



Disability Drivers of Claims Performance

SEAC meeting June 21, 2018

Agenda



- Updated industry table (IDEC vs. CIDA)
- Additional modifications beyond base table
- Other valuation issues
- Relationships with Claims area



New Industry table



- Hallelujah, “updated” industry experience from 1990 to 2007, now 20 years old on average
- Embraced major changes in industry since CIDA85 table
 - Shift from individually underwritten to employer sponsored disability plans
 - Key risk parameters added (lifetime benefits, COLA, business products)
 - Both incidence and terminations updated
 - Added Diagnosis!!!!!!
 - Added medical occupation class

Valuation and experience actuaries have some work to do

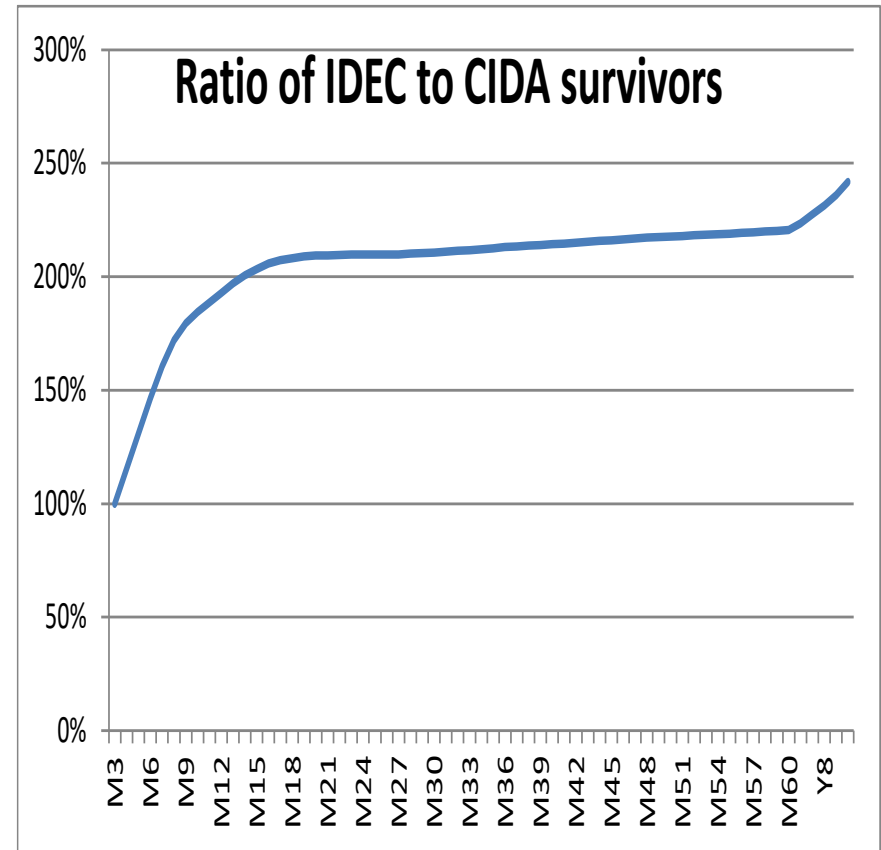
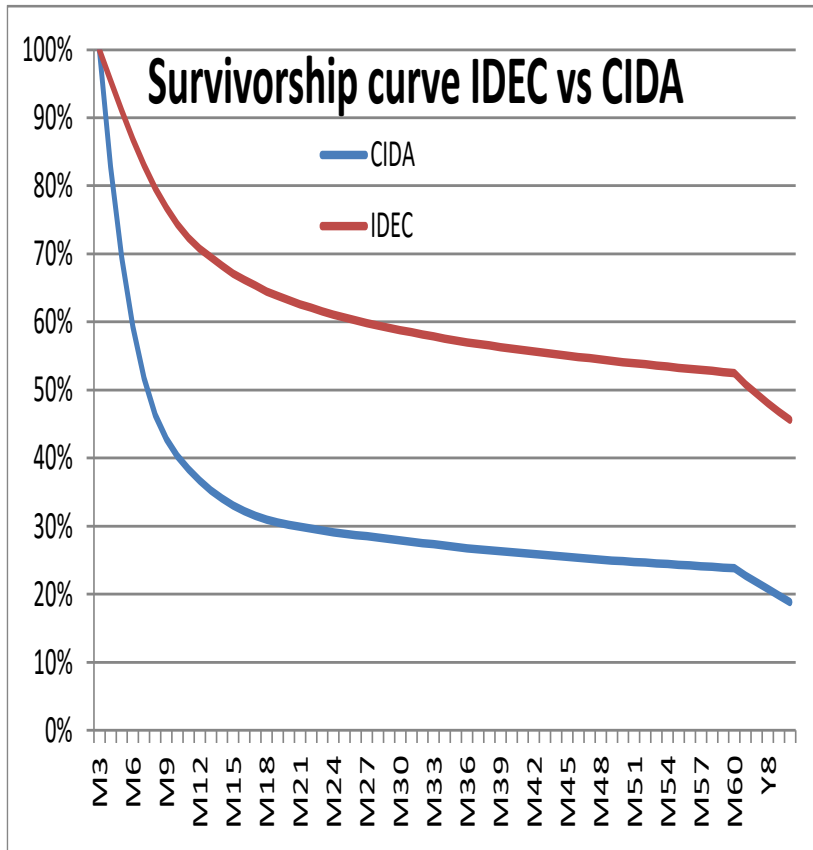


- Need to implement for 2020 issues and incurrals
- Need to determine if applied retroactively or not
- Need build experience monitoring system to track experience against this table
 - Then apply company experience modifications and credibility formulas
- What about GAAP?
- Transition organization to better claim incidence and termination basis....if you're not there already
 - Is your organization currently using diagnosis in reserving/experience tracking?
 - What about COLA and lifetime

How different is it



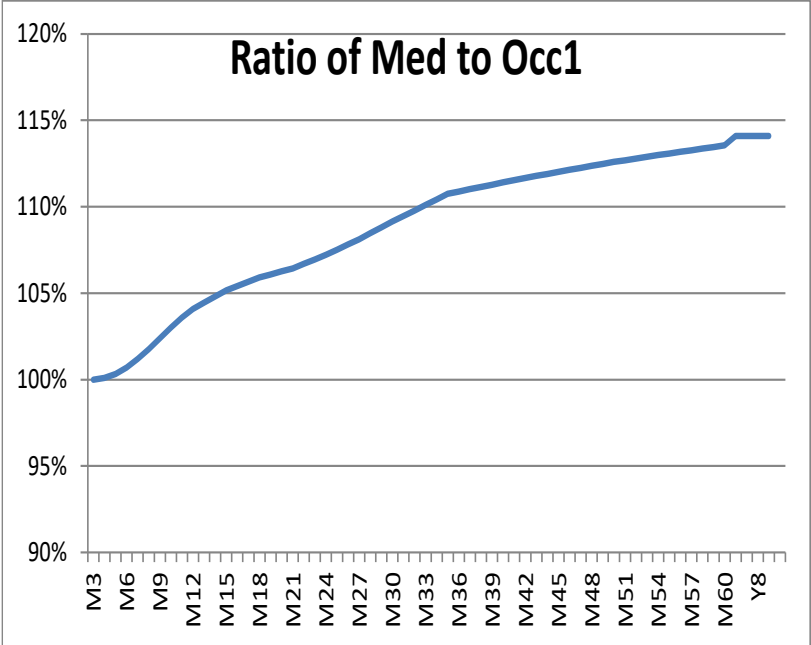
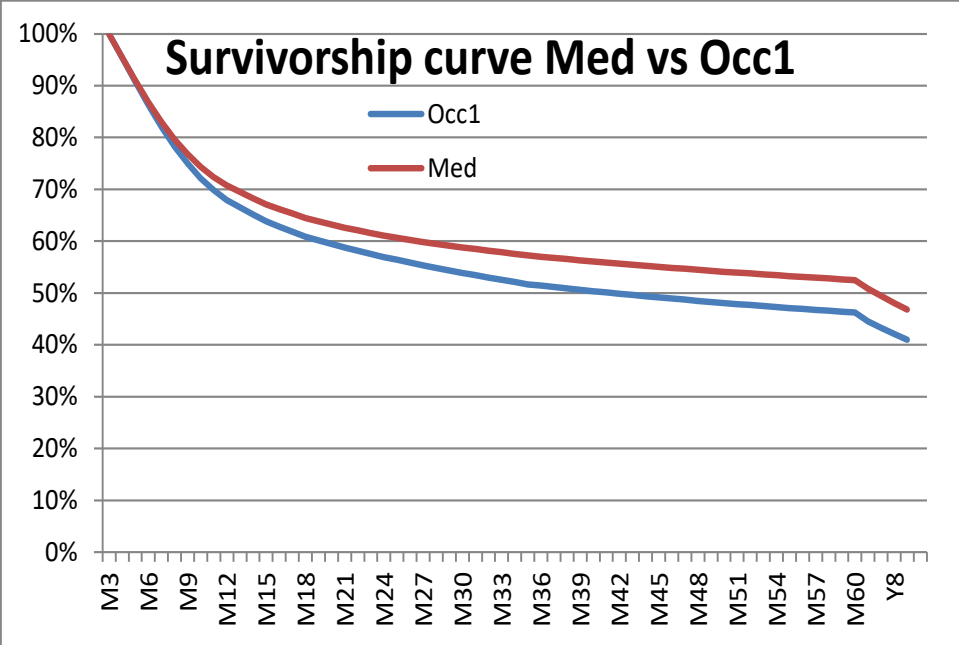
- For male disabled age 50, survival rate is over 2 times that of CIDA



Medical occupation impact



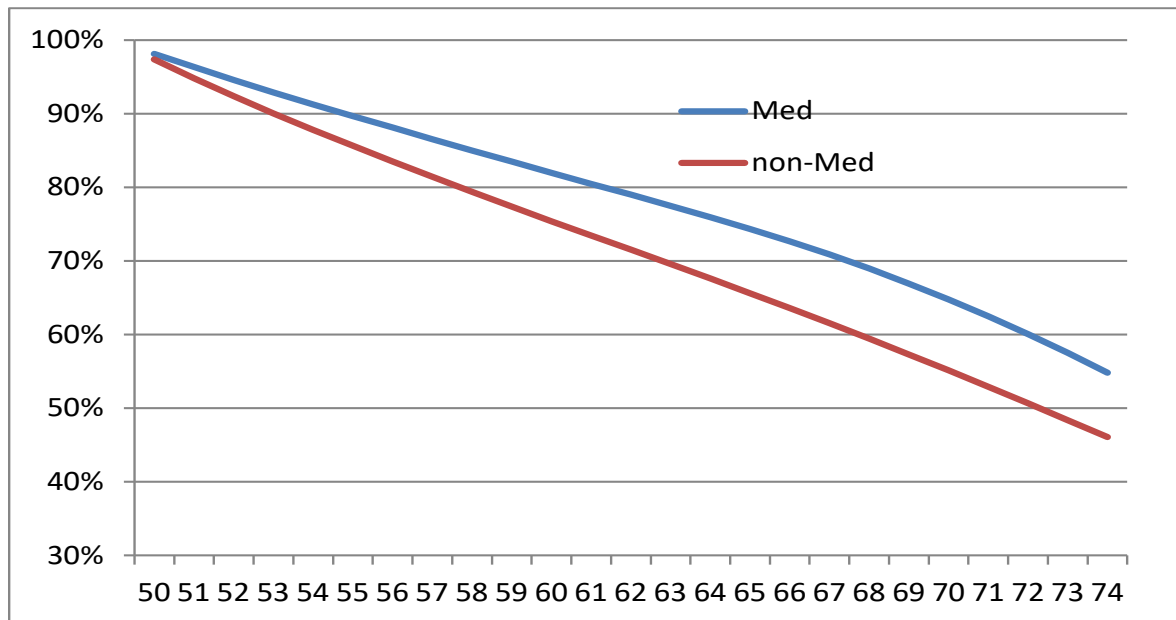
- Lower termination rates for medical occupation will increase reserves and lower claim termination metrics



Medical impact on ultimate duration



- After 10 years of disability, ultimate termination rates are split med/non-med
- Medical termination rates are 30% less than non-medical until age 75
- 50 year old medical is 19% more likely to be survivor at age 75 than non-med
- Benefit cost/PVFB is 7% higher





**Any additional termination
modifiers?**



- Base table is total termination = mortality and recovery
 - Settlements are tracked through paid through date
- Can you accurately report termination by cause?
 - Max out/benefit expiry (use of wiggle room)
 - Advanced pay and closes – track exposure through paid to date NOT closure date
 - Recovery vs. mortality
 - Settlements

If GAAP's up for grabs



- Work with key constituents for impact assessment
 - Planning projections short and long term
 - Claims metrics (both past and plan)
 - If GAAP = Best Estimate = CFT assumptions....margin impact
- Restatement of prior results on new basis
 - Reset expectation for average reserves
 - New claims
 - Termination claims...especially if mortality is separate decrement
 - Continuing claims growth patterns



- Are you shifting GAAP and internal measurement to be IDEC based?
 - Experience period used to set assumption
 - Long enough to be meaningful/credible
 - Recent enough to represent current claims philosophy
- Meet with claim areas to discuss
 - Any changes in claims organization and/or philosophy
 - Any claims clean-up projects
 - Use of death indices practices over time
 - Any system changes which could impact reporting or claims management



- Audit termination reason accuracy for “recoveries” close to benefit expiry
- Settlement philosophy
 - Use of current market interest w or w/o diagnosis
 - Expense saving of mortality reviews
 - If GAAP reserves are benchmark, does higher GAAP reserves (due to use of diagnosis) increase opportunities
 - Is staffing/workload impact material?
 - Any monitoring tools that need updating

Claim department can help (continued)



- Show Actual to expected results
 - Display both expected on pure IDEC basis and your current experience basis
- Look at A/E by calendar, any trending? Abnormal experience years?
- Do additional splits...could they improve experience fit
 - More diagnosis categories than IDEC 5? (e.g. Severe Cancer/non-Severe cancer)
 - Can residual disability indicator be used? Trusted? How does it change over time?
 - Can own occ/any occ test period be added?
 - If you're a ER sponsored carrier, are there any significant differences between ERs?
 - Should you consider ER-paid vs voluntary splits

How far can you go Reopens?



- Reopens
 - Is reserve large enough to warrant segmentation?
 - Can you segment terminations by type and exclude setting reopen reserves on settlements and deaths?
 - Establish base reopen rate and split results by key categories
 - Meet with claims area and brainstorm other drivers of reopen rates
 - Do rates vary by claim denial vs. claim termination
 - Claim diagnosis
 - Age and duration
 - Benefit richness (policy provisions and amounts)
- Improving reopen fit will smooth results

How far can you go – Pending claims



- Claims received but claim decision (approve/deny) still outstanding.
- Need to work with claim area to understand definition of claim receipt
 - If p/h called customer service line, legal determined company was given “notice of claim”...liability established.
 - Or does claim organization wait until key bits of information are gathered until setting up claim liability
- Is segmentation warranted?
- Establish base approval rate and split results by key categories
- Meet with claims area and brainstorm other drivers of reopen rates
 - Diagnosis (higher approval rates for more severe disabilities)
 - Blue collar claims tend to be less subjective



- Does your adoption of IDEC table prospectively or retroactively impact your decision
- How many different modifiers can data support? System support? Can you explain?
- As you (annually?) update can you quickly do experience study, system update and testing, claims metrics updates and communication????
- Ideally the modifiers and method you select should stay stable for years
 - Get buy-in from key customers
 - Peer review experience analysis and modeling
 - All parties love the graph analysis...road show it



Communication with claims



- Frequency and consistency of meetings is critical
 - I'd recommend quick weekly meeting...if you're reporting cycle allows it
 - Discuss key findings (new claims activity, claim terminations, and claim terminations pending final review (adverse decisions).
 - Any staffing issues or workflow disruption on either side
 - Bring along your staff and their key team leads as well. Good relationship building opportunity and increased shared learning
- Involve claims area at least annually in
 - Staffing/budgeting discussions
 - Retirements and succession planning
 - Review of experience results and setting forward plans

Give them a lens into results



- Give presentation of claim inventory and activity on claims area desktop
- Quick, easy and consistent updates are the key
- Gets you off the hook of answering experience questions (daily?)
- Can be used to load balance claims
- Notify of key upcoming claim events
 - Pending over X days
 - Within Y days of any occ test change
 - Upcoming M&N limit
 - Bulking claims within geographical area for more efficient claimant visits



Quick Demo

Sample reports for claims staff



- Doesn't need to be fancy
- Easy to use and gather examiner feedback
- What are the key items to help claim team leaders manage their workloads

Claim Management Tool

Report type ▼

StartDate

End Date



Questions
