MILLIMAN REPORT

2023 Annual Survey of the U.S. Individual Disability Income Insurance Market

NOVEMBER 2023

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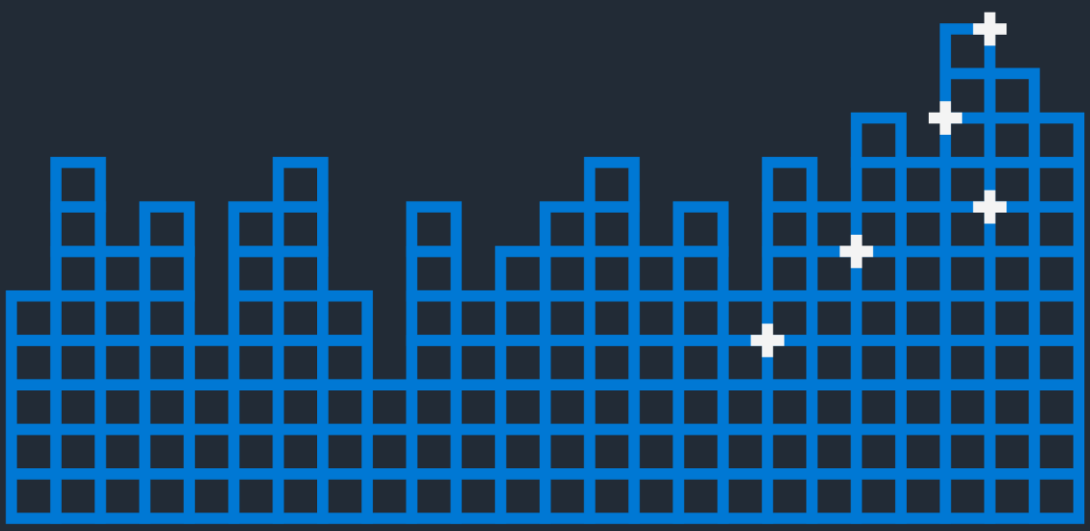

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Table of Contents

Section I: Introduction

This report presents the results of Milliman's 2023 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. Fourteen insurance companies that are active in the U.S. IDI market provided data and other information about new business sold from 2018 through 2022, sales distributions, underwriting requirements, product offerings and pricing, favorable and unfavorable trends, and opportunities and obstacles affecting the IDI market.

SCOPE OF THE 2023 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 2023 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 14 contributors to the survey. In total, these 14 companies issued IDI policies with $412 million of new annualized premium in 2022. We estimate that their total premium represents approximately 95% of the IDI market in terms of new sales. There are two changes since last year. First, Ohio National has exited the IDI market and is therefore no longer participating in the survey. All historical data has been restated to exclude Ohio National. Second, New York Life has joined the IDI market and is a new contributor to the survey.

FIGURE 1: CONTRIBUTORS TO THE 2023 IDI MARKET SURVEY

- Ameritas
- Assurity
- Guardian
- Illinois Mutual
- MassMutual
- Mutual of Omaha
- New York Life
- Northwestern Mutual
- Principal
- RiverSource
- State Farm
- The Standard
- Thrivent
- Unum

RELIANCE AND LIMITATIONS

In conducting the 2023 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

I, Tasha S. Khan, am a consulting actuary with Milliman. This report provides an opinion regarding trends in the IDI market. I am a member 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 14 IDI companies that contributed to the 2023 IDI Market Survey. Readers should take note that this survey includes sales data from New York Life, a new entrant to the IDI market.

HIGHLIGHTS

- New annualized premium for the 14 contributing companies grew to $412 million in 2022, which is a 7.5% increase over new premium in 2021. According to this study, this is the largest year-over-year new premium growth the industry has seen since prior to 2002, the first year of data in this study.
- Six of 13 companies (excluding New York Life since new premium is zero prior to 2022) experienced positive growth rates in new premiums in 2022. We measured year-to-date (YTD) growth in 2023 by comparing sales in the first six months of 2023 to sales in the first six months of 2022. In 2023 through June, all 12 companies that provided YTD sales data have experienced positive growth rates in new premium. The overall YTD growth rate in 2023 through June is 14.5%.
- 2022 was the first year in which the employer-sponsored multi-life market had a higher percentage of the new IDI premium than the individually sold market for this cohort, 48% versus 47%. The association market's share of new IDI premium has remained in the 4% to 5% range over the last five years.
- The proportion of employer-sponsored multi-life business that is employer-paid has been increasing in recent years, from 38% in 2018 to 47% in 2022.
- The distribution of key occupations in new IDI premium has been quite stable for these 14 companies over the last five years. Doctors and surgeons represented 30% of total new premium in 2022 compared to a five-year average of 31%.
- The distribution of key occupations varies considerably among the three IDI markets. For example, over the last five years, doctors and surgeons averaged 26% of the individually sold market, 34% of the employer-sponsored multi-life market, and 64% of the much smaller association market.
- The percentage of new IDI premium sold by brokers is higher than the percentage sold by career agents in 2022.
- The percentage of new IDI premium issued on noncancelable policies has increased slowly over the last five years, reaching 85% in 2022. This percentage varies considerably by key occupation, market, and distribution channel.
- The number of companies at the maximum issue limit for the top nonmedical occupation class increased from one to two, and the number at the maximum for the top medical occupation class increased from three to five since the 2022 IDI Market Survey.
- Observed favorable trends in the IDI market included favorable claim experience (e.g., lower claim incidence, higher claim terminations), strong sales, improvements in underwriting, stable policy persistency, administrative improvements, product and marketing improvements, and the economy.
- Observed unfavorable trends in the IDI market included market and sales issues (e.g., overconcentration of medical occupations, increased competition), poor claim experience (e.g., loss ratios have yet to return to pre-pandemic levels), distribution issues (e.g., lack of agent knowledge on disability products), and the economy (e.g., high inflation).
- There were more than three times more unfavorable observations pertaining to changes in companies' IDI claim activity over the last year than favorable observations. These observations included higher average claim size, an increase in late notice claims, higher volatility, and inflation.

CONCLUDING OBSERVATIONS

New IDI sales were strong in 2022, and even stronger in the first half of 2023. Some companies reported experiencing favorable claim activity over the past year, with lower claim incidence rates and higher claim termination rates, while other companies reported higher claim costs. In general, companies reported more satisfaction with their overall sales results in 2022, and essentially no change in their satisfaction with overall profitability. It will be interesting to see upcoming analysis of the overall industry trends in claim incidence and terminations in recent years. The Individual Disability Experience Committee of the Society of Actuaries (SOA) expects to begin the next industry-wide study of IDI claim experience in late 2024.

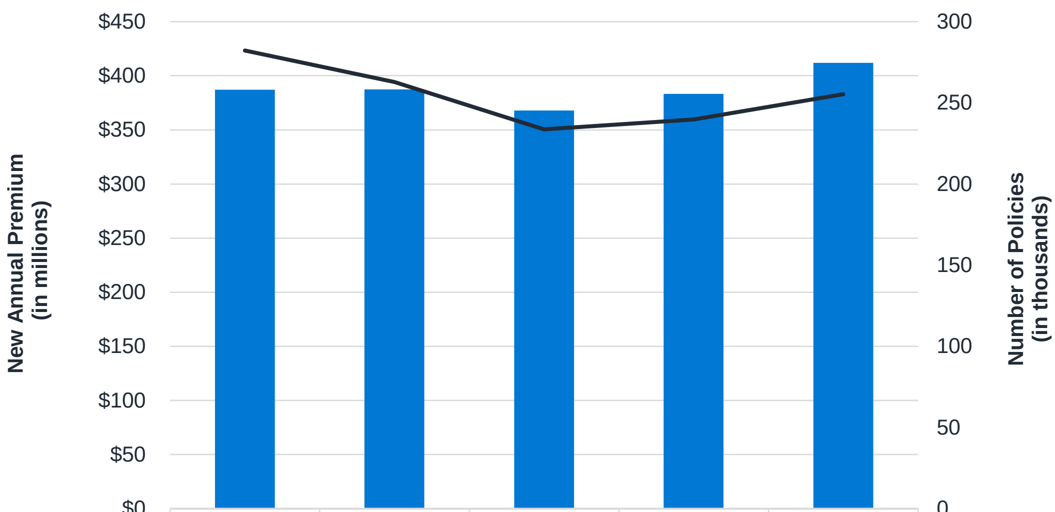
Section III: Sales results

This section analyzes trends in the new business sold by the 14 IDI contributors from 2018 through 2022.

VOLUME OF ANNUAL SALES FROM 2018 THROUGH 2022

Figure 2 shows the total volume of new policies and annualized premium sold by the contributing companies from 2018 through 2022. Total annualized new sales premium in 2022 was $412 million, up from $383 million in 2021, a 7.5% increase. According to this study, this is the largest year-over-year new premium growth the industry has seen since prior to 2002, the first year of this study. Some of this growth represents recovery from low sales in 2020 due to the COVID-19 pandemic; however, total annualized new premium increased from 2018 to 2022. The number of new policies increased by 6.5% in 2022 but is not yet back to pre-pandemic levels.

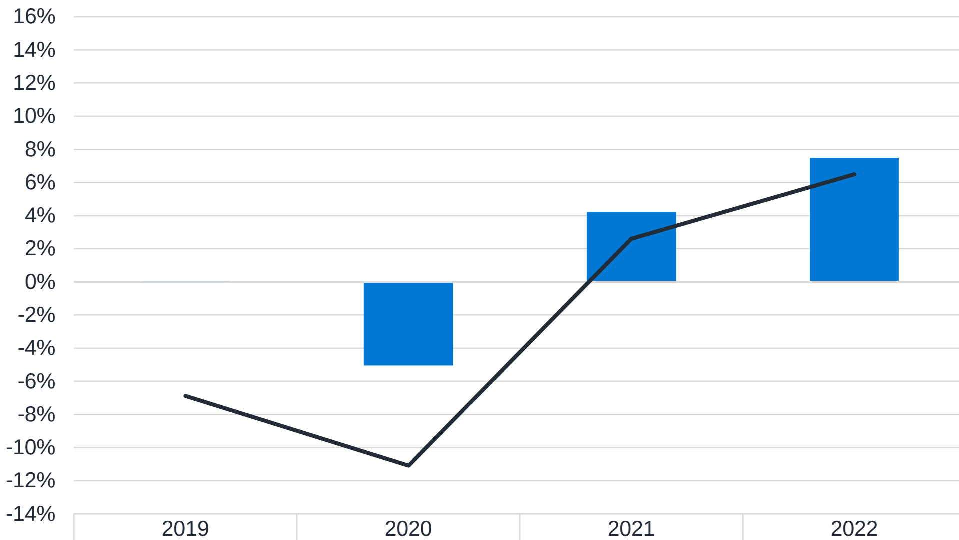
FIGURE 2: NEW POLICIES AND ANNUALIZED PREMIUM BY ISSUE YEAR FROM 2018 THROUGH 2022



	2018	2019	2020	2021	2022
Premiums	$387	$387	$368	$383	$412
Policies	282	263	234	240	255

Figure 3 compares the annual growth rates in new IDI premium and policies over the last four years. After a drop in new premium in 2020, caused primarily by the COVID-19 pandemic, new premium has now surpassed pre-pandemic levels. The number of policies is growing more slowly, implying that the average policy size is increasing for recent sales (as the result of wage inflation or increases to I&P limits) or that some new sales involve adding coverage to existing policies.

FIGURE 3: ANNUALGROWTH RATES IN NEW IDI PREMIUMS AND POLICIES FROM 2019 THROUGH 2022



	2019	2020	2021	2022
Premiums	0.1%	-5.0%	4.2%	7.5%
Policies	-6.9%	-11.1%	2.6%	6.5%

Figure 4 shows the cumulative new annualized premium by company as a percentage of total new premium in 2022, ranking companies by their new premium (i.e., Company 1 had the largest volume of new premium in 2022). The top five IDI contributors in 2022 produced 81% of the total new annualized premium among the 14 companies, and the top 10 IDI companies produced 98% of the total new annualized premium.

FIGURE 4: CUMULATIVE NEW ANNUALIZED PREMIUM BY COMPANY IN 2022 AS PERCENTAGE OF TOTAL NEW ANNUALIZED PREMIUM

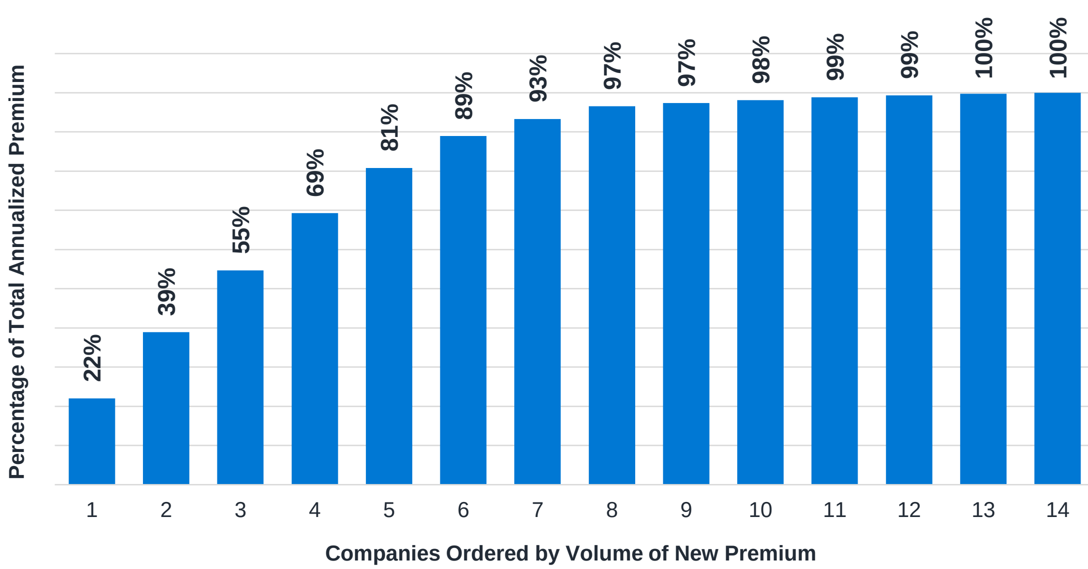
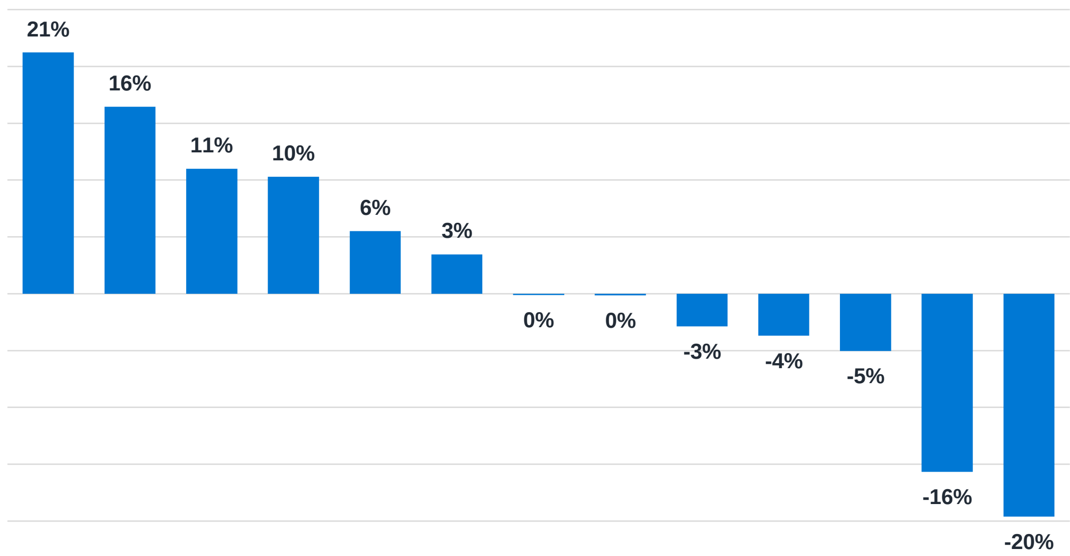


Figure 5 compares the annual growth rates (AGRs) in new annualized premium in 2022 for 13 of the 14 companies, ordered from the company with the highest AGR in 2022 (on the left) to the one with the lowest (on the right). New York Life did not sell IDI prior to 2022, so we did not calculate an AGR. Six companies reported a positive AGR in 2022, ranging from 3.5% to 21.2%, while five companies reported negative growth, ranging from -2.9% to -19.6%. In 2021, 10 of the 13 companies experienced positive growth.

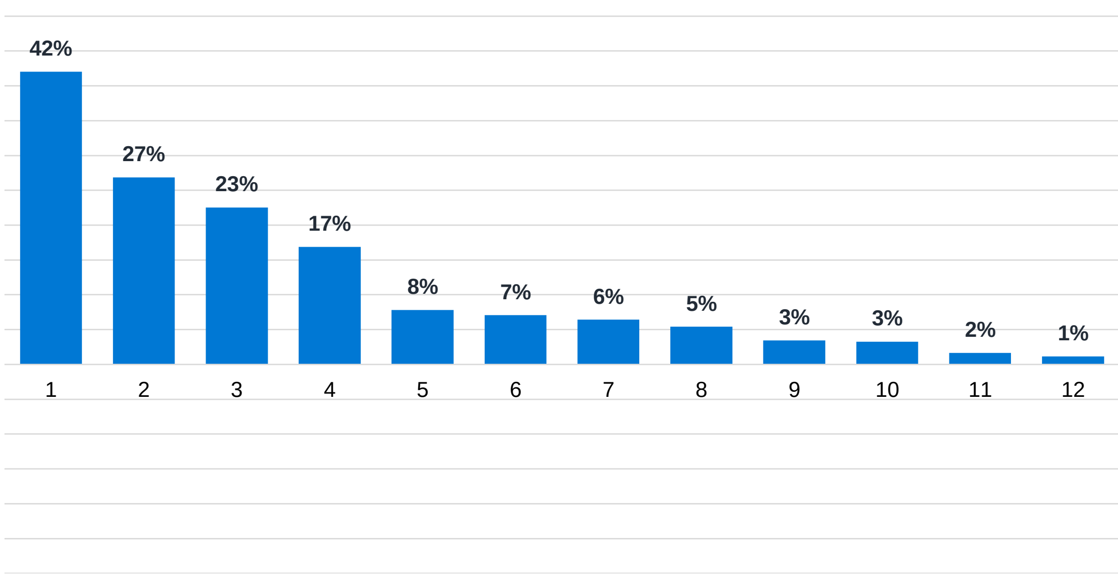
FIGURE 5: COMPARISON OF COMPANIES' NEW ANNUALIZED PREMIUM AGR IN 2022, RANKED HIGHEST TO LOWEST



YEAR-TO-DATE 2023 NEW PREMIUM GROWTH

Figure 6 shows the growth in the year-to-date (YTD) new premium from 2022 to 2023 by company for 12 of the 14 contributors. They are ordered from the highest growth on the left to the lowest on the right. The average YTD growth rate from 2022 to 2023 was a positive 14.5%. Of the 12 companies, all had positive growth in their YTD new premiums in 2023.

FIGURE 6: COMPARISON OF COMPANIES' NEW ANNUALIZED PREMIUM YTD GROWTH FROM 2022 TO 2023 (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.

Eight of the 14 companies sold OE policies in 2022. The OE premium in 2022 represented 2.9% of total premium for these eight companies. Five of the 14 companies sold DBO policies in 2022. The DBO premium in 2022 represented 1.1% of total premium for these five 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 (e.g., 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 have historically 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. 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 7 compares the annual percentages of new annualized premium by market from 2018 through 2022. The percentage of new annualized premium issued in the ESML market has increased each year since 2018, reaching 48% in 2022. The percentage of new annualized premium issued in the individually sold market has decreased each year since 2018, dropping to 47% in 2022. This was the first year in which the ESML market had a higher percentage of the new IDI premium than the individually sold market for this cohort.

The percentage of new annualized premium issued in the association market has stayed quite level over the last five years at 4% to 5%. 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 7: DISTRIBUTION OF NEW ANNUALIZED PREMIUM BY MARKET, 2018 THROUGH 2022

YEAR	INDIVIDUALLY SOLD	ESML	ASSOCIATIONS	TOTAL
2018	54%	42%	4%	100%
2019	53%	43%	4%	100%
2020	51%	44%	5%	100%
2021	49%	46%	5%	100%
2022	47%	48%	5%	100%
AVERAGE	**51%**	**45%**	**5%**	**100%**

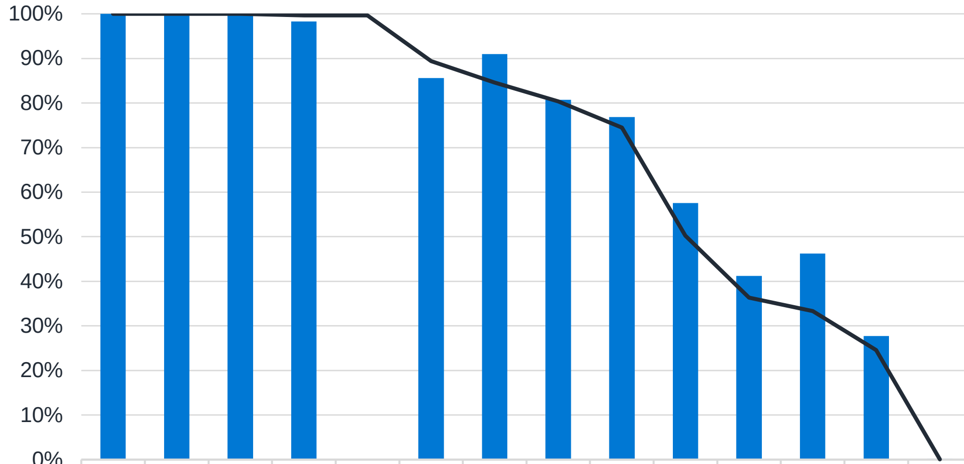
Figure 8 provides the AGRs in new annualized premium by market for years 2019 through 2022. Growth in the ESML market materially exceeds individual market growth for each of the last four years, whether total growth is positive or negative. The individually sold market had a positive AGR of 2.1% in 2022. The ESML market experienced strong growth in new premium in 2022 with a positive AGR of 13.1%. The association market experienced a positive AGR of 8.9%.

FIGURE 8: ANNUAL GROWTH RATE IN NEW ANNUALIZED PREMIUM BY MARKET, 2019 THOUGH 2022

YEAR	INDIVIDUALLY SOLD	ESML	ASSOCIATIONS	TOTAL
2019	-1.9%	2.5%	1.4%	0.1%
2020	-9.2%	-1.8%	13.7%	-5.0%
2021	0.8%	8.5%	1.6%	4.2%
2022	2.1%	13.1%	8.9%	7.5%
AVERAGE	**-2.1%**	**5.6%**	**6.4%**	**1.7%**

Figure 9 compares the average percentage of new annualized premium issued in the individually sold market from 2018 through 2021 to the 2022 percentage, by company. The companies in the chart are ordered so that No. 1 has the highest percentage in 2022 while No. 14 has the lowest. Five of the companies issue 100% or almost 100% of their new business in the individually sold market, and one issues 89%. One company does not issue new business in the individually sold market at all. Six companies show material decreases in the percentage of their 2022 sales in the individually sold market relative to their averages from 2018 through 2021. Only three companies issued a higher percentage of new premium in 2022 compared to their 2018-2021 average. This includes New York Life, since it did not issue IDI business prior to 2022.

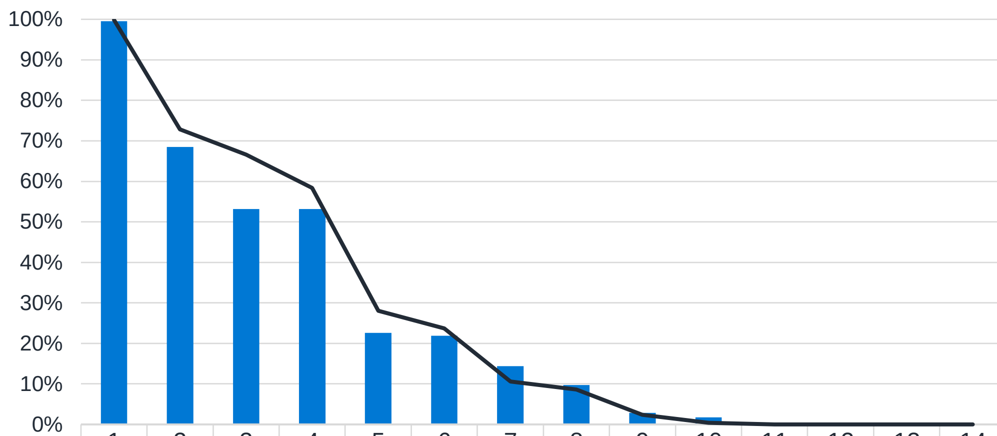
FIGURE 9: PERCENTAGE OF INDIVIDUALLY SOLD NEW PREMIUM TO TOTAL NEW ANNUALIZED PREMIUM, AVERAGE 2018-2021 VS. 2022, BY COMPANY



	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Avg 2018-2021	100%	100%	100%	98%	0%	86%	91%	81%	77%	58%	41%	46%	28%	0%
2022	100%	100%	100%	100%	100%	89%	85%	80%	74%	50%	36%	33%	25%	0%

Figure 10 compares the average percentage of new annualized premium issued in the ESML market from 2018 through 2021 to the 2022 percentage, by company. One company effectively sells all its new business in the ESML market. Five companies saw their percentages of new premium in the ESML market increase in 2022 over their averages from 2018 through 2021. Five companies do not sell their IDI products in the ESML market.

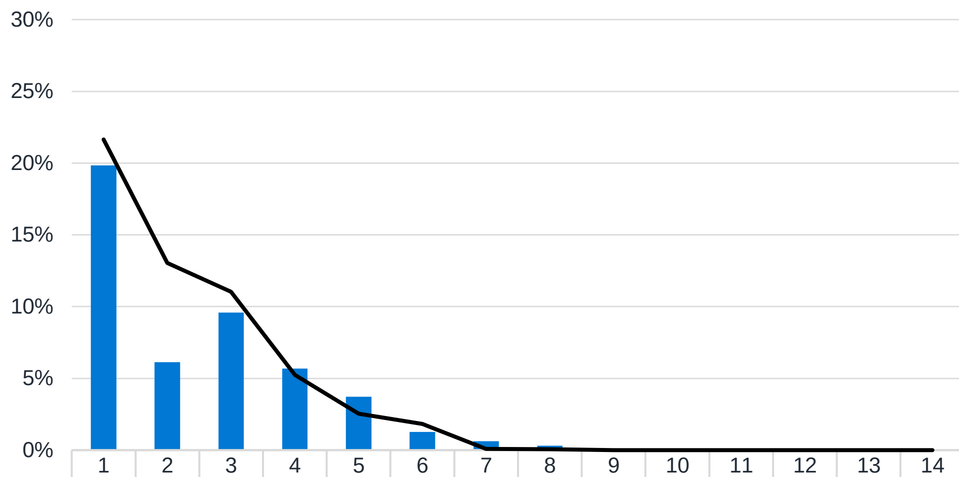
FIGURE 10: PERCENTAGE OF ESML NEW PREMIUM TO TOTAL NEW ANNUALIZED PREMIUM, AVERAGE 2018-2021 VS. 2022, BY COMPANY



	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Avg 2018-2021	100%	69%	53%	53%	23%	22%	14%	10%	3%	2%	0%	0%	0%	0%
2022	100%	73%	67%	58%	28%	24%	11%	9%	2%	0%	0%	0%	0%	0%

Figure 11 compares the average percentage of new annualized premium issued in the association market from 2018 through 2021 to the 2022 percentage, by company. Six of the 14 companies sold business in the association market in 2022. One of these companies issued more than 20% of its new premium in 2022 in this market. One company's percentage of new association premium in 2022 more than doubled its 2018-2021 average.

FIGURE 11: PERCENTAGE OF ASSOCIATION PREMIUM TO TOTAL NEW ANNUALIZED PREMIUM, AVERAGE 2018-2021 VS. 2022, BY COMPANY



	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Avg 2018-2021	20%	6%	10%	6%	4%	1%	1%	0%	0%	0%	0%	0%	0%	0%
2022	22%	13%	11%	5%	3%	2%	0%	0%	0%	0%	0%	0%	0%	0%

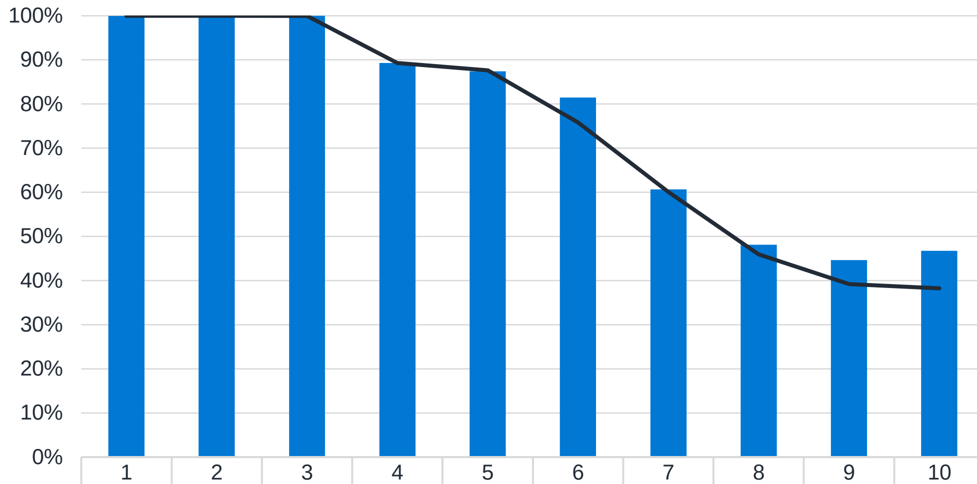
Figure 12 shows the distribution of new ESML premium between employee-pay and employer-pay for years 2018 through 2022. The distribution of new ESML premium has been shifting to employer-pay over the last two years.

FIGURE 12: DISTRIBUTION OF NEW ESML PREMIUM BETWEEN EMPLOYEE-PAY AND EMPLOYER-PAY FOR YEARS 2018 THROUGH 2022

YEAR	EMPLOYEE-PAY	EMPLOYER-PAY	TOTAL
2018	62%	38%	100%
2019	58%	42%	100%
2020	61%	39%	100%
2021	56%	44%	100%
2022	53%	47%	100%
AVERAGE	**57%**	**43%**	**100%**

Figure 13 compares the percentage of new ESML annualized premium issued under employee-pay arrangements from 2018 through 2021 to the 2022 percentage, by company. The four 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 seven companies, only two had a higher percentage of employee-pay business in 2022 than the average over the prior four years. The ESML business seems to be shifting slightly to employer-pay over the past few years.

FIGURE 13: PERCENTAGE OF EMPLOYEE-PAY TO TOTAL ESML NEW ANNUALIZED PREMIUM, AVERAGE DURING 2018-2021 VS. 2022, BY COMPANY



	1	2	3	4	5	6	7	8	9	10
Avg 2018-2021	100%	100%	100%	89%	87%	81%	61%	48%	45%	47%
2022	100%	100%	100%	89%	88%	76%	60%	46%	39%	38%

KEY OCCUPATIONS

Eleven of the 14 companies were able to split their new annualized premium among key professional and executive occupations. The combined new premium from these 11 companies represented 98% of the combined new premium for the 14 contributors over the last five years. Figure 14 shows the combined distribution of new annualized premium by issue year from 2018 through 2022 for these 11 companies. The percentage of new premium from doctors and surgeons increased to 33% in 2020 but fell back to 30% in 2022.

FIGURE 14: PERCENTAGE OF NEW ANNUALIZED PREMIUM BY KEY OCCUPATION ISSUED FROM 2018 THROUGH 2022 – ALL MARKETS COMBINED

YEAR	DOCTORS AND SURGEONS	DENTISTS	LAWYERS	EXECUTIVES	ACCOUNTANTS	OTHER	TOTAL
2018	29%	8%	6%	12%	2%	42%	100%
2019	32%	8%	6%	13%	2%	39%	100%
2020	33%	8%	6%	12%	2%	39%	100%
2021	32%	8%	6%	12%	2%	40%	100%
2022	30%	9%	6%	12%	2%	42%	100%
AVERAGE	**31%**	**8%**	**6%**	**12%**	**2%**	**40%**	**100%**

The distribution of new premium by these key occupations varies by market. Figures 15, 16, and 17 show the five-year distributions for each of the three IDI markets.

FIGURE 15: PERCENTAGE OF NEW ANNUALIZED PREMIUM BY KEY OCCUPATION ISSUED FROM 2018 THROUGH 2022 – INDIVIDUALLY SOLD MARKET

YEAR	DOCTORS AND SURGEONS	DENTISTS	LAWYERS	EXECUTIVES	ACCOUNTANTS	OTHER	TOTAL
2018	26%	10%	5%	15%	2%	43%	100%
2019	26%	11%	5%	15%	2%	41%	100%
2020	27%	10%	4%	15%	2%	42%	100%
2021	26%	12%	4%	13%	2%	44%	100%
2022	25%	13%	4%	12%	2%	44%	100%
AVERAGE	**26%**	**11%**	**4%**	**14%**	**2%**	**43%**	**100%**

FIGURE 16: PERCENTAGE OF NEW ANNUALIZED PREMIUM BY KEY OCCUPATION ISSUED FROM 2018 THROUGH 2022 – ESML MARKET

YEAR	DOCTORS AND SURGEONS	DENTISTS	LAWYERS	EXECUTIVES	ACCOUNTANTS	OTHER	TOTAL
2018	32%	3%	9%	11%	2%	43%	100%
2019	36%	3%	9%	12%	2%	38%	100%
2020	37%	3%	8%	12%	3%	38%	100%
2021	35%	3%	8%	13%	2%	38%	100%
2022	32%	3%	9%	13%	2%	42%	100%
AVERAGE	**34%**	**3%**	**9%**	**12%**	**2%**	**40%**	**100%**

FIGURE 17: PERCENTAGE OF NEW ANNUALIZED PREMIUM BY KEY OCCUPATION ISSUED FROM 2018 THROUGH 2022 – ASSOCIATION MARKET

YEAR	DOCTORS AND SURGEONS	DENTISTS	LAWYERS	EXECUTIVES	ACCOUNTANTS	OTHER	TOTAL
2018	60%	26%	5%	2%	0%	7%	100%
2019	60%	26%	5%	2%	0%	7%	100%
2020	65%	18%	4%	1%	0%	11%	100%
2021	66%	20%	3%	1%	0%	9%	100%
2022	66%	21%	3%	1%	0%	9%	100%
AVERAGE	**64%**	**22%**	**4%**	**1%**	**0%**	**9%**	**100%**

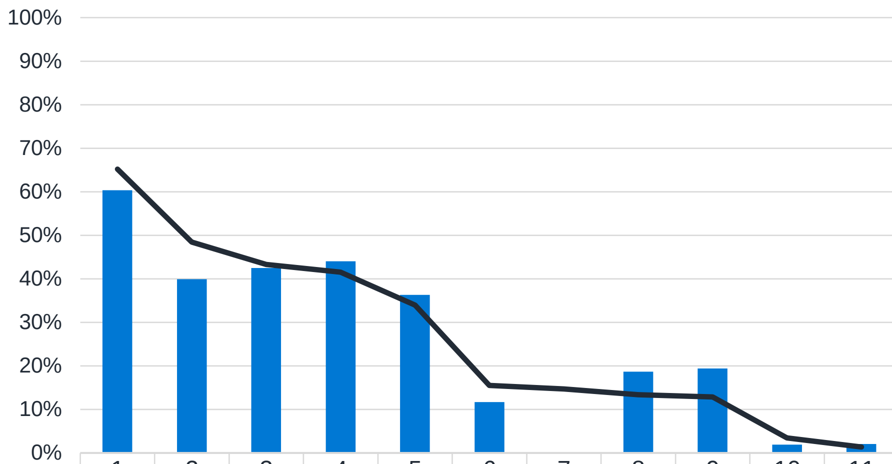
Doctors and surgeons have a lower percentage of new premium in the individually sold market than in the other two markets but are still the predominant key occupation. Executives have a higher percentage in the individually sold market than in the other two markets.

Doctors and surgeons have a higher percentage of new premium in the ESML market than in the individually sold 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 again not as high as in the association market. Lawyers have a higher percentage of new premium in the ESML market than in the individually sold and association markets.

Doctors and surgeons have averaged 64% of the new premium in the association market over the last five years, and dentists comprise 22%.

Figure 18 compares the average percentage of new annualized premium issued to doctors and surgeons from 2018 through 2021 to the 2022 percentage for the 11 companies, all markets combined. The companies are ordered by size of their 2022 percentages, with No. 1 having the largest percentage.

FIGURE 18: PERCENTAGE OF NEW ANNUALIZED PREMIUM ISSUED TO DOCTORS AND SURGEONS, AVERAGE 2018-2021 VS. 2022, BY COMPANY – ALL MARKETS COMBINED



	1	2	3	4	5	6	7	8	9	10	11
Avg 2018-2021	60%	40%	42%	44%	36%	12%		19%	19%	2%	2%
2022	65%	48%	43%	42%	34%	16%	15%	13%	13%	3%	1%

For one company, doctors and surgeons represent over 60% of their new premium in 2022. Five companies increased their percentage of new premium sold to doctors and surgeons in 2022 compared to their average percentage over the prior 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, although some companies use different terminology to refer to these producers.

2. **Brokers**
   Brokers are either independent producers or career agents for companies other than 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 either their agents sell 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.

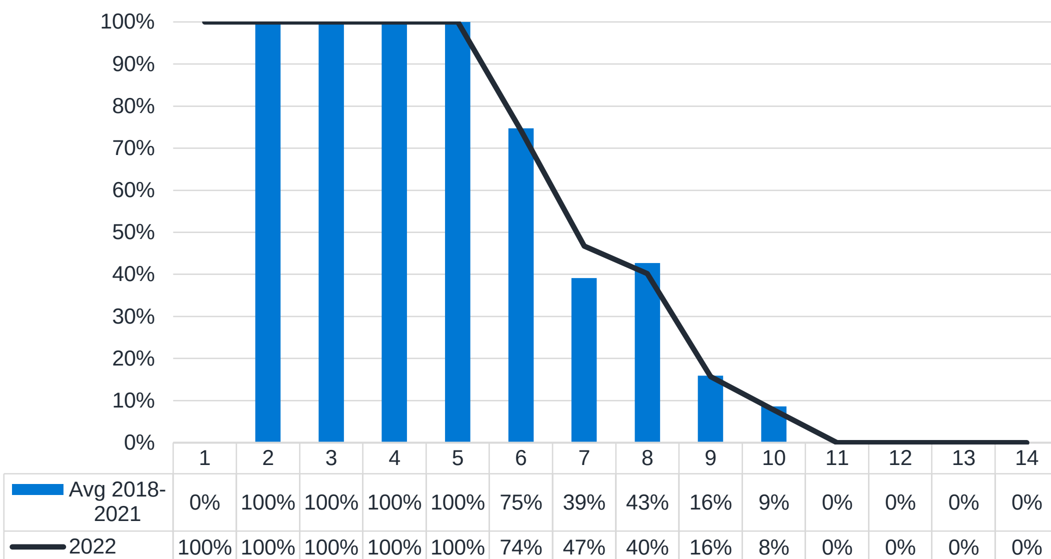
Figure 19 shows the mix of new premium by distribution channel for the 14 companies combined, for the years 2018 through 2022, combining for all IDI markets in aggregate. A higher percentage of new IDI premium has been sold by brokers than career agents in 2022.

FIGURE 19: MIX OF NEW ANNUALIZED PREMIUM BY DISTRIBUTION CHANNEL ISSUED IN YEARS 2018 THROUGH 2022 – ALL MARKETS COMBINED

YEAR	CAREER AGENTS	BROKERS	NATIONAL ACCOUNTS	OTHER PRODUCERS	TOTAL
2018	43%	38%	4%	16%	100%
2019	41%	40%	3%	16%	100%
2020	40%	40%	3%	17%	100%
2021	40%	40%	3%	17%	100%
2022	38%	40%	3%	19%	100%
AVERAGE	**40%**	**39%**	**3%**	**17%**	**100%**

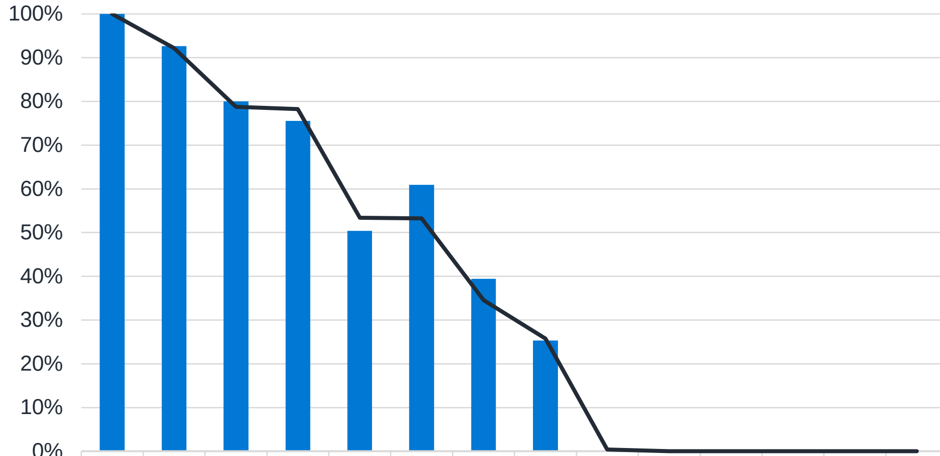
The percentage of new premium issued by career agents was 38% in 2022 compared to 41% over the four-year period of 2018 to 2021. Figure 20 compares the average percentage of new premium sold by career agents in 2022 to the average over the 2018-2021 period. The companies in the chart are ordered so that No. 1 has the highest average percentage in 2022 and No.14 has the lowest. Five of the 14 companies sell only through their career agents, and four issued no new IDI premium through career agents over the last five years.

FIGURE 20: PERCENTAGE OF NEW ANNUALIZED PREMIUM SOLD THROUGH CAREER AGENTS: AVERAGE DURING 2018-2021 VS. 2022, BY COMPANY



The percentage of new premium issued by brokers was 40% in 2022 compared to the four-year period of 2018 to 2021, which was 39%. Figure 21 compares the percentage of new annualized premium sold by brokers in 2022 to the average from 2018 through 2021, by company. Eight of the 14 companies sell some portion of new premium through brokers. Five of the companies do not sell via brokers at all.

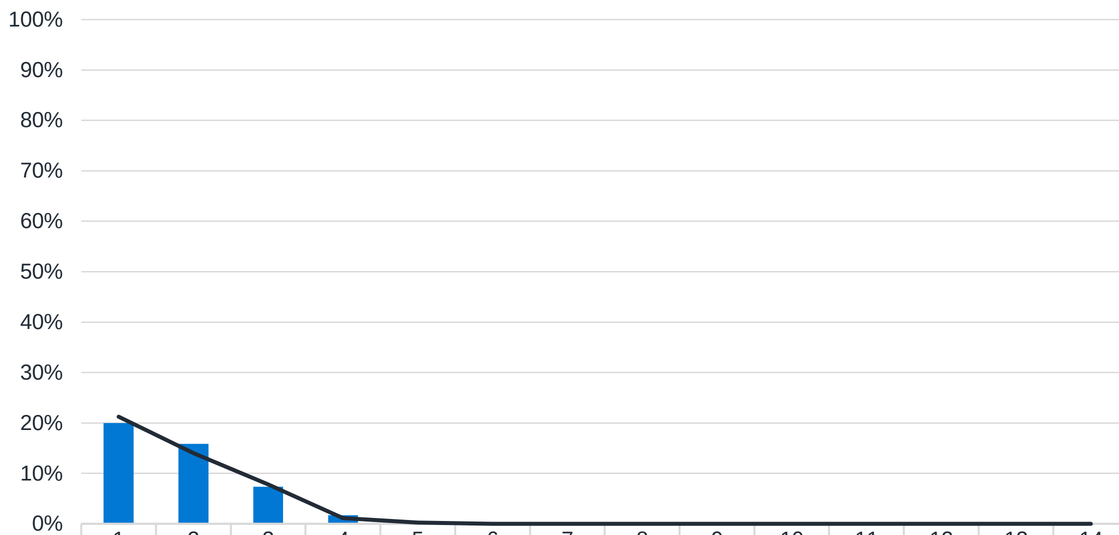
FIGURE 21: PERCENTAGE OF NEW ANNUALIZED PREMIUM SOLD THROUGH BROKERS: AVERAGE DURING 2018-2021 VS. 2022, BY COMPANY – ALL MARKETS COMBINED



	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Avg 2018-2021	100%	93%	80%	76%	50%	61%	39%	25%	0%	0%	0%	0%	0%	0%
2022	100%	92%	79%	78%	53%	53%	35%	26%	0%	0%	0%	0%	0%	0%

The percentage of new annualized premium sold through national accounts for all companies combined was 3% in 2022 and over the 2018-2021 period. Figure 22 compares the percentage of new annualized premium sold through national accounts in 2022 to the average from 2018 through 2021, all markets combined. Four of the 14 companies sold IDI policies through national accounts in 2022.

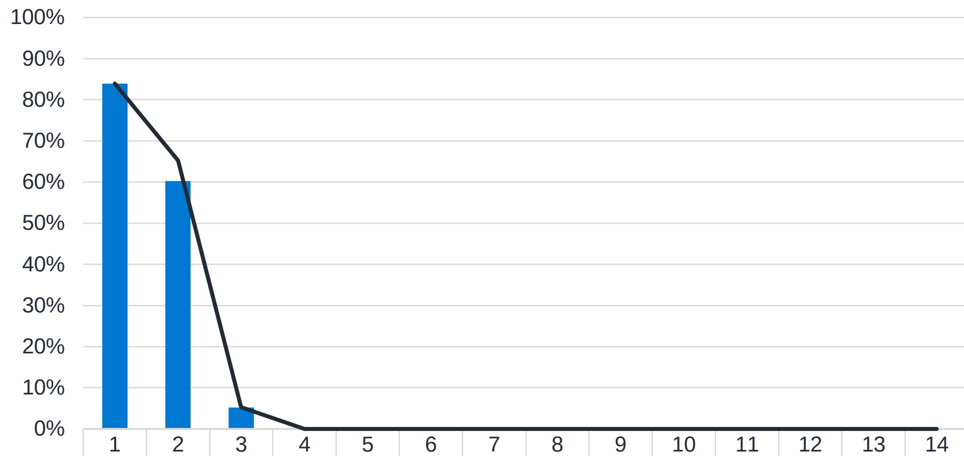
FIGURE 22: PERCENTAGE OF NEW ANNUALIZED PREMIUM SOLD THROUGH NATIONAL ACCOUNTS: AVERAGE DURING 2018-2021 VS. 2022, BY COMPANY – ALL MARKETS COMBINED



	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Avg 2018-2021	20%	16%	7%	2%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
2022	21%	14%	8%	1%	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 19% in 2022 and 16% over the 2018-2021 period. Figure 23 compares the average percentage of new annualized premium sold by other types of producers in 2022 to the average from 2018 through 2021. Three of the 14 companies sell IDI policies through other types of producers. For two of these three companies, the percentage of IDI new premium sold through other types of producers was at least 65% in 2022.

FIGURE 23: PERCENTAGE OF NEW ANNUALIZED PREMIUM SOLD THROUGH OTHER TYPES OF PRODUCERS: AVERAGE DURING 2018-2021 VS. 2022, BY COMPANY – ALL MARKETS COMBINED



	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Avg 2018-2021	84%	60%	5%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
2022	84%	65%	5%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

NONCANCELABLE TRENDS

Figure 24 shows the percentages of new IDI premium issued to noncancelable (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, subject to 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 24: PERCENTAGE OF NEW ANNUALIZED PREMIUM ISSUED ON NONCAN PRODUCTS

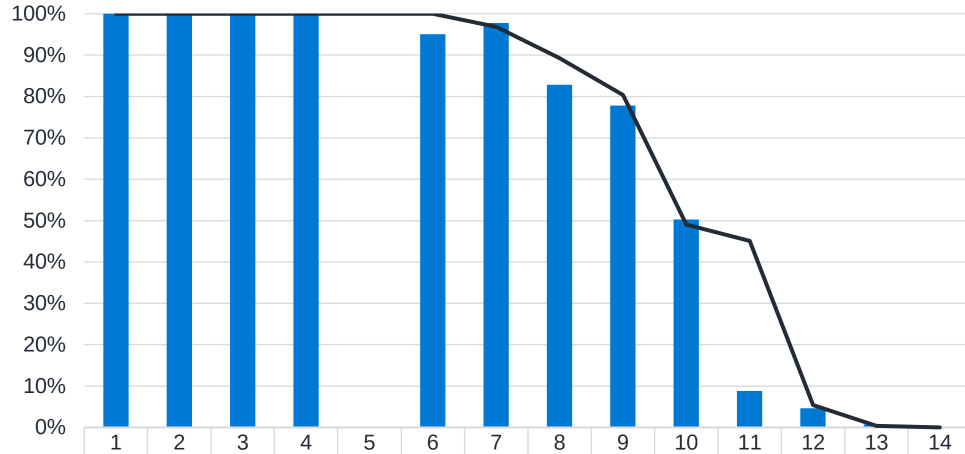
ISSUE YEAR	2018	2019	2020	2021	2022	AVERAGE
TOTAL	**81%**	**82%**	**83%**	**84%**	**85%**	**83%**
BY OCCUPATION						
DOCTORS & SURGEONS	93%	93%	93%	94%	95%	94%
DENTISTS	92%	93%	94%	93%	95%	93%
LAWYERS	89%	89%	87%	89%	90%	89%
EXECUTIVES	81%	81%	81%	82%	83%	82%
ACCOUNTANTS	75%	76%	85%	81%	83%	80%
OTHER OCCUPATIONS	71%	71%	74%	74%	76%	73%
BY MARKET						
INDIVIDUALLY SOLD	69%	70%	72%	71%	72%	71%
ASSOCIATION	92%	92%	96%	97%	97%	95%
ESML	96%	95%	95%	96%	96%	95%
EMPLOYEE-PAY	95%	96%	94%	95%	95%	95%
EMPLOYER-PAY	97%	95%	97%	96%	96%	96%
BY DISTRIBUTION CHANNEL						
CAREER AGENTS	67%	68%	69%	69%	69%	68%
BROKERS	90%	91%	92%	93%	94%	92%
NATIONAL ACCOUNTS	93%	92%	91%	91%	92%	92%
OTHER PRODUCERS	95%	94%	94%	94%	95%	94%

While the percentage of new annualized premium issued on noncan policies changed little from year to year, showing a small increase over the period, differences occurred among the various categories:

- IDI premiums issued to doctors and surgeons and to dentists have significantly higher noncan percentages 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 94% over the last five years) and the career agents channel has the lowest noncan percentage (averaging 68% over the last five years).

Figure 25 compares the noncan percentage in 2022 to the average from 2018 through 2021 by company. Six companies sell only noncan IDI products in 2022 and one sells no noncan IDI products. One company had a large jump in its noncan percentages in 2022 compared to its 2018-2021 average (45% vs. 9%).

FIGURE 25: NONCAN PERCENTAGE OF NEW ANNUALIZED PREMIUM: AVERAGE DURING 2018-2021 VS. 2022, BY COMPANY – ALL MARKETS COMBINED



	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Avg 2018-2021	100%	100%	100%	100%	0%	95%	98%	83%	78%	50%	9%	5%	1%	0%
2022	100%	100%	100%	100%	100%	100%	97%	89%	80%	49%	45%	5%	0%	0%

ELIMINATION PERIOD TRENDS

Figure 26 shows the trends in the distribution of new IDI annualized premium by elimination period from 2018 through 2022 when all markets are combined. The 90-day elimination period is the predominant elimination period, followed by the 180-day elimination period. Note that the elimination period trends include only 13 companies, as one company did not respond to this section of the survey.

FIGURE 26: DISTRIBUTION OF NEW ANNUALIZED PREMIUM BY ELIMINATION PERIOD FOR YEARS 2018 THROUGH 2022 – ALL MARKETS COMBINED

YEAR	30 DAYS & UNDER	60 DAYS	90 DAYS	180 DAYS	OVER 180 DAYS	TOTAL
2018	4%	2%	73%	18%	3%	100%
2019	3%	2%	73%	19%	2%	100%
2020	2%	1%	76%	18%	2%	100%
2021	2%	2%	76%	18%	3%	100%
2022	3%	2%	74%	19%	3%	100%
AVERAGE	**3%**	**2%**	**74%**	**18%**	**3%**	**100%**

The distribution of new IDI premium by elimination period is significantly different among the three IDI markets. Figure 27 shows the average distribution of new IDI premium by elimination period over the 2018-2022 period for each of the three markets.

FIGURE 27: AVERAGE DISTRIBUTION OF NEW ANNUALIZED PREMIUM BY MARKET FOR YEARS 2018 THROUGH 2022

ELIMINATION PERIOD	INDIVIDUALLY SOLD	ESML	ASSOCIATIONS	TOTAL
30 DAYS & UNDER	5%	0%	1%	3%
60 DAYS	3%	0%	1%	2%
90 DAYS	79%	65%	93%	74%
180 DAYS	11%	30%	5%	18%
OVER 180 DAYS	1%	4%	0%	3%
TOTAL	**100%**	**100%**	**100%**	**100%**

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 8% versus 0% and 2%.
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 34% versus 12% and 5%. ESML cases are often packaged with group LTD coverage for which elimination periods of 180 days are common.

BENEFIT PERIOD TRENDS

Figure 28 shows the trends in the distribution of new IDI annualized premium by benefit period from 2018 through 2022 when all markets are combined. The To Age 65-70 category is the predominant benefit period, followed by the short-term benefit period. Note that the benefit period trends include only 13 companies, as one company did not respond to this section of the survey.

FIGURE 28: DISTRIBUTION OF NEW ANNUALIZED PREMIUM BY BENEFIT PERIOD FOR YEARS 2018 THROUGH 2022 – ALL MARKETS COMBINED

YEAR	LIFETIME	TO AGE 65-70	SHORT-TERM	TOTAL
2018	1%	80%	19%	100%
2019	1%	81%	18%	100%
2020	1%	84%	15%	100%
2021	2%	83%	15%	100%
2022	2%	81%	17%	100%
AVERAGE	**1%**	**82%**	**17%**	**100%**

The distribution of new IDI premium by benefit period is significantly different among the three IDI markets. Figure 29 shows the average distribution of new IDI premium by benefit period over the 2018-2022 period for each of the three markets. Short-term benefit periods are more common in the individually sold market than in the ESML or association markets.

FIGURE 29: AVERAGE DISTRIBUTION OF NEW ANNUALIZED PREMIUM BY MARKET FOR YEARS 2018 THROUGH 2022

BENEFIT PERIOD	INDIVIDUALLY SOLD	ESML	ASSOCIATIONS	TOTAL
LIFETIME	1%	0%	1%	1%
TO AGE 65-70	82%	97%	94%	89%
SHORT-TERM	17%	3%	5%	11%
TOTAL	**100%**	**100%**	**100%**	**100%**

Section IV: Underwriting

This section discusses the current underwriting requirements of the 13 IDI companies that contributed to this part of the survey. One of the 14 contributors did not respond 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 30 compares the highest, median, and lowest issue limits among the 13 contributors for the top nonmedical occupation class and for the top medical occupation class in 2022 and 2023. The number of companies at the maximum issue limit for the top nonmedical occupation class increased from one to two, and the number at the maximum for the top medical occupation class increased from three to five since the 2022 IDI Market Survey. One company released a new IDI product in 2023 with lower issue limits.

FIGURE 30: MAXIMUM ISSUE LIMITS, 2022 AND 2023

	TOP NONMEDICAL OCCUPATION CLASS		TOP MEDICAL OCCUPATION CLASS	
YEAR	**2022**	**2023**	**2022**	**2023**
MEASURE:				
HIGHEST LIMIT	$35,000	$35,000	$30,000	$30,000
MEDIAN LIMIT	$20,000	$20,000	$20,000	$20,000
LOWEST LIMIT	$6,000	$4,000	$10,000	$4,000
# COMPANIES AT HIGHEST LIMIT	1	2	3	5

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 31 compares the highest, median, and lowest participation limits, when group LTD is not present, among the 13 contributors in 2022 and 2023 for the top nonmedical and medical occupation classes. Five companies now share the highest participation limit at $35,000 when LTD is not present for the top nonmedical occupations, and nine companies share the highest participation limit at $30,000 when LTD is not present for the top medical occupations.

FIGURE 31: MAXIMUM PARTICIPATION LIMITS WHEN GROUP LTD IS NOT PRESENT, 2022 AND 2023

	TOP NONMEDICAL OCCUPATION CLASS		TOP MEDICAL OCCUPATION CLASS	
YEAR	**2022**	**2023**	**2022**	**2023**
MEASURE:				
HIGHEST LIMIT	$35,000	$35,000	$30,000	$30,000
MEDIAN LIMIT	$30,000	$30,000	$30,000	$30,000
LOWEST LIMIT	$6,000	$4,000	$12,000	$4,000
# COMPANIES AT HIGHEST LIMIT	4	5	8	9

Figure 32 compares the highest, median, and lowest participation limits, when group LTD is present, among the 13 contributors in 2022 and 2023 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. One company increased its maximum participation limit when group LTD is present for the top nonmedical occupation classes, and one increased its maximum participation limit when group LTD is present for the top medical occupation classes.

FIGURE 32: MAXIMUM PARTICIPATION LIMITS WHEN GROUP LTD IS PRESENT, 2022 AND 2023

	TOP NONMEDICAL OCCUPATION CLASS		TOP MEDICAL OCCUPATION CLASS	
YEAR	**2022**	**2023**	**2022**	**2023**
MEASURE:				
HIGHEST LIMIT	$35,000	$35,000	$35,000	$35,000
MEDIAN LIMIT	$35,000	$35,000	$35,000	$35,000
LOWEST LIMIT	$6,000	$4,000	$12,000	$4,000
# COMPANIES AT HIGHEST LIMIT	8	9	8	9

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. These limits may also be affected by inflation. 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 13 survey contributors over a range of annual earned incomes, varying between premium payer and whether group LTD is present:

- Figure 33: Employee-pay policies when group LTD is not present
- Figure 34: Employee-pay policies when group LTD is present
- Figure 35: Employer-pay policies when group LTD is not present
- Figure 36: Employer-pay policies when group LTD is present

The ratios of maximum to median for the 2023 replacement limits measure the closeness of the median limits to the maximum limits. The 2023/2022 ratios compare the median and maximum replacement limits in 2023 to those in 2022 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, discussed previously.

FIGURE 33: MEDIAN AND MAXIMUM 2023 MONTHLY REPLACEMENT LIMITS BY ANNUAL EARNED INCOME, FOR EMPLOYEE-PAY POLICIES WHEN NO GROUP LTD IS PRESENT

	2023 MONTHLY REPLACEMENT LIMIT			2023 / 2022	
ANNUAL EARNED INCOME	MEDIAN	MAXIMUM	RATIO: MAXIMUM TO MEDIAN	MEDIAN	MAXIMUM
$20,000	$1,280	$1,400	1.09	100%	100%
$40,000	$2,430	$2,525	1.04	100%	100%
$60,000	$3,410	$3,700	1.09	100%	100%
$80,000	$4,280	$4,700	1.10	100%	100%
$100,000	$5,200	$5,500	1.06	101%	100%
$125,000	$6,165	$6,600	1.07	100%	100%
$150,000	$7,220	$7,700	1.07	100%	100%
$175,000	$8,228	$8,900	1.08	100%	100%
$200,000	$9,500	$9,900	1.04	101%	100%
$250,000	$11,600	$12,000	1.03	100%	100%
$300,000	$13,300	$13,800	1.04	100%	100%
$350,000	$14,915	$15,600	1.05	101%	100%
$400,000	$16,150	$16,500	1.02	100%	100%
$450,000	$17,000	$18,000	1.06	100%	99%
$500,000	$18,000	$18,400	1.02	100%	93%
$550,000	$18,950	$19,400	1.02	100%	97%

	2023 MONTHLY REPLACEMENT LIMIT			2023 / 2022	
ANNUAL EARNED INCOME	MEDIAN	MAXIMUM	RATIO: MAXIMUM TO MEDIAN	MEDIAN	MAXIMUM
$600,000	$19,900	$20,150	1.01	100%	100%
$650,000	$20,500	$21,150	1.03	103%	100%
$700,000	$21,000	$22,150	1.05	105%	100%
$750,000	$21,450	$23,150	1.08	105%	100%

FIGURE 34: MEDIAN AND MAXIMUM 2023 MONTHLY REPLACEMENT LIMITS BY ANNUAL EARNED INCOME, FOR EMPLOYEE-PAY POLICIES WHEN GROUP LTD IS PRESENT

	2023 MONTHLY REPLACEMENT LIMIT			2023 / 2022	
ANNUAL EARNED INCOME	MEDIAN	MAXIMUM	RATIO: MAXIMUM TO MEDIAN	MEDIAN	MAXIMUM
$20,000	$1,280	$1,400	1.09	100%	100%
$40,000	$2,450	$2,700	1.10	101%	100%
$60,000	$3,550	$4,000	1.13	100%	100%
$80,000	$4,530	$5,335	1.18	100%	100%
$100,000	$5,660	$6,665	1.18	100%	100%
$125,000	$7,120	$8,225	1.16	100%	100%
$150,000	$8,540	$9,000	1.05	100%	100%
$175,000	$9,600	$10,300	1.07	100%	100%
$200,000	$11,000	$11,700	1.06	100%	100%
$250,000	$13,600	$14,600	1.07	100%	100%
$300,000	$16,250	$17,400	1.07	100%	100%
$350,000	$18,900	$20,100	1.06	100%	100%
$400,000	$21,500	$22,600	1.05	100%	100%
$450,000	$24,000	$25,100	1.05	100%	100%
$500,000	$26,660	$28,625	1.07	100%	100%
$550,000	$29,300	$30,043	1.03	100%	100%
$600,000	$30,500	$31,900	1.05	102%	100%
$650,000	$31,400	$34,400	1.10	101%	100%
$700,000	$32,500	$37,000	1.14	106%	106%
$750,000	$33,500	$39,750	1.19	100%	114%

FIGURE 35: MEDIAN AND MAXIMUM 2023 MONTHLY REPLACEMENT LIMITS BY ANNUAL EARNED INCOME, FOR EMPLOYER-PAY POLICIES WHEN NO GROUP LTD IS PRESENT

	2023 MONTHLY REPLACEMENT LIMIT			2023 / 2022	
ANNUAL EARNED INCOME	MEDIAN	MAXIMUM	RATIO: MAXIMUM TO MEDIAN	MEDIAN	MAXIMUM
$20,000	$1,445	$1,830	1.27	100%	100%
$40,000	$2,810	$3,545	1.26	100%	100%
$60,000	$4,100	$4,400	1.07	99%	91%
$80,000	$5,335	$5,700	1.07	99%	94%
$100,000	$6,445	$6,750	1.05	99%	94%
$125,000	$7,800	$8,225	1.05	100%	95%
$150,000	$9,105	$9,600	1.05	99%	97%
$175,000	$10,500	$11,120	1.06	99%	94%
$200,000	$11,900	$12,830	1.08	99%	96%
$250,000	$14,600	$15,600	1.07	100%	96%
$300,000	$16,200	$16,830	1.04	100%	92%
$350,000	$17,750	$18,800	1.06	99%	94%
$400,000	$19,000	$20,245	1.07	96%	100%
$450,000	$20,180	$21,420	1.06	101%	100%
$500,000	$21,360	$22,500	1.05	107%	100%
$550,000	$22,540	$23,550	1.04	107%	100%
$600,000	$23,600	$24,200	1.03	107%	100%
$650,000	$24,200	$25,200	1.04	106%	101%
$700,000	$24,900	$26,200	1.05	107%	100%
$750,000	$26,000	$27,300	1.05	108%	100%

FIGURE 36: MEDIAN AND MAXIMUM 2023 MONTHLY REPLACEMENT LIMITS BY ANNUAL EARNED INCOME, FOR EMPLOYER-PAY POLICIES WHEN GROUP LTD IS PRESENT

	2023 MONTHLY REPLACEMENT LIMIT			2023 / 2022	
ANNUAL EARNED INCOME	MEDIAN	MAXIMUM	RATIO: MAXIMUM TO MEDIAN	MEDIAN	MAXIMUM
$20,000	$1,445	$1,830	1.27	100%	100%
$40,000	$2,850	$3,545	1.24	100%	100%
$60,000	$4,200	$4,900	1.17	99%	100%
$80,000	$5,640	$6,300	1.12	100%	100%
$100,000	$6,950	$7,500	1.08	100%	100%
$125,000	$8,700	$9,300	1.07	100%	100%
$150,000	$10,470	$11,025	1.05	100%	100%
$175,000	$12,050	$12,625	1.05	100%	100%
$200,000	$13,850	$14,300	1.03	100%	100%
$250,000	$17,200	$18,070	1.05	100%	100%
$300,000	$20,700	$21,370	1.03	100%	100%
$350,000	$23,400	$25,000	1.07	100%	100%

ANNUAL EARNED INCOME	2023 MONTHLY REPLACEMENT LIMIT			2023 / 2022	
	MEDIAN	MAXIMUM	RATIO: MAXIMUM TO MEDIAN	MEDIAN	MAXIMUM
$400,000	$26,667	$27,720	1.04	100%	100%
$450,000	$29,500	$31,000	1.05	100%	100%
$500,000	$30,000	$33,800	1.13	100%	100%
$550,000	$31,600	$36,340	1.15	103%	100%
$600,000	$33,000	$37,500	1.14	105%	100%
$650,000	$34,840	$38,950	1.12	109%	101%
$700,000	$35,000	$40,950	1.17	110%	104%
$750,000	$35,000	$42,950	1.23	100%	106%

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 37 shows the factors that 12 of the 13 companies use to adjust the group LTD benefits.

FIGURE 37: FACTORS USED TO ADJUST GROUP LTD BENEFIT IN THE CALCULATION OF PARTICIPATION LIMITS

EMPLOYEE-PAY	EMPLOYER-PAY	NUMBER OF COMPANIES
60%	80%	2
70%	70%	2
70%	100%	1
75%	125%	1
100%	70%	4
100%	80%	1
143%	70%	1

UNDERWRITING REQUIREMENTS: INDIVIDUALLY SOLD MARKET

Figures 38, 39, and 40 show the blood testing, financial documentation, and paramedical examination requirements, respectively, for 13 contributors' normal underwriting rules in 2023. One company did not respond to the question on blood testing limits. A number in parentheses in any response indicates how many companies have this requirement. Of the 12 companies responding to the question on blood testing, one reported changes this year to their blood testing limits. None of the 13 companies reported changes in their financial documentation requirements since last year's IDI Market Survey.

FIGURE 38: BLOOD TESTING LIMITS IN 2023

Under age 45: $1,000 to $5,000 oral fluids, $5,000+ blood/ urine; Over age 45: $1,000+ blood/urine
$2,000 and above; depending on age and BP. Some ages we get blood on all
$3,000
$4,000
$4,500
For ages 18-50, blood & urine required for amounts over $5,000, for ages 51-60 for amounts over $3,000
$5,001
$6,001 and age over 45
$10,001
No labs for ages 50 and under and amounts of $10,000 and lower. Labs required for ages over 50 or amounts over $10,000.
For ages 18-50 $10,000+. For ages 51+ all issue amounts
No blood testing required under age 45 unless for cause

FIGURE 39: FINANCIAL DOCUMENTATION LIMITS IN 2023

All cases
Required except for students, residents & new professionals, and with simplified underwriting
None up to $2,500 if group coverage is disclosed. Most all case amounts higher than $2,500.
For employees: none for coverage up to $3000; W2 for higher coverage or for PR. For business owners: varies.
Amounts of $3,000 and higher (2)
Amounts over $5,000 (4)
$6,100
When benefit applied and in force (excl. LTD) exceeds $10,000 per mo.
One year up to $10,000, 2 yrs over $10,000

FIGURE 40: PARAMEDICAL EXAMINATION LIMITS (FOR AGE 40-49) IN 2023

Amounts over $2,000
Amounts of $3,000 and higher
Amounts over $5,000 (2)
Under age 45: $5,000; over age 45: $1,000; PR: physical measurements for all
$5000 for 40-45 BP of 5 years; $4000 for 40-45 BP > 5 years; $3000 for 46-49 BP of 5 years; $2000 for 46-49 BP > 5 years
Amounts over $6,000
Amounts over $6,000 and age 51 and up
Amounts over $11,000
Required only when traditional paper Part B completed on benefit amounts $7,501 and greater
APS, EBD & RX

Companies were asked if they are using or considering using tele-applications, pharmaceutical databases, motor vehicle records, and electronic underwriting engines in their underwriting. Figure 41 summarizes the responses of the 13 companies. All 13 of the IDI companies utilize pharmaceutical databases in their underwriting. All companies also utilize motor vehicle records. Two companies pointed out that their use of motor vehicle records was subject to the discretion of the underwriter, for cause only. Ten companies utilize tele-applications. Five companies utilize electronic underwriting engines, while three companies say their use is in development or will be in the near future. One carrier says that it uses it for workflow management only.

FIGURE 41: 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	10	0	1	2
PHARMACEUTICAL DATABASES	13	0	0	0
MOTOR VEHICLE RECORDS	13	0	0	0
ELECTRONIC UNDERWRITING ENGINES	6	3	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 42 and 43 show the GSI underwriting requirements for ESML cases of seven companies that are currently active in the ESML market. Figure 42 shows the voluntary GSI requirements typical of employee-pay cases, and Figure 43 shows the GSI requirements typical of employer-pay cases, which include 100% of eligible employees. One of the seven companies participates only in the employer-pay (mandatory) market.

FIGURE 42: EMPLOYEE-PAY (VOLUNTARY) GSI REQUIREMENTS, 2023

	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%
30	NA	$3,000	$5,000	$5,000	NA	30%	30%	30%
30 OR 30% OF TOTAL GROUP	NA	$5,000	Case by case	Case by case	30%	30%	30%	30%
MAXIMUM ISSUE LIMITS BY CASE SIZE	$5,000	$5,000	$5,000	Participation requirements by case size	20%	20%	20%	Additional medical questions on application
50 – TARGET MARKETS ALL REQUIRE INCOMES $100,000 AND ABOVE	NA	NA	NA	NA	NA	NA	NA	NA
APPROXIMATELY 75	NA	NA	NA	NA	NA	NA	NA	NA

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

The minimum number of eligible 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 eligible lives, $5,000 to $8,000 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 20% to 30% for all but the smallest cases. There were no changes from the voluntary GSI requirements reported in 2022.

FIGURE 43: EMPLOYER-PAY (MANDATORY) GSI REQUIREMENTS, 2023

	MAXIMUM ISSUE LIMITS BY CASE SIZE			
MINIMUM NUMBER OF LIVES	**10 LIVES**	**50 LIVES**	**200 LIVES**	**1,000 LIVES**
NONE	$5,000	$5,000	$5,000	NA
5	NA	NA	NA	NA
5	NA	NA	NA	NA
5	$5,000	$8,500	$10,000	$10,000
5	$2,500	$10,000	$10,000	$10,000
5	$10,000	$15,000	$15,000	$15,000
10	$12,500	$17,500	Case by case	Case by case

The minimum number of lives required on employer-pay cases, where participation of eligible lives is mandatory, ranges from five to 10 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. Since 2022, one company decreased its minimum number of lives from 10 to five, and another company increased its maximum issue limit for 10 lives from $10,000 to $12,500.

Figure 44 shows the distribution of ESML new premium for issue years 2018 through 2022 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 2018 through 2022, GSI business averaged 55% of the employee-pay ESML new premium and 93% of the employer-pay ESML new premium.

FIGURE 44: DISTRIBUTION OF ESML NEW ANNUALIZED PREMIUM BY TYPE OF UNDERWRITING, ISSUE YEARS 2018 THROUGH 2022

	EMPLOYEE-PAY			EMPLOYER-PAY		
ISSUE YEAR	GSI	GTI	NORMAL AND SIMPLIFIED ISSUE	GSI	GTI	NORMAL AND SIMPLIFIED ISSUE
2018	58%	1%	41%	92%	1%	8%
2019	54%	1%	46%	93%	1%	7%
2020	51%	0%	49%	92%	0%	8%
2021	55%	0%	45%	92%	0%	7%
2022	57%	0%	43%	95%	0%	5%
AVERAGE	**55%**	**0%**	**45%**	**93%**	**0%**	**7%**

The companies were asked to rate their satisfaction with the morbidity results of their employee-pay (voluntary) GSI cases. The table in Figure 45 compares the responses from the IDI market surveys in 2022 and 2023 of five companies that are active in the ESML market. Ratings range 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. There were no changes in the five companies’ voluntary GSI morbidity assessments since the 2022 IDI Market Survey.

FIGURE 45: COMPANY RATINGS OF THEIR VOLUNTARY GSI MORBIDITY

RATING	2022	2023
1 (VERY DISSATISFIED)	0	0
2	2	2
3	2	2
4	1	1
5 (VERY PLEASED)	0	0
AVERAGE	**2.8**	**2.8**
MEDIAN	**3**	**3**

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.

Six companies described the simplified underwriting programs that they used in 2023. Figure 46 provides their responses.

FIGURE 46: SIMPLIFIED UNDERWRITING PROGRAMS IN 2023

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 EHR's for our Term IDI product.
No labs and financials and no routine APS's up to $10,000 and ages 50 or less.
We offer simplified underwriting for issue amounts up to $10,000 to ages 18-50. Physician residents aged 18-50 ($6,000 in CA) can apply for up to issue and participation limits with financial documentation. We require the use of our Electronic Medical Questionnaire (EMQ) or TeleApp application and process for simplified underwriting. In California, we require financial documentation if applying for the BIR through simplified underwriting.
No fluids or physical measurements up to age 50 and $10,000 per month. No financials up to $6,000 per month.
Screening application on Short Term DI, with Rx Profile accompanied with rules.
No additional health questions to answer with SIDI application (uses answers from Life application). Automatic offer to Life sale meeting these requirements: Preferred non-smoker or better, age 18-45, $250k+ face amount, no existing IDI coverage, $25k+ annual income. $2,500 monthly benefit for all applicants. Total disability only (no riders), 5 year benefit period for all, 90 day EP for all.

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. These changes are summarized in Figure 47 below.

FIGURE 47: CHANGES IN UNDERWRITING PROGRAMS SINCE THE LAST SURVEY

No changes in UW requirements since last survey. We did launch a new IDI product the middle of 2022. This is available as a digital experience for the applicant. The benefit and elimination periods are lower along with a lower maximum benefit amount.
We have increased the limit for when financial documentation is required. We now no longer require financial documentation for W2 employees applying for IDI coverage up to $10,000 of monthly benefit.
We implemented IRIX Rules for our fully underwritten business.
No longer is HIV an automatic decline.
No longer accept producer completed paper part B (medical underwriting questions). Eased restrictions for part-time workers (allowed Residual and normal I&P limits).
Simplified Government Employee Guidelines.
Dropped the oral swab requirement in all states; changed the group participation factor from 80% to 70%; No financial verification of any kind below $5,001 (except CA).

INDIVIDUAL UNDERWRITING DECISIONS

Companies were asked to provide the distribution of their individual underwriting decisions for years 2021 and 2022 in the following categories:

- Issued as applied
- Rated, waiver, or modified
- Declined
- Wastage

The underwriting decisions pertain to normal underwriting and exclude any guaranteed underwriting business, which typically occurs in the ESML market. Eleven of the 14 companies submit data for this analysis. The wastage category includes withdrawn, incomplete, and not taken after approved applications. Wastage for the 11 companies averaged 14% of submitted business in 2021 and 15% in 2022.

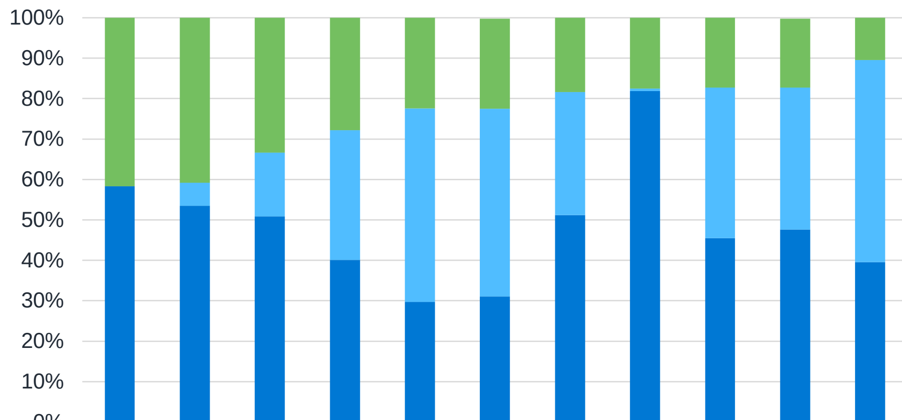
Figure 48 shows the weighted averages of the various underwriting decisions in years 2021 and 2022 as a percentage of submitted business, net of wastage. The weights are based on new IDI premium in the individually sold market in years 2021 and 2022. There was a small shift in the distribution from declined to issued as applied between years 2021 and 2022.

FIGURE 48: DISTRIBUTION OF INDIVIDUAL UNDERWRITING DECISIONS IN 2021 AND 2022, AS PERCENTAGES OF SUBMITTED APPLICATIONS, NET OF WASTAGE

UNDERWRITING DECISIONS	2021	2022
ISSUED AS APPLIED	43%	45%
RATED, WAIVERED OR MODIFIED	36%	38%
DECLINED	20%	18%
TOTAL	100%	100%

Figure 49 shows the distribution of underwriting decisions, net of wastage, in 2022 by company. The 11 companies have been ordered by their decline percentages from highest to lowest.

FIGURE 49: DISTRIBUTION OF 2022 UNDERWRITING DECISIONS BY COMPANY, AS PERCENTAGE OF SUBMITTED APPLICATIONS NET OF WASTAGE



	1	2	3	4	5	6	7	8	9	10	11
Declined	42%	41%	33%	28%	22%	22%	18%	18%	17%	17%	10%
Rated, waiv or modified	0%	6%	16%	32%	48%	46%	30%	1%	37%	35%	50%
Issued as applied	58%	54%	51%	40%	30%	31%	51%	82%	45%	48%	40%

The percentage of declines by company in 2022 ranged from 10% to 42%, reflecting a wide range of underwriting practices. This is further illustrated by the range of percentages by issued as applied and rated, waived, or modified.

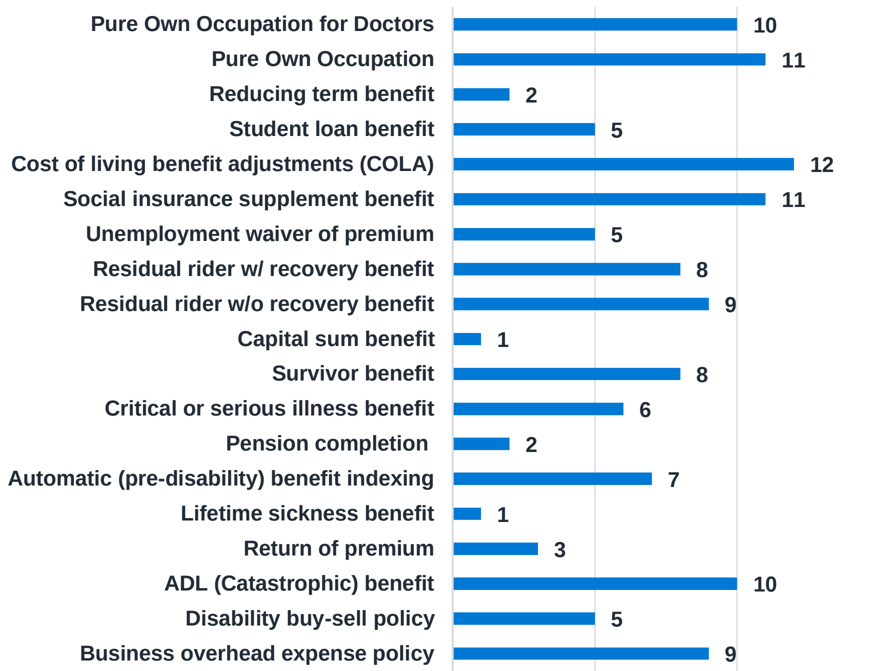
Section V: Product and pricing

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. Thirteen of the 14 surveyed companies responded to the product-related section of the survey.

CURRENT PRODUCT FEATURES

Figure 50 shows how many of the 13 companies offer various product features in their current IDI product portfolios. Companies offer these features in the base policy or add them via riders.

FIGURE 50: CURRENT IDI PRODUCT FEATURES



No one product listed above is offered by all 13 companies, although some products, such as COLA (12), pure own occupation (11), 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 12 companies offering COLAs.

FIGURE 51: COLA OPTIONS

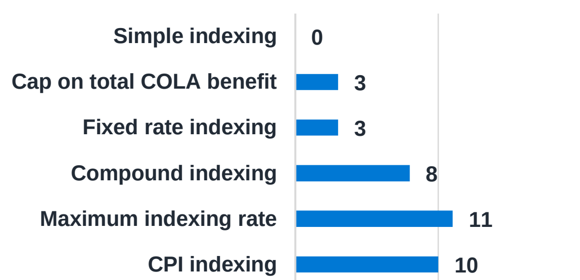


Figure 52 lists the various COLA indexing options among the 12 companies offering COLAs. The numbers in the parentheses indicate how many companies offer those options.

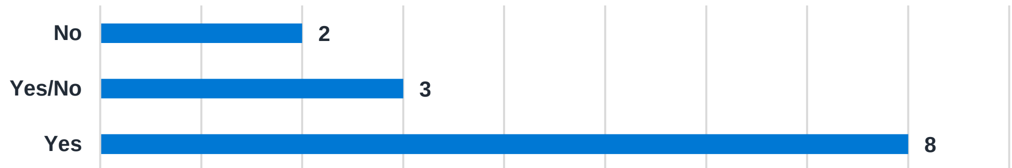
FIGURE 52: COLA INDEXING MAXIMUM

3% max (2)
6% max (3)
3% and 6% options (5)
5% max
Rate selected at issue, 3%-10%, capped at CPI with 3% floor

MENTAL/NERVOUS LIMITATIONS

Figure 53 shows how many of the 13 companies include a 24-month mental/nervous (MN) limitation in their base IDI policies. Eight of the 12 companies have a 24-month MN limitation in their base policies, and two companies do not. Three 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.

FIGURE 53: NUMBER OF COMPANIES WITH 24-MONTH MN LIMITATIONS IN THEIR BASE POLICIES



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 54 shows companies’ positions with regard to full MN coverage. The “Yes/No” indicates companies that place restrictions on who can get full MN.

FIGURE 54: COMPANIES’ POSITIONS ON FULL MN COVERAGE

Figure 55 lists the conditions cited by seven companies for making full MN coverage available.

FIGURE 55: AVAILABLITY OF FULL MN COVERAGE

Not available for blue-grey occupation and lower medical occupation classes. Not available on GR and voluntary GSI policies.
Not available for blue-grey occupation and lower medical occupation classes.
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.
Some state specific restrictions.
State specific and occupational restrictions.
Not available for select medical occupations and in select states.
Only available on GSI with 20+ lives.

NEW PRODUCT AND PREMIUM RATE CHANGES SINCE THE LAST SURVEY

Several companies described product changes that were implemented since the last IDI Market Survey, which are summarized in Figure 56.

FIGURE 56: PRODUCT CHANGES SINCE THE 2022 IDI MARKET SURVEY

In 2023 we released a new personal coverage product: new rates, new policies.
We launched a new IDI product the middle of 2022. This is available as a digital experience for the applicant. The benefit and elimination periods are lower than our existing products so we are not overlapping on them.
We have our newest product approved in CA and NY.
Introduction of Pure own occ to medical market on 12/5/2022. Also reclassified about 25 occupation classes primarily in the medical market.
Next-generation DI product, revised future insurability riders, updated definitions to be more in line with the market, enhanced residual riders, eliminated seldom purchased product features.
Increased issue limits and replacement ratios for CA-only business to align with non-CA business beginning in mid-December 2022
- Increased I&P limits - Expanded white-collar discounts - Modified simplified UW guidelines
* Launched a new simplified issue DI program (same product, but different eligibility rules). * Began using reinsurer's UW manual.

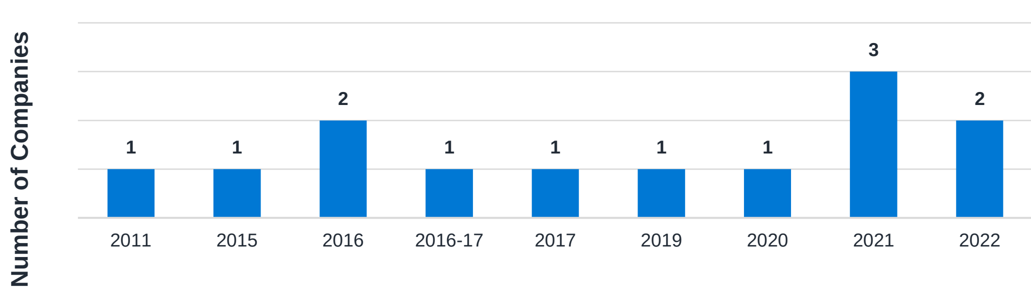
Four companies reported premium rate changes since the last IDI Market Survey. These changes are summarized in Figure 57.

FIGURE 57: PREMIUM RATE CHANGES SINCE THE 2022 IDI MARKET SURVEY

New product 1Q23, separated non-medical, medical, and dental occupations for pricing purposes. New case level discounting structure for GSI.
All multi-life business except for employer paid is now using gender distinct rates.
The new product described above has its own set of new rates.
All rates changed due to new product released in 2023.

Figure 58 shows the years in which companies released their current IDI portfolios. Seven of the 13 companies released their current IDI products in 2019 and later.

FIGURE 58: RELEASE YEARS OF CURRENT IDI PORTFOLIOS



PLANNED PRODUCT CHANGES FOR 2023

Three companies reported product changes that they have released or are planning to release in 2023. These changes are shown in Figure 59.

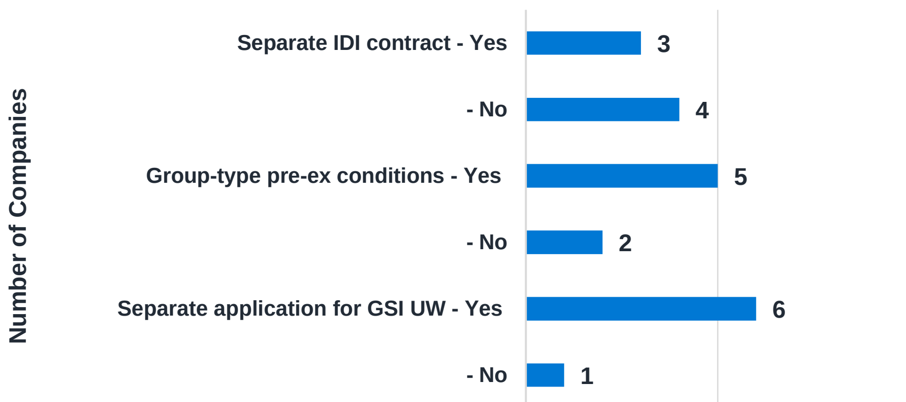
FIGURE 59: PLANNED PRODUCT CHANGES FOR 2023

In 2023 we released a new personal coverage product; new rates, new policies.
We will be submitting a new product filing in California that includes the IDI products sold in all states outside of California in 2023.
Yes, new DI product launched 1Q23 in Compact states. Non-compact states will follow through 2023 and into 2024.

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 seven companies that are active in the ESML market do.

FIGURE 60: PRODUCTS SPECIFIC TO THE ESML MARKET



Three of the seven companies have a separate IDI contract for the ESML market. Five companies utilize group-type preexisting conditions, most likely via a policy endorsement if they do not offer a specific ESML policy. Six 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. Twelve of the 13 companies responded. Figure 61 lists the 19 states (and Puerto Rico) for which at least one of the 12 companies has a premium surcharge, along with the number of such companies for each state and the minimum, maximum, median, and weighted average surcharges (where the average includes the zeros from companies with no surcharge). The weights are the 2022 IDI annual premiums for each of the 12 companies. 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. Eleven of the 12 companies have premium surcharges in California, and 11 companies have premium surcharges in Florida. Four companies have surcharges in Arizona, Nevada, and New York.

FIGURE 61: PREMIUM SUCHARGES BY STATE

STATE	NUMBER OF COMPANIES	MINIMUM	MAXIMUM	MEDIAN	WEIGHTED AVERAGE
CA	11	0.0%	90.0%	30.0%	33%
FL	11	0.0%	30.0%	10.0%	13%
NY	4	0.0%	30.0%	0.0%	3%
AZ	4	0.0%	20.0%	0.0%	8%
NV	4	0.0%	20.0%	0.0%	9%
RI	3	0.0%	30.0%	0.0%	1%
LA	2	0.0%	10.0%	0.0%	2%
NM	2	0.0%	10.0%	0.0%	2%
AR	1	0.0%	10.0%	0.0%	2%
DE	1	0.0%	10.0%	0.0%	0%
HI	1	0.0%	10.0%	0.0%	2%
NH	1	0.0%	10.0%	0.0%	0%
NJ	1	0.0%	10.0%	0.0%	0%
TX	1	0.0%	10.0%	0.0%	0%
UT	1	0.0%	10.0%	0.0%	0%
WV	1	0.0%	10.0%	0.0%	0%
CO	1	0.0%	5.0%	0.0%	1%
OR	1	0.0%	5.0%	0.0%	1%
WA	1	0.0%	5.0%	0.0%	1%
PR	2	0.0%	27.5%	0.0%	4%

PREMIUM SURCHARGE FOR TOBACCO USE

All 13 companies that responded have a premium surcharge for tobacco use. Figure 62 shows the range of premium surcharges for tobacco use among the 13 companies. The weighted average is based on companies' 2022 IDI annual premium.

FIGURE 62: RANGE OF PREMIUM SURCHARGES FOR TOBACCO USE

MINIMUM	20%
MAXIMUM	50%
MEDIAN	25%
WEIGHTED AVERAGE	28%

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 include “nicotine use.” One company includes marijuana in its definition.

FIGURE 63: VARIATIONS IN THE DEFINITIONS OF TOBACCO USE

Tobacco use (6)
Nicotine use
Tobacco or nicotine use (2)
All
Cigarette, electronic cigarette, nicotine cessation products, chewing tobacco, cigars
All forms of nicotine, tobacco and marijuana use

Section VI: General trends

This section explores general trends that are indicative of the health of the IDI business. Eleven 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 with the responses from last year’s survey. Eleven companies responded. There was substantial improvement from the last survey in companies’ assessments of their overall sales results. The number of companies rating their overall sales results at 4 or 5 increased from two companies in 2022 to six companies in 2023.

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

	OVERALL PROFITABILITY		OVERALL SALES RESULTS	
RANKING	2022 SURVEY	2023 SURVEY	2022 SURVEY	2023 SURVEY
1 (VERY DISSATISFIED)	0	0	1	1
2	1	1	5	3
3	3	4	3	3
4	7	7	2	6
5 (VERY PLEASED)	0	1	0	0
AVERAGE	**3.5**	**3.6**	**2.5**	**3.1**
MEDIAN	**4**	**4**	**2**	**3**

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 underwriting processes and requirements.

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

UNDERWRITING CHANGES
Added Milliman IRIX, MIB, and EHR (Electronic Health Records) to be used at the underwriters' discretion
Developing automated underwriting model
Expanded Newly Self-Employed / Business Owner guidelines for financial underwriting
Higher limits for when we require financial documentation
Increased issue and participation limits
Increased issue limits needed for blood and urine
Increased the oral fluid testing limits to $2,500 for all states
Labs no longer required as a matter of routine for applicants 18-50.
Utilization of eHealth records
PRODUCT AND PRICING CHANGES
Higher new professional and future increase option limits.
Broader application of discount rules.
Expansion of Preferred Occupation Discount
Increase of maximum GSI discount from 35% to 45%
ADMINISTRATIVE
Enhancing electronic application process
Streamlined administrative processes for GSI
Working with vendors on more automated underwriting and administration systems
FIELD TRAINING
Increased focus on webinars and on demand videos to explain products to agents and their clients

FAVORABLE TRENDS IN THE IDI MARKET

Companies listed favorable trends that they are seeing in the IDI market. Figure 66 lists their responses. There were five observations pertaining to improving claim experience. There were seven observations pertaining to favorable sales trends, particularly with respect to GSI sales. The other observations pertained to underwriting, policy persistency, administrative issues, the market and product, and the economy.

FIGURE 66: OBSERVED FAVORABLE TRENDS IN THE IDI MARKET

CLAIM EXPERIENCE
Lower claims incidence
Higher claims terminations
Claim experience has been favorable (2)
As a recent market entrant, low exposure to COVID claims
SALES
Strong GSI sales (2)
Sales are strong
Sales are strong for all products
Strong relationships with distribution partners
Slight increase in sales since introduction of new products (non-CA) in September 2021
Strategies to increase sales with advisors who are currently selling IDI
UNDERWRITING
Increased limits not requiring financial documentation
Increased non-medical limits
Use of AUW
Better underwriting resources
Improved trends in accelerated UW
POLICY PERSISTENCY
Lapses are low
Persistency has been stable
Policies persisting well
ADMINISTRATIVE
Continued work environment flexibility
Technological innovation/fintech/online distribution
MARKETING AND PRODUCT
General move to gender distinct rates
Expanding market reach through expanded rider and benefit offerings
Increase in cross-purchase opportunities with other distribution areas (group benefits, life)
ECONOMY
Net Investment earnings rates are on the rise
Pull backs from other carriers
Increased interest rates
Low unemployment

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. Ten observations pertained to unfavorable trends in the IDI market and sales. Eight observations pertained to unfavorable trends regarding distribution. Two observations pertained to the regulatory environment, which was not cited as an unfavorable trend in last year's survey.

FIGURE 67: OBSERVED UNFAVORABLE TRENDS IN THE IDI MARKET

MARKET AND SALES
Overconcentration of physician sales
Non-medical/dental sales are weak
Sales growth continues to be a challenge
Continued focus and high discounts in the medical markets
GSI offering in the GME space
Lack of market penetration
Commoditization of DI product in certain markets
Declining white collar FUW sales
Increasing marketplace competition
Overall stagnation of the IDI market
CLAIM EXPERIENCE
Loss ratios have yet to return to pre-pandemic levels
Unfavorable claims results in certain occupations
DISTRIBUTION
Lack of distribution focusing on middle income DI clients
Lack of distribution asking consumers about income protection
Lack of experienced distribution/understanding need
Lack of agent knowledge on disability products
Field conviction
Advisor belief that IDI not necessary or too complicated, or lack of knowledge of how to sell IDI
Client belief that IDI not necessary (e.g., "I have group coverage, don't need more")
Aging client base with focus on retirement not protecting current earnings
ECONOMY
Inflation (increased benefits for policies with indexing)
High inflation environment
ADMINISTRATIVE
Administration system upgrade straining resources
System limitations
UNDERWRITING
Consumer awareness and requests for speed in application and underwriting processes
REGULATORY
Increased regulatory requirements (i.e., NM and CO) taking time away from other projects
Regulatory environment in certain states
PRODUCT
Price reductions
Industry pricing on medical occupations may not be fully reflective of industry experience

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. Market obstacles (e.g., medical occupation concentration, lack of product awareness) and distribution (e.g., aging producers, lack of good training) were cited the most. Companies also cited the economy (e.g., low interest rates and high inflation) and competitive pressures (e.g., ongoing product and underwriting liberalization). There were also several observations related to the regulatory environment, which was not cited in last year's survey.

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

MARKET
Need more diversity of sales by occupation
Lack of awareness for product (4)
Consumer education for the need
Slow overall market growth
Concentration in the medical and dental markets
Industry reliance on medical market
Lack of growth outside medical/dental markets
Carriers exiting market
Aging client base
DISTRIBUTION
Lack of agent training for DI
Aging producers, young producers focusing on asset management
Advisors not engaged
Aging distribution/broker consolidation
ECONOMY
Sluggish economy with low labor participation rates amongst working ages
Inflation is limiting the disposable income and our customers are challenged to afford DI
Potential future economic downswings
COMPETITIVE PRESSURES
Loosening of underwriting guidelines
Expenses associated with UW and claim review
Aggressive underwriting and product design (liberalization of underwriting and/or benefits)
Commoditization of DI product
Loosening of underwriting rules due to competitive pressures
REGULATORY
Difficult to get regulatory approval on innovative products and features
Prolonged regulatory approval process
Lack of federal incentives to purchase IDI
Regulation
ADMINISTRATIVE
Cost and opportunity cost of upgrading administrative systems
COVID-19
Unknowns related to potential COVID claims

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. Mentioned opportunities did not focus on any specific segment of the IDI market as they have in past surveys.

FIGURE 69: OPPORTUNITIES FOR GROWTH IN THE IDI MARKET

MULTI-LIFE GSI
GSI - Employer Pay & Residency
Fully underwritten and GSI Non-medical
GSI
Employer GSI
Multi-life
MEDICAL MARKET
Medical sales (3)
WHITE COLLAR
White-collar market (2)
White-collar professionals
High income
Non-medical professionals
MIDDLE INCOME MARKET
Higher income middle-income market
Middle market (3)
BUSINESS OWNERS
Self-employed
Small business
Business owners
DISTRIBUTION
Combination sales (DI + another product line)
Advisors currently not selling IDI
Younger advisors
Non-traditional distribution channels
OTHER
Millennials
Expansion into NY
Skilled trades, including individuals in apprenticeship programs
Worksite markets
Simplified Issue DI
Non-medical IDI

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. Observations were slotted into favorable and unfavorable trends. There were ten unfavorable claim trends observed versus three favorable claim trends.

FIGURE 70: CHANGING CLAIM PATTERNS IN THE IDI MARKET OBSERVED SINCE THE 2022 IDI MARKET SURVEY

UNFAVORABLE
Incidence up slightly
Terminations down slightly
Poor economy is driving claims up
Increase in late notice claims, i.e., 12+ months from the date of disability
Average age of new notice claimant has dropped by nearly a year
Higher average size of claims
More claim volatility over longer stretches (instead of ups and downs lasting a month or two, they last several months)
LDTI and CPI/Inflation (COLA) are impacting how future claim values are reflected within financial statements
Unfavorable claims results in certain occupations
Higher medical incidence
FAVORABLE
Incidence rates continue to decrease
Termination rates continue to increase
Improvement in incidence and resolution rates

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