MILLIMAN REPORT

2021 Annual Survey of the U.S. Individual Disability Income Insurance Market

November 2021

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Milliman

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Section I: Introduction

This report presents the results of Milliman's 2021 annual survey of the U.S. individual disability income (IDI) insurance market. Milliman first conducted this survey in 2007 and has annually conducted IDI surveys since then, except for 2015. Fifteen insurance companies that are active in the U.S. IDI market provided data and other information about new business sold from 2016 through 2020, sales distributions, underwriting requirements, product offerings and pricing, favorable and unfavorable trends, and opportunities and obstacles affecting the IDI market. This year's report also surveys companies' reactions to recent reports released by the Individual Disability Experience Committee (IDEC) of the Society of Actuaries (SOA), which discuss IDI claim incidence and termination experience trends over the 2006-2014 time period.

SCOPE OF THE 2021 IDI MARKET SURVEY

The scope of the IDI market discussed in this survey includes traditional noncancelable (noncan) and guaranteed renewable IDI policies. Policies are generally medically underwritten, with the exception of policies sold in the employer-sponsored multi-life (ESML) market, where guaranteed standard issue (GSI) underwriting is common. Although the maximum benefit periods may be as short as 12 months, the most prevalent maximum benefit periods are to age 65 or longer.

The survey excludes the type of IDI plans sold at worksites to employees, where policies seldom have benefit periods longer than two years and often pay disability benefits that are due to accident only. In the worksite disability insurance market, the application typically involves a short health questionnaire and simplified underwriting, unlike the traditional IDI market, where the applications and medical underwriting are more extensive. Worksite disability policies are one of a number of supplemental insurance coverages sponsored by employers and made available to employees on a voluntary basis.

The focus of the 2021 IDI Market Survey is the last five calendar years. Past IDI Market Survey reports are available to readers upon request.

CONTRIBUTORS

Figure 1 lists the 15 contributors to the survey. In total, these 15 companies issued IDI policies with $381 million of new annualized premium in 2020. We estimate that their total premium represents over 90% of the IDI market in terms of new sales.

FIGURE 1: CONTRIBUTORS TO THE 2021 IDI MARKET SURVEY

- Ameritas
- Assurity
- Guardian
- Illinois Mutual
- MassMutual
- MetLife
- Mutual of Omaha
- Northwestern Mutual
- Ohio National
- Principal
- RiverSource
- State Farm
- The Standard
- Thrivent
- Unum

RELIANCE AND LIMITATIONS

In conducting the 2021 IDI Market Survey and preparing this report, we have relied upon the information provided by the contributors. To the extent that this data is incomplete or inaccurate, our results may be materially affected.

This report is being made available to the general public. This report cannot be published in any other form or publication without written permission from Milliman. Milliman does not intend to benefit any third-party recipient of its work product.

QUALIFICATIONS

We, Robert Beal and Tasha Khan, are consulting actuaries with Milliman. This report provides an opinion regarding trends in the IDI market. We are members of the American Academy of Actuaries and meet its qualification standards for rendering this opinion.

ABOUT MILLIMAN

Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in life insurance and financial services, property and casualty insurance, healthcare, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe.

Section II: Survey highlights

This section summarizes highlights and observations from the report. This year's survey presents the results of 15 IDI companies that contributed to the 2021 IDI Market Survey.

HIGHLIGHTS

- Total annualized new sales premium in 2020 was $381 million, down from $402 million in 2019, a 5% drop. The number of new policies dropped by 11% in 2020. It is reasonable to assume that the reduction in new premium was largely attributable to COVID-19.
- New premium year-to-date from January to June in 2021 has dropped by 4% compared to the same period in 2020.
- The proportion of new annualized premium issued in the employer-sponsored multi-life (ESML) market increased to 44.7% in 2020. The percentage of new annualized premium issued in the individually sold market has decreased each year since 2017, dropping to 49.9% in 2020.
- The percentage of new premium from doctors and surgeons increased from 32.3% in 2019 to 34.1% in 2020, which is in line with a generally increasing trend over the last five years. Distribution by key occupations varies significantly among the three IDI markets.

  1. Doctors and surgeons have a lower percentage of new premium in the individual market than in the other two markets but are still the predominant occupation. Executives have a higher percentage in the individual market than in the other two markets.
  2. Doctors and surgeons have a higher percentage of new premium in the ESML market than in the individual market, but not as high as in the association market. Lawyers have a higher percentage of new premium in the ESML market than in the individual market.
  3. Doctors and surgeons have averaged 61% of the new premium in the association market over the last five years, and dentists comprise 24%.
- Over the last four years, brokers' share of new premium has been increasing while career agents' share has been decreasing.
- The percentage of new premium for policies with elimination periods under 90 days has been decreasing, while the percentage for policies with the 90-day elimination period has been increasing. The percentage of new premium for polices with elimination periods longer than 90 days has been relatively stable.
- The distribution of new premium by elimination period varies considerably among the three IDI markets. The individually sold market has the highest proportion of new premium with elimination periods under 90 day (8% on average over five years). The ESML market has the highest proportion of new premium with elimination periods over 90 days (37% on average). The association market has the highest proportion of new premium with a 90-day elimination period (92% on average).
- The individually sold market has the highest percentage of new premium with short-term benefit periods among the three IDI markets (17% on average over five years). The percentage of new premium with short-term benefit periods is 3.1% in the ESML market and 5.4% in the association market.
- Since the last IDI Market Survey, one company has increased its maximum issue limit for the top nonmedical occupations to $35,000, and two companies will now issue $30,000 to their top medical occupations.
- In general, there were no significant changes in the employee-pay GSI requirements from the last IDI Market Survey, except one company has decided to no longer offer GSI, either employee-pay or employer-pay.
- Average wastage, i.e., the percentage of submitted applications that were incomplete or withdrawn, was 15% in 2019 and 14% in 2020. When weighted by new premium, the average wastage in 2019 was 13%; in 2020 it was 12%.

- Cost-of-living benefits, pure own occupation coverage, and social insurance benefits are some of the most prevalent IDI optional benefits offered by companies. Optional benefits that are the least prevalent are the capital sum benefit, lifetime sickness, pension completion benefit, and reducing term benefit.
- The companies' overall assessment of the profitability of their IDI business and their overall satisfaction in new sales dropped from the last IDI Market Survey. Based on the concerns expressed by a number of companies, COVID-19 may have had a significant role in the drop in both assessments.
- Concern pertaining to COVID-19 was the main theme pertaining to unfavorable claim experience trends cited by a number of companies. Continuing low interest rates continue to be concerning to a number of companies.
- The two largest obstacles to the long-term financial health expressed by the companies pertain to market limitations (i.e., diversification and awareness of the need for IDI products) and distribution challenges (aging or disengaged IDI producers). Only one company mentioned COVID-19 as a long-term threat to the financial health of the IDI market.

CONCLUDING OBSERVATIONS

The IDI industry appears to be weathering the COVID-19 pandemic reasonably well, with new premium in 2020 dropping only 5% below the 2019 level. The current and future impact on IDI morbidity is still uncertain. Even before the pandemic, IDI claim experience had been changing from the current statutory minimum reserve basis, which was based on average experience from 1990 through 2007. Two studies of IDI industry claim incidence and termination experience for years 2006 through 2014 have been released by the Society of Actuaries (SOA) over the last two years. IDI companies are beginning to review these studies and examine whether their own experience is consistent with industry trends. All IDI companies should review these studies closely. Prior to the early 2000s, there was very little industry IDI data to guide companies, and it is not surprising that many companies suffered historical financial losses from their IDI businesses in the mid-1990s. The new SOA studies provide valuable data and insights into the IDI risk.

Before new data for the 2021 IDI Market Survey was requested from the 15 contributors, Milliman solicited their feedback on the overall value of the IDI Market Survey to their companies as well as ways in which the survey can be improved to better reflect their needs. We were pleased that companies rated the IDI Market Survey very highly with respect to its overall value and its effectiveness in capturing IDI industry trends. These results are discussed in Section V below. We have incorporated a number of suggestions into the 2021 IDI Market Survey:

- Splitting many of the new sales trends by the three IDI markets. Companies that were focused more in one market found trend data that averaged the experience across all three markets to be less insightful for their own business.
- Adding new premium distributions by elimination period and benefit period. Differences in these distributions among the three IDI markets are significant.
- Expanding the list of IDI coverages currently offered to 19 from the list of seven coverages the survey had reported on for many years.
- Obtaining wastage data on submitted business.

We hope these new changes are useful additions to the IDI Market Survey, and we will certainly appreciate any other ideas that contributors and readers of the survey want to send our way.

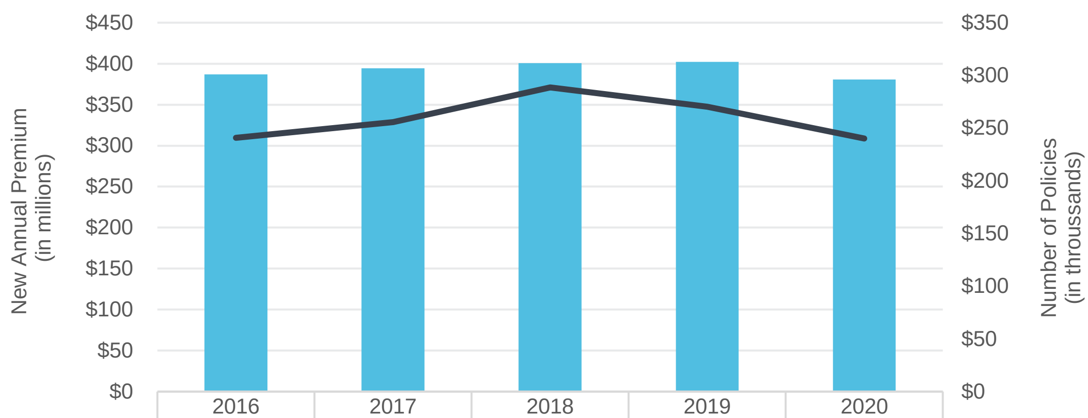
Section III: Sales results

This section analyzes trends in the new business sold by the 15 IDI contributors from 2016 through 2020.

VOLUME OF ANNUAL SALES FROM 2016 THROUGH 2020

Figure 2 shows the total volume of new policies and annualized premium sold by the contributing companies from 2016 through 2020. Total annualized new sales premium in 2020 was $381 million, down from $402 million in 2019, a 5% drop. The number of new policies dropped by 11% in 2020. For years 2016 through 2019 sales have shown slow growth at best and were essentially flat in years 2018 and 2019. It is reasonable to assume that the sharp drop in IDI new premium in 2020 was largely attributable to the COVID-19 pandemic.

FIGURE 2: NEW POLICIES AND ANNUALIZED PREMIUM BY ISSUE YEAR FROM 2016 THROUGH 2020



	2016	2017	2018	2019	2020
New Premiums	$387	$395	$401	$402	$381
New Policies	241	256	289	270	240

Figure 3 shows the cumulative new annualized premium by company as a percentage of total new premium in 2020, ranking companies by their new premium (i.e., Company 1 had the largest volume of new premium in 2020). The top five IDI contributors in 2020 produced 79% of the total new annualized premium among the 15 companies, and the top 10 IDI companies produced more than 97% of the total new annualized premium.

FIGURE 3: CUMULATIVE NEW ANNUALIZED PREMIUM BY COMPANY IN 2020 AS PERCENTAGE OF TOTAL ANNUALIZED PREMIUM

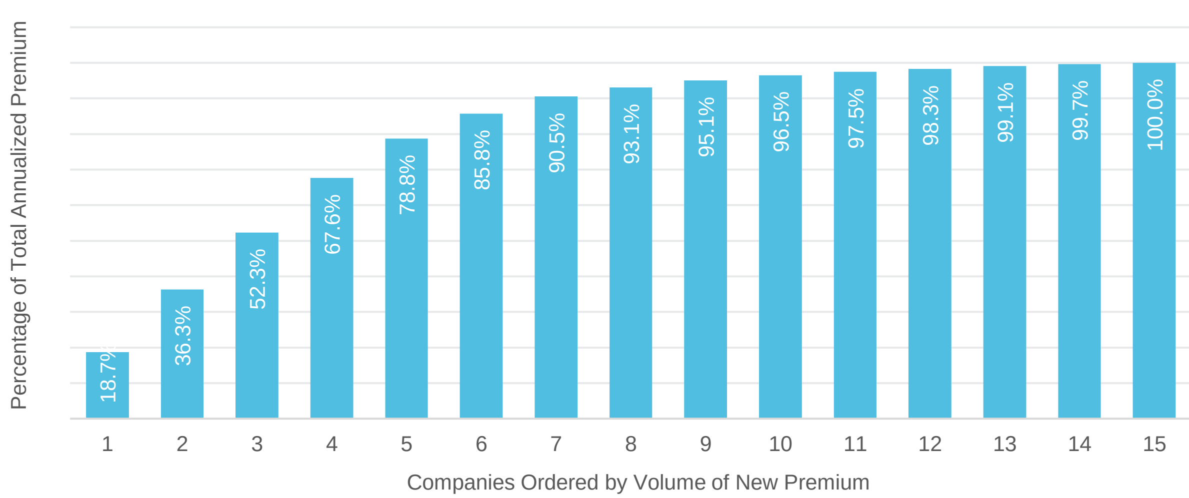
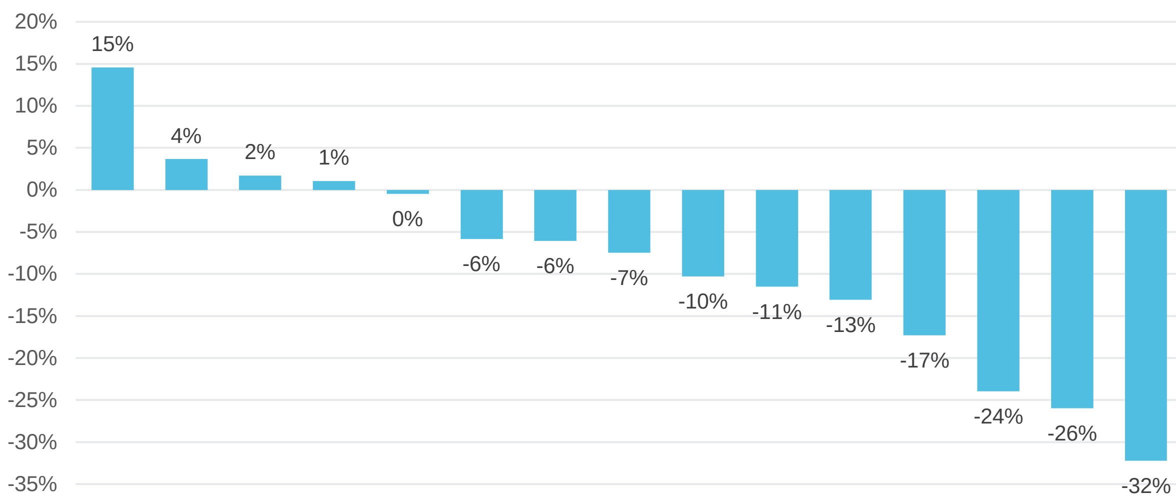


Figure 4 compares the annual growth rates (AGRs) in new annualized premium in 2020 for the 15 companies, ordered from the company with the highest AGR in 2020 (on the left) to the one with the lowest (on the right). Only four companies reported a positive AGR in 2020, ranging from 1% to 15%, while 11 companies reported negative growth, ranging from slightly negative to -32%.

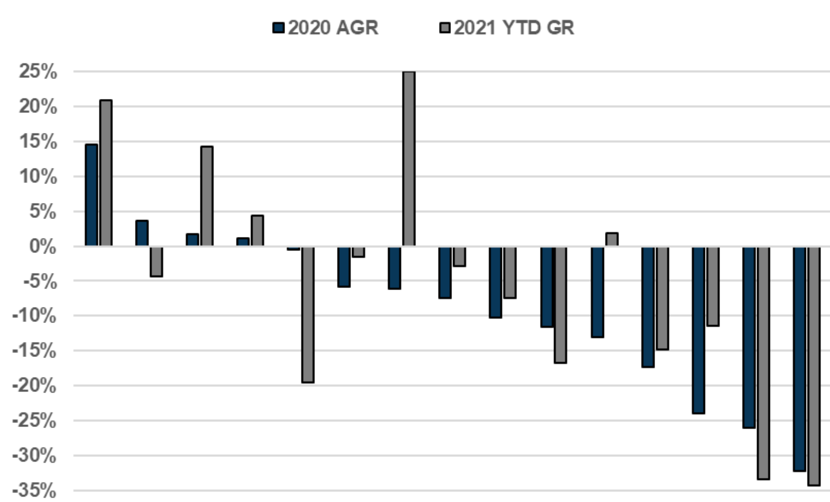
FIGURE 4: COMPARISON OF COMPANIES' NEW ANNUALIZED PREMIUM AGR IN 2020, RANKED HIGHEST TO LOWEST



YEAR-TO-DATE 2021 NEW PREMIUM GROWTH

Figure 5 shows the growth in the year-to-date (YTD) new premium from January 2021 to June 2021 by company, ordered from the highest growth on the left to the lowest on the right. The average YTD growth rate from 2020 to 2021 was a negative 4%. Figure 5 compares the annual growth rates in 2020 to the YTD growth rates in 2021 by company. While the aggregate YTD growth rate of -4.2% is consistent with the aggregate 2020 annual growth rates, a number of companies experienced opposite results between their annual 2020 growth rates and the 2021 YTD growth rates.

FIGURE 5: COMPARISON OF COMPANIES' NEW ANNUALIZED PREMIUM YTD GROWTH FROM 2020 TO 2021 (JANUARY-JUNE)



BUSINESS PRODUCTS

Two common IDI products offered by companies for the business market are overhead expense (OE) policies, which reimburse insureds for business expenses incurred while they are disabled, and disability buyout (DBO) policies, which provide funds for buying out a disabled partner's share of the business.

Ten of the 15 companies sold OE policies in 2020. The OE premium in 2020 represented 3.1% (compared to 3.5% in 2019) of total premium for these 10 companies. Six of the 15 companies sold DBO policies in 2020. The DBO premium in 2020 represented 1.4% (compared to 1.7% in 2019) of total premium for these six companies.

MARKETS

The IDI market is split into three segments:

1. **Individually sold business**
   The individually sold segment consists of policies typically sold one-on-one through agents or brokers. The individuals' employers are not involved in the endorsement of the IDI product or the payment of the premiums. Normal individual medical and financial underwriting practices are typically involved.

2. **Employer-sponsored multi-life (ESML) business**
   The ESML business is composed of two primary subsets. In the first, referred to as "employer-pay IDI," employers purchase IDI products for groups of employees in lieu of or as a supplement to group long-term disability (LTD) insurance. In the "voluntary" or "employee-pay IDI" subset, employers allow insurers to offer IDI coverage to employees onsite and to collect premiums through payroll deductions or list billing. The latter situation differs from the worksite disability market, described above in the Introduction of this report, because traditional IDI products rather than short-term and simplified ones are sold in the ESML market.

   In both employer-pay and employee-pay cases, underwriting can vary from traditional medical underwriting to guaranteed standard issue (GSI), depending upon the size of the case and the level of participation among eligible employees. Premiums for ESML groups are typically discounted 15% to 35%, depending upon the size of the case, the premium payer, or other demographic factors.

3. **Association**
   In the association segment, carriers seek endorsements from professional associations to provide IDI coverage to association members at discounted premiums. In general, the association market utilizes traditional underwriting. However, as an incentive for purchasing coverage, IDI carriers will sometimes offer some form of guaranteed underwriting (i.e., guaranteed standard amounts up to a $1,500 monthly benefit after the first 100 members sign up) in addition to a premium discount, typically 10%.

Companies historically have had more favorable claim experience in the ESML market than in the individually sold or association business. Less anti-selection occurs in the ESML market than in the other markets because the decision to purchase—in the case of employer-pay business—or the available selection of policy options is at the plan level. A recent IDI industry claim incidence study for years 2006 through 2014 shows that the favorable incidence margins in the ESML market are shrinking as companies issue more voluntary GSI cases. Due to the favorable claim experience and opportunities for additional sales, the ESML market has been the focus of more aggressive marketing efforts in the IDI industry in recent years.

Figure 6 compares the annual percentages of new annualized premium by market from 2016 through 2020. The percentage of new annualized premium issued in the ESML market has increased each year since 2016, reaching 44.7% in 2020. The percentage of new annualized premium issued in the individually sold market has decreased each year since 2018, dropping to 49.9% in 2020. The percentage of new annualized premium issued in the association market has remained relatively flat over the 2017-2019 period but jumped to 5.4% in 2020. The reader should be aware that certain companies specialize in serving the professional association market by offering conditionally renewable disability products on either individual or group platforms. These companies, which collectively represent the majority of the association market, are not included among the contributors to this survey.

FIGURE 6: DISTRIBUTION OF NEW ANNUALIZED PREMIUM BY MARKET, 2016 THROUGH 2020

YEAR	INDIVIDUALLY SOLD	ESML	ASSOCIATIONS	TOTAL
2016	52.7%	41.4%	5.9%	100.0%
2017	53.4%	42.3%	4.3%	100.0%
2018	53.4%	42.2%	4.4%	100.0%
2019	52.1%	43.4%	4.5%	100.0%
2020	49.9%	44.7%	5.4%	100.0%
Average	**52.9%**	**42.3%**	**4.8%**	**100.0%**

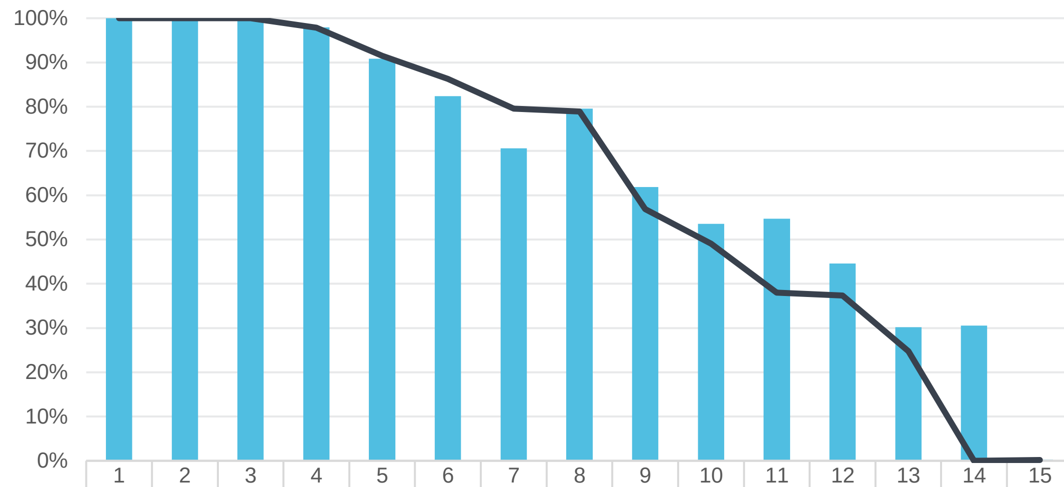
Figure 7 provides the AGRs in new annualized premium by market for years 2017 through 2020. The individually sold market incurred the largest reduction in new premium in 2020 at -9.2%, while the ESML market incurred a much lower drop in new premium at -2.4%. This may imply that COVID-19 presents different challenges to selling new business for the individually sold and ESML markets. The association market experienced a 13.6% increase in new premium in 2020. It should be noted that the 26.1% drop in new association premium in 2017 was primarily due to MetLife's strategic decision around that time to target only the employer-sponsored multi-life market.

FIGURE 7: ANNUAL GROWTH RATE IN NEW ANNUALIZED PREMIUM BY MARKET, 2017 THOUGH 2020

YEAR	INDIVIDUALLY SOLD	ESML	ASSOCIATIONS	TOTAL
2017	3.5%	4.2%	-26.1%	2.0%
2018	1.5%	1.4%	4.0%	1.5%
2019	-2.0%	3.2%	2.4%	0.4%
2020	-9.2%	-2.4%	13.6%	-5.3%
Average	**-1.7%**	**1.5%**	**-2.7%**	**-0.4%**

Figure 8 compares the average percentage of new annualized premium issued in the individually sold market from 2016 through 2019 to the 2020 percentage, by company. The companies in the chart are ordered so that No. 1 has the highest percentage in 2020 while No. 15 has the lowest. Three of the companies issue 100% of their new business in the individually sold market and two issue over 90%. Two companies do not issue new business in the individually sold market at all. Six companies show material decreases in the percentage of their 2020 sales in the individually sold market relative to their averages from 2006 through 2019.

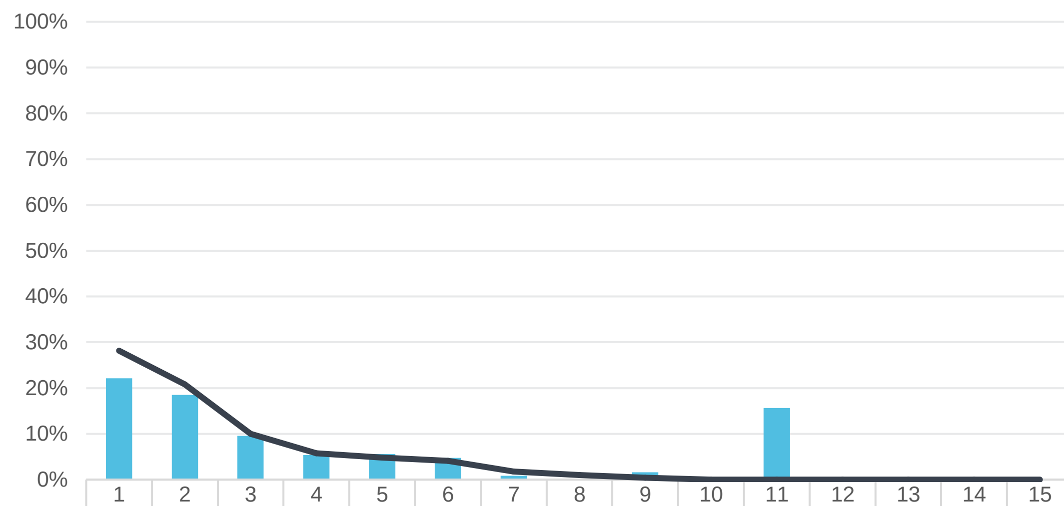
FIGURE 8: PERCENTAGE OF INDIVIDUALLY SOLD PREMIUM TO TOTAL NEW ANNUALIZED PREMIUM, AVERAGE 2016-2019 VS. 2020, BY COMPANY



	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Avg 2016-2019	100%	100%	100%	98%	91%	82%	71%	80%	62%	54%	55%	45%	30%	31%	0%
2020	100%	100%	100%	98%	92%	86%	80%	79%	57%	49%	38%	37%	25%	0%	0%

Figure 9 compares the average percentage of new annualized premium issued in the association market from 2016 through 2019 to the 2020 percentage, by company. Eight companies sold business in the association market in 2020. Two of these companies issued over 20% of their new premium in 2020 in this market.

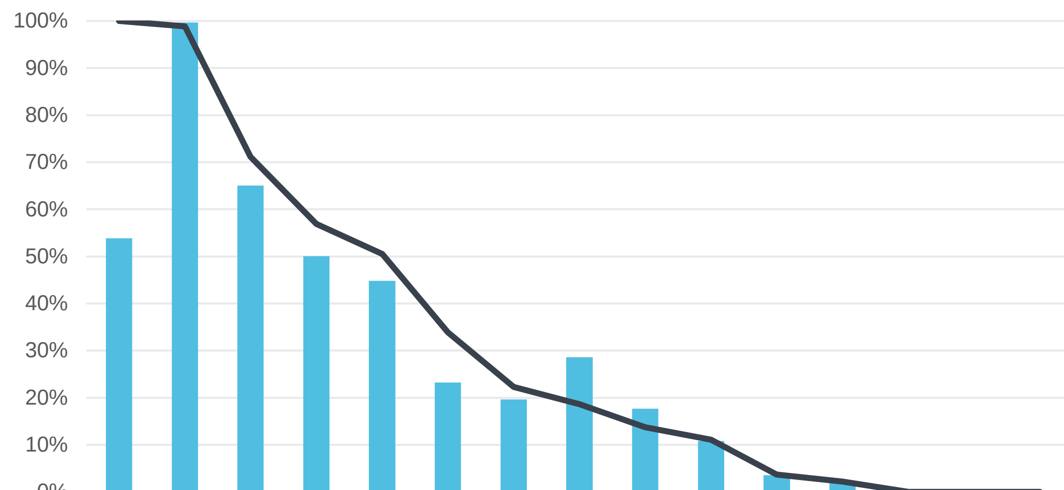
FIGURE 9: PERCENTAGE OF ASSOCIATION PREMIUM TO TOTAL NEW ANNUALIZED PREMIUM, AVERAGE 2016-2019 VS. 2020, BY COMPANY



	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Avg 2016-2019	22%	19%	10%	5%	6%	5%	1%	0%	2%	0%	16%	0%	0%	0%	0%
2020	28%	21%	10%	6%	5%	4%	2%	1%	0%	0%	0%	0%	0%	0%	0%

Figure 10 compares the average percentage of new annualized premium issued in the ESML market from 2016 through 2019 to the 2020 percentage, by company. Two companies effectively sell all of their new business in the ESML market. Six companies saw their percentage of new premium in the ESML market increase in 2020 over their averages from 2016 through 2019. Three companies do not sell their IDI products in the ESML market.

FIGURE 10: PERCENTAGE OF ESML PREMIUM TO TOTAL NEW ANNUALIZED PREMIUM, AVERAGE 2016-2019 VS. 2020, BY COMPANY



	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Avg 2016-2019	54%	100%	65%	50%	45%	23%	20%	29%	18%	11%	4%	2%	0%	0%	0%
2020	100%	99%	71%	57%	51%	34%	22%	19%	14%	11%	4%	2%	0%	0%	0%

Figure 11 shows the distribution of new ESML premium between employee-pay and employer-pay for years 2016 through 2020. The distribution of new ESML premium in 2020 was very close to the five-year average, which is 60% employee-pay versus 40% employer-pay.

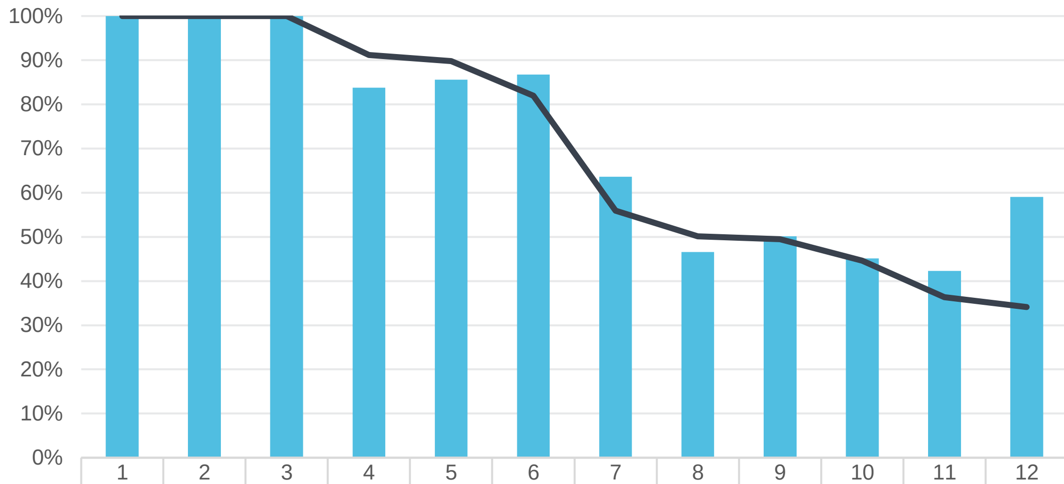
FIGURE 11: DISTRIBUTION OF NEW ESML PREMIUM BETWEEN EMPLOYEE-PAY AND EMPLOYER-PAY FOR YEARS 2016 THROUGH 2020

YEAR	EMPLOYEE-PAY	EMPLOYER-PAY	TOTAL
2016	60.8%	39.2%	100.0%
2017	60.0%	40.0%	100.0%
2018	61.2%	38.8%	100.0%
2019	56.6%	43.4%	100.0%
2020	59.2%	40.8%	100.0%
Average	59.5%	40.5%	100.0%

Figure 12 compares the percentage of new ESML annualized premium issued under employee-pay arrangements from 2016 through 2019 to the 2020 percentage, by company. The three companies that do not sell in the ESML market are excluded from this chart. These percentages subtracted from 100% represent the corresponding employer-pay percentages.

There are three companies with relatively small volumes of ESML business that issue only employee-pay business. Among the other nine companies, three had a noticeably higher percentage of employee-pay business in 2020 than the average over the prior four years. In general, the distribution of ESML business between employee-pay and employer-pay does not appear to be experiencing any obvious trend by year.

FIGURE 12: PERCENTAGE OF EMPLOYEE-PAY TO TOTAL ESML NEW ANNUALIZED PREMIUM, AVERAGE DURING 2016-2019 VS. 2020, BY COMPANY



	1	2	3	4	5	6	7	8	9	10	11	12
Avg 2016-2019	100%	100%	100%	84%	86%	87%	64%	47%	50%	45%	42%	59%
2020	100%	100%	100%	91%	90%	82%	56%	50%	49%	45%	36%	34%

KEY OCCUPATIONS

Eleven of the 15 companies were able to split their new annualized premium among key professional and executive occupations. The combined new premium from these 11 companies represented 95% of the combined new premium for the 15 contributors over the last five years. Figure 13 shows the combined distribution of new annualized premium by issue year from 2016 through 2020 for these 11 companies. The percentage of new premium from doctors and surgeons increased from 32.3% in 2019 to 34.1% in 2020, which is in line with a generally increasing trend over the last five years.

FIGURE 13: PERCENTAGE OF NEW ANNUALIZED PREMIUM BY KEY OCCUPATION ISSUED FROM 2016 THROUGH 2020 – ALL MARKETS COMBINED

YEAR	DOCTORS AND SURGEONS	DENTISTS	LAWYERS	EXECUTIVES	ACCOUNTANTS	OTHER	TOTAL
2016	29.5%	8.8%	6.2%	14.7%	2.0%	38.9%	100.0%
2017	31.0%	8.4%	6.0%	12.4%	2.0%	40.2%	100.0%
2018	29.8%	8.2%	6.4%	12.0%	1.9%	41.7%	100.0%
2019	32.3%	8.4%	6.4%	12.4%	1.7%	38.8%	100.0%
2020	34.1%	7.4%	5.7%	11.8%	2.4%	38.5%	100.0%
Average	**31.3%**	**8.2%**	**6.1%**	**12.6%**	**2.0%**	**39.6%**	**100.0%**

The distribution of new premium by these key occupations varies by market. Figures 14, 15, and 16 show the five-year distributions for each of the three IDI markets.

FIGURE 14: PERCENTAGE OF NEW ANNUALIZED PREMIUM BY KEY OCCUPATION ISSUED FROM 2016 THROUGH 2020 – INDIVIDUALLY SOLD MARKET

YEAR	DOCTORS AND SURGEONS	DENTISTS	LAWYERS	EXECUTIVES	ACCOUNTANTS	OTHER	TOTAL
2016	23.5%	10.8%	4.9%	18.1%	2.1%	40.6%	100.0%
2017	24.1%	10.4%	5.0%	14.6%	2.3%	43.6%	100.0%
2018	24.2%	10.1%	4.6%	14.7%	2.1%	44.3%	100.0%
2019	24.8%	10.6%	4.6%	15.3%	1.9%	42.9%	100.0%
2020	25.4%	9.7%	4.5%	15.0%	1.9%	43.5%	100.0%
Average	**24.4%**	**10.3%**	**4.7%**	**15.5%**	**2.1%**	**43.0%**	**100.0%**

FIGURE 15: PERCENTAGE OF NEW ANNUALIZED PREMIUM BY KEY OCCUPATION ISSUED FROM 2016 THROUGH 2020 – ESML MARKET

YEAR	DOCTORS AND SURGEONS	DENTISTS	LAWYERS	EXECUTIVES	ACCOUNTANTS	OTHER	TOTAL
2016	33.4%	3.0%	7.8%	13.5%	2.4%	40.0%	100.0%
2017	34.7%	2.7%	8.0%	13.0%	2.1%	39.6%	100.0%
2018	31.6%	2.9%	9.0%	11.4%	1.9%	43.1%	100.0%
2019	36.4%	3.0%	8.9%	12.4%	1.6%	37.7%	100.0%
2020	36.9%	2.7%	7.5%	12.1%	3.2%	37.8%	100.0%
Average	**34.6%**	**2.8%**	**8.2%**	**12.4%**	**2.2%**	**39.6%**	**100.0%**

FIGURE 16: PERCENTAGE OF NEW ANNUALIZED PREMIUM BY KEY OCCUPATION ISSUED FROM 2016 THROUGH 2020 – ASSOCIATION MARKET

YEAR	DOCTORS AND SURGEONS	DENTISTS	LAWYERS	EXECUTIVES	ACCOUNTANTS	OTHER	TOTAL
2016	52.5%	30.5%	4.3%	0.6%	1.7%	10.4%	100.0%
2017	57.4%	27.1%	3.9%	0.7%	0.4%	10.4%	100.0%
2018	63.8%	23.4%	4.4%	1.9%	0.3%	6.2%	100.0%
2019	63.2%	23.0%	4.4%	1.5%	0.3%	7.6%	100.0%
2020	67.9%	16.4%	3.4%	1.0%	0.3%	11.0%	100.0%
Average	**61.4%**	**23.7%**	**4.1%**	**1.2%**	**0.6%**	**9.2%**	**100.0%**

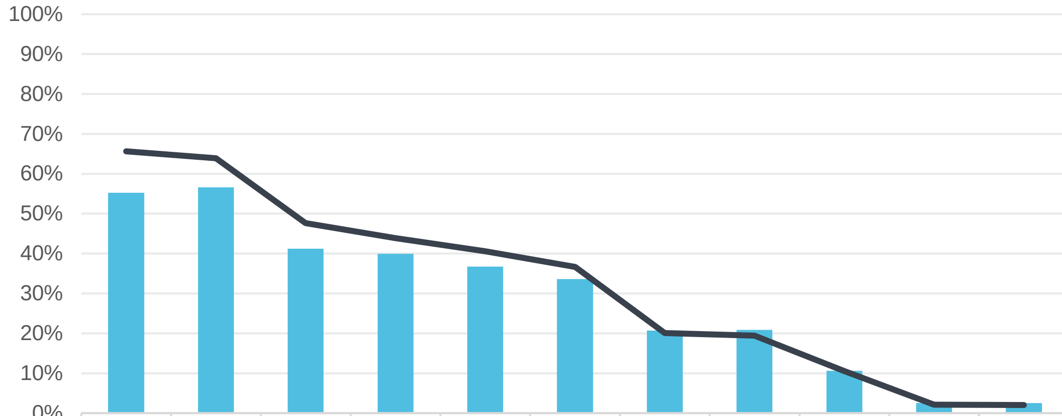
Doctors and surgeons have a lower percentage of new premium in the individual market than in the other two markets but are still the predominant key occupation. Executives have a higher percentage in the individual market than in the other two markets.

Doctors and surgeons have a higher percentage of new premium in the ESML market than in the individual market, but not as high as in the association market. On the other hand, dentists have a higher percentage of new premium in the individually sold market than in the ESML market, but not has high as in the association market. Lawyers have a higher percentage of new premium in the ESML market than in the individual market.

Doctors and surgeons have averaged 61% of the new premium in the association market over the last five years, and dentists comprise 24%. Doctors and surgeons experienced a significant increase in their share of the association market in 2020, jumping from 63.2% in 2019 to 67.9% in 2020.

Figure 17 compares the average percentage of new annualized premium issued to doctors and surgeons from 2016 through 2019 to the 2020 percentage for the 11 companies, all markets combined. The companies are ordered by size of their 2020 percentages, with No. 1 having the largest percentage.

FIGURE 17: PERCENTAGE OF NEW ANNUALIZED PREMIUM ISSUED TO DOCTORS AND SURGEONS, AVERAGE 2016-2019 VS. 2020, BY COMPANY – ALL MARKETS COMBINED



	1	2	3	4	5	6	7	8	9	10	11
Avg 2016-2019	55%	57%	41%	40%	37%	34%	21%	21%	11%	3%	3%
2020	66%	64%	48%	44%	41%	37%	20%	19%	11%	2%	2%

For two companies, doctors and surgeons represent over 60% of their new premium in 2020. Six companies increased their percentage of new premium sold to doctors and surgeons in 2020 compared to their average percentage over the last four years.

DISTRIBUTION TRENDS

Contributors split their new annualized premium by the following four distribution channels:

1. **Career agents**
   Career agents are employed by companies whose IDI products they are selling. Some companies refer to these producers other than as career agents. The companies employ the producers included in this distribution channel.
2. **Brokers**
   Brokers are either independent producers or career agents for companies that are different from the companies whose IDI products they are selling.
3. **National accounts**
   National accounts are insurance companies that enter into marketing arrangements with IDI carriers whereby their agents sell either the products of the IDI carriers, and the companies typically receive compensation in the form of marketing allowances from the IDI carriers, or the agents sell private-label IDI products, which are administered by the IDI carriers under turnkey arrangements.
4. **Other producers**
   Examples of other producers include personal producing general agents (PPGAs) and members of producer organizations.

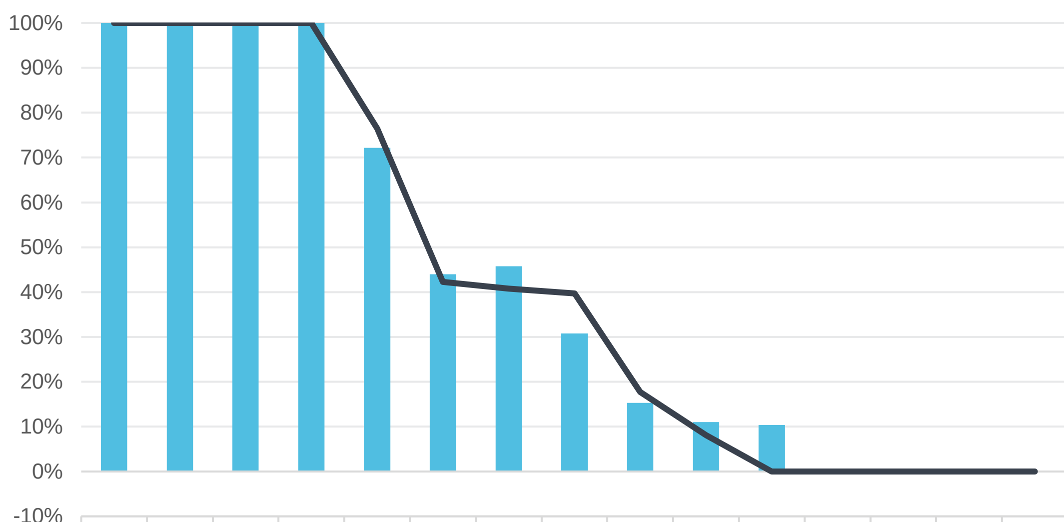
Figure 18 shows the mix of new premium by distribution channel for the 15 companies, combined, for the years 2016 through 2020, combining for all IDI markets in aggregate. Career agents and brokers have had roughly the same share of new IDI annualized premium on average over the last five years. However, over the last four years, brokers' share of new premium has been increasing while career agents' share has been decreasing. The share of new premium from national accounts has been relatively stable. The share of new premium from other producers has been increasing steadily over the last five years.

FIGURE 18: MIX OF NEW ANNUALIZED PREMIUM BY DISTRIBUTION CHANNEL ISSUED IN YEARS 2016 THROUGH 2020 – ALL MARKETS COMBINED

YEAR	CAREER AGENTS	BROKERS	NATIONAL ACCOUNTS	OTHER PRODUCERS	TOTAL
2016	42.2%	39.7%	4.3%	13.8%	100.0%
2017	42.1%	37.7%	4.5%	15.7%	100.0%
2018	42.0%	37.6%	4.3%	16.1%	100.0%
2019	40.3%	39.4%	4.1%	16.3%	100.0%
2020	39.5%	39.0%	4.0%	17.4%	100.0%
Average	41.2%	38.7%	4.2%	15.9%	100.0%

The percentage of new annualized premium sold through career agents for all companies combined was 40% in 2020 and 42% over the 2016-2019 period. Figure 19 compares the average percentage of new annualized premium sold by career agents in 2020 to the average over the prior four years (2016-2019). The companies in the chart are ordered so that No. 1 has the highest average percentage in 2020 and No.15 has the lowest. Four of the 15 companies sell only through their career agents, and four issued no new IDI premium through career agents over the last five years.

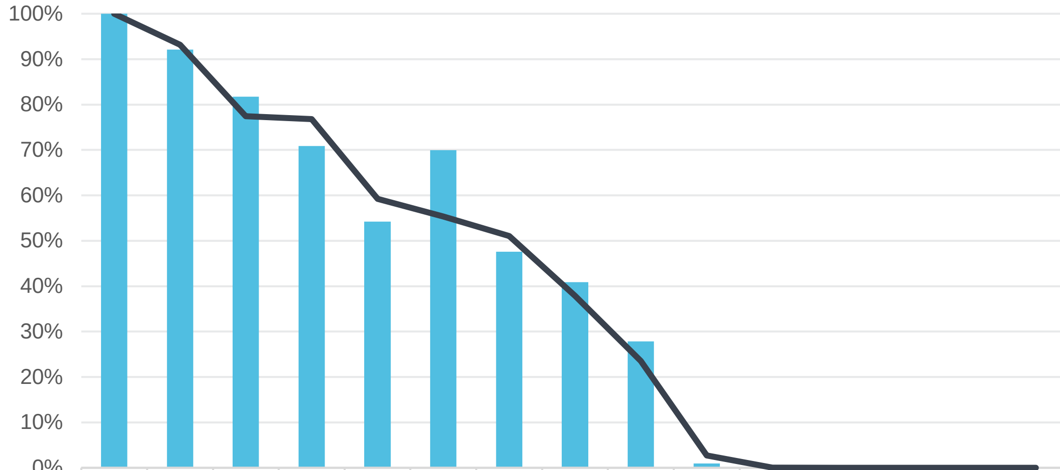
FIGURE 19: PERCENTAGE OF NEW ANNUALIZED PREMIUM SOLD THROUGH CAREER AGENTS: AVERAGE DURING 2016-2019 VS. 2020, BY COMPANY



	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Avg 2016-2019	100%	100%	100%	100%	72%	44%	46%	31%	15%	11%	10%	0%	0%	0%	0%
2020	100%	100%	100%	100%	76%	42%	41%	40%	18%	8%	0%	0%	0%	0%	0%

The percentage of new annualized premium sold through brokers for all companies combined was 39% in 2020 and as well as over the 2016-2019 period. Figure 20 compares the percentage of new annualized premium sold by brokers in 2020 to the average from 2016 through 2019, by company. Ten of the 15 companies sell some portion of the new premium through brokers, although for one of these 10 companies the broker percentage was only 3% in 2020. Five of the companies do not sell via brokers at all.

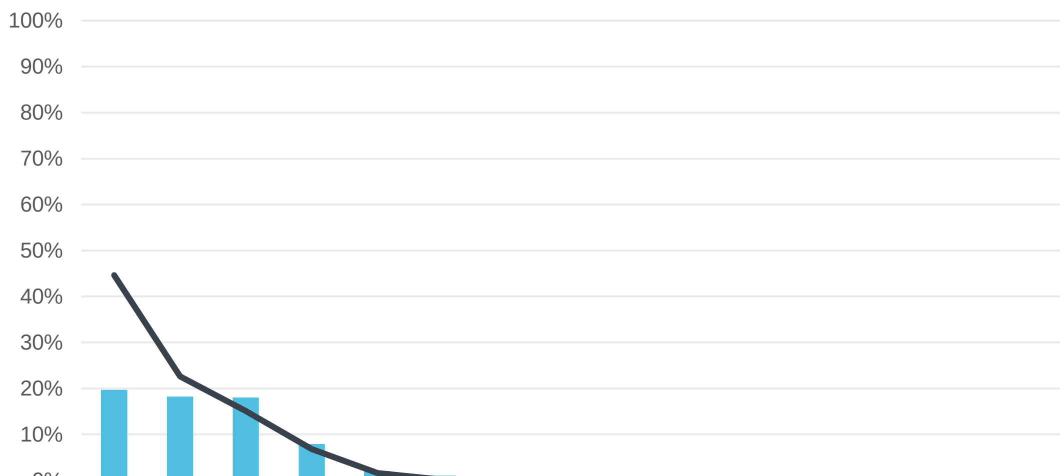
FIGURE 20: PERCENTAGE OF NEW ANNUALIZED PREMIUM SOLD THROUGH BROKERS: AVERAGE DURING 2016-2019 VS. 2020, BY COMPANY – ALL MARKETS COMBINED



	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Avg 2016-2019	100%	92%	82%	71%	54%	70%	48%	41%	28%	1%	0%	0%	0%	0%	0%
2020	100%	93%	77%	77%	59%	55%	51%	38%	24%	3%	0%	0%	0%	0%	0%

The percentage of new annualized premium sold through national accounts for all companies combined was 4% in 2020 as well as over the 2016-2019 period. Figure 21 compares the percentage of new annualized premium sold through national accounts in 2020 to the average from 2016 through 2019, all markets combined. Five of the 15 companies sell sold IDI policies through national accounts in 2020.

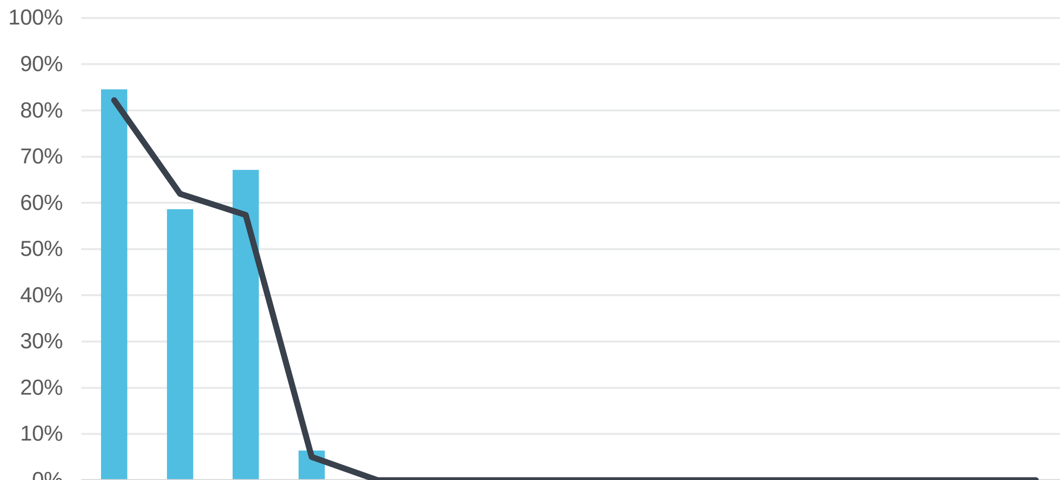
FIGURE 21: PERCENTAGE OF NEW ANNUALIZED PREMIUM SOLD THROUGH NATIONAL ACCOUNTS: AVERAGE DURING 2016-2019 VS. 2020, BY COMPANY – ALL MARKETS COMBINED



	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Avg 2016-2019	20%	18%	18%	8%	2%	1%	0%	0%	0%	0%	0%	0%	0%	0%	0%
2020	45%	23%	15%	7%	2%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

The percentage of new annualized premium sold through other types of producers for all companies combined was 17% in 2020 and 16% over the 2016-2019 period. Figure 22 compares the average percentage of new annualized premium sold by other types of producers in 2020 to the average from 2016 through 2019. Four of the 15 companies sell IDI policies through other types of producers. For three of these four companies, the percentage of IDI new premium sold through other types of producers ranged from 57% through 82% in 2020.

FIGURE 22: PERCENTAGE OF NEW ANNUALIZED PREMIUM SOLD THROUGH OTHER TYPES OF PRODUCERS: AVERAGE DURING 2016-2019 VS. 2020, BY COMPANY – ALL MARKETS COMBINED



	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Avg 2016-2019	85%	59%	67%	6%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
2020	82%	62%	57%	5%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

NONCANCELABLE TRENDS

Figure 23 shows the percentages of new IDI premium issued to noncan policies over the last five years by market, key occupation, and distribution channel. Noncan policies guarantee renewability and premium rates for the life of the policy. As shown below, noncan policies are the predominant IDI policy form. Guaranteed renewable (GR) policies guarantee renewability during the life of the policy but premium rates may be changed on a class basis and require approval from state insurance departments. DBO policies (discussed in the subsection above on business products) guarantee renewability as long as the underlying business relationship between the insured and the business beneficiary continues. DBO policies are labeled conditionally renewable (CR) and not noncan or GR in the Annual Statement Blank of the National Association of Insurance Commissioners (NAIC). For reporting in Milliman's IDI Market Survey, DBO policies that have guaranteed premiums are generally included with the noncan business, although there may be a few exceptions. By subtracting the noncan percentages shown below from 100%, the reader is able to derive the corresponding GR percentages.

FIGURE 23: PERCENTAGE OF NEW ANNUALIZED PREMIUM ISSUED ON NONCAN PRODUCTS

ISSUE YEAR	2016	2017	2018	2019	2020	AVERAGE
Total	82.3%	81.9%	81.5%	82.4%	83.7%	82.3%
BY OCCUPATION						
Doctors & surgeons	91.6%	93.2%	92.9%	93.6%	93.2%	92.9%
Dentists	92.5%	93.6%	92.2%	92.8%	93.7%	92.9%
Lawyers	86.3%	85.7%	88.8%	88.6%	87.3%	87.4%
Executives	77.3%	81.2%	80.9%	81.3%	80.8%	80.2%
Accountants	74.7%	74.0%	75.4%	76.3%	85.1%	77.4%
Other occupations	73.3%	71.8%	71.4%	71.5%	74.7%	72.5%
BY MARKET						
Individually sold	71.8%	70.9%	69.4%	70.6%	72.2%	70.9%
ESML	93.6%	94.4%	95.7%	95.5%	94.9%	94.8%
Association	96.2%	95.2%	93.0%	92.6%	96.8%	94.9%
BY DISTRIBUTION CHANNEL						
Career agents	70.0%	69.1%	67.6%	68.2%	69.7%	68.9%
Brokers	89.9%	89.3%	90.0%	90.9%	92.1%	90.5%
National accounts	92.6%	92.9%	93.7%	92.9%	92.1%	92.9%
Other producers	94.5%	95.0%	94.9%	94.5%	94.4%	94.7%

While the percentage of new annualized premium issued on noncan policies changed little from year to year, differences occur among the various categories:

- IDI premiums issued to doctors and surgeons and to dentists has a significantly higher noncan percentage than the other key occupations. The category, “other occupations,” i.e., all occupations other than the five listed key occupations, has the lowest noncan percentage.
- Among the three markets, IDI premium issued in the individually sold market has a significantly lower noncan percentage than IDI premium issued in the ESML and association markets.
- Among the various distribution channels, the “other producers” channel has the highest noncan percentage (averaging 95% over the last five years) and the career agents channel has the lowest noncan percentage (averaging 69% over the last five years).

ELIMINATION PERIOD TRENDS

Figure 24 shows the trends in the distribution of new IDI annualized premium by elimination period from 2016 through 2020 when all markets are combined. In general, the percentage of new premium for policies with elimination periods under 90 days has been decreasing, while the percentage for policies with the 90-day elimination period has been increasing. This shift to the 90-day elimination period is quite pronounced in 2020. The percentage of new premium for policies with elimination periods of 180 days and higher has been relatively stable over the five-year period.

FIGURE 24: DISTRIBUTION OF NEW ANNUALIZED PREMIUM BY ELIMINATION PERIOD FOR YEARS 2016 THROUGH 2020 – ALL MARKETS COMBINED

YEAR	30 DAYS & UNDER	60 DAYS	90 DAYS	180 DAYS	0VER 180 DAYS	TOTAL
2016	2.3%	1.3%	73.1%	20.4%	2.8%	100.0%
2017	2.6%	1.6%	74.4%	18.7%	2.7%	100.0%
2018	3.4%	2.3%	73.0%	18.6%	2.7%	100.0%
2019	3.1%	1.9%	72.7%	20.0%	2.3%	100.0%
2020	2.2%	1.3%	75.5%	18.7%	2.2%	100.0%
Average	2.8%	1.7%	73.7%	19.3%	2.5%	100.0%

The distribution of new IDI premium by elimination period is significantly different among the three IDI markets. Figure 25 shows the average distribution of new IDI premium by elimination period over the 2016-2020 period for each of the three markets.

FIGURE 25: AVERAGE DISTRIBUTION OF NEW ANNUALIZED PREMIUM BY MARKET FOR YEARS 2016 THROUGH 2020

YEAR	INDIVIDUALLY SOLD	ESML	ASSOCIATIONS	TOTAL
30 Days & Under	4.7%	0.2%	0.9%	2.8%
60 Days	3.0%	0.1%	0.4%	1.7%
90 Days	79.7%	63.2%	92.2%	73.7%
180 Days	11.1%	32.3%	6.0%	19.3%
Over 180 Days	1.5%	4.2%	0.5%	2.5%
Total	100.0%	100.0%	100.0%	100.0%

There are two significant differences in the distribution of elimination periods among the three IDI markets:

1. The percentage of new premium from policies with elimination periods under 90 days is much higher in the individually sold market than the other two markets, namely 7.7% versus 0.3% and 1.3%.
2. The percentage of new premium from policies with elimination periods of 180 days and over is much higher in the ESML market than the other two markets, namely 36.5% versus 12.6% and 6.5%. ESML cases are often packaged with group LTD coverage for which elimination periods of 180 days are common.

BENEFIT PERIOD TRENDS

Figure 26 shows the trends in the distribution of new IDI annualized premium by benefit period from 2016 through 2020 when all markets are combined.

FIGURE 26: DISTRIBUTION OF NEW ANNUALIZED PREMIUM BY BENEFIT PERIOD FOR YEARS 2016 THROUGH 2020 – ALL MARKETS COMBINED

YEAR	LIFETIME	TO AGE 65-70	SHORT-TERM	TOTAL
2016	0.7%	89.0%	10.4%	100.0%
2017	0.5%	88.2%	11.3%	100.0%
2018	0.4%	87.0%	12.6%	100.0%
2019	0.3%	87.9%	11.8%	100.0%
2020	0.3%	90.1%	9.6%	100.0%
Average	0.4%	88.4%	11.2%	100.0%

The distribution of new IDI premium by benefit period is significantly different among the three IDI markets. Figure 27 shows the average distribution of new IDI premium by benefit period over the 2016-2020 period for each of the three markets. Short-term benefit periods are more common in the individually sold market than the ESML or association markets. There was a noticeable shift from short-term to the ages 65-70 category, which may be due in large part to the higher percentage of new premium from doctors and surgeons.

FIGURE 27: AVERAGE DISTRIBUTION OF NEW ANNUALIZED PREMIUM BY MARKET FOR YEARS 2016 THROUGH 2020

YEAR	INDIVIDUALLY SOLD	ESML	ASSOCIATIONS	TOTAL
Lifetime	0.7%	0.0%	0.5%	0.5%
To Age 65-70	82.2%	96.9%	94.0%	94.0%
Short-term	17.1%	3.1%	5.4%	5.4%
Total	100.0%	100.0%	100.0%	100.0%

Section IV: Underwriting

This section discusses the current underwriting requirements of the 14 IDI companies that contributed to this part of the survey. One company does not contribute to the underwriting portion of this survey.

ISSUE AND PARTICIPATION LIMITS

The issue limit is the largest amount of monthly benefit that an IDI carrier will issue to an individual insured. Figure 28 compares the highest, median, and lowest issue limits among the 14 contributors for the top nonmedical occupation class and for the top medical occupation class in 2020 and 2021.

Since the last IDI Market Survey, one company has increased its maximum issue limit for the top nonmedical occupations to $35,000, and two companies will now issue $30,000 to their top medical occupations. The last IDI Market Survey observed the first change in the highest issue limits among the 14 companies in many years. This survey suggests that there may be more interest by companies in increasing their issue limits in the future.

FIGURE 28: MAXIMUM ISSUE LIMITS, 2020 AND 2021

	TOP NONMEDICAL OCCUPATION CLASS		TOP MEDICAL OCCUPATION CLASS	
YEAR	2020	2021	2020	2021
Measure:				
Highest Limit	$30,000	$35,000	$30,000	$30,000
Median Limit	$20,000	$20,000	$20,000	$20,000
Lowest Limit	$6,000	$6,000	$7,000	$7,000
# Companies at Highest Limit	1	1	1	2

The participation limit is the largest total monthly benefit amount that an IDI company will permit an insured to have from all sources of IDI and group long-term disability (LTD), including coverage from other companies. Figure 29 compares the highest, median, and lowest participation limits, when group LTD is not present, among the 14 contributors in 2020 and 2021 for the top nonmedical and medical occupation classes. Three companies now share the highest participation limit at $35,000 when LTD is not present for the top nonmedical occupations, and eight companies share the highest participation limit at $30,000 when LTD is not present for the top medical occupations

FIGURE 29: MAXIMUM PARTICIPATION LIMITS WHEN GROUP LTD IS NOT PRESENT, 2020 AND 2021

	TOP NONMEDICAL OCCUPATION CLASS		TOP MEDICAL OCCUPATION CLASS	
YEAR	2020	2021	2020	2021
Measure:				
Highest Limit	$35,000	$35,000	$30,000	$30,000
Median Limit	$30,000	$30,000	$27,500	$30,000
Lowest Limit	$6,000	$6,000	$7,000	$7,000
# Companies at Highest Limit	2	3	7	8

Figure 30 compares the highest, median, and lowest participation limits, when group LTD is present, among the 14 contributors in 2020 and 2021 for the top nonmedical and medical occupation classes. Most companies are willing to participate at higher amounts when the insured has group LTD because the LTD benefits are typically taxable and offset for Social Security and workers' compensation disability benefits. Only one company has the highest participation limit at $40,000 when LTD is present for its top nonmedical occupations, while eight of the 14 companies share the highest participation limit at $35,000 when LTD is present for their top medical occupations.

FIGURE 30: MAXIMUM PARTICIPATION LIMITS WHEN GROUP LTD IS PRESENT, 2020 AND 2021

	TOP NONMEDICAL OCCUPATION CLASS		TOP MEDICAL OCCUPATION CLASS	
YEAR	2020	2021	2020	2021
Measure:				
Highest Limit	$40,000	$40,000	$35,000	$35,000
Median Limit	$32,500	$35,000	$32,500	$35,000
Lowest Limit	$6,000	$6,000	$12,000	$12,000
# Companies at Highest Limit	1	1	7	8

REPLACEMENT LIMITS

A replacement limit is the highest monthly disability benefit that an insurer will issue on an applicant (including all sources of IDI and group LTD) based on an applicant's earned income. Because of the different tax treatments of disability benefits, replacement limits depend on the premium payer, i.e., the insured or the employer. Disability benefits are taxable to the insured when the employer pays the premium, but they are not taxable if the insured pays the premiums with after-tax income. Consequently, companies typically offer higher replacement ratios in employer-pay cases than when the insured pays the premium.

Most companies offer higher replacement limits when applicants are also covered by group LTD due to the benefit offset provisions in group LTD coverage and the taxable nature of LTD benefits when the employer pays the premiums. Replacement limits have increased over the past few years as competition in the ESML market has increased. Replacement limits with LTD also tend to be flatter percentages of earned income in order to align better with LTD plan designs.

The next four figures compare the current median and maximum monthly replacement limits among the 14 survey contributors over a range of annual earned incomes, varying between premium payer and whether group LTD is present:

- Figure 31: Employee-pay policies when group LTD is not present.
- Figure 32: Employee-pay policies when group LTD is present.
- Figure 33: Employer-pay policies when group LTD is not present.
- Figure 34: Employer-pay policies when group LTD is present.

The ratios of maximum to median for the 2021 replacement limits measure the closeness of the median limits to the maximum limits. The 2021/2020 ratios compare the median and maximum replacement limits in 2021 to those in 2020 in order to observe where changes over the last year have occurred.

Most of the changes in the replacement limits since last year's IDI Market Survey appear to be due to companies changing their maximum participation limits, which were discussed previously.

FIGURE 31: MEDIAN AND MAXIMUM 2021 MONTHLY REPLACEMENT LIMITS BY ANNUAL EARNED INCOME, FOR EMPLOYEE-PAY POLICIES WHEN NO GROUP LTD IS PRESENT

	2021 MONTHLY REPLACEMENT LIMIT			2021 / 2020	
ANNUAL EARNED INCOME	MEDIAN	MAXIMUM	MAXIMUM TO MEDIAN	MEDIAN	MAXIMUM
$20,000	$1,290	$1,400	1.09	100%	102%
$40,000	$2,430	$2,525	1.04	101%	100%
$60,000	$3,410	$3,700	1.09	100%	102%
$80,000	$4,255	$4,700	1.10	100%	102%
$100,000	$5,075	$5,500	1.08	100%	100%
$125,000	$6,070	$6,600	1.09	101%	100%
$150,000	$7,188	$7,700	1.07	100%	100%
$175,000	$8,200	$8,900	1.09	100%	101%
$200,000	$9,375	$9,900	1.06	101%	100%
$250,000	$11,450	$12,000	1.05	100%	101%
$300,000	$13,000	$13,800	1.06	100%	100%
$350,000	$14,828	$15,600	1.05	100%	100%
$400,000	$16,125	$16,500	1.02	100%	100%
$450,000	$16,875	$18,225	1.08	101%	100%
$500,000	$18,000	$19,890	1.11	101%	100%
$550,000	$18,790	$20,000	1.06	101%	100%
$600,000	$20,000	$20,150	1.01	100%	100%
$650,000	$20,000	$21,150	1.06	100%	100%
$700,000	$20,050	$22,150	1.10	100%	100%
$750,000	$21,075	$23,150	1.10	100%	100%

FIGURE 32: MEDIAN AND MAXIMUM 2021 MONTHLY REPLACEMENT LIMITS BY ANNUAL EARNED INCOME, FOR EMPLOYEE-PAY POLICIES WHEN GROUP LTD IS PRESENT

	2021 MONTHLY REPLACEMENT LIMIT			2021 / 2020	
ANNUAL EARNED INCOME	MEDIAN	MAXIMUM	ANNUAL EARNED INCOME	MEDIAN	MAXIMUM
$20,000	$1,298	$1,400	1.08	100%	101%
$40,000	$2,450	$2,700	1.10	100%	100%
$60,000	$3,575	$4,000	1.12	100%	100%
$80,000	$4,540	$5,335	1.18	100%	100%
$100,000	$5,550	$6,665	1.20	99%	100%
$125,000	$7,025	$8,225	1.17	100%	100%
$150,000	$8,500	$9,000	1.06	100%	100%
$175,000	$9,650	$10,300	1.07	100%	100%
$200,000	$10,950	$11,700	1.07	100%	100%
$250,000	$13,546	$14,600	1.08	100%	100%
$300,000	$16,210	$17,400	1.07	100%	100%
$350,000	$18,830	$20,100	1.07	100%	100%
$400,000	$21,575	$22,600	1.05	100%	100%
$450,000	$23,950	$25,100	1.05	100%	100%
$500,000	$26,630	$28,625	1.07	100%	103%
$550,000	$29,065	$30,043	1.03	100%	101%
$600,000	$30,000	$32,000	1.07	100%	100%
$650,000	$30,525	$34,250	1.12	102%	100%
$700,000	$30,375	$35,000	1.15	101%	100%
$750,000	$31,750	$35,000	1.10	106%	100%

FIGURE 33: MEDIAN AND MAXIMUM 2021 MONTHLY REPLACEMENT LIMITS BY ANNUAL EARNED INCOME, FOR EMPLOYER-PAY POLICIES WHEN NO GROUP LTD IS PRESENT

	2021 MONTHLY REPLACEMENT LIMIT			2021 / 2020	
ANNUAL EARNED INCOME	MEDIAN	MAXIMUM	ANNUAL EARNED INCOME	MEDIAN	MAXIMUM
$20,000	$1,448	$1,830	1.26	99%	100%
$40,000	$2,805	$3,545	1.26	100%	100%
$60,000	$4,165	$4,855	1.17	99%	100%
$80,000	$5,418	$6,070	1.12	99%	100%
$100,000	$6,500	$7,200	1.11	100%	100%
$125,000	$7,813	$8,630	1.10	100%	100%
$150,000	$9,153	$9,900	1.08	100%	100%
$175,000	$10,555	$11,785	1.12	100%	100%
$200,000	$11,960	$13,355	1.12	100%	100%
$250,000	$14,700	$16,200	1.10	100%	100%
$300,000	$16,175	$18,215	1.13	100%	100%
$350,000	$17,625	$20,000	1.13	100%	100%
$400,000	$19,850	$20,245	1.02	100%	100%
$450,000	$20,090	$21,420	1.07	100%	100%
$500,000	$20,600	$22,500	1.09	100%	99%
$550,000	$21,500	$23,500	1.09	100%	100%
$600,000	$22,450	$24,250	1.08	100%	100%
$650,000	$23,450	$25,050	1.07	100%	100%
$700,000	$24,300	$26,100	1.07	100%	100%
$750,000	$25,000	$27,375	1.10	100%	100%

FIGURE 34: MEDIAN AND MAXIMUM 2020 MONTHLY REPLACEMENT LIMITS BY ANNUAL EARNED INCOME, FOR EMPLOYER-PAY POLICIES WHEN GROUP LTD IS PRESENT

	2021 MONTHLY REPLACEMENT LIMIT			2021 / 2020	
ANNUAL EARNED INCOME	MEDIAN	MAXIMUM	ANNUAL EARNED INCOME	MEDIAN	MAXIMUM
$20,000	$1,448	$1,830	1.26	99%	100%
$40,000	$2,825	$3,545	1.25	100%	100%
$60,000	$4,288	$4,900	1.14	100%	100%
$80,000	$5,671	$6,300	1.11	100%	100%
$100,000	$6,925	$7,500	1.08	100%	100%
$125,000	$8,665	$9,300	1.07	100%	100%
$150,000	$10,410	$11,025	1.06	99%	100%
$175,000	$12,013	$12,625	1.05	99%	100%
$200,000	$13,800	$14,300	1.04	100%	100%
$250,000	$17,200	$18,070	1.05	99%	100%
$300,000	$20,250	$21,370	1.06	98%	100%
$350,000	$23,450	$25,000	1.07	99%	100%
$400,000	$26,684	$27,720	1.04	100%	100%
$450,000	$29,450	$31,000	1.05	100%	100%
$500,000	$30,000	$33,660	1.12	100%	100%
$550,000	$30,311	$36,340	1.20	101%	100%
$600,000	$30,788	$37,500	1.22	103%	100%
$650,000	$30,909	$38,500	1.25	103%	100%
$700,000	$30,968	$39,500	1.28	103%	100%
$750,000	$32,500	$40,500	1.25	108%	100%

Companies often adjust the group LTD benefits when calculating the participation limits to reflect potential differences in the taxation between individual and group disability benefits. For example, a company may only reflect 80% of a group LTD benefit when determining how much individual coverage it will allow. These adjustments usually vary between employee-pay and employer-pay cases. Figure 35 shows the factors that 11 of the 14 companies use to adjust the group LTD benefits.

FIGURE 35: FACTORS USED TO ADJUST GROUP LTD BENEFIT IN THE CALCULATION OF PARTICIPATION LIMITS

EMPLOYEE-PAY	EMPLOYER-PAY	NUMBER OF COMPANIES
65%	80%	1
70%	70%	3
70%	100%	1
70% or 75%	100%	1
100%	70%	2
100%	80%	1

UNDERWRITING REQUIREMENTS: INDIVIDUALLY SOLD MARKET

Figures 36, 37, and 38 show the blood testing, financial documentation, and paramedical examination requirements, respectively, for 13 contributors' normal underwriting rules in 2021. One company does not submit any underwriting requirements because it no longer sells IDI products in the individually sold market. A number between parentheses in any response indicates how many companies have this requirement.

Of the 13 companies responding, six reported changes this year to their blood testing limits.

FIGURE 36: BLOOD TESTING LIMITS IN 2021

$2,500
$3,000
$4,000 (2)
$4,500
$2,000 and above; depending on age and benefit period. For some ages blood is required on all applications.
No labs for ages 50 and under with amounts $10,000 and under. Labs required for ages over 50 or amounts over $6,000.
$3,000 with streamlined underwriting up to age 45 and amounts under $7,500 for classes 4A,4M and up.
$6,000 & ages over 45.
For ages 18-50, $10,000 and higher; all issue amounts for ages 51+.
For ages 18-50, blood & urine required for amounts over $5,000; for ages 51-60 for amounts over $3,000.
No blood testing is required under age 45 unless for cause.
For ages under 45, $1,000 to $5,000 require oral fluids and amounts of $5,000+ require blood & urine; over age 45: $1,000 and over require blood & urine.

Three of the 13 companies reported changes in their financial documentation requirements since last year's IDI Market Survey.

FIGURE 37: FINANCIAL DOCUMENTATION LIMITS IN 2021

$3,000 (2)
$4,001
$5,000 (2)
$6,100
All cases
For all employees, current paystub, W-2 and/or latest 1040. For self-employed individuals, latest 1040 and current profit & loss statement.
Benefit applied plus in-force (excluding LTD) exceeds $10,000 per month.
For employees, no financial documentation for coverage up to $3000; W-2 required for higher coverage. For business owners, requirements vary. Financial documentation for all cases in Puerto Rico.
Financial documentation required for most cases.
Required except for students, residents & new professionals, and with simplified underwriting.

FIGURE 38: PARAMEDICAL EXAMINATION LIMITS (FOR AGE 40-49) IN 2021

$2,000
$2,500
$3,000
$4,000
$5,000
$6,100
$11,000
For ages 40-45, $5,000 for benefit period of 5 years, $4,000 for benefit periods longer than 5 years. For ages 46-49, $3,000 for benefit period of 5 years; $2,000 for benefit periods longer than 5 years.
$3,000 or N/A up to age 45, amounts under $7,500, and classes 4A,4M and up.
Required only when traditional paper Part B completed on benefit amounts $7,501 and greater.
For ages under 45, amounts $5,000 to $7,500 require physical measurements, amounts over $7,500 require paramedical exam. For ages 45+, amounts $1,000 to $7,500 require physical measurements, amounts of $7,500 require paramedical exams. All cases in Puerto Rico require paramedic exams.
We have been moving away from paramedical exams for the last few years. Since we don't use them any longer, we're now putting NA, although this is less of a policy change from year to year than a gradual evolution of practice over time.

Companies were asked if they are using or considering using tele-applications, pharmaceutical databases, motor vehicle records, and electronic underwriting engines in their underwriting. One of the 14 companies did not respond because it no longer sells IDI products in the individually sold market. Figure 39 summarizes the responses of the other 13 companies.

All 13 of the IDI companies utilize pharmaceutical databases in their underwriting. Eleven companies utilize motor vehicle records, and one is not considering using this tool. One company pointed out that its use of motor vehicle records was subject to the discretion of the underwriter. Nine companies utilize tele-applications. Six companies utilize electronic underwriting engines, and two companies have plans to utilize electronic underwriting engines in the near future.

FIGURE 39: UTILIZATION OF TELE-APPLICATIONS, PHARMACEUTICAL DATABASES, MOTOR VEHICLE RECORDS, AND ELECTRONIC UNDERWRITING ENGINES

UNDERWRITING TOOLS	USING NOW	HAVE PLANS IN NEAR FUTURE	JUST BEGINNING TO THINK ABOUT IT	NOT CONSIDERING
Tele-applications	9	0	1	3
Pharmaceutical databases	13	0	0	0
Motor vehicle records	11	0	0	1
Electronic underwriting engines	6	2	3	1

UNDERWRITING REQUIREMENTS: ESML MARKET

The ESML market has three categories of underwriting, depending upon case size, participation of eligible employees, and other demographic and risk factors:

1. **Normal underwriting**
   Normal underwriting involves traditional medical and financial underwriting. We include simplified medical underwriting in this category.
2. **Guaranteed standard issue (GSI)**
   GSI underwriting involves issuing policies to employer-sponsored cases on a standard basis for all actively-at-work applicants, up to a specified monthly amount limit, with no medical underwriting.
3. **Guaranteed to issue (GTI)**
   GTI underwriting involves traditional medical and financial underwriting of policies in employer-sponsored cases, with a guarantee that policies will be issued to eligible employees, albeit possibly rated and/or with waived impairments.

Figures 40 and 41 show the GSI underwriting requirements for ESML cases reported by nine companies currently active in the ESML market. Figure 40 shows the voluntary GSI requirements typical of employee-pay cases, and Figure 41 shows the GSI requirements typical of employer-pay cases, which include 100% of eligible employees.

In general, there were no significant changes in the employee-pay GSI requirements from the last IDI Market Survey, except one company has decided to no longer sell GSI, for either employee-pay or employer-pay cases.

FIGURE 40: EMPLOYEE-PAY (VOLUNTARY) GSI REQUIREMENTS, 2021

	MAXIMUM ISSUE LIMITS BY CASE SIZE				PARTICIPATION REQUIREMENTS BY CASE SIZE			
MINIMUM NUMBER OF ELIGIBLE LIVES	10 LIVES	50 LIVES	200 LIVES	1,000 LIVES	10 LIVES	50 LIVES	200 LIVES	1,000 LIVES
10	$4,000	$5,000	$7,000	$8,000	>25% or 10 lives	25%	25%	25%
15	$5,000	$5,000	$5,000	$5,000	50%	20%	20%	20%
30		$3,000	$5,000	$5,000	NA	30%	30%	30%
30 or 30% of total group		$5,000	Case by case	Case by case	30%	30%	30%	30%
Minimum 50 eligible lives, 15 must apply		$5,000	$15,000	$15,000	NA	30%	15%	15%
75		NA	$10,000	$10,000	NA	NA	30%	25%
Approximately 75		Not provided	Not provided	Not provided	Not provided	Not provided	Not provided	Not provided
75 with incomes $100,000 +		Not provided	Not provided	Not provided	Not provided	Not provided	Not provided	Not provided

Note: The participation requirement percentages apply to the number of eligible lives.

The minimum number of lives required on employee-pay (voluntary) GSI cases ranges from 10 to 75. The maximum GSI issue limits on employee-pay cases vary by case size, e.g., $3,000 to $5,000 for cases of 10 and 50 lives, $5,000 to $15,000 for cases of 200 and 1,000 lives. Participation requirements on voluntary cases also vary by case size—in general, the larger the case, the lower the participation requirement. In the past, a participation target of 30% was typical. Minimum participation requirements now range from 15% to 30% for all but the smallest cases. The only change from the voluntary GSI requirements reported in 2020 was when one company increased its minimum number of lives from 15 to 30.

FIGURE 41: EMPLOYER-PAY (MANDATORY) GSI REQUIREMENTS, 2021

	MAXIMUM ISSUE LIMITS BY CASE SIZE			
MINIMUM NUMBER OF LIVES	10 LIVES	50 LIVES	200 LIVES	1,000 LIVES
5	$5,000	$8,500	$10,000	$10,000
5	Not provided	Not provided	Not provided	Not provided
5	$2,500	$10,000	$10,000	$10,000
5	$10,000	$12,500	$15,000	$15,000
5 written lives	$20,000	$20,000	$20,000	$20,000
10	Not provided	Not provided	Not provided	Not provided
10	$4,000	$7,500	$10,000	$15,000
10	$10,000	$17,500	Case by case	Case by case
15	$5,000	$5,000	$5,000	$5,000

The minimum number of lives required on employer-pay cases, where participation of eligible lives is mandatory, ranges from five to 15 lives. Because of a lower risk of anti-selection, the maximum GSI limits on employer-pay cases tend to be higher than for employee-pay cases at the same sizes. One company currently reports that it offers a maximum GSI limit of $20,000 on cases that have at least five lives.

Figure 42 shows the distribution of ESML new premium for issue years 2016 through 2020 by type of underwriting split between employee-pay and employer-pay plans. These results are from all companies that are active in the ESML market today and that contributed to the new sales results in Section III above. From 2016 through 2020, GSI business averaged 55% of the employee-pay ESML new premium and 92% of the employer-pay ESML new premium.

FIGURE 42: DISTRIBUTION OF ESML NEW ANNUALIZED PREMIUM BY TYPE OF UNDERWRITING, ISSUE YEARS 2016 THROUGH 2020

	EMPLOYEE-PAY			EMPLOYER-PAY		
ISSUE YEAR	GSI	GTI	NORMAL AND SIMPLIFIED ISSUE	GSI	GTI	NORMAL AND SIMPLIFIED ISSUE
2016	53.1%	1.2%	45.7%	91.5%	0.8%	7.7%
2017	53.3%	1.2%	45.5%	93.2%	0.6%	6.1%
2018	59.4%	1.1%	39.4%	92.7%	0.6%	6.6%
2019	55.3%	0.8%	43.9%	93.3%	0.5%	6.2%
2020	52.3%	0.0%	47.7%	89.7%	0.2%	10.0%
Average	54.7%	0.9%	44.4%	92.1%	0.6%	7.3%

The companies were asked to rate their satisfaction with the morbidity results of their employee-pay (voluntary) GSI cases. The table in Figure 43 compares the responses from the IDI market surveys in 2020 and 2021 of seven companies that are active in the ESML market. Ratings are from 1 to 5 in their responses, where a rating of 1 means the company is very dissatisfied with the morbidity results, a rating of 3 means morbidity is meeting the company's expectations, and a rating of 5 means the company is very pleased.

FIGURE 43: COMPANY RATINGS OF THEIR VOLUNTARY GSI MORBIDITY

RATING	2020	2021
1 (least satisfied)	0	0
2	3	2
3	4	4
4	0	1
5 (most satisfied)	0	0
Average	2.6	2.9
Median	3	3

Two companies upgraded their assessments of the voluntary GSI experience from last year, one from 2 to 3 and one from 3 to 4.

SIMPLIFIED UNDERWRITING PROGRAMS

One of the typical impediments to IDI sales has been the extensive and time-consuming underwriting requirements, particularly when compared with individual life insurance underwriting. To overcome this obstacle, a number of IDI companies have introduced simplified underwriting programs for the less risky segments. Under these programs, some routine underwriting requirements (e.g., medical tests and financial documentation) were abbreviated or waived to speed up and simplify the IDI underwriting process.

Nine companies described the simplified underwriting programs that they used in 2021. Figure 44 provides their responses.

FIGURE 44: SIMPLIFIED UNDERWRITING PROGRAMS IN 2021

We have a simplified DI plan which uses a shortened application. We do not order exams or labs and limit the face amount to $3,000 and the benefit period to 2 years.
We have programs with simplified financial requirements and no lab requirements. We also have a new program that allows for quick issue using simplified medical knock out questions and EHRs for our Term IDI product.
No age and amount requirements except for cause up to $10,000 per month and up to age 50.
Certain sizes require less underwriting.
For applicants up to age 45 and occupational class 4A or 4M and higher up to a monthly benefit amount of $7,500, no labs or paramedic exams are required.
No exams, labs and APSs through $10,000 and age 50, and no income verification through $6,000 per month.
We offer simplified underwriting for issue amounts up to $6,000 to ages 18-45 and up to $3,000 for ages 46-50. Physician residents aged 18-45 can apply for up to issue & participation limits with financial documentation. We require the use of our TeleApp application and process for simplified underwriting.
Screening application on Short Term DI, with Rx Profile accompanied with rules.
Individuals are eligible for a simplified DI contract ($500/$2000 monthly benefit, 90-day deductible period, 60-month maximum period, no additional riders) if they meet the following criteria: - Are applying for, or have been approved in the last 45 days for, $100,000 or more of underwritten life insurance. - Receive a standard or better rating on their life insurance. - Have no individual DI coverage in force or pending. (If they have group DI the monthly benefit reduces to $500) - Are employed 10 hours or more per week. - Answer No to eight simplified underwriting questions.

CHANGES IN UNDERWRITING PROGRAM SINCE THE LAST SURVEY

Companies were asked to describe any changes in their underwriting programs since the last IDI market survey. Four companies responded. Figure 45 lists their reported changes.

FIGURE 45: CHANGES IN UNDERWRITING PROGRAMS SINCE THE LAST SURVEY

Implemented temporary COVID fluidless limits of $10,000 per month for ages 45 and below using our tele-underwriting process.
Increased issue limits, participation limits and replacement ratios in June 2020
Introduced a simplified underwriting program
No longer offering full mental nervous/substance coverage rider.
Permanent change: We changed our lab & exam rules. Temporary COVID guidelines change: We waived labs for up to $10,000 in benefits during the peak of COVID.

UNDERWRITING DECISIONS

Companies were asked to provide the distribution of their underwriting decisions for years 2019 and 2020 in the following categories:

- Withdrawn
- Incomplete
- Issued as applied
- Rated, waiver, or modified
- Not taken after approved
- Declined

The underwriting decisions pertain to normal underwriting and exclude any guaranteed underwriting business, which typically occurs in the ESML market. The Withdrawn and Incomplete categories listed above are new to the 2021 IDI Market Survey. In prior surveys, the underwriting decision analysis looked at the distribution of all submitted business that went through underwriting. However, withdrawn and incomplete submitted business represents wastage that results in a cost to companies. Figure 46 shows average wastage as a percentage of all submitted policies for 2019 and 2020. Only 12 companies are included as one company was unable to provide wastage statistics. The withdrawn and incomplete records have been combined as some companies were unable to separate them. Two averages are shown: one linear and the other weighted by new IDI annualized premium for individually sold and association markets combined.

FIGURE 46: AVERAGE WASTAGE OF SUBMITTED BUSINESS FOR 2019 AND 2020

	2019	2020
Linear average	15%	14%
Weighted average	13%	12%

The weighted 2020 average wastage was 12%, which was a small decrease from 2019. The weighted average wastage is somewhat lower than the linear average. Figure 47 shows the average 2020 wastage by company from lowest to highest to show the extent that wastage varies by company.

FIGURE 47: 2020 WASTAGE OF SUBMITTED BUSINESS BY COMPANY

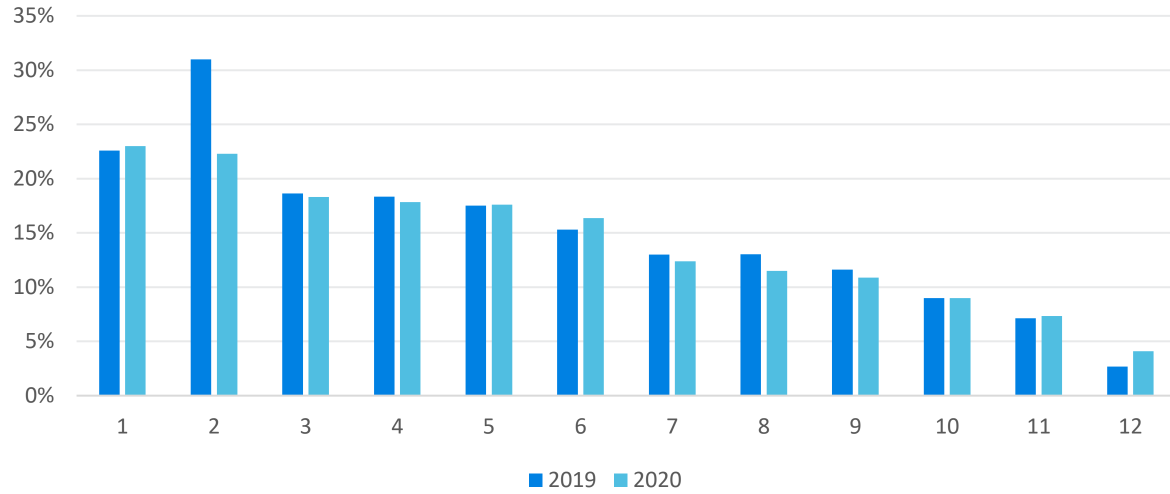


Figure 47 shows a wide range of wastage by company.

Figure 48 shows the weighted average distribution for 13 companies of underwriting decisions in 2019 and 2020 of submitted business after withdrawn and incomplete records have been removed. Modified includes rated, waived, or otherwise modified by the underwriter.

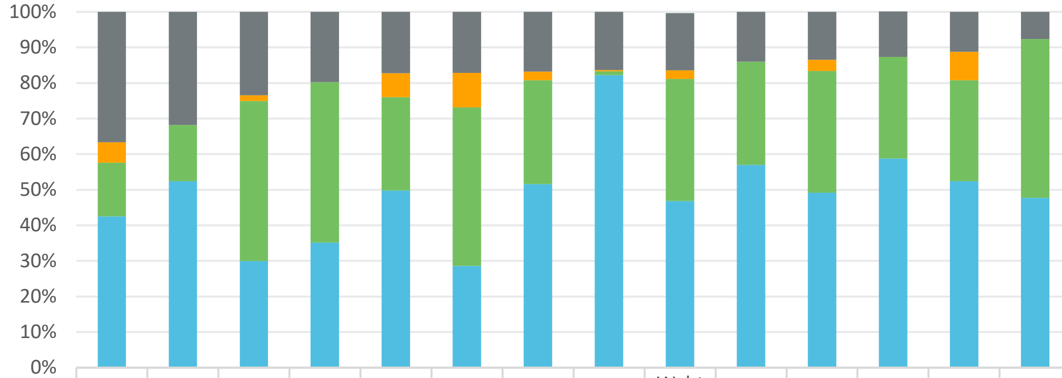
FIGURE 48: DISTRIBUTION OF UNDERWRITING DECISIONS IN 2019 AND 2020

Underwriting Decision	2019	2020
Issued as applied	47%	47%
Modified	35%	34%
Not taken	3%	2%
Declined	15%	16%
Total	100%	100%

There was little change in the distribution of underwriting decisions between 2019 and 2020.

Figure 49 shows the distribution of underwriting decisions in 2020 by company. The 13 companies have been ordered by their decline percentage from highest to lowest.

FIGURE 49: DISTRIBUTION OF 2020 UNDERWRITING DECISIONS BY COMPANY



	1	2	3	4	5	6	7	8	Wght Avg	9	10	11	12	13
Declined	37%	32%	23%	20%	17%	17%	17%	16%	16%	14%	13%	13%	11%	8%
Not taken	6%	0%	2%	0%	7%	10%	2%	0%	2%	0%	3%	0%	8%	0%
Modified	15%	16%	45%	45%	26%	45%	29%	1%	34%	29%	34%	29%	28%	45%
Issued as applied	43%	52%	30%	35%	50%	29%	52%	82%	47%	57%	49%	59%	52%	48%

The decline percentage by company in 2020 ranged from 8% to 37%, reflecting a wide range of underwriting practices. This is further illustrated by the range of percentages by issued as applied, modified, and not taken after approval.

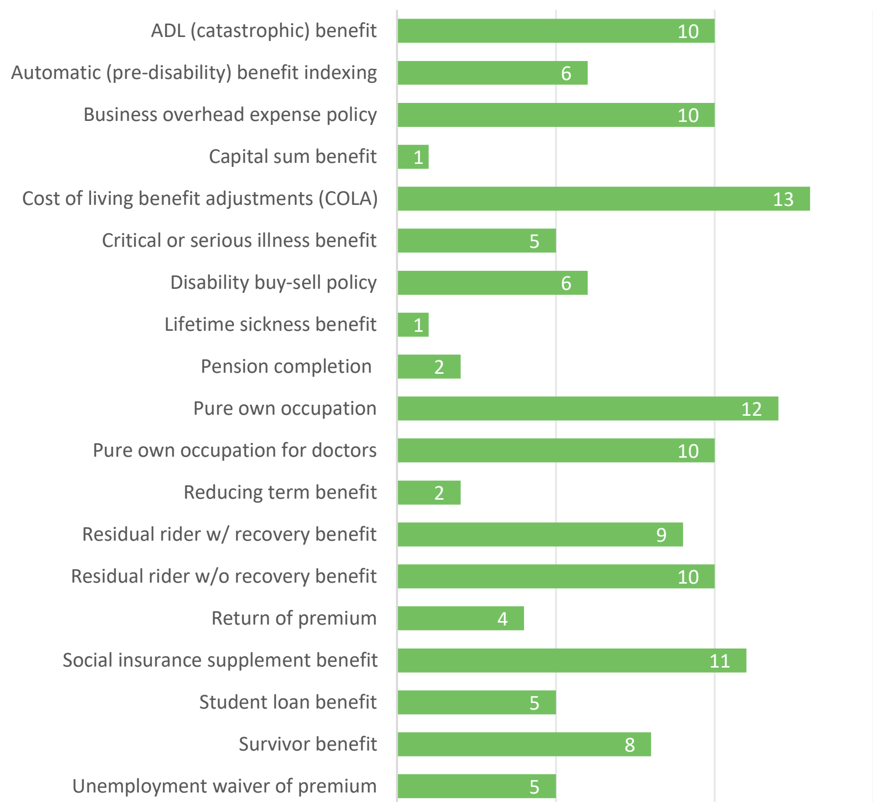
Section V: Product and pricing

This section of the survey explores the range of product development and pricing activity in recent years and the availability of certain types of coverages. Fourteen of the 15 surveyed companies responded to the product-related section of the survey.

CURRENT PRODUCT FEATURES

Figure 50 shows how many of the 14 companies offer various product features in their current IDI product portfolios. Companies offer these features in the base policy or add them via riders. The list of product options has been expanded for the 2021 IDI Market Survey

FIGURE 50: CURRENT IDI PRODUCT FEATURES

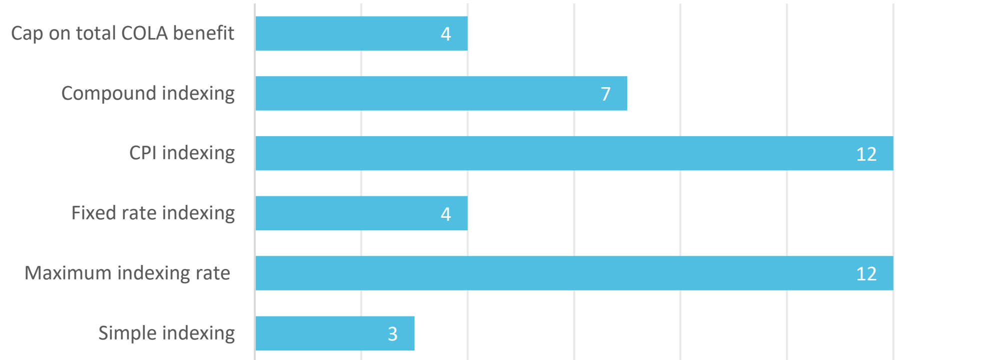


No product is offered by all 14 companies although some, such as COLA (13), pure own occupation (12), and social insurance benefits (11) are more prevalent. Products that are the least prevalent are the capital sum benefit (1), lifetime sickness (1), pension completion (2), and reducing term benefit (2).

COLA OPTIONS

Cost-of-living adjustment (COLA) riders typically come with many options regarding the type of indexing, caps on the total benefits, and other limitations. Figure 51 shows the range of options among the 13 companies offering COLA.

FIGURE 51: COLA OPTIONS

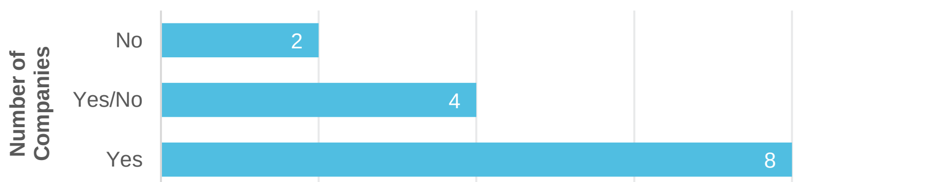


The most common maximum indexing rate is 6%, which is offered by nine companies. A 3% maximum indexing rate is offered by three companies along with the 6% maximum. One company has a 5% maximum indexing rate, while another offers a range from 3% to 10%, with a 3% floor.

MENTAL/NERVOUS LIMITATIONS

Figure 52 shows how many companies include a mental/nervous (MN) limitation in their base IDI policies.

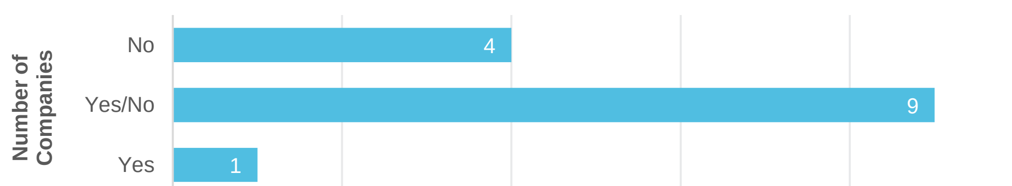
FIGURE 52: NUMBER OF COMPANIES WITH 24-MONTH MN LIMITATIONS IN THEIR BASE POLICIES



Eight of the 14 companies have the 24-month MN limitation in their base policies, and two companies do not. Four companies have the 24-month MN limitation in some but not all base contracts. For example, one company does not have the 24-month MN limitation in its base contract for the individually sold market but does in the ESML market.

Even if the base contract has a 24-month MN limitation, some companies will allow the limitation to be removed, i.e., "full MN coverage," generally with an increase in premium. Figure 53 shows companies' positions with regards to full MN coverage. The "Yes/No" indicates companies that place restrictions on who can get full MN.

FIGURE 53: COMPANIES' POSITIONS ON FULL MN COVERAGE



The reasons for restricting full MN coverage vary among the companies. Figure 54 lists the conditions cited by nine companies for making full MN coverage available.

FIGURE 54: AVAILABLITY OF FULL MN COVERAGE

Only available on employer pay GSI with over 10 lives.
Not available on individually sold policies in CA and for certain occupations. Available in the ESML market at the underwriter's discretion on a case level basis.
Available everywhere, except CA, NY and DC.
Not available for medical occupations.
Not available for select medical occupations.
Only available on employer pay GSI with 20+ lives.
Not available to anesthesiologists and emergency room physicians.
Some state-specific and occupational restrictions.
A 24-month limitation is required for blue- and gray-collar occupations, and lower medical classes.

NEW PRODUCT AND PREMIUM RATE CHANGES SINCE THE LAST SURVEY

Five companies described product changes that were implemented since the last IDI Market Survey, which are summarized in Figure 55.

FIGURE 55: PRODUCT CHANGES SINCE THE 2020 IDI MARKET SURVEY

Simplified application and conversion option for our reducing term IDI policies. New partial riders for our flagship IDI product.
Launched a new product nationally in October 2020.
While our product remains static, we did rebrand our offering from "GSI" to "Disability Income Gap Insurance (DIGI)".
Full mental/nervous coverage is currently an option in all states except CA, DC, and NY.
Launched Basic Residual Rider in California. Increased the Residency Discount from 10% to 15%. Expanded preferred occupation classes to include all 5A Executives earning $75,000 and over. Increased new In-Practice limits for physicians from $6,500 to $7,500.

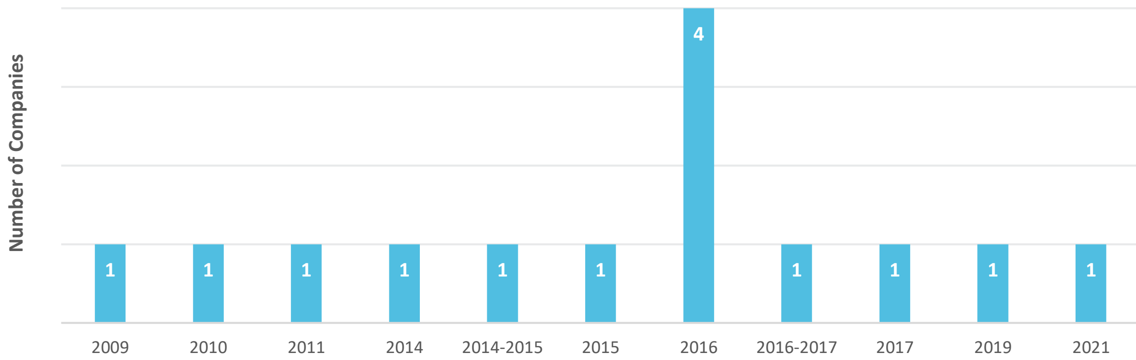
Four companies reported premium rate changes since the last IDI Market Survey. These changes are summarized in Figure 56.

FIGURE 56: PREMIUM RATE CHANGES SINCE THE 2020 IDI MARKET SURVEY

Added occupations eligible for select occupation (preferred occupation) discount; discontinued use of unisex rates for non-GSI medical sales outside of states MA and MT.
Repricing of premium rates for lower occupation classes.
Increased resident discount from 10% to 15%.

Figure 57 shows the years in which the 14 companies released their current IDI portfolios. Eight of the 14 companies released their current IDI products in 2016 and later.

FIGURE 57: RELEASE YEARS OF CURRENT IDI PORTFOLIOS



PLANNED PRODUCT AND PREMIUM RATE CHANGES FOR 2021

Four companies reported product changes that they are planning to release in 2021. These changes are shown in Figure 58.

FIGURE 58: PLANNED PRODUCT CHANGES FOR 2021

We are planning a traditional looking IDI product brought forward with all new pricing assumptions and some contractual and rider differences.
We have priced and filed a new IDI product, which will be available with a digital application experience for the applicant. The product will also serve and provide coverage for insureds with multiple occupations. The benefit periods of the new product will generally be lower than our other existing IDI products, so as not to have too much overlap between products.
We are planning on releasing the next version of our IDI product in 2021.
We are planning to release new IDI products in 2021, which will simplify the product suite and have price reductions that vary by occupation class.

Three companies reported planned premium rate changes in 2021. Their responses are listed in Figure 59.

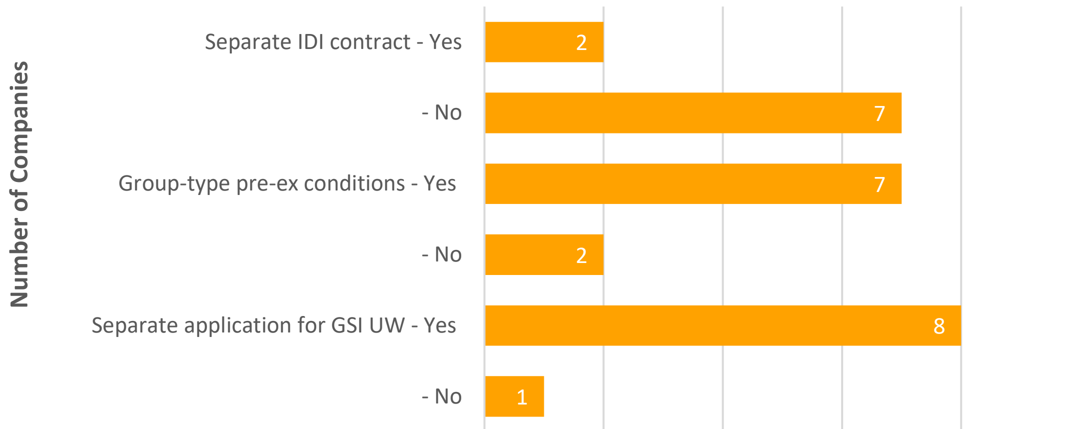
FIGURE 59: PLANNED PREMIUM RATE CHANGES FOR 2021

We plan to bring all pricing assumptions up to date, e.g., morbidity, expenses, net investment earnings, etc.
The new product will have a new set of premium rates.
The new product launch will include updates to the premium rates.

PRODUCTS SPECIFIC TO THE ESML MARKET

Because of the nature of the ESML market and the utilization of guaranteed standard underwriting, some companies offer IDI contracts specifically tailored for the ESML market or have separate applications or different provisions for preexisting conditions that are more suitable for guaranteed underwriting. Figure 60 shows what nine companies that are active in the ESML market do.

FIGURE 60: PRODUCTS SPECIFIC TO THE ESML MARKET



Only two of the nine companies have separate IDI contracts for the ESML market. However, seven companies utilize group-type preexisting conditions, most likely via a policy endorsement if they do not offer a specific ESML policy. Eight of the companies have a separate application when guaranteed standard issue (GSI) underwriting is utilized.

GEOGRAPHICAL PRICING

Companies were asked to list all states in which they charge premium surcharges on issued policies due to higher claim costs. Figure 61 lists the 18 states (including Puerto Rico) for which at least one company has a premium surcharge, the number of such companies for each state, and the median, minimum, and maximum surcharges. For most companies, the premium surcharge for a state was a single percentage applied to all policies. For some companies, the premium surcharges for a state vary by a number of factors and, in these cases, the premium surcharges represent averages.

Thirteen of the 14 companies have a premium surcharge in at least one state. Eleven companies have a premium surcharge in California, and nine in Florida. One company sells a different product in California than in other states because California has not approved its newer product. One company has a higher premium surcharge for policies sold in the ESML market than in the individually sold market.

FIGURE 61: PREMIUM SURCHARGES BY STATE

STATE	NO. COMPANIES	MEDIAN	MINIMUM	MAXIMUM
California	11	27.5%	20.0%	90.0%
Florida	9	10.0%	7.5%	20.0%
Arizona	3	10.0%	10.0%	20.0%
Nevada	3	20.0%	10.0%	20.0%
Louisiana	2	10.0%	10.0%	10.0%
New Mexico	2	10.0%	10.0%	10.0%
Arkansas	1	10.0%	10.0%	10.0%
Delaware	1	10.0%	10.0%	10.0%
Hawaii	1	10.0%	10.0%	10.0%
New Hampshire	1	10.0%	10.0%	10.0%
New Jersey	1	10.0%	10.0%	10.0%
New York	1	30.0%	30.0%	30.0%
Puerto Rico	1	25.0%	25.0%	25.0%
Rhode Island	1	10.0%	10.0%	10.0%
Texas	1	10.0%	10.0%	10.0%
Utah	1	10.0%	10.0%	10.0%
West Virginia	1	10.0%	10.0%	10.0%

PREMIUM SURCHARGE FOR TOBACCO USE

All 14 companies have a premium surcharge for tobacco use. Figure 62 shows the range of premium surcharges for tobacco use among the 14 companies.

FIGURE 62: RANGE OF PREMIUM SURCHARGES FOR TOBACCO USE

Median	25.0%
Minimum	20.0%
Maximum	35.0%

Figure 63 lists the different definitions of tobacco used by the companies. Six companies continue to refer to “tobacco use,” while others have expanded it to “nicotine use.” Two companies include marijuana, and one has expanded the definition to include electronic cigarettes.

FIGURE 63: VARIATIONS IN THE DEFINITIONS OF TOBACCO USE

Tobacco use (6)
Tobacco or nicotine use
Nicotine use
All forms of nicotine, tobacco, and marijuana use
Cigarette, electronic cigarette, nicotine cessation products, chewing tobacco, cigars, and marijuana

Section VI: General trends

This section explores general trends that are indicative of the health of the IDI business. Fourteen companies contributed to this section of the survey.

COMPANIES' SATISFACTION WITH PROFITABILITY AND SALES RESULTS

Companies rated their overall satisfaction with the profitability and sales performances of their IDI business, ranking from 1 to 5, where 1 indicates that the contributor is very dissatisfied and 5 that the contributor is very satisfied. Figure 64 compares this year's responses from the 14 companies with their responses from last year's survey.

FIGURE 64: COMPANIES' SATISFACTION WITH THEIR PROFITABILITY AND SALES RESULTS

	OVERALL PROFITABILITY		OVERALL SALES RESULTS	
RANKING	2020 SURVEY	2021 SURVEY	2020 SURVEY	2021 SURVEY
1 (very dissatisfied)	**0**	**0**	**0**	**0**
2	0	1	3	9
3	5	7	7	3
4	7	5	3	1
5 (very pleased)	2	1	1	1
Average	3.8	3.4	3.1	2.6
Median	4	3	3	2

The average overall profitability ranking decreased from 3.8 to 3.4 and the median profitability assessment decreased from 4 to 3. The average overall sales results ranking decreased from 3.1 to 2.6 and the median sales assessment decreased from 3 to 2. The drop in the overall sales assessments is consistent with the 5% reduction in new annualized premium in 2021. The reductions in both the overall profitability and overall sales assessments may be related to the COVID-19 pandemic.

MAKING THE IDI SALE EASIER

IDI coverage can be difficult to sell compared to individual life or annuity products. Many companies look to simplify the process in order to improve sales. Surveyed companies listed the actions they have taken over the last year to make the IDI sale easier. They are listed in Figure 65. The focus of many companies over the last year has been on implementing or improving administrative and underwriting processes.

FIGURE 65: STEPS TAKEN BY COMPANIES TO FACILITATE THE SALES PROCESS

UNDERWRITING CHANGES
Expanded rollout and adoption of an online medical questionnaire to be completed by client
Fluidless underwriting
Higher issue & participation limits
Higher select professional issue limits
Increased medical lab limits
Increased physician NIP limits
Liberalized age & amount medical underwriting limits, requiring fewer exams and specimens
Offering multiple options for customers to complete medical information at their convenience

UNDERWRITING CHANGES
Simplified application for our reducing term DI product.
Temporarily increased issue limit for blood and urine to $10,000 for ages under 46.
Use of digital application by our field force
Utilization of eHealth records
Waived labs and exams requirements for certain issue ages and issue amounts
Working with vendors on more automated underwriting and administration systems

OTHER CHANGES
Enhanced agent portal capabilities
Enhanced electronic application process
Increased residency discount
Introduced a life to disability cross-sell program.
Launched a new product nationally on fully electronic basis

FAVORABLE TRENDS IN THE IDI MARKET

Companies listed favorable trends that they are seeing in the IDI market. Figure 66 shows their responses. There were nine observations pertaining to stable or improving claim experience. There were 11 observations pertaining to favorable market and sales trends in spite of the overall drop in the total new IDI annualized premium. Some companies mentioned continuing favorable claim experience in spite of COVID-19.

FIGURE 66: OBSERVED FAVORABLE TRENDS IN THE IDI MARKET

MARKET & SALES
Percentage of sales for nonmedical occupation classes continue to increase while medical occupation classes decline.
Current health crisis has highlighted the need for protection products.
Expanding market reach through expanded rider and benefit offerings.
Group benefit leadership.
Improving sales in 2021.
Strong sales.
Market shift to voluntary benefits.
Personal IDI sales are strong considering market conditions.
Some sales shift from less profitable to more profitable occupations.
Strong GSI sales growth.
Strong GSI sales.

EXPERIENCE
Claim experience has been positive.
Claims continue to be very favorable.
Claim incidence rates continue to be favorable.
Stable long-term claim incidence
Low policy lapses.
Policies persisting well.
Policy persistency has been stable.

UNDERWRITING
Increased limits not requiring financial documentation.
Increased nonmedical limits.
New underwriting data services available.
Use of automatic underwriting

TECHNOLOGY
Acceptance and expanded use of digital platforms and tools.
Onboarding of new client and field-facing technology.
Technological innovation/fintech/online distribution.

ECONOMY
Economy is picking up post-COVID.
Increase in interest rates.

OTHER
Good recruiting of new financial representatives.
Three in-house IDI specialists to focus on IDI vs. other internal life wholesalers.
Renewed attention toward IDI opportunities.

UNFAVORABLE TRENDS IN THE IDI MARKET

Companies listed the unfavorable trends that they are seeing in the IDI market. Figure 67 shows the various responses. Uncertainties around the potential impact of COVID-19 were mentioned five times. This year’s responses focused primarily on unfavorable trends in the IDI market and experience. Concerns pertaining to COVID-19 were the main theme related to claim experience trends. Continuing low interest rates continue to be concerning to a number of companies, as well.

FIGURE 67: OBSERVED UNFAVORABLE TRENDS IN THE IDI MARKET

MARKET & SALES
Weak overhead expense and disability buy-out sales
Decrease in the volume of new cases
Lower IDI sales across the industry
Overall market decline
Weak nonmedical and dental sales
Lack of understanding of the need
Medical business continues to grow more quickly than non-medical business
Client belief that IDI not necessary (e.g., "I have group coverage, don't need more")
Growing female concentration and differences in morbidity by sex makes unisex pricing difficult in some markets

EXPERIENCE
Increase in uninsurable risk resulting from Covid comorbid conditions
Economic impact of pandemic
Long-term COVID risk uncertainty
Pandemic affecting middle income prospective applicants
Lingering effects of pandemic
Volatile claim activity over past 12 months
Poor general dentist experience

DISTRIBUTION
Lack of distribution focusing on middle income DI clients
Advisor belief that IDI not necessary or too complicated, or lack of knowledge of how to sell IDI
Lack of experienced distribution
Aging agent force
Aging client base with focus on retirement not protecting current earnings
Lack of distribution asking consumers about income protection

ECONOMY
Continued low interest rate environment (mentioned 4 times)
UNDERWRITING
Underwriting liberalization
There are still some underwriting restrictions in place due to COVID-19

OTHER
Ongoing admin system upgrade limiting the time and resources available for DI product development

OBSTACLES TO THE LONG-TERM FINANCIAL HEALTH OF THE IDI MARKET

Companies listed obstacles in the IDI market that could impede future growth and profitability. Figure 68 shows their various responses. Like past IDI Market Surveys, the two largest obstacles to the long-term financial health expressed by the companies pertain to market limitations (i.e., diversification and awareness of the need for IDI products) and distribution challenges (aging or disengaged IDI producers). Only one company mentioned COVID-19 as a long-term threat to the financial health of the IDI market.

FIGURE 68: OBSTACLES TO THE LONG-TERM FINANCIAL HEALTH OF THE IDI MARKET

MARKET & SALES
Flat IDI market.
Lack of market growth.
Educating consumers about IDI and raising awareness
Lack of occupational diversity.
Decreasing business product sales.
Lack of product knowledge and benefit by the general public.
Consumer education for the need.
Customers expecting a more digital experience with greater product flexibility.
Consumers do not understand the need for IDI.
Cost shift from employer to employee.
Industry reliance on medical market.
Lack of awareness re: need for DI insurance.
Competitive pressure.

DISTRIBUTION
Lack of agent training for DI.
Advisors not engaged.
Aging distribution with inadequate succession planning.
Aging producers, young producers focusing on asset management.

ECONOMY
Low interest rates (mentioned four times).
Potential future economic downswings.

UNDERWRITING
Transition effectively to new underwriting requirements and data sources.
High rate of retired/withdrawn applications prior to an underwriting decision.
Expenses associated with underwriting and claim review.
Loosening of underwriting rules due to competitive pressures.

EXPERIENCE
Unknown long-term effects of COVID-19.

OTHER
Lack of innovation in the industry.
Unfavorable regulatory environment.

OPPORTUNITIES FOR GROWTH IN THE IDI MARKET

Companies were asked to list opportunities for long-term growth in the IDI market. Figure 69 lists the various responses. Opportunities in the ESML market were cited the most frequently, followed by opportunities in nonmedical occupations. A number of companies continue to see opportunities in the medical occupations.

FIGURE 69: OPPORTUNITIES FOR GROWTH IN THE IDI MARKET

ESML MARKET
GSI sales.
Small employer guaranteed issue sales.
GSI combination with group LTD.
GSI market.
Worksite market.
Medium employer guaranteed issue sales.
Fully underwritten multi-life market.
Executive benefit guaranteed issue offering.

NONMEDICAL OCCUPATIONS
Skilled trades.
White-collar market.
Nonmedical occupations (mentioned twice)
Nonmedical fully underwritten.
Higher income middle-income market.
Grey-collar occupations.

MEDICAL OCCUPATIONS
GSI (medical) residency.
Medical market.
Medical occupations.
Medical markets.
Dental occupations.

DISTRIBUTION
Dedicated wholesalers specializing in DI to simplify process & educate advisors.
Younger advisors.
Nontraditional distribution channels.
Advisors currently not selling IDI.

OTHER
Millennials.
Expansion into New York.
Small business owners.
Younger age clients resulting from more, younger advisors entering the NM system.
Self-employed.
Digital consumers.

OBSERVED CHANGES IN IDI CLAIM PATTERNS

While the overall financial results may indicate continued profitability for many companies, attention to changes in claim patterns can identify early indicators of future unfavorable morbidity results and enable companies to address potential claim issues before they become unmanageable. Companies were asked to describe any changes to their historical claim patterns observed since the last IDI Market Survey. Figure 70 lists the various responses. Fourteen observations pertained to unfavorable changes compared to only two describing favorable changes. Some of the companies specifically mentioned changes due to COVID-19, but for the most part these changes did not appear to be significant relative to the rest of their claim experience.

FIGURE 70: CHANGING CLAIM PATTERNS IN THE IDI MARKET OBSERVED SINCE THE 2020 IDI MARKET SURVEY

UNFAVORABLE CHANGES
More volatility in claim activity, especially with regard to new claims reporting
We saw an increase in claims experience over the last 12 months for most of our IDI business.
Higher frequency of new claim counts at onset of pandemic then leveled off.
We are seeing COVID-19 claims resulting from long-haul symptoms.
Some minimal impact of COVID-19 claims.
Slightly higher incidence, driven somewhat by additional COVID-19 claims.
COVID-19 claims.
While initially flat, new behavioral health claim notices have increased in Q1/21 as a percent of the whole block.
Slight decrease in termination rates.
Greater proportion of claims from medical occupations in active phase of pandemic.
Deterioration in medical market experience.
Lower claim terminations.
Lower claim terminations in 2020, trending back to normal in 2021.
Decline in closures on certain medical occupations (fewer return to work).

FAVORABLE CHANGES
New claim notices have returned to normal levels following surge in 2020.
Slight decrease in incidence rates.

IMPACT OF RECENT IDEC CLAIM EXPERIENCE STUDIES

Over the last several years, the Individual Disability Experience Committee (IDEC) of the Society of Actuaries (SOA) has released two studies of IDI experience from 2006 through 2014:

1. "Analysis of Claim Incidence Experience from 2006 to 2014," IDEC (SOA), November 2019; see https://www.soa.org/globalassets/assets/files/resources/experience-studies/2019/2006-14-idec-incidence-report.pdf.

2. "Analysis of Claim Termination Experience from 2006 to 2014," IDEC (SOA), February 2021 (updated August 2021); see https://www.soa.org/globalassets/assets/files/resources/experience-studies/2021/2021-08-update-analysis-claim-termination-report.pdf.

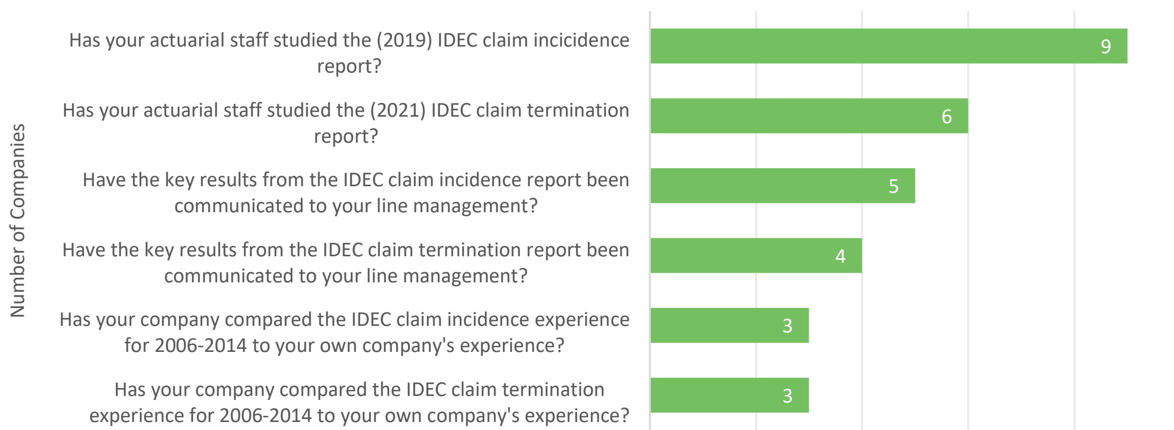
These studies explore trends in IDI claim incidence and termination experience relative to the 2013 IDI Valuation Table (2013 IDIVT), the current statutory minimum reserve basis. Both reports provide in-depth analysis of claim experience trends and should be viewed as authoritative sources of IDI industry experience.

The quantity and quality of the industry claim data has been improving over the years. During the 1980s and 1990s, IDI industry claim experience data was essentially nonexistent. It was not until 2005 that claim trends relative to the IDI statutory minimum basis at that time, i.e., the 1985 Commissioners' Individual Disability Table A (1985 CIDA), were produced by the Society of Actuaries. Since then, industry experience from 1990 through 2007 was thoroughly studied. This exercise led to development of the 2013 IDIVT. The new valuation table represented a significant departure from the 1985 CIDA table. However, IDI experience, as documented in the two recent IDEC studies, has been changing significantly since the 1990-2007 study period:

- Claim incidence relative to the 2013 IDIVT has generally been decreasing
- Claim incidence differences between policies in the individually sold market and the ESML market have been shrinking
- Claim incidence differences for ESML policies issued under GSI underwriting between employer-pay and employee-pay have been documented at the industry level for the first time
- Claim termination rates after the first two claim years relative to the 2013 IDIVT have been decreasing steadily

Fourteen of the 15 contributors to the 2021 IDI Market Survey responded to a series of questions pertaining to their review of these two recent IDEC studies. Figure 71 shows how many of the companies have reviewed these reports internally and whether they have compared their own company's experience to industry results.

FIGURE 71: COMPANY FEEDBACK ON THE TWO IDEC CLAIM EXPERIENCE STUDIES



The two IDEC reports are relatively new, and it will take time for most companies to analyze the results and compare industry experience to their own. The actuarial staffs of nine of the 14 companies have reviewed the IDEC claim incidence report, while six have reviewed the more recent IDEC claim termination report. The actuarial staffs in five companies have reported the IDEC claim incidence and/or termination results to line management. Only three companies reported that they have gone through the exercise of comparing their claim incidence and termination experience to the IDEC results. Figure 72 lists some of the results that companies found particularly notable in the two IDEC reports.

FIGURE 72: OBSERVATIONS CITED FROM THE TWO IDEC STUDIES

IDEC Claim Incidence Study
A/E claim incidence ratios for surgeons, anesthesiologists and emergency room doctors were less than the A/E ratios for physicians in general.
Decreasing incidence trends, particularly across all occupation classes. (Essentially same observation by three companies.)
Differences in results by gender for the medical occupation class since the previous IDEC study.
More favorable A/E incidence ratios for policies with COLA.
Results by occupation versus occupation class. More data in the specific categories will be helpful going forward.
State incidence experience, particularly Rhode Island.

IDEC Claim Termination Study
A/E claim termination ratio in the later claim years were so low.
Decreasing trend in A/E termination ratios.
Lower claim termination results in claim durations after the first two claim years.
The presence of COLA was not a significant drag on claim termination experience in the select (1-10) claim years.
COLA termination experience in general.
Results for COLA tend to nullify the 2013 IDIVT claim termination rate modifier,
Differences in A/E termination ratios between claims with lifetime benefit period versus other benefit periods.
Deterioration in the A/E termination ratios in the ultimate (11+) claim durations.
A/E claim termination ratios by indemnity amount. (Essentially the same observation by two companies.)

COMPANY FEEDBACK ON THE VALUE OF THE IDI MARKET SURVEY

Before soliciting data for the 2021 IDI Market Survey, 11 of the contributing companies responded to questions on the value and effectiveness of the IDI market survey. Figure 73 shows how they rated the overall value of the IDI Market Survey, where a rating of 1 means very low and a rating of 5 means very high. Nine of the 11 companies gave the IDI Market Survey a rating of 4 out of 5.

FIGURE 73: RATING THE OVERALL VALUE OF THE IDI MARKET SURVEY

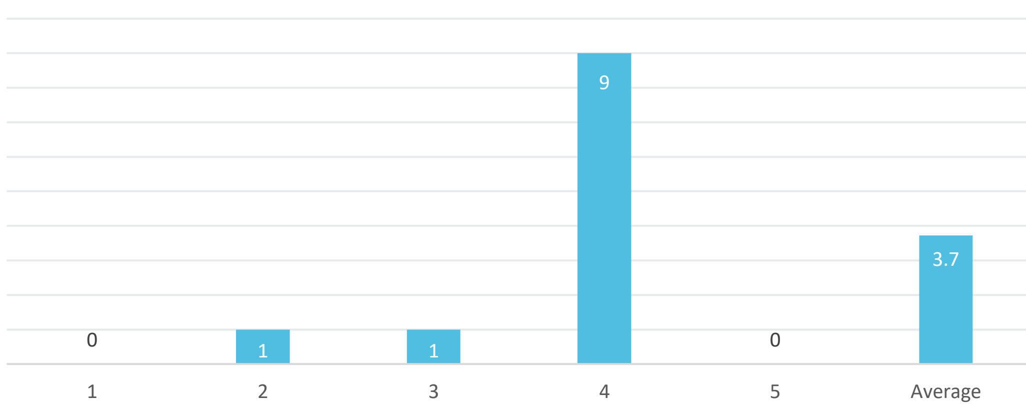
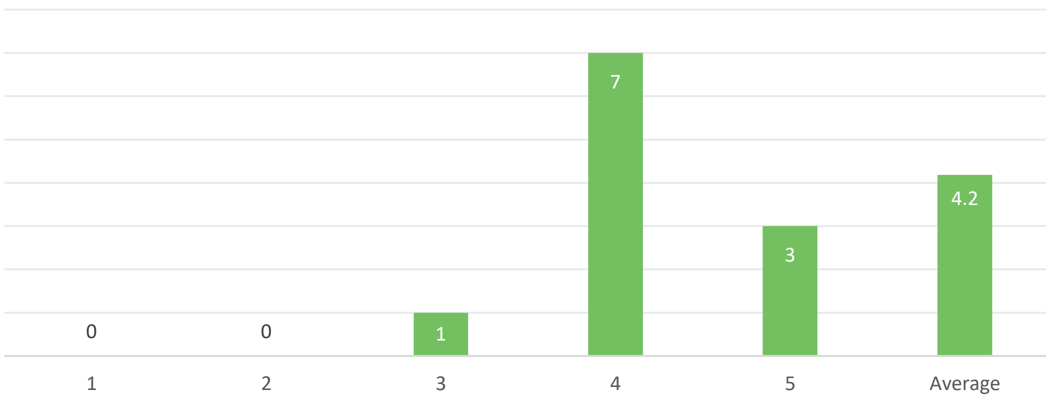


Figure 74 shows how they rated the effectiveness of the IDI Market Survey in capturing key trends in the IDI market. Ten of the 11 companies rated the IDI Market Survey 4 or 5 for its effectiveness in capturing key trends.

FIGURE 74: RATING THE EFFECTIVENESS OF THE IDI MARKET SURVEY IN CAPTURING KEY TRENDS



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