

SOCIETY OF ACTUARIES – INDIVIDUAL DISABILITY EXPERIENCE COMMITTEE

DRAFT – December 6, 2012

Development of the 2012 IDEC Claim Incidence Rate Table (Version 1.0)

Introduction

The 2012 IDEC Claim Incidence Rate Table and the 2012 IDEC Claim Termination Rate Table were developed by the Individual Disability Experience Committee (IDEC) of the Society of Actuaries (SOA) from policy and claim databases covering industry individual disability income (IDI) experience from 1990 to 2007. These tables, along with the suggested adjustments to the rates to distinguish the experience among various business segments, have been loaded into the Excel Workbook called *SOA – IDEC IDI 2012 Tables Workbook Version 1.0.xlsm*. The workbook was developed by the IDEC to calculate claim costs, active life reserves and disabled life reserves using the new tables and to compare these values to those based on the 85 CIDA and CIDC tables. This workbook is available to the industry to assist IDI carriers to understand the financial implications of the 2012 IDEC tables.

The 2012 IDEC tables should be viewed as work in progress. Both tables at this time are labeled Version 1.0. The NAIC Health Actuarial Task Force (HATF) voted on November 28, 2012 to request the American Academy of Actuaries (AAA) to develop valuation tables to replace 85 CIDA and CIDC. The 2012 IDEC tables will be the starting point in the development of new industry valuation tables. In the process of developing the new valuation tables, the 2012 IDEC tables will be reviewed closely by the valuation table committee and a number of changes may be made before the experience tables are finalized. Therefore, the 2012 IDEC tables should not be viewed as final.

This document describes the development of the 2012 IDEC Claim Incidence Rate Table (Version 1.0). Revised documents will be prepared when new versions of the IDEC tables are released or additional detail is needed.

Policy and Claim Database

Industry claim incidence was studied from 1990 to 2006. The IDEC collected data for the 1990-99 study period in 2002 and data for the 2000-06 study period in 2009. Appendix A shows the companies that contributed data. One company's policy and claim data was scaled down to represent only 40% of total exposure over the study period.

Only Accident & Sickness (A&S) policies were included in the database used to calculate incidence rates. Overhead Expense (OE), Disability Buy-Out (DBO) and Key Person (KP) were excluded due to limited data.

It is important to note that this study examines two significant eras in the U.S. IDI industry. The first segment occurred during the first part of the 1990's where IDI carriers in total suffered historically high statutory financial losses. As a result of actions taken by IDI carriers and a favorable economic environment, positive statutory profits for the industry started to re-emerge during the last few years of the 1990's decade and for the 2000's. This study identifies and quantifies many of the significant trends occurring during this 18-year period.

Claim experience for attained ages over 64 was excluded since experience at these ages was mainly conditionally renewable, i.e., the insured had to be employed during the year of exposure.

Table 1 shows the total exposure years and total claims by issue year periods, measured in terms of policy count and monthly indemnity.

Table 1

Issue Year Period	Exposure - by Count	Exposure - by Monthly Indemnity	Claims - by Count	Claims - by Monthly Indemnity
Pre 1990	14,397,194	26,115,554,497	190,438	276,181,208
1990-1994	8,279,397	21,983,352,466	54,803	133,084,510
1995-1999	4,466,430	12,164,573,547	20,204	44,913,275
2000-2006	4,033,617	12,023,223,921	15,679	34,813,479
All Issue Years	31,176,637	72,286,704,431	281,124	488,992,473

Structure of 2012 IDEC Claim Incidence Table

The 2012 IDEC Claim Incidence Table varies by attained age, gender, the IDEC occupation classes (M, 1, 2, 3 and 4), cause (accident or sickness) and elimination period: 0-day (accident only), 7-day, 14-day, 30-day, 60-day, 90-day, 180-day, 360-day and 720-day. Experience over the 1990 to 2006 period including all issue years, policy years, smoker status and benefit periods was aggregated.

Definition of Occupation Classes

The 85 CIDA table has four occupation classes:

Class 1: White collar and professional occupations

Class 2: Skilled labor occupations

Class 3: Blue collar occupations with light manual duties

Class 4: Blue collar occupations with heavy manual duties

During the 1990's, Individual disability income (IDI) companies learned that the claim experience of medical occupations was significantly different than that of the other white collar and professional occupations. Most IDI carriers have one or more separate occupation classes for the medical occupations. The IDEC claim study of the 1990-07 period supports the need to have all medical occupations included in a separate occupation class. In addition, the IDEC decided to move all sales related occupations to Class 2 because their claim experience was more consistent with that of occupations traditionally included in Class 2.

The IDEC has defined the following five occupation classes:

Class M: All medical occupation classes – doctors, surgeons, dentists, nurses, podiatrists, veterinarians, psychologists, psychiatrists, pharmacists, etc.

Class 1: Same as 85 CIDA except medical occupations have been excluded.

Class 2: Same as 85 CIDA except all sales-related occupations have been assigned to Class 2, e.g., insurance producers, stockbrokers, commodity brokers, other sales.

Class 3: Same as 85 CIDA.

Class 4: Same as 85 CIDA.

2012 IDEC Claim Incidence Table Derivation

Expected claims for each policy and exposure year were first derived using occupation class 1 claim incidence rates from the 85 CIDA table, regardless of the IDEC occupation class. This allowed Actual-to-Expected (A/E) incidence ratios that reflect differences by occupation class. Expected claim incidence rates varied by gender, cause and elimination period. Claim incidence rates by count were first developed and ultimately adjusted to reflect claim incidence by amount.

Exposures and actual and expected claims were grouped by cause, gender, elimination period groups (under 30 days, 30, 60, 90, 180 and over) and attained age groups (under 30, 30-34, 35-39, 40-44, 45-49, 50-54, 55-59 and 60-64). A/E ratios by count were derived for each combination. Please note that the A/E experience for elimination periods 180, 360 and 720 days was combined because of the lack of data. A manual smoothing was first performed on the raw A/E ratios prior to the graduation process to ensure reasonable relationships among the occupation classes. Care was taken to preserve the overall A/E ratios for each combination of cause, gender, occupation class and elimination period.

The smoothed A/E ratios were then applied to the corresponding 85 CIDA occupation class 1 incidence rates at pivotal ages 27, 32, 37, 42, 47, 52, 57 and 62. The resulting incidence rates were graduated using Whittaker-Henderson Type B. As a result of the initial smoothing of the A/E ratios, the graduated results generally maintained appropriate relationships among the occupation classes, i.e., incidence rates for occupation class 1 were lower than those for occupation class 2, etc. However, comparisons of the graduated rates among occupation classes, ages, elimination period and cause resulted in some additional manual adjustments in order to produce reasonable relationships.

The graduated claim incidence rates were then used to recalculate the expected claims and new A/E ratios were derived for all of the policies and exposure years. The A/E ratios by count and monthly indemnity were then calculated for subsets based on gender, occupation class and elimination period. In general, A/E ratios by count were lower than by monthly indemnity. The ratios of the A/E ratios by monthly indemnity to the A/E ratios by count for each subset to determine adjustment factors that were applied to the graduated incidence rates by count to derive the final Base Claim Incidence Table.

Validation of the Base 1990-06 Claim Incidence Table

Table 2 shows the exposure (monthly indemnity) and the resulting A/E (monthly indemnity) ratios by the IDEC occupation classes and elimination period groups, where E is the Base 2012 Claim Incidence Table. Occupation classes 3 and 4, which are the blue collar classes, have been combined because of their low exposure.

Table 2

Exposure (Monthly Indemnity) by IDEC Occupation Class and Elimination Period (EP)						
Occupation Class	Under 30 days	30 days	60 days	90 days	180 + days	All EP's
M	21,507,601	1,540,429,897	2,685,892,697	17,670,244,805	2,813,760,755	24,731,835,755
1	38,728,327	1,833,954,850	2,697,544,753	24,294,602,327	9,347,639,061	38,212,469,318
2	53,786,187	591,146,406	657,271,864	4,206,734,397	1,345,903,378	6,854,842,232
3-4	116,711,273	699,745,004	329,907,358	1,121,587,154	219,606,336	2,487,557,127
Total	230,733,387	4,665,276,158	6,370,616,672	47,293,168,683	13,726,909,530	72,286,704,431
Actual to Expected (Monthly Indemnity) E = 2012 IDEC Claim Incidence Table						
Occupation Class	Under 30 days	30 days	60 days	90 days	180 + days	All EP's
M	99.7%	96.5%	100.9%	100.6%	96.1%	99.7%
1	99.0%	98.7%	101.0%	99.8%	94.8%	99.1%
2	101.6%	103.6%	103.6%	102.6%	97.3%	102.5%
3-4	92.0%	99.4%	97.5%	96.1%	112.8%	97.7%
Total	95.9%	98.8%	101.0%	100.3%	96.0%	99.6%

Table 3 shows the distribution of the exposure (monthly indemnity) by attained age groups and gender, combining all occupation classes and elimination periods and the resulting A/E (monthly indemnity).

Table 3

Exposure (Monthly Indemnity) by Gender and Attained Age			
Attained Age	Male	Female	Total
Under 30	1,372,746,439	658,841,460	2,031,587,900
30-34	5,115,680,004	1,655,966,718	6,771,646,722
35-39	9,848,604,974	2,462,877,457	12,311,482,431
40-44	12,470,746,109	2,696,443,979	15,167,190,088
45-49	12,209,287,221	2,378,607,100	14,587,894,321
50-55	9,580,071,284	1,632,032,410	11,212,103,694
55-59	6,066,177,465	832,451,836	6,898,629,301
60-64	3,008,250,259	297,919,716	3,306,169,975
Total	59,671,563,755	12,615,140,676	72,286,704,431
Actual to Expected (Monthly Indemnity)			
E = 2012 IDEC Claim Incidence Table			
Attained Age	Male	Female	Total
Under 30	83.4%	88.6%	86.1%
30-34	93.4%	114.2%	103.3%
35-39	104.7%	107.8%	105.9%
40-44	105.2%	96.2%	102.4%
45-49	98.7%	93.7%	97.5%
50-55	96.9%	99.1%	97.3%
55-59	100.8%	104.1%	101.3%
60-64	96.5%	101.6%	97.0%
Total	99.5%	101.0%	99.6%

Comparison of 2012 IDEC Claim Incidence Table to 85 CIDA

The "Incidence Compare" tab of the workbook *SOA – IDEC 2012 IDI Tables Workbook Version 1.0.xlsm* allows the user to compare the 2012 IDEC Claim Incidence Table rates to 85 CIDA.

Trend and Segmentation Analysis

This section discusses trends and segmentation results over the 1990-06 period where the Expected incidence rates are from the 2012 IDEC Claim Incidence Table.

Trends by Study Period

Table 5 shows the A/E results for four calendar-year periods, 1990-94, 1995-99, 2000-03 and 2004-06, by occupation class.

Table 5

A/E by Study Period and Occupation Class E = 2012 IDEC Claim Incidence Table					
Study Period	M	1	2	3-4	Total
1990-94	109.8%	126.7%	127.5%	115.8%	118.2%
1995-99	107.1%	101.8%	101.0%	99.1%	104.0%
2000-03	98.7%	96.5%	94.5%	86.6%	96.4%
2004-06	80.4%	78.4%	82.0%	82.2%	79.8%
Total	99.7%	99.1%	102.5%	97.7%	99.6%

Table 5 shows the steady decline in claim incidence rates over the 1990 to 2006 period, which is observed among all occupation classes. The decline in occupation class M incidence rates was moderate during the 1995-99 period but more consistent with the decline for occupation classes 1 and 2 over the 2000 – 06 period.

Trends by Issue Year and Policy Year

The improving trends in claim incidence rates shown above are due to tighter underwriting and more restrictive products implemented by IDI companies in 1995 and later. Table 6 shows the A/E ratios by issue year periods and policy year. Policy year results illustrate the wearing off of impact of underwriting over time, i.e., selection.

Table 6

A/E Ratios by Issue Year and Policy Year					
E = 2012 IDEC Claim Incidence Table					
Policy Year	Issue Year Period				
	Pre 1990	1990-1994	1995-1999	2000-2006	Total
1	94.3%	85.1%	66.8%	70.5%	77.5%
2	106.5%	94.4%	72.6%	72.0%	85.7%
3	127.1%	115.7%	81.2%	77.3%	102.8%
4	132.7%	109.8%	83.2%	74.6%	105.3%
5	130.7%	106.5%	89.8%	79.2%	108.2%
6-10	123.8%	108.1%	82.9%	71.2%	109.0%
11+	98.6%	93.5%	75.6%		96.9%
Total	108.3%	100.2%	80.7%	73.5%	99.6%

Table 6 shows the significant improvement in claim incidence as a result of strong risk management efforts of IDI carriers for business issued in 1995 and later. The issue year groups prior to 2000 illustrate a drop in incidence rates in policy years 11 and later. One explanation for this decline, which has been suggested by some, is that the benefit amounts of the older policies may not have kept up with the rise in earned incomes, and, thus, insureds with these older policies may have less financial incentive to file disability claims.

Trends by Market

Many IDI carriers have been increasingly active in the employer sponsored (multi-life) market where IDI policies are sold to groups of employees either on an employee pay (voluntary) or employer pay (mandatory) basis. The employer sponsored sales involves product and/or underwriting decisions at the case level, which results in lower frequency of anti-selection and, thus, lower claim incidence rates.

Table 7 shows the allocation of exposure (monthly indemnity) between the Employer Sponsored (ES) and the Individually Sold (IS) by the IDEC occupation classes and the respective A/E ratios. The IS includes all business not identified as ES by the contributing IDI carriers.

Table 7

Distribution of Exposure (Monthly Indemnity) Between Employer Sponsored and Individual Sold Segments				
Issue Year	Employer Sponsored (ES)	Individually Sold (IS)	Total	ES / Total
Pre 1990	4,858,960,355	21,256,594,142	26,115,554,497	18.6%
1990-1994	6,430,440,395	15,552,912,071	21,983,352,466	29.3%
1995-1999	4,334,494,370	7,830,079,177	12,164,573,547	35.6%
2000-2006	5,200,310,004	6,822,913,918	12,023,223,921	43.3%
Total	20,824,205,123	51,462,499,307	72,286,704,431	28.8%

Table 8 compares the A/E incidence ratios between the two business segments by issue year and policy year groupings.

Table 8

A/E Claim Incidence Ratios by Business Segment, Issue Year and Policy Year					
E = 2012 IDEC Claim Incidence Table					
Policy Year	Employer Sponsored (ES) Segment				
	Pre 1990	1990-1994	1995-1999	2000-2006	Total
1	53.5%	60.5%	52.5%	60.7%	59.0%
2	66.4%	74.3%	60.3%	61.1%	65.6%
3	78.3%	83.9%	62.6%	63.6%	72.2%
4	102.0%	86.1%	69.8%	67.5%	81.3%
5	97.5%	84.8%	73.2%	70.6%	82.7%
6-10	104.4%	90.8%	71.6%	58.2%	89.1%
11+	93.9%	81.0%	67.6%		88.5%
Total	95.5%	82.0%	67.9%	62.9%	81.6%
Policy Year	Individually Sold (IS) Segment				
	Pre 1990	1990-1994	1995-1999	2000-2006	Total
1	105.1%	94.6%	74.3%	76.7%	86.4%
2	116.8%	102.2%	79.0%	78.9%	94.9%
3	139.3%	127.9%	90.5%	85.9%	115.7%
4	140.2%	118.8%	89.5%	78.9%	114.6%
5	138.5%	114.8%	97.3%	83.9%	117.3%
6-10	128.2%	114.6%	87.8%	77.6%	115.2%
11+	99.3%	97.7%	79.0%		98.6%
Total	110.7%	106.9%	86.6%	79.9%	104.9%
Policy Year	ES / IS				
	Pre 1990	1990-1994	1995-1999	2000-2006	Total
1	0.51	0.64	0.71	0.79	0.68
2	0.57	0.73	0.76	0.77	0.69
3	0.56	0.66	0.69	0.74	0.62
4	0.73	0.72	0.78	0.86	0.71
5	0.70	0.74	0.75	0.84	0.71
6-10	0.81	0.79	0.82	0.75	0.77
11+	0.95	0.83	0.86		0.90
Total	0.86	0.77	0.78	0.79	0.78

The ES / IS ratios in Table 8 show that relatively favorable claim incidence experience of the ES segment slowly erodes as the business ages but appears to continue even beyond policy year 10.

Trends by Benefit Period

Table 9 compares the distribution of the exposure and A/E claim incidence ratios by occupation class and benefit period. The To XX benefit period category includes To Age 65, 67 and 70 benefit periods. Short Term includes any benefit period (at issue) less than To XX, which are primarily 2-year and 5-year benefit periods.

Table 9

Distribution of Exposure (Monthly Indemnity) By Occupation Class and Benefit Period				
Occupation Class	Benefit Period			
	Short Term	To XX	Lifetime	Total
M	13.9%	66.5%	19.6%	100.0%
1	17.1%	73.8%	9.1%	100.0%
2	24.1%	67.5%	8.4%	100.0%
3-4	75.1%	22.6%	2.3%	100.0%
Total	18.7%	68.9%	12.4%	100.0%
A/E Claim Incidence Ratios by Occupation Class and Benefit Period E = 2012 IDEC Claim Incidence Table				
Occupation Class	Benefit Period			
	Short Term	To XX	Lifetime	Total
M	90.0%	98.2%	114.0%	100.0%
1	93.2%	97.1%	128.0%	100.0%
2	101.2%	101.1%	120.0%	100.0%
3-4	101.4%	80.8%	69.3%	100.0%
Total	95.7%	97.6%	117.8%	100.0%

The A/E claim incidence ratios for the Lifetime benefit period observed in occupation classes M, 1 and 2 indicate that the presence of the Lifetime benefit period significantly increases claim incidence rates. The occupation classes 3-4 have a reverse A/E trend by benefit period. However, Lifetime benefit periods were seldom issued to the blue collar occupation classes, and, thus, these results may not be credible.

Trends by Smoker Status

Nonsmoker premium discounts or premium loads for smokers have been prevalent in the IDI market for many years. Many of the contributing companies were able to identify whether policies were issued as smokers or nonsmokers for much of their business. Table 10 shows the distribution of the exposure between nonsmoker, smokers and unknown smoker status for the various occupation classes.

Table 10

Distribution of Exposure (Monthly Indemnity) by Smoker Status and Occupation Class					
Occupation Class	Nonsmoker (NS)	Smoker (SM)	Unknown Smoker Status	Total	SM / (NS + SM)
M	85.9%	2.8%	11.3%	100.0%	3.2%
1	81.4%	7.1%	11.5%	100.0%	8.0%
2	77.9%	8.7%	13.4%	100.0%	10.0%
3-4	55.3%	11.5%	33.2%	100.0%	17.3%
Total	81.7%	5.9%	12.4%	100.0%	6.8%

Table 10 shows that approximately 12% of the total exposure has an unknown smoker status. Looking only at policies with known smoker statuses, the percentage of smokers is 3% for occupation class M, increasing to 17% for occupation classes 3-4.

Tables 11a, 11b, 11c and 11d compare the A/E claim incidence ratio by smoker status and occupation class, elimination period, gender and attained age, respectively. Although the exposure for policies with smoker status is low relative to those with nonsmoker status, the relationships between nonsmoker and smoker incidence appear generally understandable.

Table 11a

A/E Claim Incidence Ratios by Smoker Status and Occupation Class					
E = 2012 IDEC Claim Incidence Table					
Occupation Class	Nonsmoker (NS)	Smoker (SM)	Unknown	Total	SM / NS
M	98.9%	145.6%	93.7%	99.7%	1.47
1	95.2%	138.8%	100.0%	99.1%	1.46
2	100.0%	128.7%	100.1%	102.5%	1.29
3-4	104.5%	110.9%	87.4%	97.7%	1.06
Total	98.0%	134.3%	95.2%	99.9%	1.37

Table 11a shows that the ratio of smoker to nonsmoker claim incidence is greatest for occupation classes M and 1 and decreases for the other occupation classes as a greater portion of the claims are due to accidents and musculoskeletal conditions, which are not directly affected by smoking status.

Table 11b

A/E Claim Incidence Ratios by Smoker Status and Elimination Period					
E = 2012 IDEC Claim Incidence Table					
Elimination Period	Nonsmoker (NS)	Smoker (SM)	Unknown	Total	SM / NS
Under 30 days	107.9%	117.1%	92.5%	95.9%	1.08
30 days	99.9%	115.5%	92.3%	98.8%	1.16
60 days	100.1%	131.2%	92.4%	101.0%	1.31
90 days	97.9%	142.4%	97.7%	100.3%	1.45
180 + days	90.4%	150.7%	111.3%	96.0%	1.67
Total	98.0%	134.3%	95.2%	99.9%	1.37

Table 11b shows that the ratio of smoker to nonsmoker claim incidence increases as the elimination period increases. This result reflects the fact that the shorter elimination periods have a higher portion of short duration claims, which are not as affected by the smoker status.

Table 11c

A/E Claim Incidence Ratios by Smoker Status and Gender					
E = 2012 IDEC Claim Incidence Table					
Gender	Nonsmoker (NS)	Smoker (SM)	Unknown	Total	SM / NS
Male	97.7%	139.6%	93.6%	99.2%	1.43
Female	98.8%	120.9%	103.6%	100.9%	1.22
Total	98.0%	134.3%	95.2%	99.9%	1.37

Table 11c shows that the ratio of smoker to nonsmoker claim incidence is higher for males than females.

Table 11d

A/E Claim Incidence Ratios by Smoker Status and Attained Age					
E = 2012 IDEC Claim Incidence Table					
Attained Age	Nonsmoker (NS)	Smoker (SM)	Unknown	Total	SM / NS
Under 30	85.2%	109.7%	75.4%	86.1%	1.29
30-34	103.6%	119.6%	93.2%	103.3%	1.15
35-39	105.1%	137.4%	97.3%	105.9%	1.31
40-44	100.5%	142.2%	96.8%	102.4%	1.41
45-49	95.2%	139.9%	92.7%	97.5%	1.47
50-55	95.0%	136.6%	93.8%	97.3%	1.44
55-59	99.5%	132.5%	99.0%	101.3%	1.33
60-64	95.2%	127.5%	95.4%	97.0%	1.34
Total	98.2%	134.8%	95.3%	99.6%	1.37

Table 11d shows that the ratio of smoker to nonsmoker claim incidence is the lowest for ages under 40, increases until ages 45-49 and then decreases thereafter.

Trends by State

Many IDI companies charge higher premiums for business issued in California and Florida. The following analysis of A/E claim incidence trends focuses on these two states and all other states grouped as Other. At a later time, the IDEC will show A/E trends for a wider range of specific states. Table 12a compares the A/E claim incidence ratios by key state and occupation class. Table 12b compares the A/E claim incidence ratios by key state and issue year period.

Table 12a

A/E Claim Incidence Ratios by Key State and Occupation Class					
E = 2012 IDEC Claim Incidence Table					
Occupation Class	California (CA)	Florida (FL)	Other	CA / Other	FL / Other
M	124.6%	125.3%	93.9%	1.33	1.33
1	133.2%	112.9%	93.0%	1.43	1.21
2	140.7%	110.9%	97.4%	1.44	1.14
3-4	122.5%	80.8%	96.2%	1.27	0.84
Total	129.5%	117.2%	94.2%	1.37	1.24

Table 12a shows that A/E claim incidence ratios for California are higher than for the Other (non-California and Florida) states for all occupation classes, whereas the Florida A/E ratios relative to the Other A/E ratios decrease with the occupation classes and, in fact, are lower than the Other A/E ratios for occupation classes 3-4.

Table 12b

A/E Claim Incidence Ratios by Key State and Issue Year					
E = 2012 IDEC Claim Incidence Table					
Issue Year	California (CA)	Florida (FL)	Other	CA / Other	FL / Other
Pre 1990	131.8%	123.4%	103.2%	1.28	1.20
1990-1994	137.3%	121.6%	94.1%	1.46	1.29
1995-1999	110.9%	91.5%	77.0%	1.44	1.19
2000-2006	106.4%	85.2%	69.6%	1.53	1.23
Total	129.5%	117.2%	94.2%	1.37	1.24

Table 12b shows that the A/E claim incidence ratios for California and Florida relative to the Other states have not improved for the more recently issued business.

Claim Incidence for Other Contract Types

The Base 1990-06 Claim Incidence Table was derived from experience on A&S policies. Table 13 compares the exposure by policy count and the A/E claim incidence rates for A&S, OE, DBO and KP contract types. Exposure by policy count rather than by monthly indemnity is shown because the DBO face amount is a lump sum, which is not comparable to the monthly indemnities of the other contract types.

Table 13

Exposure (Count) and A/E Claim Incidence Ratios by Contract Type E = 2012 IDEC Claim Incidence Table		
Contract Type	Exposure (Count)	A/E (By Monthly Indemnity)
A&S	31,176,637	99.6%
OE	1,843,031	67.0%
DBO	218,323	55.5%
Key Person	6,572	35.4%

The non-A&S contracts are sold in business situations and typically reflect less anti-selection than A&S contracts. OE policies generally have much larger average size amounts than A&S policies. OE exposure measured by count is only 6% of A&S exposure but when measured by monthly indemnity, OE exposure is 14% of A&S exposure.

Conditionally Renewable Claim Incidence for Ages 65+

The claim incidence rates for attained ages 65 and later in the Base 1990-06 Claim Incidence Table are based on a linear extrapolation of the incidence rates for ages 60-64. They are not based on an analysis of actual experience because coverage at ages 65+ in the database is conditionally renewable, rather than noncancelable or guaranteed renewable. At these higher ages, the regular coverage period of the policies has expired, and insureds must demonstrate that they are gainfully employed if they wish to continue coverage. Table 14 shows the A/E claim incidence ratios for ages 65+, where the expected incidence rates are the extrapolated incidence rates in the Base 1990-06 Claim Incidence Table.

Table 14

A/E Claim Incidence Ratios for Ages 65+ E = 2012 IDEC Claim Incidence Table			
Elimination Period	Male	Female	Total
Under 30 days	112.3%	81.9%	111.2%
30 days	78.7%	93.4%	79.9%
60 days	93.0%	76.9%	91.3%
90 days	85.0%	73.5%	84.2%
180 + days	68.7%	84.4%	69.6%
Total	83.7%	80.0%	83.4%

In general, the A/E claim incidence ratios for ages 65+ where the conditional renewability applies are lower than the corresponding incidence rates in the 2012 IDEC Claim Incidence Table.

Appendix A

List of Contributors

1990s and 2000s	2000s Only
Ameritas Life Insurance Corporation Berkshire Life Insurance Company of America Illinois Mutual Life Insurance Company Massachusetts Casualty Massachusetts Mutual Life Insurance Company Monarch Life Insurance Company / Penn Mutual Northwestern Mutual Life Insurance Company Paul Revere Life Insurance Company Principal Financial Group Provident Life & Accident Union Central Life Insurance Company Unum Life Insurance Company	Connecticut Mutual Life Insurance Company Guardian Life Insurance Company Mutual of Omaha Insurance Company RiverSource Life Insurance Company Standard Life Insurance Company

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