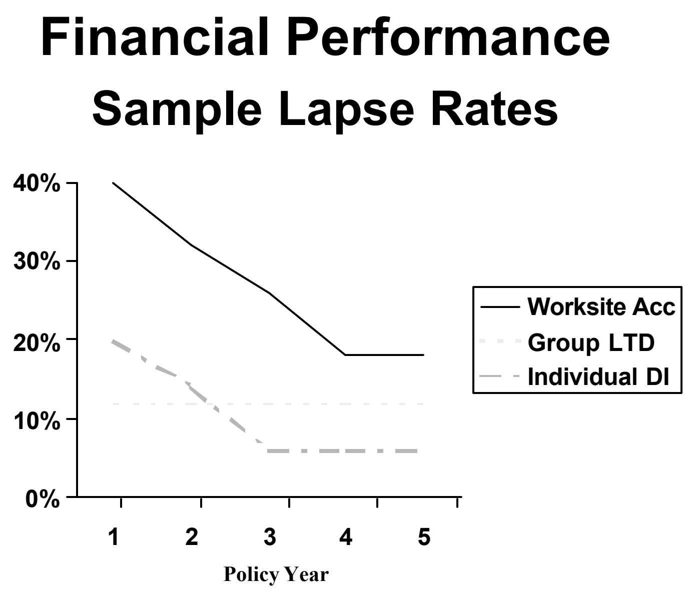
Cause	% of Admits	Length of Stay
Motor Vehicle	99.1%	5.6
Air	0.6%	6.6
Rail	0.3%	13.1

Type	% of Admits	Length of Stay
Burn	0.6%	16.9
Loss of Limb	0.2%	14.4
All Other	99.2%	5.5

Source: Milliman USA Databases

In addition to the incidence rates and morbidity statistics, one of the important considerations on accident products is the lapse rate. Figure 7 is just a schematic drawing, even though I've got some numbers there. This is illustrative of some general patterns that we have seen. I've shown what disability lapse rates might look like for either a group product (the light-colored dashed line) or an individual disability product, which might have a higher lapse rate in the first year and then kind of grade down, as the policy has been in force for a few years, to a fairly low ultimate level.

Figure 7



Note: Lapse rates are illustrative values only

I've shown on the solid line some of the lapse rates that might be seen on a worksite-accident product, or possibly on various other types of mass-marketed accident coverages. The lapse rates are typically much higher on these policies. They do follow the high/low pattern that you see on individual products. Once someone has been paying a premium for a few years, he or she becomes accustomed to it and is more likely to keep the coverage in force. But often, these products are sold to a population that is less affluent than purchasers of individual disability, for example. These purchasers have less disposable income available for insurance products, and they may need to revisit some of those cost decisions they've made, leading to higher lapse rates. In the case of worksite products, also, you may have a certain amount of turnover of employees that can often cause people to reevaluate their coverages as they switch jobs, leading to higher lapse rates. Lapse rates can have an impact on the financial performance of your product, and they should be priced explicitly as you're working on premiums for these products.

Closely linked to the lapses are expense issues. The fact that accident insurance is primarily a simple product does not mean that it's an inexpensive product to sell and market. Even though the premiums charged to the insured are low, there are some significant expenses that the company needs to consider. One of the biggest areas would be commissions and distribution costs. This will depend highly on the type of distribution that you're using. But they can be quite considerable when you're dealing, for example, with a marketing organization that is helping you coordinate your distribution and perhaps helping you market coverage to its members. There's usually a significant cost associated with that. Most often I see that as kind of a high, level commission, but depending on the nature of the channel, it could be just about any form. There certainly are high/low kinds of structures, more traditional commission structures, available.

Mass-marketing costs can be considerable as well. If you're working with a marketing organization, you may pay it a commission and it may take the risk of the actual mass-marketing costs. But, in some cases, it may be your organization that's taking the risk on this side. Anytime you're doing mass marketing, you need to figure out the detailed cost of mailings, factor in the response rates and so on. And make sure that you're doing the right things to keep the total cost as a percentage of the premium at a reasonable level, which is made even more complex by the low average premiums you're selling on the product.

If you're used to working with higher face amounts in life insurance or disability insurance, you're looking at much higher average premiums, and there's a lot more room to absorb the fixed costs of marketing. The accident policy that I received in the mail was looking at a unit rate of a dollar a month for the additional $10,000 or so of accident coverage. That means you can get an awful lot of coverage for $100 a year. But if the company is paying to do a whole lot of mailings, it has got to sell a lot of those policies. It has to get a good response rate to cover those marketing costs. Again, the persistency can complicate this to the extent that your costs are loaded up at the time of sale. You need to do everything you can to keep that business in force for a few years to help recover those costs, so that you can spread it over a couple of years instead of having to absorb it all in one year's premium.

Figure 8 is a simple illustration of some of the costs that can be involved in mass marketing. I want to show you that what seems like a very small difference between a 0.5 percent response rate and a 1 percent response rate, can mean the difference between 50 percent of premium and a 100 percent of premium for a first-year cost on this kind of product. Likewise, small differences in average premium and face amount of the policy and cost per piece on the mailing can have similar impacts. So things that seem like small differences that you're not used to thinking about as a primary concern if you work with disability insurance, for instance, can have a big impact on your bottom line when you're dealing with mass-marketed products that have such low premiums.

Figure 8

Pricing of Accident Insurance
Mass-Marketing Expenses

	1% Response Rate	0.5% Response Rate
Items Mailed	1,000	1,000
Cost Per Mailing	$0.50	$0.50
Total Cost	$500	$500
Responses	10	5
Average Premium	$100	$100
Total Premium	$1,000	$500
Cost as % Premium	50%	100%

One of the issues you can run into with products like accident insurance is concern over loss ratios when you're filing with states that have very specific requirements on premium rates. I've been talking about how the expenses can be high and, of course, as your expenses build up, they take up a larger and larger portion of your premium. You still need to have room for a profit after paying claims. There are some state insurance departments, which, if you read their regulations closely enough, leave some room for asking for an exception or some special consideration on products like accident insurance that have low average premiums. I know Washington state is one, but, believe it or not, the state of Florida is another one. Even New York will sometimes offer some special consideration. That doesn't mean it's easy to get. It doesn't mean you can file a product with a 20 percent loss ratio, but it means that if you're filing a group product that might normally have a 65 percent, that you might be able to get something down closer to 50 percent or 45 percent. I have seen states explicitly approve some products with loss ratios down as low as 40 or 45 percent on accident insurance. It takes some work, but there are some opportunities out there.

Figure 9 summarizes the keys to success with accident-insurance products. First of all, match the product and platform to the buyers. Know, for instance, whether the key is to have as basic and simple a product as possible, or whether to pitch something like the worksite accident, that's a little more complicated and comprehensive but that offers a broader pool of benefits. Know the type of group that you want to sell to and determine the right regulatory platform to use, whether it's a trust, a discretionary group, an association or any number of other vehicles.

Figure 9

Accident Insurance
Keys to Success

- Match product & platform to buyers
- Understand distribution
- Research pricing issues
- Create a financial model
- Remember what worked in 1874 and 1919!

Understanding the distribution channel is critical. You need to understand the costs involved in the distribution, be they commissions or mass marketing. You need to understand the tolerance for underwriting and complexity and the ability of your distribution to explain the nature of the product within that channel.

It's important to research those pricing issues. Depending on the product you're selling, it might be an easy question and something you can base on your own experience without a lot of modification. Or, if you're getting into some of the daily hospital benefits, it might be something that you'll want to look at in considerably more detail, because those average stays can vary widely and there can be a lot of variation by geographic area and other types of things. The pricing issue may not always be as simple as it sounds.

It's important, also, to create a financial model for the product. It's not going to be as complicated as a model for long-term-care insurance or disability insurance, but you do need to understand the implications of the expenses that you have in the product, of your persistency rates, of some of your capital requirements and so on. It isn't enough just to look at a percentage of premium profit with some basic assumptions. You need to project out a few years in more detail.

Finally, when you're working with accident insurance, remember what worked in 1874 and 1919. This is a product that's been around for a long time. The reasons it was popular and successful then are to a large extent the reasons that it's popular and successful today. So read your Mark Twain when you're pricing accident insurance, and I'm sure you'll have a great deal of success.

MR. JEFFREY KOLL: I'm going to talk about the worksite market and worksite-accident products. I'm going to focus on the product that Colonial Life came out with earlier this year. I modeled this presentation on the most recent product that we developed.

I'm going to talk about accident products in the worksite. I want to define what I mean by "worksite." I'm talking about selling products to employees at their place of employment. I'm also talking about voluntary products where the employee is going to pay 100 percent of the premium and the employer is not going to kick in anything. A key factor here is payroll deduction. I think most worksite products sold today do payroll deduction. It does help improve persistency. As you saw from Dan's presentation, persistency is not very good in the worksite market, so you need to do everything you can to keep that up.

Figure 10 shows worksite sales by product. Life is currently the leading product sold in worksite. The one thing driving that is that most of the companies that sell in the worksite market do offer at least one life product. You've got disability as number two and accident is number three. If you look at the two leading sellers of worksite business, AFLAC and Colonial, Colonial's number two selling product is accident. I believe it's number two for AFLAC as well. That's why accident has such a big percentage of the overall market. It's a good product for this market.

Figure 10

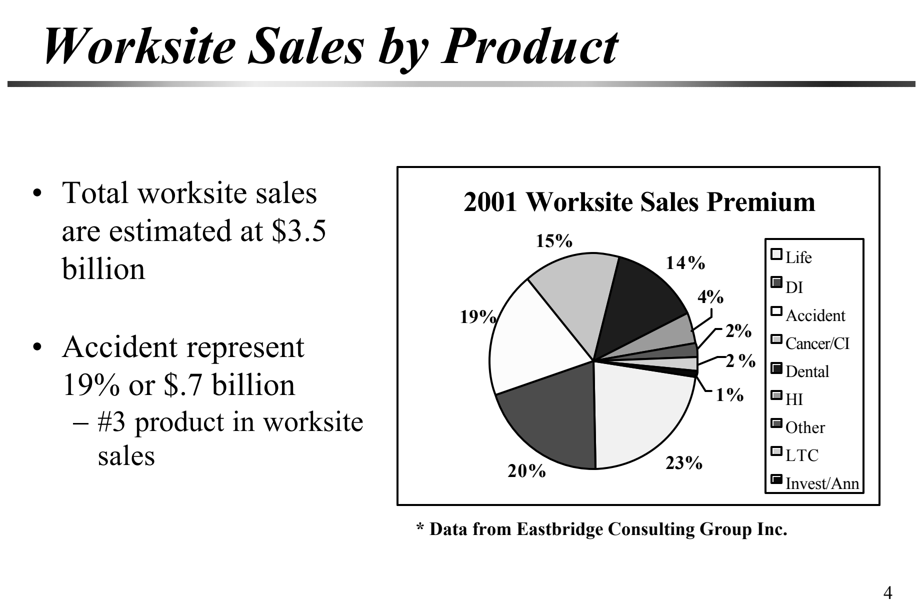


Figure 11 shows the current plan that we're selling. Our product is a pretty simple product. It's individual on-and off-job-accident coverage, or individual off-job-accident coverage only.

Figure 11

Accident Products - Plans and Rate Structure

Plans

- Individual on and off job accident coverage
- Individual off job accident coverage only

Rate Structure

- Composite rates - Guaranteed renewable for life
- Named insured (employee, spouse, or child)
- Employee and Spouse
- One-Parent Family
- Two-Parent Family

5

The rate structure is simple as well. It's a composite rate; everybody gets the same rate. It's guaranteed renewable. You can do rate increases, but as I get into experience, I'll show we've never actually had to do that because our own experience is pretty constant. It doesn't vary much with an accident product. We offer the different rate plans: named insured (an employee, a spouse or a child), employee and spouse, one-parent family, and two-parent family. We do sell a lot of the family plans.

In our base comprehensive-accident plan, we have all these benefits that are shown in Figure 12. The amounts range widely, from catastrophic accident, say a $100,000 maximum benefit, down to a $25 benefit on a laceration with no stitches. There's a wide range of payouts and incidence rates. If you look at the incidence rates within a particular benefit, they are very small. You do have to have a lot of business to gauge what the real rate should be. If we take everything and sum it up, we come up with an incidence rate that's close to what we get on an a short-term-disability (STD) product. Incidence, overall, is pretty high, but, as you can see, there are a lot of benefits that pull in from that.

Figure 12

Accident Products - Benefits

- Accident Follow-up Treatment
- Accident Death
- Accident Death - Common Carrier
- Air Ambulance
- Ambulance
- Appliance
- Blood/Plasma/Platelets
- Burn
- Catastrophic Accident
- Concussion
- Dislocation (separated joint)
- Doctor's Office
- Emergency Dental Work
- Emergency Room Treatment
- Eye Injury
- Fracture
- Hospital Admission
- Hospital Confinement
- Hospital Intensive Care Confinement
- Knee Cartilage - Torn
- Laceration
- Lodging
- Loss of a Finger/Toe
- Loss of a Hand/Foot or Sight of an Eye
- Physical Therapy
- Prosthetic Device/Artificial Limb
- Ruptured Disc
- Surgery Benefit (open abdominal, thoracic)
- Tendon/Ligament/Rotator Cuff
- Transportation

6

Optional riders are shown in Figure 13. We do have the disability rider. We also have a sickness-hospital confinement rider. The health-screening rider is something we've added to a lot of products, and the incidence rate on that is quite high. We feel like it's a good fit with this product.

Figure 13

Accident Products - Optional Riders

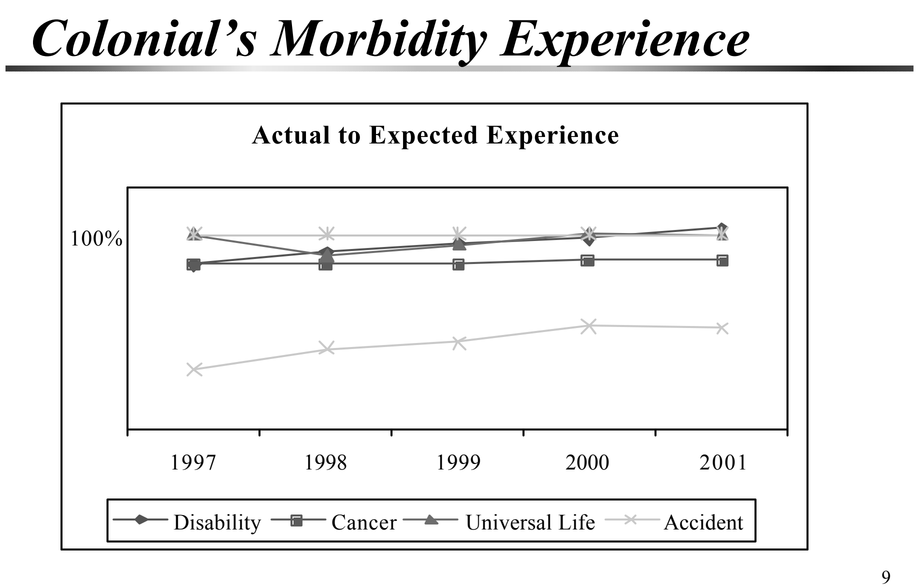
- Accident only disability income rider
- Accident/Sickness disability income rider
- Sickness hospital confinement rider
- Health screening rider

7

The underwriting is simple when you're talking about an accident-only product. There are no health questions on an accident-only product, and it makes it easier to get through the process. It's not as easy to get our product sold as the product that Dan got in the mail. You've got to fill in a little bit more than checking off a few boxes. We do have issues with where we want to sell. There are certain industries that we don't want to go into. We don't want to sell an accident-only product to professional sports teams. We don't want to sell it to stunt men or where there are hazardous employment opportunities. We do want to sell it only to people that are actively at work. If they're not at work, then there's probably a reason. As far as underwriting requirements, if you are going to package the accident and sickness disability, then you are going to get into more of a full-blown health application. We don't sell as much of that as I would have expected with this product. We're hoping to change that

The accident product that's shown in Figure 14 is the predecessor product to the one I've been talking about. I was hoping to show that accident experience is very steady. It's a lot steadier than our other products, but that really didn't come out here. I do feel confident that if I had stretched this out more over the long haul and added a few more variations on some of the other products that you would see that the accident experience is more predictable. It is steadier than what we've seen in some of our other lines of business. Colonial has a wide range of product offerings, and I look at all of these in the business analysis area, in terms of a risk-management standpoint. I've probably spent the least amount of time drilling down into issues on accident insurance, because we really haven't had issues with it, and we feel it is a good product for this market. Disability, on the other hand, is very volatile.

Figure 14



What are accident product issues? Sales. How can we sell more of this? We sell a lot of it, but if we could sell more, it would be a great product for us in the worksite market. We designed this product as a supplemental medical plan to major medical insurance or other medical coverage. What we found is that Colonial has been very successful in worksite in smaller groups, in groups of less than 500 employees or less than 100 employees. In a lot of these situations, we find that the people to whom we're selling don't have other medical coverage and that they're using this as a type of low-end medical plan. That's one thing that's driven the sales in the worksite and why it's been so successful.

As far as claims management, you've got a lot of different benefits you're paying out, a lot of small benefits. From a claims-management perspective, you just need to be able to manage all that claims flow. We haven't had any major issues on the claims side of this.

Persistency is an issue in the worksite market in general. If you take a look at persistency in any product on the individual side versus worksite, you're going to see that the lapse rates are going to be a lot higher in the worksite market. Take it a step further. If you look at the products that are on the other side? the life, the cancer, the disability, and the accident? one thing to stress with this product is that accident has the worst persistency overall of any of the products. But if you recognize that and price that in, you can still develop and have a very profitable product in this marketplace. But you need to have a good awareness of what that rate's going to be when you go in.

Characteristics of a successful worksite product are shown in Figure 15. Accident insurance is easy to sell. People understand that if they have an accident, they are going to get a benefit out of that. It's going to help pay some of the medical costs. It's a simplified underwriting process. It's a simplified product design. In the worksite market, the product definitely adds value for the employees and it adds value for the employers. MetLife came out with a worksite study, and the number one thing that employers were looking for in terms of benefits was benefits that add value so they can retain good employees. This product definitely works toward that objective.

Figure 15

Characteristics of a successful worksite product

- **Products easy to sell**
  - Simplified underwriting process
  - Simplified product design - easy to describe benefits
  - Limited time to sell products to potential policyholders
- **Products add value for employees**
  - Inexpensive for policyholder (Average annual premium < $300)
  - Provide important insurance coverage to policyholders
  - Fill gap from traditional coverage (ex. High deductibles/out of pocket)
- **Products add value for employers**
  - Companies want to provide good benefits
  - Companies also want to cut expenses

11

Figure 16 shows profitability considerations for the worksite market. Like Dan and I have said, there are higher lapses. You're going to see the normal lapse rate that you would see with any product. People evaluate their finance situation and decide they don't want this product anymore. Maybe they haven't had a claim in a couple of years; they don't see the value there. But we also get hit hard with lapses when people change jobs. You don't really have a portability issue because they can keep it. They can pay individual pay or they can switch to bank drop. But we find with the accident product, that they don't. If they leave their place of employment, they drop the accident insurance. Contrast that to one of our better-persisting products, which would be cancer. I think that cancer is a unique risk. It's not a product that's out there and sold by a lot of companies. If you've got a relative or a friend that had cancer, then you've seen the impact of that. People are more likely to hold onto that product. We have found that accident is the one that they hold onto the least.

Figure 16

Profitability considerations for worksite market

- Higher lapses in worksite market
  - Normal lapse
  - Lapses from employees leaving group
- Anti-selection
- Reinsurance - not on Accident products
- Risk management - Group vs. Individual products
- Level of group service - Associated Expense
- Expenses

12

Anti-selection is a fairly minor issue on this product. You've got to look for it and consider it. But I haven't seen any incidences of that within this product.

We only sell accident as an individual product. We have sold group and individual disability. I think the individual product actually works better in this marketplace. I say that, but most of the companies sell worksite business on group products. We've done both. We have more success with individual. I don't understand why the numbers go the other way, but they do.

Let's look at level of group service and the associated expense. When you get into worksite, you get some of the bigger groups and some of the medium-sized groups. When you're dealing with individual policyholders, a lot of times they want to know more information about their policy. With groups, the group isn't the owner of this individual contract but they still require information. A lot of times they'll want to know what the experiences are and if this product is offering good benefits to their employees. They're very inquisitive about how much premium their employees are paying and how much claim payments you are making. Sometimes their requests can get pretty extensive. We try to accommodate, but in some groups these expenses can be pretty high, so you've got to take that into consideration. Expenses in general, are always an issue when you're pricing a product.

In conclusion, accident insurance has been a very successful product in the worksite market. Going forward, it could be an even bigger success than it already is. It's a very simple product, it's very easy to understand, the benefits are easy to explain, the underwriting is simple, anti-selection is low and the experience is predictable. This is probably the best product for the worksite market. We complement it with other products, but if we could sell the most of anything, this is the one that I would push for.

MR. FLOYD RAY MARTIN: I'm going to talk about student-accident and blanket-accident policies that I've helped a few companies put together for this industry. Why would accident be so important for this age group? When we look at the death rates for the younger ages? from "Injury Facts" that Dan talked about earlier—the leading cause by far is accidental death. So 42 percent of the deaths for ages under 24, and 28 percent of the deaths between the ages of 25 and 38, were a result of accidental death. When we look at the medical side, we get a similar picture. For those between the ages of 18 and 24, about 34 percent of the expenses are a result of accidents. For the next group, ages 25 to 29, about 26 percent of the expenses are a result of accidents. If any of you have had children, you know most of the expenses at that age are due to some type of accident, such as broken bones and so forth. So at the younger ages, accident has a very big impact, both on death rates and on medical costs. That's why accident coverage for students is so popular.

Here are the types of benefits that are included in a student-accident policy. On the medical side, we have a full range of coverages: hospital outpatient, inpatient, surgery, office visits, all the different physiotherapy, diagnostic x-rays and laboratory (DX&L), injections and prescriptions and dental. Dental doesn't cover regular fillings; it just covers dental work that's a result of an accident. That's a big part, again, for that age group.

There's usually some type of cost-sharing involved, similar to comprehensive major medical, including an annual deductible, coinsurance and an annual maximum. It's usually a low maximum, maybe in the $25,000 range. These benefits are usually paid in addition to any group coverage that the children may have under their parent's policy.

Figure 17 lists some optional benefits, such as the accidental death and dismemberment benefit. There is also major medical, which would go beyond the $25,000 limit and cover costs for higher expenses, and supplemental accident that would allow first-dollar coverage to offset the deductible cost that might be in the regular medical plan.

Figure 17

Student Optional Accident Benefits

- Accidental death & dismemberment
- Major medical
- Supplemental accident
- Mental & nervous
- Medical evacuation
- Intercollegiate sports

6

Another optional benefit is mental and nervous. This is an important area that a lot of plans try to include. Let's say a child loses a limb, or loses the use of a limb or is disfigured because of an accident. That can be very traumatic to that child. So a lot of plans will include a mental and nervous coverage for those situations where the child needs counseling because of depression resulting from the accident. This benefit would only cover that child's mental problems related directly to the accident.

Finally, there are riders that will include medical evacuation and intercollegiate sports.

Let's talk about blanket-accident benefits. Blanket policies can cover a wide range of areas. They could be summer camps. They could be the Y. They could be sporting events. I'm on a board of a nonprofit organization that does concerts, and we have to have coverage for liability or accidents resulting from anybody that would be at that concert. A lot of these policies are made as needed, so they're put together depending on what the need is going to be. The blanket-accident policies are not like off-the-shelf-type policies. They're ones that need to be designed for each situation as it comes up.

Blanket-accident policies have similar types of medical coverage as for student accident, the same types of coverages for any accidents that might occur either during that event or at that facility. Again, they have the same arrangement of annual deductible, coinsurance and annual maximum. The annual maximums on these might be larger than they would be for a student plan because these coverages are not just for students; these are coverages for any age. This blanket policy is going to cover anybody that might be at that event or at that facility.

Figures 18 and 19 show that blanket-accident policies have a lot of the same optional benefits as the student plan, but some are different. If somebody dies away from home, a repatriation benefit pays for the expenses to get the body back to his or her hometown. Some specific high-cost outpatient procedures might be included as a rider. Again, there may be mental and nervous coverage for those suffering mental conditions because of the accident. Also, a permanent-total disability is an additional one here, as is a weekly-income-type disability, for those that would be working (as opposed to a child). If somebody were to be assaulted at your event, that would be covered. Common carrier, common accident, sports accident, student infirmary and a seatbelt benefit are all "bells and whistles" added to these plans to distinguish each plan from another insurer's plan. A lot of these are going to be offered in a package to the organization that's picking up the insurance.

Figure 18

Blanket Optional Accident Benefits

- Accidental death & dismemberment
- Major medical
- Repatriation
- Specific high cost outpatient procedures
- Supplemental accident
- Mental & nervous
- Medical evacuation
- Permanent total disability

9

Figure 19

Blanket Optional Accident Benefits

- Total disability weekly income
- Seatbelt benefit
- Hospital indemnity
- Felonious assault
- Common carrier
- Common accident
- Sports accident
- Student infirmary

10

Then the organization may say it doesn't want certain types of coverages. Again, blanket-accident policies are a negotiated arrangement and each one is done on an individual basis. But you need to have costs for all these types of coverages.

Figures 20 and 21 show the pricing for these types of plans. For a student, the duration is usually either a full school year or a semester. Depending on the organization, like a private school, this may be built in and it may be something you have to opt out from. It may be included in the enrollment costs and when you look through the list of charges that the facility is billing you, you have to opt out of the coverage as opposed to something that you opt into. Again, a lot of private elementary and secondary schools would have these types of coverages built into their tuition plan.

Figure 20

Pricing

- Duration
  - Student - semester or school year
  - Blanket - annual renewal
- Morbidity
  - Company experience
  - Injury facts - National Safety Council
  - Groups past experience
  - Industry disability tables
- Lapse
  - None
  - Full annual or semester premium paid issue

11

Figure 21

Pricing

- Expenses
  - 30%
- Margin
  - 10%
- Underwriting
  - Usually guaranteed issue
  - May have backend pre-existing conditions
- Rate tier
  - Spouse
  - Per child

12

The blanket insurance is usually on an annual-renewal basis. It would cover anything that goes on at that facility during the next 12 months, and then it would come up for renewal after that. Again, there may be coverages on an event basis, also. But normally those are negotiated ahead of time, and you would have the prices set. When an event comes up, the price would already be agreed upon and that would be the coverage.

Dan talked about some of the morbidity data sources, where information is from your own company experience. Of course, even if you have had similar policies in effect on the blanket side, it's very difficult, again, to find homogenous plans that you might already cover. "Injury Facts," again, is very good for the accident side, especially accidental death. The one thing about "Injury Facts" is that the tables are changed a little bit every year. For instance, if you're looking for injury by body part, that may not be published every year. You may have to go back a few years to find that information. But it is very useful when looking at any type of injuries.

You'll be looking at the group's experience for prior years, especially on a blanket policy. Even on student plans, like a university, you'll probably want to look at their experience for what their coverages have been in the past. Usually, brokers are going to be involved in student plans. Brokers are going to be setting up the contacts and bringing those in as opposed to direct marketing. The brokers will have the experience on those institutions, and that's what you'll use as a guide for setting the renewal rates.

And, of course, you can use the industry disability tables such as the 1985 CIDA. But, again, they usually don't have the same definition as you might have for a student, because a student isn't actively at work. You have to be very careful in how you define a disability on a student plan. If you lose so many body parts, or eyesight, or hearing or something like that, you may be defined as totally disabled. Those often pay benefits to age 65 or even lifetime, because if a student has a disability like that, he or she could lose his or her whole future work capability. Of course, there might be a settlement to close that case out at some point in time.

As opposed to what we've been talking about for worksite lapse rates, the lapse rates are very low for student plans. They're almost nonexistent. The premium is paid up front with tuition when the tuition is billed. Unless a student drops out, his or her coverage is going to be automatic throughout that semester or school year. And, of course, blanket coverage covers a whole facility for a year, so that's pretty well locked in. You have very low lapse rates on these types of products.

These are low-premium products, and the expenses are going to be very high relative to the premium. Expenses are going to be in the 30 percent range. A lot of those expenses go for the broker commissions for bringing in that type of business.

The margin on these products is very high, but it can fluctuate quite a bit. One large claim can really affect you because of the low premium and the low number of covered lives. The margins can be as high as 10 percent of premium. If you don't have a catastrophic loss, they can also be very profitable products to have. I do work with some reinsurers that find these very lucrative, and they like to write these types of products and have found them to be very profitable. But there's still the potential of a large catastrophe at a university, for example, that could affect several of the lives, which could have an adverse impact on the profits.

The underwriting, similar to what we talked about earlier, is very simple. Usually, it's guaranteed issue. All you have to do is sign your name. The student plans are automatic. You have to actually opt out to not get the coverage, so there's usually no underwriting as to pre-existing conditions. On the blanket side, there is going to be some underwriting of that group. It would certainly be a concern if a group has a history of accidents or is not careful in the way it operates the facility. You have to look more at the facility as a whole, as opposed to each individual that's going to be covered. Sometimes a policy has a back-end pre-existing condition provision. If somebody had an accident as a result of epilepsy and that was not covered, that could be a preexisting condition. The insurer may restrict payment because of that preexisting condition after the fact. So, usually, a preexisting condition is not looked at ahead of time. It's just defined in a list of things that will be not be covered if an accident is a result of that condition.

As far as the rate tier for students, it's usually one rate per student. If there is a spouse involved, a student can buy coverage for his or her spouse at the same rate. They often use the same rate for any of their children that they're covering at the same time. There's not normally a separate child rate versus the student's rate. On the blanket coverage there is a global rate. It just covers anybody that might be at that facility or anybody that might be at that event; it is not based on a precise count. There's usually an estimate of how many people might be exposed, but the rate is usually not dependent on the actual number. It's usually just approximated by how many people are going to use that facility or how many people may be at that event.

MR. SKWIRE: We have about 15 minutes left in this session. If anyone has any questions for us we invite you to step up to the microphone and we'll be happy to talk a little more.

MR. JOHN BLOCHER: Dan, you talked about persistency and how important that is. Has research shown any ways to improve persistency, such as playing with the premium mode, getting people to pay a lot more money less frequently or pay the first two years up front?

MR. SKWIRE: I do think that playing around with the modes and payment methods can sometimes have advantages. The more automatic the process is, the more likely people are to keep paying. If you sell a policy to credit card customers, for example, where the premium just shows up on the credit card bill every month, you're likely to have better persistency than when someone has to go to the effort of making the decision. The smaller, frequent payments are probably a better bet than the larger payments. If you pay two years up front, you're going to have good persistency for two years. But when the premium bill comes around, it will have been a long time since the person had to make that decision, and that can hurt you. I've seen similar situations in plans that have, for instance, a teaser rate up front where the coverage for a certain length of time is cheaper, and then the premium goes up. It helps with the response rate, but it can hurt with the persistency.

MR. KOLL: In connection with a worksite product, we talked about payroll deduction. It helps persistency if you can get somebody on automatic bank drop for payroll deduction.

One of the benefits that we've included and added to our accident product is a health-screening benefit. That benefit has a very high incidence. Basically, if you have a checkup, you're going to have a benefit. We believe that if you have a positive claims experience with the company and see that you've gotten some value out of the plan, then you're more likely to hold onto it. We have seen improved persistency on most of the products to which we've added that health-screening benefit

A few years ago, we set up a team to do a conservation effort on plans when people call in to cancel their plan. That has less impact on the people leaving their jobs, but more impact on the people that are at their job that decide to kill the coverage.

MR. STEVEN SCHREIBER: Jeff, you had talked about how when people leave their jobs, you have zero expectation that you're going to get them to continue paying their premiums. Have you thought about using the credit card approach instead of the payroll deduction at the worksite, so that it's not linked to their employment? If they leave, that credit card or bank account will still be charged every month.

MR. KOLL: We really haven't thought about doing that because payroll deduction is just so smooth. If somebody does leave his or her place of employment and goes somewhere else, we try to encourage people to go into a bank drop mode. With accident, in particular, it's relatively hard to get people to keep the coverage because a lot of people that leave their jobs haven't had a claim, and so they don't necessarily see the value. Maybe their new employer does offer them some coverage. That could also influence that spike in lapses at that point in time.

MR. DONALD SHEAK: On the individual accident side, are there any underwriting issues with regard to people getting a whole lot of accident insurance? Are there any limits as to how much you would issue?

MR. SKWIRE: I haven't seen a lot of questions on that. Occasionally, an application will ask about other coverages you have in force. That's probably more typically on a coverage that looks like an accident disability. I haven't seen a whole lot of financial underwriting questions. Usually, it's a very simple kind of enrollment form. I suppose there is some potential for that. One of the issues that Jeff talked about is that there is not a lot of anti-selection in the business. You don't see major differences in morbidity by duration, for example, but that doesn't mean that there's no potential for anti-selection. Certainly, the fewer questions you ask about someone's hobbies, or his or her job duties and so on, the greater the potential for anti-selection.

Until you get to real large face amounts, there's not as direct a link between the size of the benefit and the risk of the policy as you might see on something like disability, where it's connected to the person's income, or long-term care, where it's connected to incurred expenses.

MR. KOLL: With our most recent offering, we don't allow a lot of flexibility in increasing the amounts. We have only one set benefit level for each type of accident occurrence, so we don't really have that issue. With the prior product, we did allow flexibility and accidental-death-benefit component, but I have to say we didn't see any major incidence of anti-selection. People generally don't buy an excessive amount of that type of coverage.

MR. SHEAK: For any given company there might be some controls, such as a maximum amount you offer. But I was wondering if you had seen any instances of an individual getting a lot of policies from different companies. What would be the provision in your policies for self-inflicted injuries? I guess self-inflicted injuries would be considered accidents.

MR. SKWIRE: Most policies have an exclusion for intentionally self-inflicted injuries.

MR. KOLL: We have an exclusion for self-inflicted injuries. Going to the other question about somebody buying multiple policies from different companies, I have seen that issue on disability, but not on accident. We have not had any issues related to that on accident.

MR. SKWIRE: We talked a little about some catastrophic accident policies that might have very high face amounts ($500,000 or $1 million). I have occasionally seen some of those that try to address duplication of coverage, although I'm not sure if they handled every situation. They try to address the people that have three of those policies, in some cases without even realizing it, because of the way the policies are marketed through their bank or credit card.

FROM THE FLOOR: Jeff, I was interested in your long laundry list of benefits. A number of them, the smaller ones like lacerations and burns, would intuitively appear to be extremely frequent. Assuming that they're covered on the off-job site, it seems as though your incidence rates and claims administration cost would be quite high. What has your actual experience been on those?

MR. KOLL: That's a difficult question for me to answer. I do know that we have relatively high incidence on some of those benefits. In working with some of these issues with the claims people, I've found we do have some incidence of fraud, and we have processes in place to monitor that. It is more difficult to manage that when you're talking about smaller payouts—a couple of hundred dollars here, a couple of hundred dollars there. We tend to catch that if every month there's another accident for this person. But I would agree that the incidence on some of the lacerations and some of the other benefits is a little high. When you sum it up, though, it doesn't get any higher than what you would see on a high elimination period (EP) short-term disability plan.

MS. TEAGUE: It sounds like you're saying that people are not reporting a lot of these.

MR. KOLL: That I don't know.

MS. TEAGUE: If this person goes to have stitches and that person goes to have stitches? that kind of thing? I was wondering how much that drove up the cost of the product.

MR. KOLL: I'm not sure about that. I'd say in most cases people do report them. I'm going to mention the health-screening benefit again. We have found, with that benefit in particular, that people forget they have it on their policy. An agent will come back a couple of years after they bought the plan and ask if they ever went to the doctor and if they ever turned it in. Then they'll turn in several years worth of these things in one shot. I'm not so sure that we have that as much on the accident plan. I would argue that people probably do turn it in, but maybe you've got some experience that would counter that.

MR. JOHN CATHCART: This is more on the individual side. I have a question about whether or not there are any regulatory issues. Dan mentioned that there might be different loss-ratio requirements from state to state, and there are ways that can help you meet or get to a lower minimum-loss ratio. Beyond that, are there other state variations in mandated benefits, for example? Are there issues around experience filing requirements? Are there particular problems to be aware of in terms of trying to get needed rate increases?

MR. SKWIRE: There certainly are some regulatory issues to deal with, but it's not as complicated a product from a compliance perspective as disability or long-term care. There are some issues on the content of the policy forms. There's a certain amount of language that needs to appear on the face page to indicate that it's a limited-benefit policy and so on, so you've got to have those kinds of disclosures upfront. As you've seen on other types of A&H products, there certainly are state variations on things like preexisting conditions and exclusions. That's a strange concept, anyway, for an accident policy, because accidents are not going to be real prone to pre-existing conditions. But there are certain situations where it's a good idea to have it and that's an area where variations can come up. There are going to be some variations on almost anything connected with exclusions. New York is one state that's particularly brutal on exclusion language. It has its list of permissible ones, and that's what you have to go with.

A couple of states have some experience filing requirements. There are some others that have some special rules connected with limited benefit policies. West Virginia has some issues with limited-benefit policies. Florida, I believe, and New York require annual experience filings. There are a few things to keep in mind, but it's not as difficult as some other products.

MR. KOLL: With respect to the rate increase, there are some limitations in some states in terms of how much you could get. We've never needed to even think about doing a rate increase on accident.

MR. MARTIN: The only other issue on student plans or blanket is if you are using experience. Some states like New York or Florida will want to know how you give credibility to experience versus your manual rates. That can be tricky in these areas, because it's hard to tell how credible the experience is going to be. It's not like using your major medical. There are no pat answers for that, so you have to give something that will satisfy them.

MR. MATTHEW SILVERSTEIN: Jeff, you listed all the benefits earlier. Are those actually in the policy? In other words, in order to qualify for an accident benefit, do you actually have to have one of those things happen to you?

MR. KOLL: Those are definitely the covered situations and benefits within the contract and, yes, they are in the contract. If somebody has an accident and is not sure if it's in there, then, yes, when he or she comes to file a claim, he or she will find out whether it's covered or not.

MR. SKWIRE: In the policies I've seen, those are definitely contractual benefits and they're spelled out pretty clearly. Some policies will have a whole schedule of different types of losses with a dollar amount and the maximum reimbursement available for each one. If you're getting that kind of policy, it's going to be many pages long.

MR. FAZLI DATOO: You all described the benefits of accident insurance very well. I have a rather personal question, which requires a preamble. A consumer that consumes what he manufactures is a good advertisement for the product he sells. My question for all three of you is, has any one of you bought accident insurance? If so, I understand. If not, why not?

MR. SKWIRE: I have accidental death and dismemberment coverage through the worksite that is an optional benefit through our menu of employee benefits.

MR. MARTIN: I would say I have a similar situation. I buy the maximum amount I can buy on my group policy for both my family and me.

MR. KOLL: Actually, I don't have any accident coverage.

MR. SKWIRE: I would add that most of us probably have forms of accident-insurance coverage that we're not even aware that we have. I was getting my plane ticket for this meeting, and a little slip came in from the travel agent that said I have $100,000 of travel-accident coverage by virtue of having used this travel agency. Ray described various types of blanket coverage. If you're attending a concert or a sporting event, you do have coverage in some of these situations.

FROM THE FLOOR: I have a question about blanket coverage. How do you know you have the coverage?

MR. MARTIN: If you're at a facility like the Y or a camp, we usually have a statement saying that you are covered. If you're at an event, you just have to file a claim with whoever is performing that event. Any time you're at a facility and you have an accident that is related to being at that facility, it should have some kind of coverage. But it will often take a lawyer to get it taken care of.