



Group LTD Marketplace



Rich Clement & Tom Kirner

A Tale of Two Cities

“It was the best of times, it was the worst of times, it was the age of wisdom, it was the age of foolishness, it was the epoch of belief, it was the epoch of incredulity, it was the season of Light, it was the season of Darkness, it was the spring of hope, it was the winter of despair, we had everything before us, we had nothing before us, we were all going direct to Heaven, we were all going direct the other way--in short, the period was so far like the present period, that some of its noisiest authorities insisted on its being received, for good or for evil, in the superlative degree of comparison only.”

-Charles Dickens



The Economy & The Actuary

Best of Times

- LTD pricing per employee continues to trend up.
- LTD reinsurance market not as hard as other reinsurance lines
- No apparent fall-out from 9/11
- Sales and EP growth decent
- SSDI approving more applicants
- Workplace Injuries & Illness continue to decline

Worst of Times

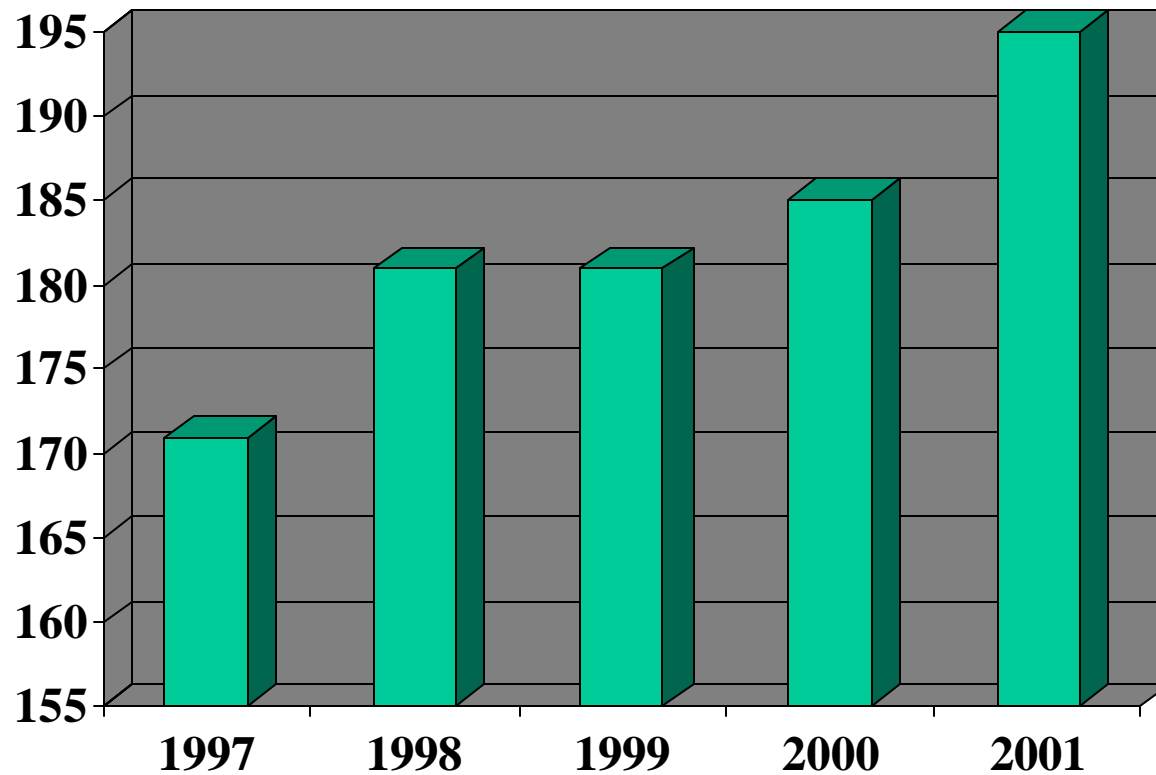
- Unemployment
- Stock market shaky
- Interest rates at all time lows
- SSDI incidence trending up

Calvin:

It's not the pace of life I mind. It's the sudden stop at the end.

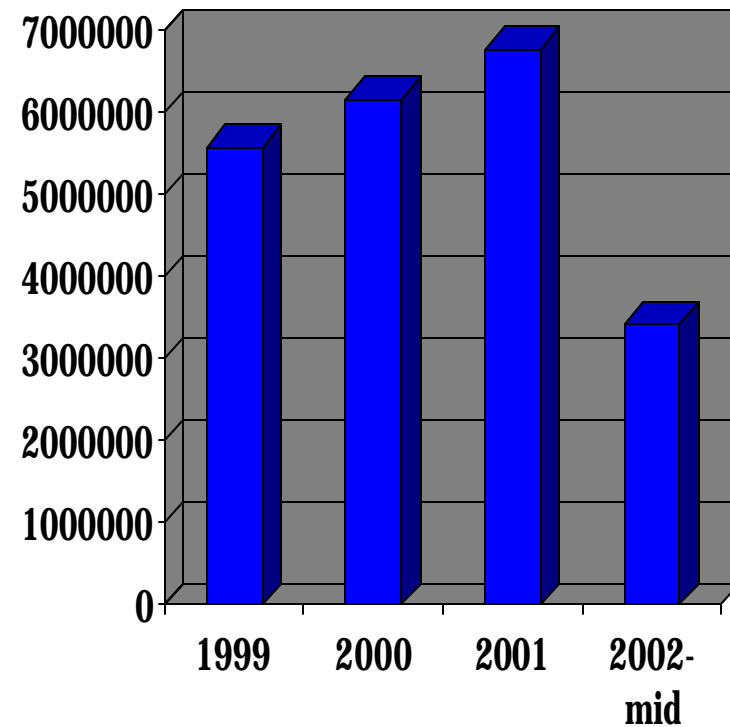
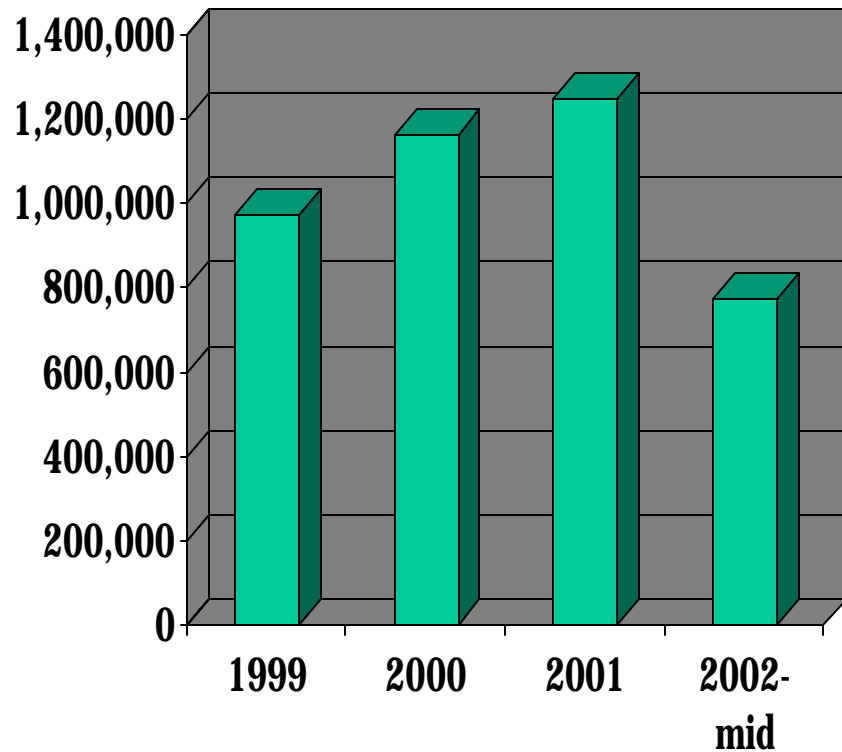
Calvin & Hobbes - Homicidal Psycho Jungle Cat, p172

Inforce Per/EE Pricing Stronger



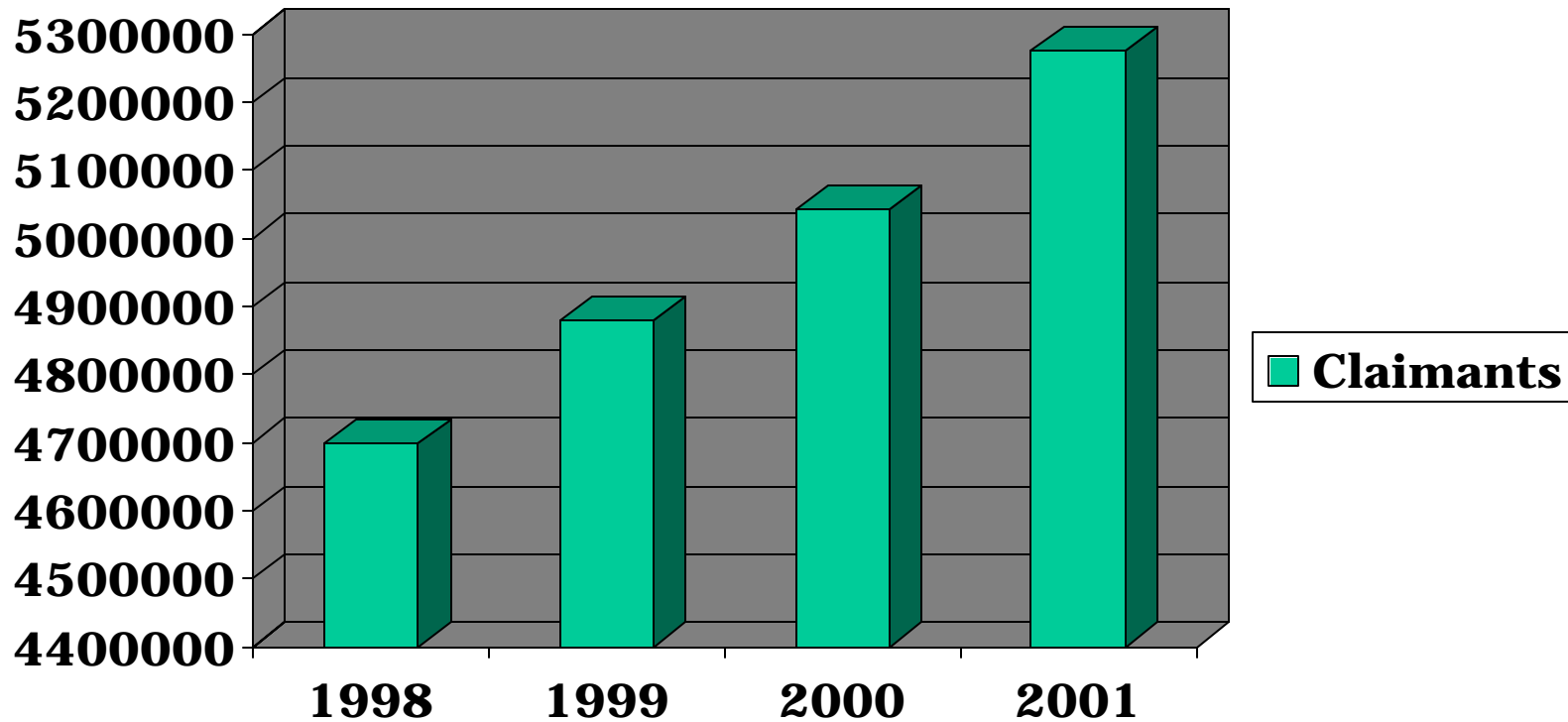
Source: JHA Market Survey

Sales & EP Growth



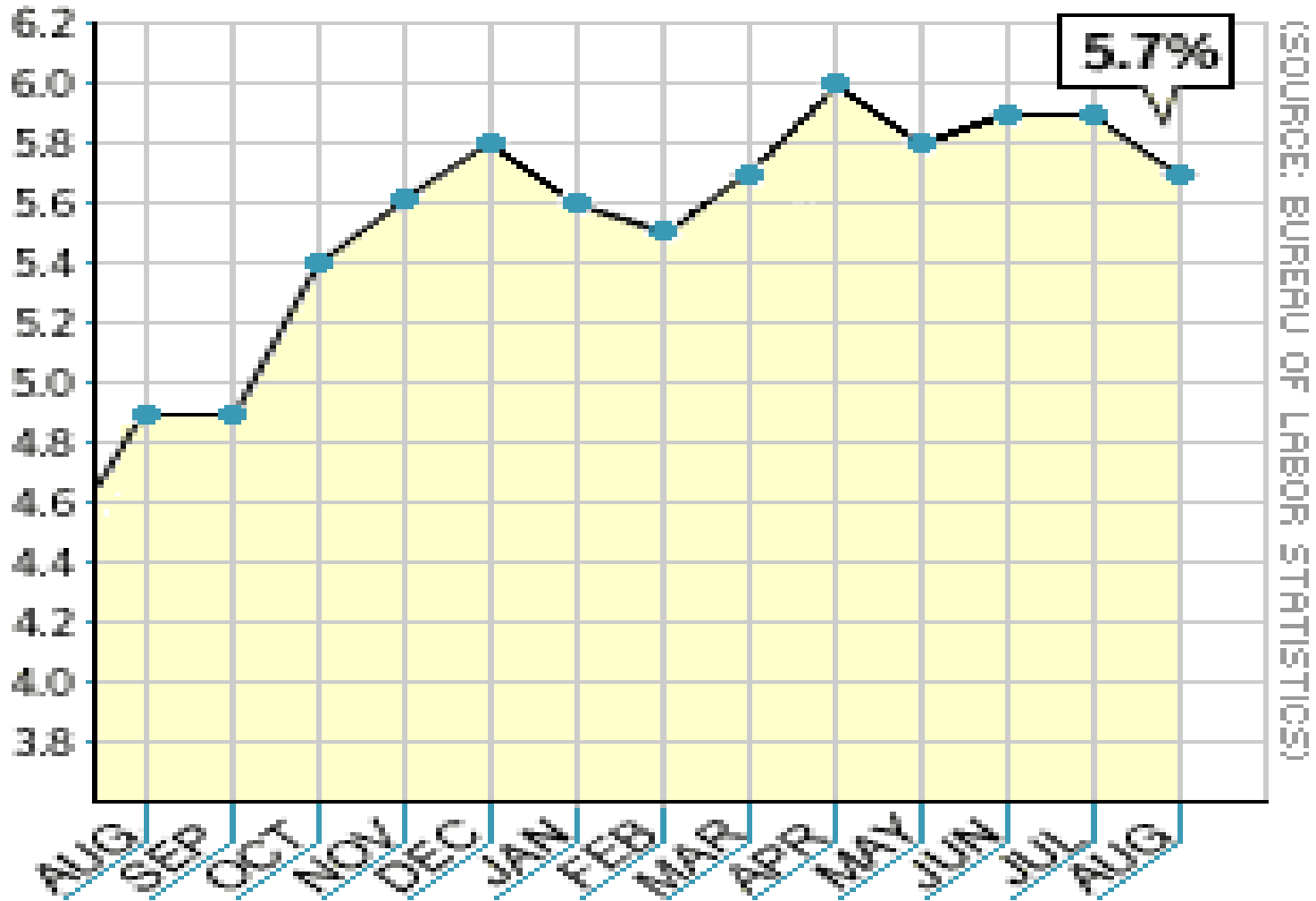
Source: LIMRA and JHA for Mid 2002

Increase In SSDI claimants – more SS offsets to come?



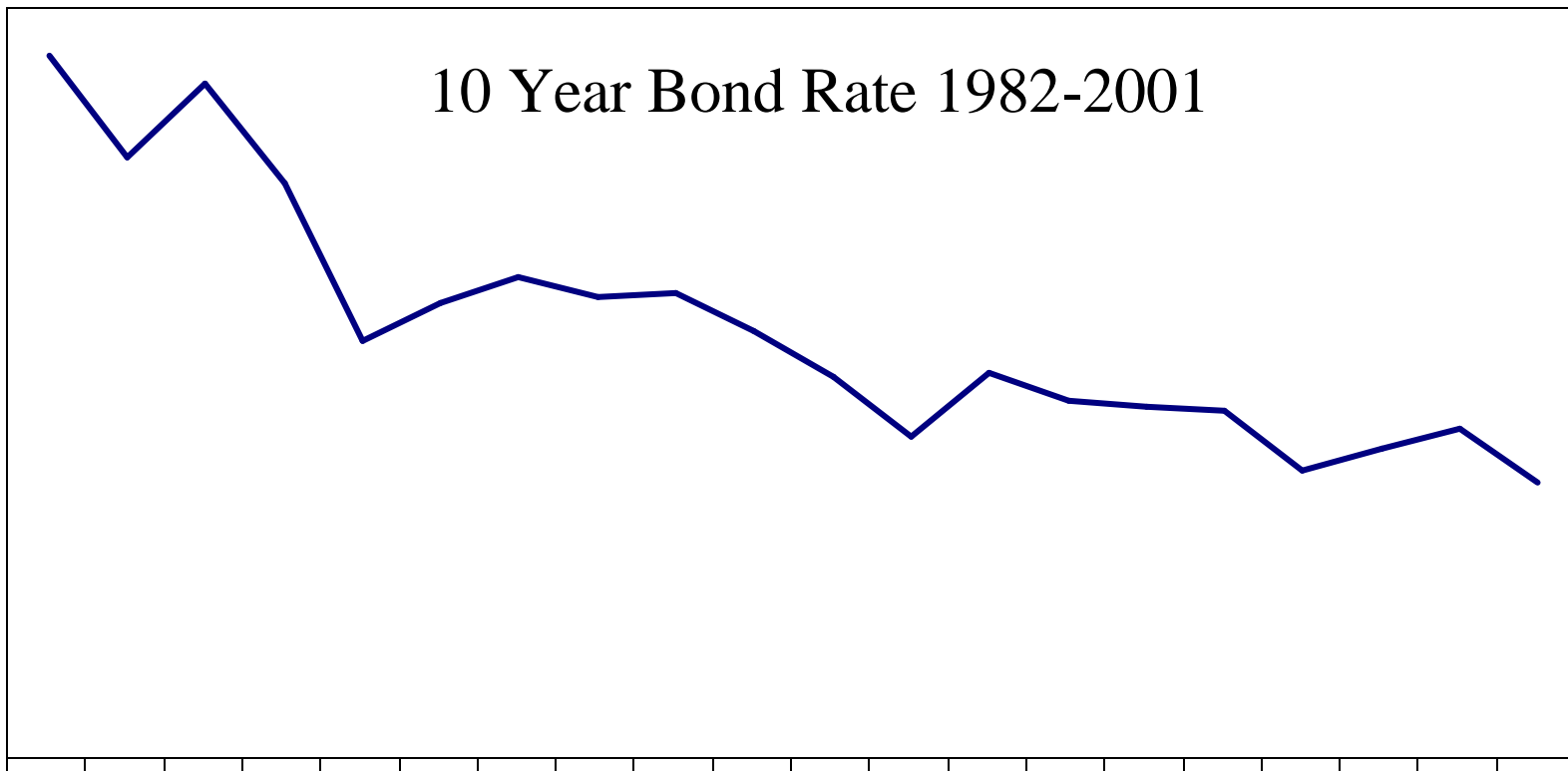
Source: SSA

U.S. Unemployment Rate (PERCENT)



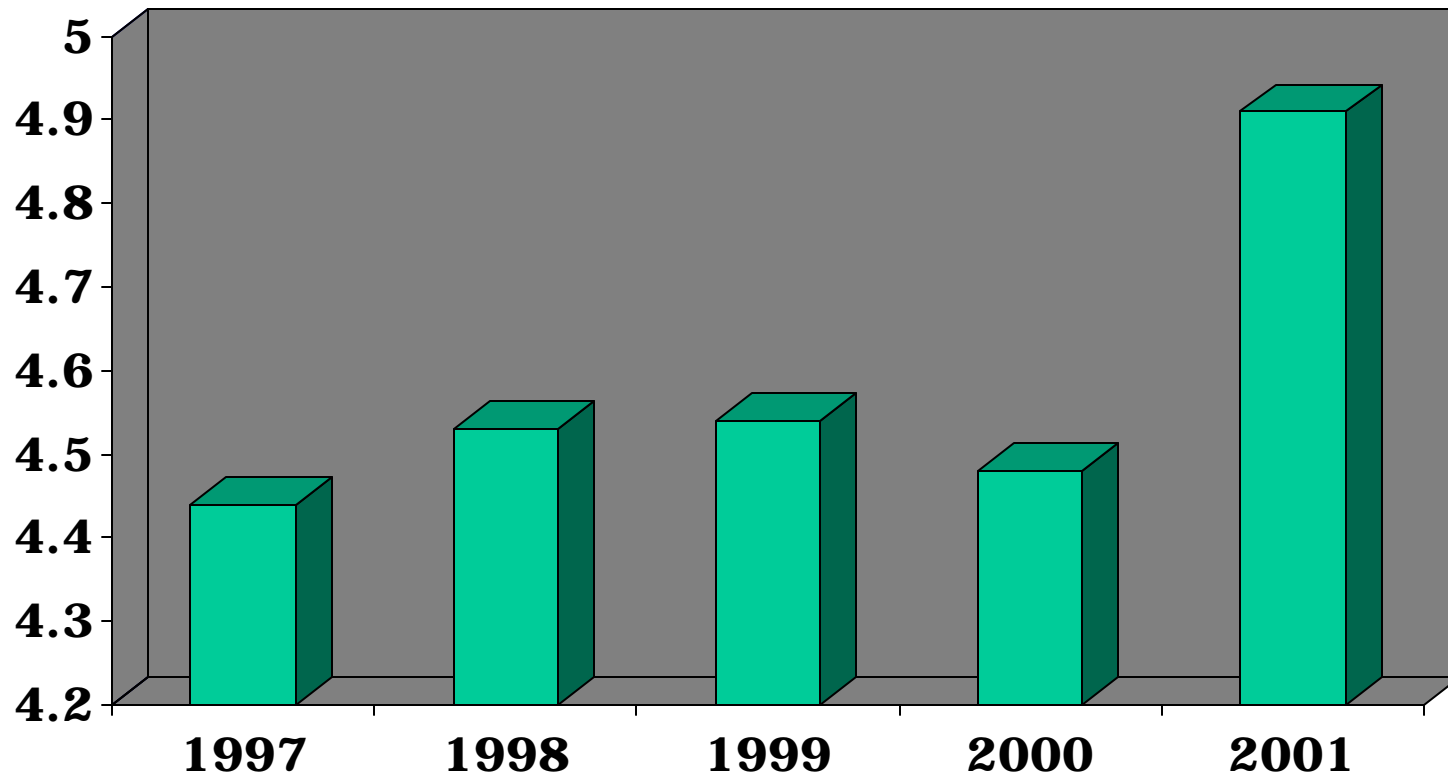
Source: CNN-Money

Interest Rates



Source: Department of Treasury

SSDI Incidence



Source: Calculated from SSA data

The Disabled Nation (?) & The Claims Department

Epoch Of belief

- More and more tools to be used
- Better contract language

Epoch of incredulity

- Increasing claims loads
- ERISA claims regulations
- HIPPA and privacy

What we Believe in...

- Claims Tools:
 - RTW Programs
 - Rehab
 - Early intervention
 - Medical Resources in the claim unit
 - Round tables
 - Second set of eyes – either the reinsurer or a consultant
- Policy Provisions
 - Prudent person pre-x
 - Maximum capacity
 - 2 year DAMN
 - Medical evidence
 - Manadory or approved rehab



More Regulation More Work

Groups Say Health Privacy Still Messy

By Allison Bell

The U.S. Department of Health and Human Services last week filled more than 400 pages with the final version of the privacy regulation required by the Health Insurance Portability and Accountability Act of 1996.

Fact Sheet

U. S. Department of Labor
November 20, 2000

Patients' Rights Claims Procedure Regulation

- *Faster* decisions on initial claims
- *Faster* decisions on appeal of denied claims

With Help Like this...

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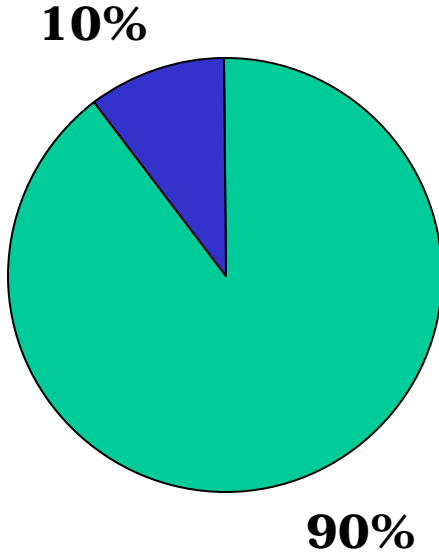
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Pepper . . . & Salt

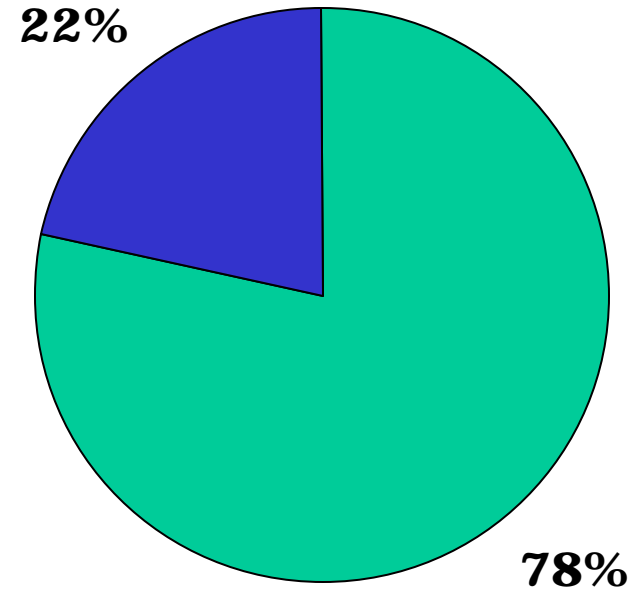


The Disabled Nation?

1990
125,840,000
workers



2000
140,863,000
workers



■ Healthy ■ Disabled

Source: Bureau of Census



And with an attorney ready to sue us!



TRICKS OF THE TRADE

Wall Street Journal



A Better Insurance Claim

Lucky on the road, Dan Baldyga, founder of the how-to Web site autoaccidentclaims.com, has never been in a car crash. But he coached his brother through the claims process after he was rear-ended. Drawing on his experience in the insurance business, Mr. Baldyga told his brother to read his medical file before authorizing the doctor to send it to the insurer. The term "whiplash" is legally meaningless, he says. Make sure your doctor writes "whiplash type injury," or your insurer may not take the claim seriously.

Most people wrongly assume the insurance adjuster is on their side, says Mr. Baldyga, whose Web site walks people through filing a claim. In his brother's case, the adjuster failed to mention that the policy included "medical payments coverage." That provision lets a claimant get quick reimbursement for medical expenses. Others, he says, won't tell you about compensation for "pain and suffering," which is covered by a lot of plans. Mr. Baldyga's brother even got paid for vacation days he used while recovering.

-- *Katy McLaughlin*

Updated September 11, 2002

And, disability has its own web sites...

Data & The Underwriter

Age of wisdom

- Return to “underwriting discipline”
- Return to “pricing discipline”

Hobbes:

I don't know which is worse, ...that everyone has his price, or that the price is always so low.

Calvin & Hobbes - The Days are Just Packed, p56-2

Age of foolishness

- Data for RFPs still hard to get
- Acquisition pricing still the norm

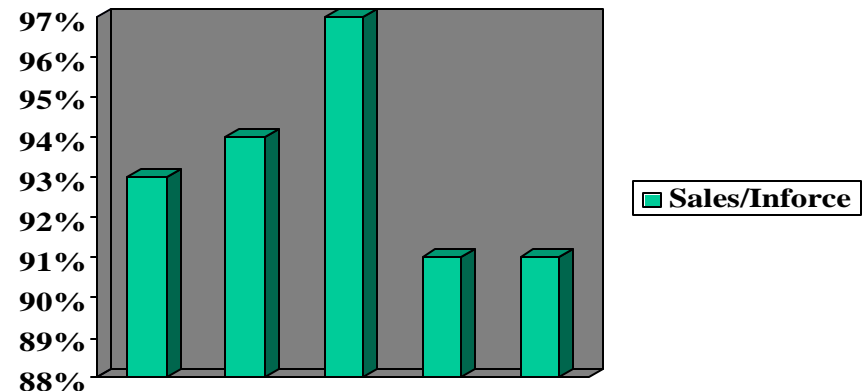
Wisdom vs. Foolishness

- **UnumProvident** - Renewal pricing on LTD has increased premium/life 6%
- **Hartford** - can grow earnings and retain financial discipline
- **CIGNA** - renewal discipline, (is) helping results

Source: 2Q Conference Calls

Source: JHA Market Survey?

- Where Has All the Data Gone?
by: Daren Hotham, Senior Disability Underwriter, JHA
- Price per Employee – Sales as a % of Inforce



The Market & The Sales Force

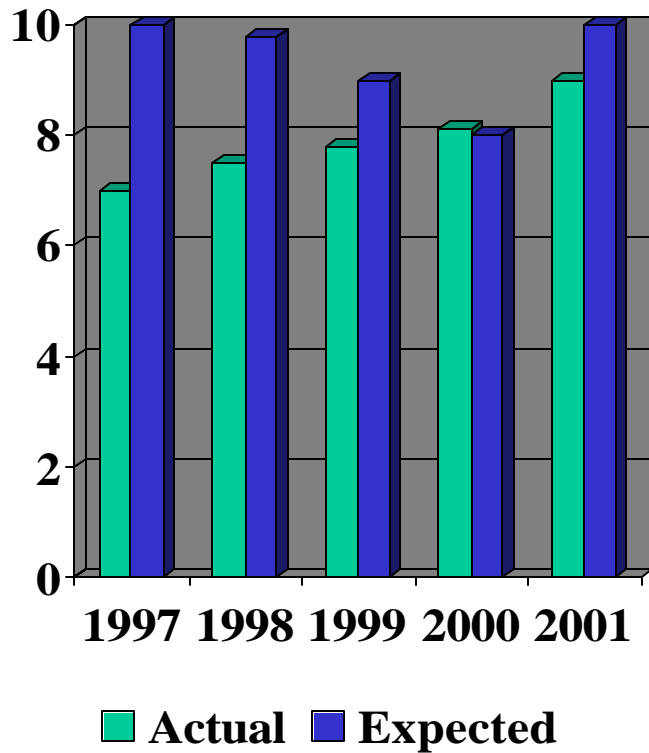
The spring of hope

- Closing ratios stabilize
- Current distribution is entrenched
- Employers realize the value of benefits

The winter of despair

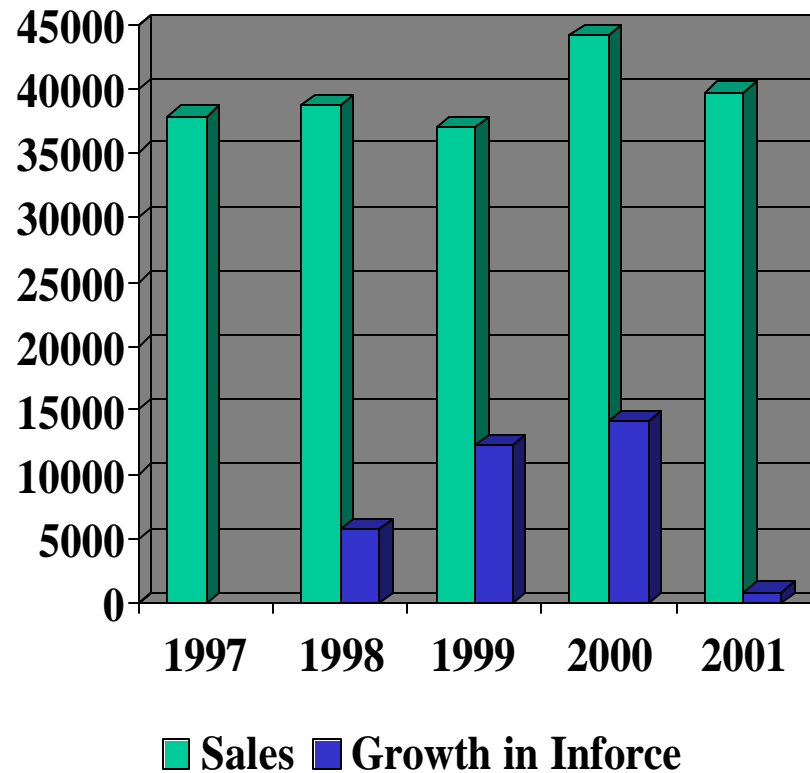
- Little new customer growth
- Healthcare price pressure
- Hard to differentiate

Closing Ratios



Source: DRMS Profit Survey

Case Sales & Inforce Case Growth



Source: LIMRA

Pepper . . . & Salt



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