MILLIMAN REPORT

2022 Annual Survey of the U.S. Individual Disability Income Insurance Market

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Section I: Introduction

This report presents the results of Milliman's 2022 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. Thirteen insurance companies that are active in the U.S. IDI market provided data and other information about new business sold from 2017 through 2021, sales distributions, underwriting requirements, product offerings and pricing, favorable and unfavorable trends, and opportunities and obstacles affecting the IDI market.

SCOPE OF THE 2022 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 2022 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 13 contributors to the survey. In total, these 13 companies issued IDI policies with $347 million of new annualized premium in 2021. We estimate that their total premium represents approximately 75% of the IDI market in terms of new sales. Two past contributors to the IDI Market Survey, MassMutual and MetLife, were unable to participate in this year's market survey. The pre-2022 sales data combines the results of the 13 contributors and does not include any results for MassMutual and MetLife.

FIGURE 1: CONTRIBUTORS TO THE 2022 IDI MARKET SURVEY

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

RELIANCE AND LIMITATIONS

In conducting the 2022 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 13 IDI companies that contributed to the 2022 IDI Market Survey. Readers should take note that this survey does not include the results of two past survey contributors who were unable to participate in this year's survey.

HIGHLIGHTS

- New annualized premium for the 13 contributing companies grew to $347 million in 2021, which is a 4% increase over new premium in 2020. With this increase, new premium volume returned to the 2019 level and restored the premium lost in 2020 during the pandemic.
- Nine of the 13 companies experienced positive growth rates in new premiums in 2021. Year-to-date in 2022 through June, only three companies have experienced positive growth rates in new premium.
- Last year 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, 49% versus 46%. The association market's share of new IDI premium has remained in the 5% to 6% range over the last five years.
- For two contributing companies, doctors and surgeons represented over 60% of their new IDI premium in 2021.
- The distribution of key occupations in new IDI premium has been quite stable for these 13 companies over the last five years. Doctors and surgeons represented 32% of total new premium in 2021 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 23% of the individually sold market, 36% of the employer-sponsored multi-life market, and 65% of the associations market.
- The percentage of new IDI premium sold by brokers has been higher than the percentage sold by career agents since 2019.
- The percentage of new IDI premium issued on noncancelable policies has increased slowly over the last five years, reaching 82% in 2021. This percentage varies considerably by key occupation, market, and distribution channel.
- There have been relatively few changes in companies' maximum issue and participation limits and replacement limits since the 2021 IDI Market Survey.
- One company decided since last year to no longer issue employer-sponsored multi-life policies using either voluntary or mandatory guaranteed standard issue underwriting.
- Obstacles to the long-term profitability of their IDI businesses mentioned by contributors were relatively split between the IDI market (e.g., medical occupation concentration, lack of product awareness), distribution (e.g., aging producers, lack of good training), the economy (e.g., low interest rates and high inflation), and competitive pressures (e.g., ongoing product and underwriting liberalization). Only one company referred to COVID-19 as a long-term potential threat.
- There were almost three times more unfavorable observations pertaining to changes in companies' IDI claim activity over the last year than favorable observations. Although COVID-19 was cited several times, other unfavorable claim changes included higher claim volatility, lower claim terminations, and an increased occurrence of policyholders changing careers at the time of claim.

CONCLUDING OBSERVATIONS

The good news is that new IDI premiums are back to their pre-pandemic levels, although there are signs that many companies may have struggled to maintain or increase sales in 2022. Overall, there were no significant changes in the trends that have affected the IDI market over the last five years. One of the big uncertainties facing IDI companies is what long-term impact COVID-19 will have on industry claim experience. Most companies have most likely been tracking new COVID-19 claims, but COVID-19's potential long-term impact could affect claim experience in general for some years to come. Medical professions, representing roughly a third of all IDI business included in this report, have been especially disrupted during the pandemic. Further, IDI experience is also likely to be affected by the developing economic situation in the United States. These trends will be interesting potential areas of focus for the Individual Disability Experience Committee of the Society of Actuaries (SOA) during the next industry-wide study of IDI claim experience, expected to begin in 2023.

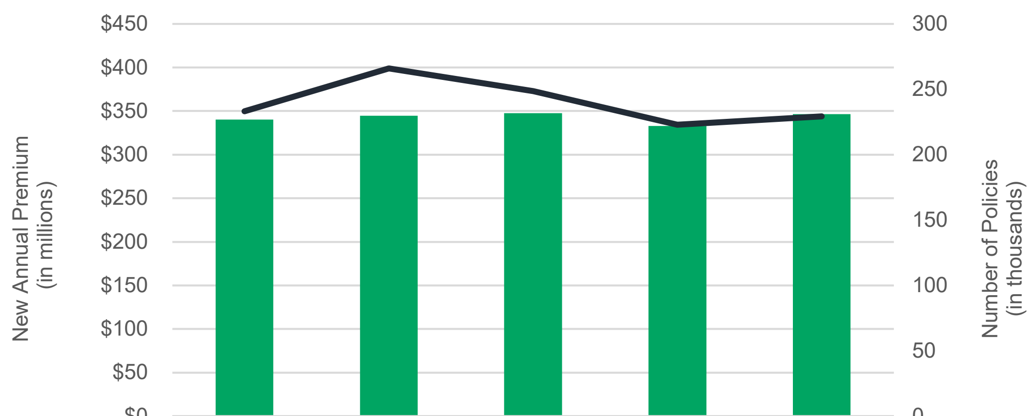
Section III: Sales results

This section analyzes trends in the new business sold by the 13 IDI contributors from 2017 through 2021.

VOLUME OF ANNUAL SALES FROM 2017 THROUGH 2021

Figure 2 shows the total volume of new policies and annualized premium sold by the contributing companies from 2017 through 2021. Total annualized new sales premium in 2021 was $347 million, up from $333 million in 2020, a 4% increase. The number of new policies increased by 3% in 2021. The increase in new premium in 2021 follows a drop in new premium in 2020.

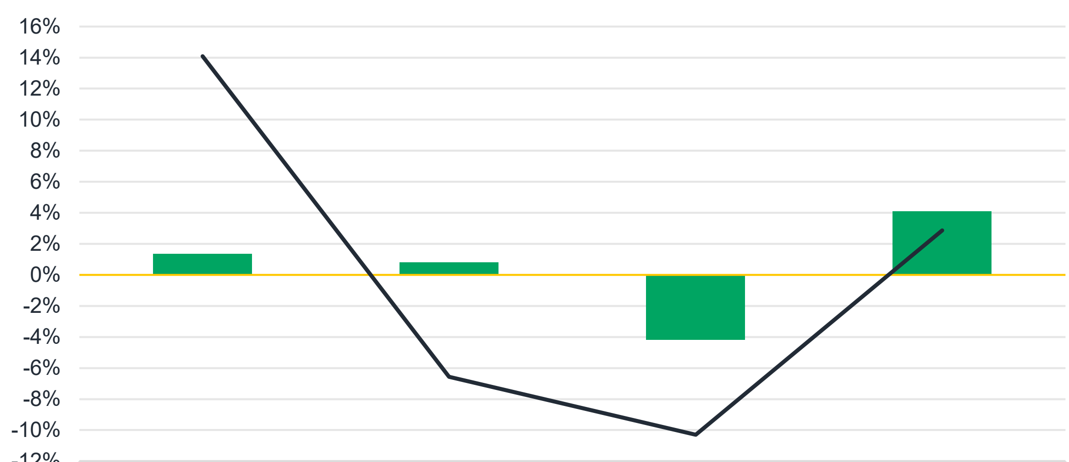
FIGURE 2: NEW POLICIES AND ANNUALIZED PREMIUM BY ISSUE YEAR FROM 2017 THROUGH 2021



	2017	2018	2019	2020	2021
Premiums	$340	$345	$348	$333	$347
Policies	233	266	248	223	229

Figure 3 compares the annual growth rates in new IDI premium and policies over the last four years. The increase in new premium in 2021 follows a drop in new premium in 2020, which was caused primarily by the COVID-19 pandemic. As a result, the 2021 new premium has essentially returned to the 2019 level.

FIGURE 3: ANNUALGROWTH RATES IN NEW IDI PREMIUMS AND POLICIES FROM 2018 THROUGH 2021



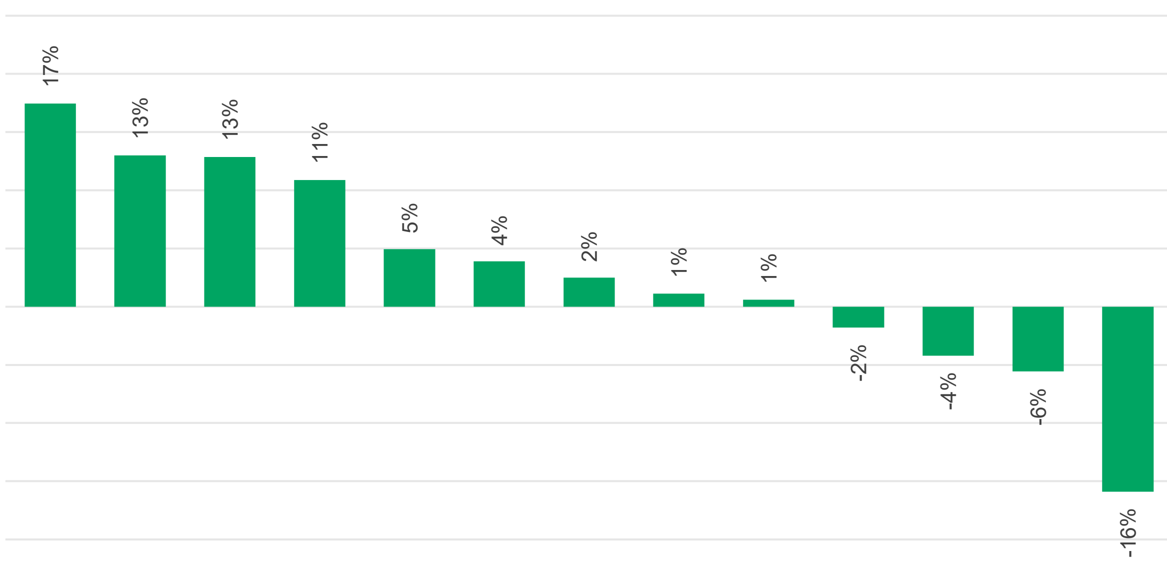
	2018	2019	2020	2021
Premiums	1.3%	0.8%	-4.2%	4.1%
Policies	14.1%	-6.6%	-10.3%	2.9%

Figure 4 shows the cumulative new annualized premium by company as a percentage of total new premium in 2021, ranking companies by their new premium (i.e., Company 1 had the largest volume of new premium in 2021). The top five IDI contributors in 2021 produced 86% of the total new annualized premium among the 13 companies, and the top 10 IDI companies produced more than 98% of the total new annualized premium.

FIGURE 4: CUMULATIVE NEW ANNUALIZED PREMIUM BY COMPANY IN 2021 AS PERCENTAGE OF TOTAL NEW ANNUALIZED PREMIUM

Figure 5 compares the annual growth rates (AGRs) in new annualized premium in 2021 for the 13 companies, ordered from the company with the highest AGR in 2021 (on the left) to the one with the lowest (on the right). Nine companies reported a positive AGR in 2021, ranging from 1% to 17%, while four companies reported negative growth, ranging from -2% to -16%. In 2020, only four of the 13 companies experienced positive growth.

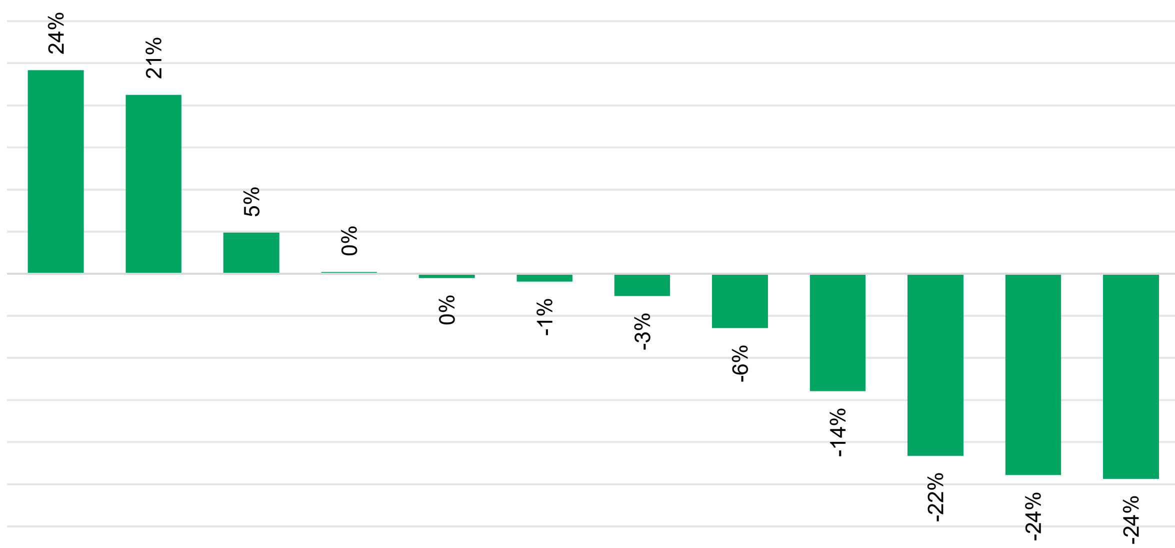
FIGURE 5: COMPARISON OF COMPANIES' NEW ANNUALIZED PREMIUM AGR IN 2021, RANKED HIGHEST TO LOWEST



YEAR-TO-DATE 2022 NEW PREMIUM GROWTH

Figure 6 shows the growth in the year-to-date (YTD) new premium from 2021 to 2022 by company for 12 of the 13 contributors. They are ordered from the highest growth on the left to the lowest on the right. The average YTD growth rate from 2021 to 2022 was a positive 3%. Of the 12 companies, only three had positive growth in their YTD new premiums, seven had negative growth, and two had flat growth.

FIGURE 6: COMPARISON OF COMPANIES' NEW ANNUALIZED PREMIUM YTD GROWTH FROM 2021 TO 2022 (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.

Nine of the 13 companies sold OE policies in 2021. The OE premium in 2021 represented 3.0% of total premium for these nine companies. Five of the 13 companies sold DBO policies in 2021. The DBO premium in 2021 represented 1.5% 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. 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 7 compares the annual percentages of new annualized premium by market from 2017 through 2021. The percentage of new annualized premium issued in the ESML market has increased each year since 2017, reaching 49% in 2021. The percentage of new annualized premium issued in the individually sold market has decreased each year since 2017, dropping to 46% in 2021. Last year (2021) was the first year in which the ESML market had a higher percentage of the new IDI premium than the individually sold market.

The percentage of new annualized premium issued in the association market has stayed quite level over the last five years at 5% to 6%. 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, 2017 THROUGH 2021

YEAR	INDIVIDUALLY SOLD	ESML	ASSOCIATIONS	TOTAL
2017	52%	43%	5%	100%
2018	52%	43%	5%	100%
2019	50%	45%	5%	100%
2020	47%	47%	6%	100%
2021	46%	49%	6%	100%
AVERAGE	**49%**	**46%**	**5%**	**100%**

Figure 8 provides the AGRs in new annualized premium by market for years 2018 through 2021. The individually sold market had a positive AGR of 1.2% in 2021 following a negative AGR of -9.2% in 2020. The ESML market experienced strong growth in new premium in 2021 with a positive AGR of 7.5%. The association market experienced a slight negative AGR of -0.4% following a strong AGR of a positive 12.3% in 2020.

FIGURE 8: ANNUAL GROWTH RATE IN NEW ANNUALIZED PREMIUM BY MARKET, 2018 THOUGH 2021

YEAR	INDIVIDUALLY SOLD	ESML	ASSOCIATIONS	TOTAL
2018	0.6%	1.8%	5.1%	1.3%
2019	-3.1%	5.4%	1.2%	0.8%
2020	-9.2%	-0.5%	12.3%	-4.2%
2021	1.2%	7.5%	-0.4%	4.1%
AVERAGE	**-2.6%**	**3.5%**	**4.6%**	**0.5%**

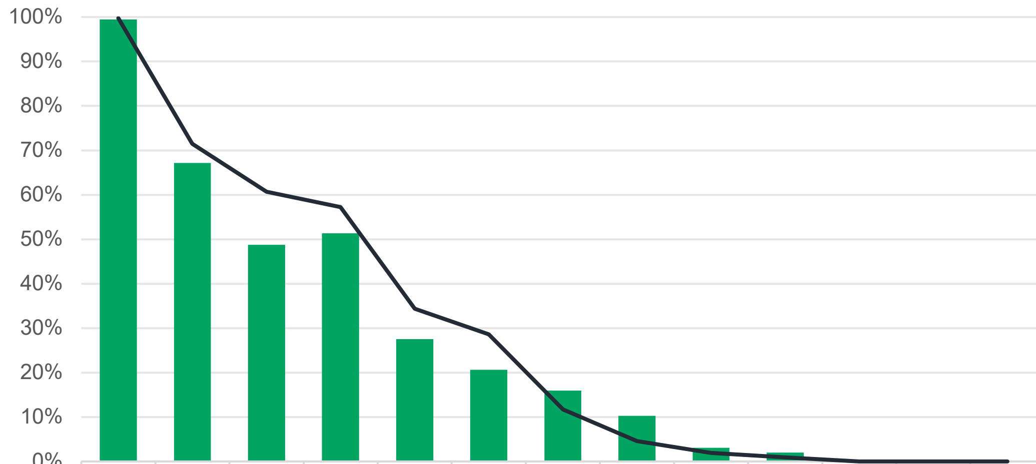
Figure 9 compares the average percentage of new annualized premium issued in the individually sold market from 2017 through 2020 to the 2021 percentage, by company. The companies in the chart are ordered so that No. 1 has the highest percentage in 2021 while No. 13 has the lowest. Four of the companies issue 100% or almost 100% of their new business in the individually sold market and one issues 88%. One company does not issue new business in the individually sold market at all. Six companies show material decreases in the percentage of their 2021 sales in the individually sold market relative to their averages from 2017 through 2020. Only two companies issued a higher percentage of new premium in 2021 compared to their 2017-2020 average.

FIGURE 9: PERCENTAGE OF INDIVIDUALLY SOLD NEW PREMIUM TO TOTAL NEW ANNUALIZED PREMIUM, AVERAGE 2017-2020 VS. 2021, BY COMPANY

	1	2	3	4	5	6	7	8	9	10	11	12	13
Avg 2017-2020	100%	100%	100%	98%	84%	92%	80%	60%	50%	43%	48%	29%	0%
2021	100%	100%	100%	99%	88%	87%	85%	51%	39%	37%	36%	26%	0%

Figure 10 compares the average percentage of new annualized premium issued in the ESML market from 2017 through 2020 to the 2021 percentage, by company. One company effectively sells all their new business in the ESML market. Five companies saw their percentage of new premium in the ESML market increase in 2021 over their averages from 2017 through 2020. Three companies do not sell their IDI products in the ESML market.

FIGURE 10: PERCENTAGE OF ESML NEW PREMIUM TO TOTAL NEW ANNUALIZED PREMIUM, AVERAGE 2017-2020 VS. 2021, BY COMPANY



	1	2	3	4	5	6	7	8	9	10	11	12	13
Avg 2017-2020	99%	67%	49%	51%	28%	21%	16%	10%	3%	2%	0%	0%	0%
2021	100%	71%	61%	57%	34%	29%	12%	5%	2%	1%	0%	0%	0%

Figure 11 compares the average percentage of new annualized premium issued in the association market from 2017 through 2020 to the 2021 percentage, by company. Six of the 13 companies sold business in the association market in 2021. Two of these companies issued at least 20% of their new premium in 2021 in this market. One company's percentage of new association premium in 2021 more than doubled its 2017-2020 average.

FIGURE 11: PERCENTAGE OF ASSOCIATION PREMIUM TO TOTAL NEW ANNUALIZED PREMIUM, AVERAGE 2017-2020 VS. 2021, BY COMPANY

	1	2	3	4	5	6	7	8	9	10	11	12	13
Avg 2017-2020	25%	19%	5%	10%	6%	4%	1%	0%	0%	0%	0%	0%	0%
2021	29%	20%	11%	10%	5%	3%	0%	0%	0%	0%	0%	0%	0%

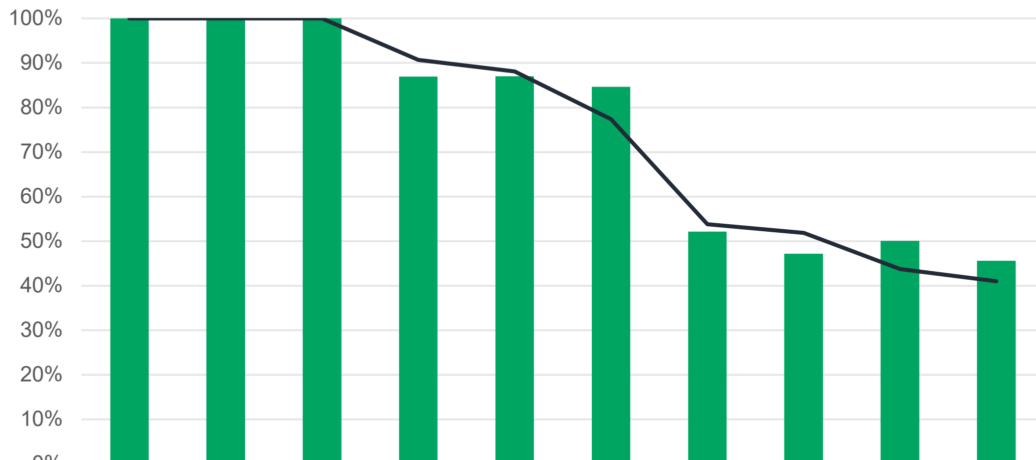
Figure 12 shows the distribution of new ESML premium between employee-pay and employer-pay for years 2017 through 2021. The distribution of new ESML premium in 2021 was very close to the five-year average, which is 60% employee-pay versus 40% employer-pay. The distribution of new ESML premium between employee-pay and employer-pay has been quite stable over the last five years.

FIGURE 12: DISTRIBUTION OF NEW ESML PREMIUM BETWEEN EMPLOYEE-PAY AND EMPLOYER-PAY FOR YEARS 2017 THROUGH 2021

YEAR	EMPLOYEE-PAY	EMPLOYER-PAY	TOTAL
2017	61%	39%	100%
2018	60%	40%	100%
2019	61%	39%	100%
2020	57%	43%	100%
2021	59%	41%	100%
AVERAGE	**60%**	**40%**	**100%**

Figure 13 compares the percentage of new ESML annualized premium issued under employee-pay arrangements from 2017 through 2020 to the 2021 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 seven companies, only two had a higher percentage of employee-pay business in 2021 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 13: PERCENTAGE OF EMPLOYEE-PAY TO TOTAL ESML NEW ANNUALIZED PREMIUM, AVERAGE DURING 2017-2020 VS. 2021, BY COMPANY



	1	2	3	4	5	6	7	8	9	10
Avg 2017-2020	100%	100%	100%	87%	87%	85%	52%	47%	50%	46%
2021	100%	100%	100%	91%	88%	77%	54%	52%	44%	41%

KEY OCCUPATIONS

Ten of the 13 companies were able to split their new annualized premium among key professional and executive occupations. The combined new premium from these 10 companies represented 98% of the combined new premium for the 13 contributors over the last five years. Figure 14 shows the combined distribution of new annualized premium by issue year from 2017 through 2021 for these 10 companies. The percentage of new premium from doctors and surgeons jumped to 34% in 2020 but fell back to 32% in 2021.

FIGURE 14: PERCENTAGE OF NEW ANNUALIZED PREMIUM BY KEY OCCUPATION ISSUED FROM 2017 THROUGH 2021 – ALL MARKETS COMBINED

YEAR	DOCTORS AND SURGEONS	DENTISTS	LAWYERS	EXECUTIVES	ACCOUNTANTS	OTHER	TOTAL
2017	31%	8%	6%	10%	2%	44%	100%
2018	29%	7%	7%	9%	2%	46%	100%
2019	31%	8%	7%	10%	2%	42%	100%
2020	34%	6%	6%	10%	3%	41%	100%
2021	32%	7%	6%	10%	2%	43%	100%
AVERAGE	**31%**	**7%**	**6%**	**10%**	**2%**	**43%**	**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 2017 THROUGH 2021 – INDIVIDUALLY SOLD MARKET

YEAR	DOCTORS AND SURGEONS	DENTISTS	LAWYERS	EXECUTIVES	ACCOUNTANTS	OTHER	TOTAL
2017	24%	9%	5%	13%	3%	47%	100%
2018	23%	9%	5%	13%	2%	48%	100%
2019	23%	9%	5%	14%	2%	47%	100%
2020	24%	8%	5%	15%	2%	47%	100%
2021	23%	10%	4%	12%	2%	49%	100%
AVERAGE	**23%**	**9%**	**5%**	**13%**	**2%**	**48%**	**100%**

FIGURE 16: PERCENTAGE OF NEW ANNUALIZED PREMIUM BY KEY OCCUPATION ISSUED FROM 2017 THROUGH 2021 – ESML MARKET

YEAR	DOCTORS AND SURGEONS	DENTISTS	LAWYERS	EXECUTIVES	ACCOUNTANTS	OTHER	TOTAL
2017	36%	3%	8%	9%	2%	42%	100%
2018	32%	3%	9%	8%	2%	46%	100%
2019	37%	3%	9%	10%	2%	40%	100%
2020	38%	3%	7%	9%	3%	39%	100%
2021	37%	3%	8%	10%	2%	40%	100%
AVERAGE	**36%**	**3%**	**8%**	**9%**	**2%**	**41%**	**100%**

FIGURE 17: PERCENTAGE OF NEW ANNUALIZED PREMIUM BY KEY OCCUPATION ISSUED FROM 2017 THROUGH 2021 – ASSOCIATION MARKET

YEAR	DOCTORS AND SURGEONS	DENTISTS	LAWYERS	EXECUTIVES	ACCOUNTANTS	OTHER	TOTAL
2017	59%	26%	3%	1%	0%	10%	100%
2018	65%	23%	4%	2%	0%	6%	100%
2019	64%	22%	4%	1%	0%	8%	100%
2020	69%	16%	3%	1%	0%	11%	100%
2021	68%	18%	3%	1%	1%	10%	100%
AVERAGE	**65%**	**21%**	**3%**	**1%**	**0%**	**9%**	**100%**

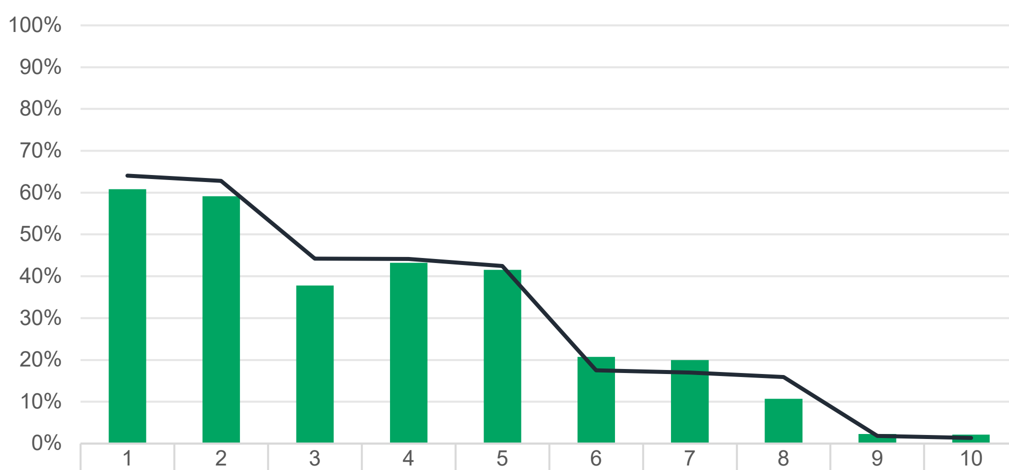
Doctors and surgeons have a lower percentage of new premium in the individually sold market than in the other two markets but are still the predominant key occupation. Executives have a higher percentage in the individually sold market than in the other two markets.

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 market.

Doctors and surgeons have averaged 65% of the new premium in the association market over the last five years, and dentists comprise 21%.

Figure 18 compares the average percentage of new annualized premium issued to doctors and surgeons from 2017 through 2020 to the 2021 percentage for the 10 companies, all markets combined. The companies are ordered by size of their 2021 percentages, with No. 1 having the largest percentage.

FIGURE 18: PERCENTAGE OF NEW ANNUALIZED PREMIUM ISSUED TO DOCTORS AND SURGEONS, AVERAGE 2017-2020 VS. 2021, BY COMPANY – ALL MARKETS COMBINED



	1	2	3	4	5	6	7	8	9	10
Avg 2017-2020	61%	59%	38%	43%	42%	21%	20%	11%	2%	2%
2021	64%	63%	44%	44%	42%	18%	17%	16%	2%	1%

For two companies, doctors and surgeons represent over 60% of their new premium in 2021. Five companies increased their percentage of new premium sold to doctors and surgeons in 2021 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, although some companies use different terminology to refer to these producers.
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.

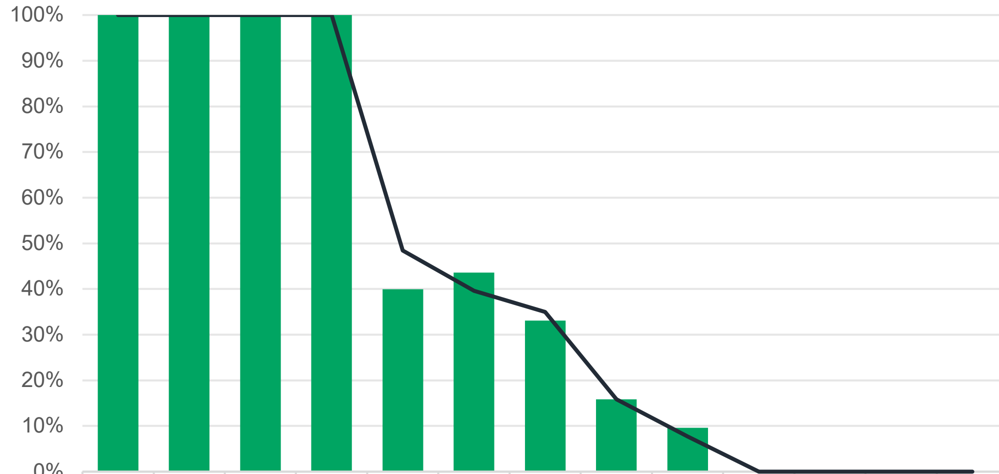
Figure 19 shows the mix of new premium by distribution channel for the 13 companies, combined, for the years 2017 through 2021, combining for all IDI markets in aggregate. A higher percentage of new IDI premium has been sold by brokers than career agents since 2019.

FIGURE 19: MIX OF NEW ANNUALIZED PREMIUM BY DISTRIBUTION CHANNEL ISSUED IN YEARS 2017 THROUGH 2021 – ALL MARKETS COMBINED

YEAR	CAREER AGENTS	BROKERS	NATIONAL ACCOUNTS	OTHER PRODUCERS	TOTAL
2017	39%	38%	5%	18%	100%
2018	39%	39%	4%	19%	100%
2019	37%	41%	4%	19%	100%
2020	36%	41%	4%	20%	100%
2021	35%	42%	4%	20%	100%
AVERAGE	**37%**	**40%**	**4%**	**19%**	**100%**

The percentage of new premium issued by career agents was 35% in 2021 compared to 37% over the four-year period of 2017 to 2020. Figure 20 compares the average percentage of new premium sold by career agents in 2021 to the average over the 2017-2020 period. The companies in the chart are ordered so that No. 1 has the highest average percentage in 2021 and No.13 has the lowest. Four of the 13 companies sell only through their career agents, and four issued no new IDI premium through career agents over the last five years.

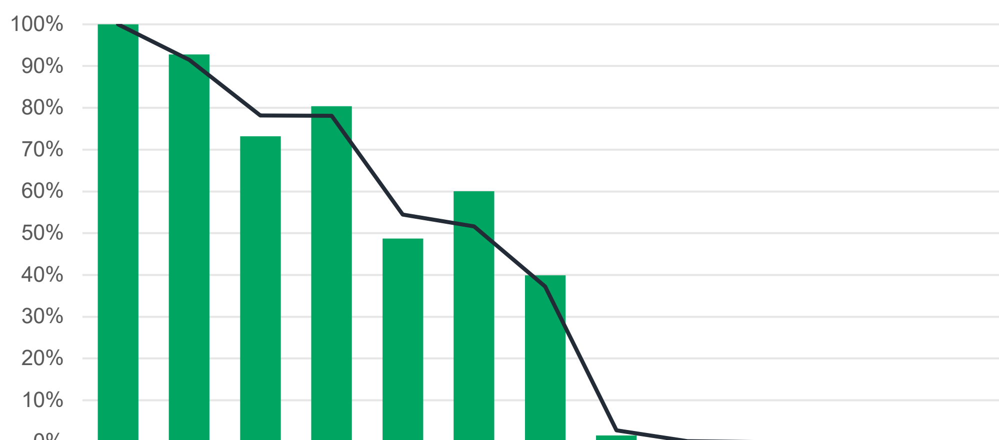
FIGURE 20: PERCENTAGE OF NEW ANNUALIZED PREMIUM SOLD THROUGH CAREER AGENTS: AVERAGE DURING 2017-2020 VS. 2021, BY COMPANY



	1	2	3	4	5	6	7	8	9	10	11	12	13
Avg 2017 - 2020	100%	100%	100%	100%	40%	44%	33%	16%	10%	0%	0%	0%	0%
2021	100%	100%	100%	100%	48%	40%	35%	16%	8%	0%	0%	0%	0%

The percentage of new premium issued by brokers was 42% in 2021 compared to 40% over the four-year period of 2017 to 2020. Figure 21 compares the percentage of new annualized premium sold by brokers in 2021 to the average from 2017 through 2020, by company. Eight of the 13 companies sell some portion of new premium through brokers, although for one of these eight companies the broker percentage was only 3% in 2021. Five of the companies do not sell via brokers at all.

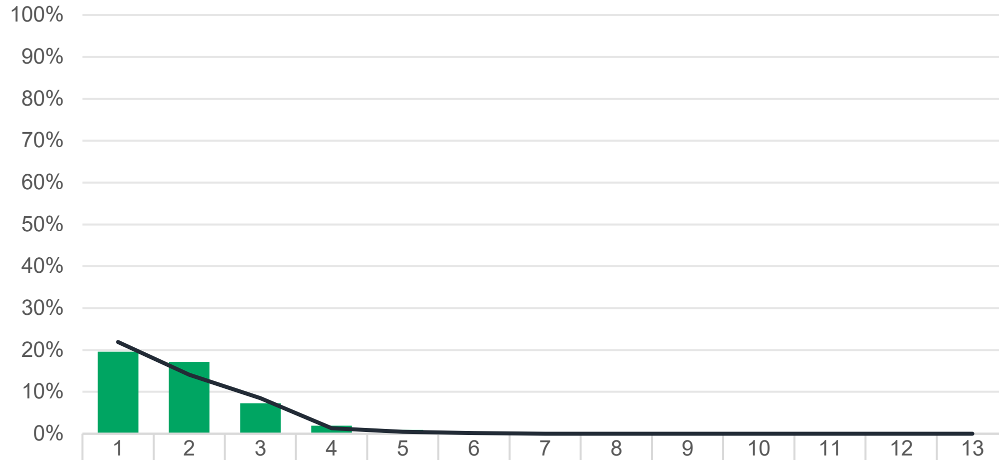
FIGURE 21: PERCENTAGE OF NEW ANNUALIZED PREMIUM SOLD THROUGH BROKERS: AVERAGE DURING 2017-2020 VS. 2021, BY COMPANY – ALL MARKETS COMBINED



	1	2	3	4	5	6	7	8	9	10	11	12	13
Avg 2017 - 2020	100%	93%	73%	80%	49%	60%	40%	2%	0%	0%	0%	0%	0%
2021	100%	91%	78%	78%	54%	52%	37%	3%	0%	0%	0%	0%	0%

The percentage of new annualized premium sold through national accounts for all companies combined was 4% in 2021 and over the 2017-2020 period. Figure 22 compares the percentage of new annualized premium sold through national accounts in 2021 to the average from 2017 through 2020, all markets combined. Five of the 13 companies sold IDI policies through national accounts in 2021.

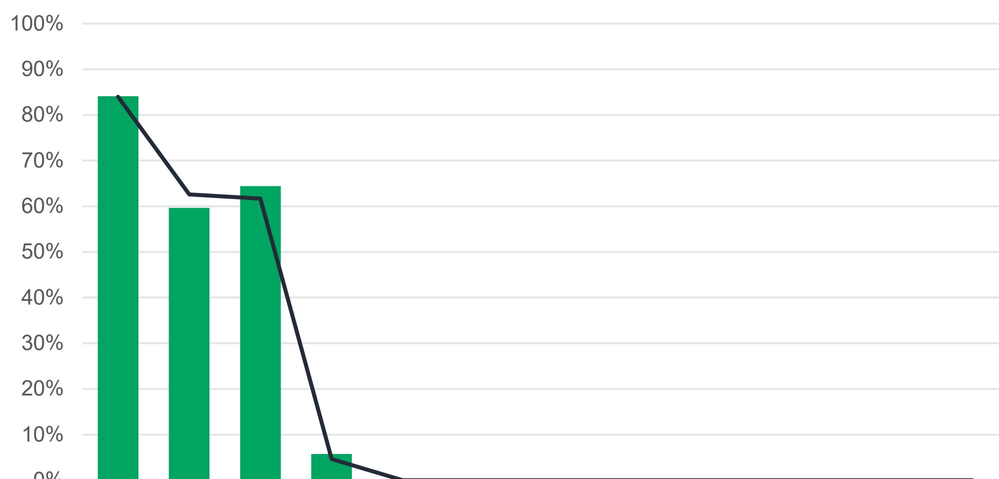
FIGURE 22: PERCENTAGE OF NEW ANNUALIZED PREMIUM SOLD THROUGH NATIONAL ACCOUNTS: AVERAGE DURING 2017-2020 VS. 2021, BY COMPANY – ALL MARKETS COMBINED



	1	2	3	4	5	6	7	8	9	10	11	12	13
Avg 2017 - 2020	20%	17%	7%	2%	1%	0%	0%	0%	0%	0%	0%	0%	0%
2021	22%	14%	9%	1%	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 20% in 2021 and 19% over the 2017-2020 period. Figure 23 compares the average percentage of new annualized premium sold by other types of producers in 2021 to the average from 2017 through 2020. Four of the 13 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 62% through 84% in 2021.

FIGURE 23: PERCENTAGE OF NEW ANNUALIZED PREMIUM SOLD THROUGH OTHER TYPES OF PRODUCERS: AVERAGE DURING 2017-2020 VS. 2021, BY COMPANY – ALL MARKETS COMBINED



	1	2	3	4	5	6	7	8	9	10	11	12	13
Avg 2017 - 2020	84%	60%	64%	6%	0%	0%	0%	0%	0%	0%	0%	0%	0%
2021	84%	63%	62%	5%	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

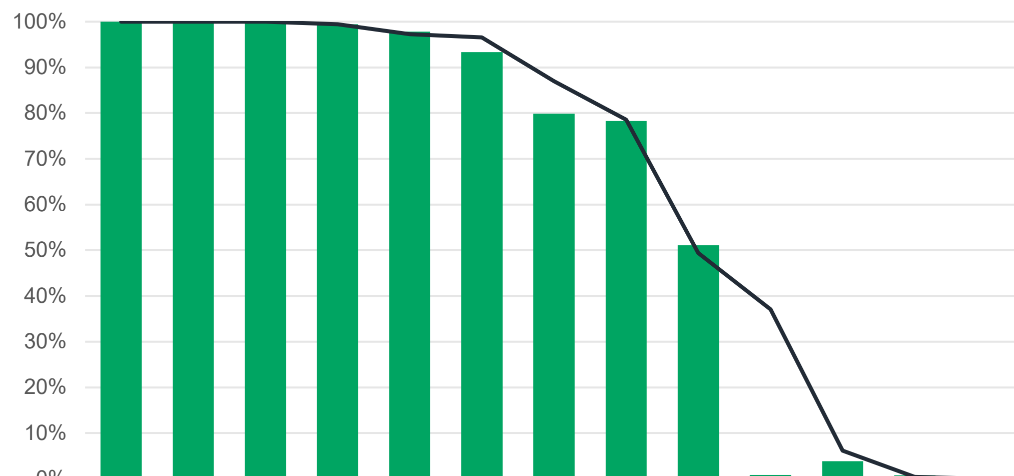
ISSUE YEAR	2017	2018	2019	2020	2021	AVERAGE
TOTAL	**79%**	**79%**	**80%**	**81%**	**82%**	**80%**
BY OCCUPATION						
Doctors & surgeons	92%	92%	93%	92%	93%	92%
Dentists	92%	90%	91%	92%	92%	91%
Lawyers	83%	87%	87%	86%	88%	87%
Executives	72%	72%	75%	75%	76%	74%
Accountants	72%	74%	74%	84%	80%	77%
Other occupations	72%	69%	70%	73%	73%	71%
BY MARKET						
Individually sold	65%	63%	64%	66%	66%	65%
Association	95%	93%	92%	97%	97%	95%
ESML	94%	95%	95%	95%	95%	95%
Employee pay	93%	94%	95%	93%	85%	92%
Employer pay	95%	96%	95%	97%	96%	96%
BY DISTRIBUTION CHANNEL						
Career agents	61%	59%	59%	61%	61%	60%
Brokers	88%	89%	90%	91%	93%	90%
National accounts	92%	93%	92%	91%	91%	92%
Other producers	95%	95%	95%	94%	95%	95%

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 95% over the last five years) and the career agents channel has the lowest noncan percentage (averaging 60% over the last five years).

Figure 25 compares the noncan percentage in 2021 to the average from 2017 through 2020 by company. Three companies sell only noncan IDI products and two sell no noncan IDI products. The noncan percentage in 2021 for three companies ranged from 97% to 99%. Two companies had jumps in their noncan percentages in 2021 compared to their 2017-2020 average.

FIGURE 25: NONCAN PERCENTAGE OF NEW ANNUALIZED PREMIUM: AVERAGE DURING 2017-2020 VS. 2021, BY COMPANY – ALL MARKETS COMBINED



	1	2	3	4	5	6	7	8	9	10	11	12	13
Avg 2017-2020	100%	100%	100%	99%	98%	93%	80%	78%	51%	1%	4%	1%	0%
2021	100%	100%	100%	99%	97%	97%	87%	79%	49%	37%	6%	0%	0%

ELIMINATION PERIOD TRENDS

Figure 26 shows the trends in the distribution of new IDI annualized premium by elimination period from 2017 through 2021 when all markets are combined. The 90-day elimination period is the predominant elimination period, followed by the 180-day elimination period.

FIGURE 26: DISTRIBUTION OF NEW ANNUALIZED PREMIUM BY ELIMINATION PERIOD FOR YEARS 2017 THROUGH 2021 – ALL MARKETS COMBINED

YEAR	30 DAYS & UNDER	60 DAYS	90 DAYS	180 DAYS	OVER 180 DAYS	TOTAL
2017	3%	2%	74%	18%	3%	100%
2018	4%	3%	73%	18%	3%	100%
2019	4%	2%	72%	20%	3%	100%
2020	3%	1%	75%	18%	2%	100%
2021	2%	2%	76%	18%	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 2017-2021 period for each of the three markets.

FIGURE 27: AVERAGE DISTRIBUTION OF NEW ANNUALIZED PREMIUM BY MARKET FOR YEARS 2017 THROUGH 2021

ELIMINATION PERIOD	INDIVIDUALLY SOLD	ESML	ASSOCIATIONS	TOTAL
30 Days & Under	6%	0%	1%	**3%**
60 Days	3%	0%	1%	**2%**
90 Days	78%	66%	92%	**74%**
180 Days	11%	29%	6%	**18%**
Over 180 Days	2%	4%	1%	**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 6% versus 0% and 1%.
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 33% versus 13% and 7%. 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 2017 through 2021 when all markets are combined. The To Age 65-70 category is the predominant benefit period, followed by the short-term benefit period.

FIGURE 28: DISTRIBUTION OF NEW ANNUALIZED PREMIUM BY BENEFIT PERIOD FOR YEARS 2017 THROUGH 2021 – ALL MARKETS COMBINED

YEAR	LIFETIME	TO AGE 65-70	SHORT-TERM	TOTAL
2017	1%	82%	17%	100%
2018	1%	80%	20%	100%
2019	1%	81%	18%	100%
2020	1%	85%	15%	100%
2021	2%	83%	15%	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 2017-2021 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 2017 THROUGH 2021

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 12 IDI companies that contributed to this part of the survey. One of the 13 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 12 contributors for the top nonmedical occupation class and for the top medical occupation class in 2021 and 2022. There was no change from the last survey in the maximum issue limits for the top nonmedical occupation classes. One company increased its maximum issue limit for top medical occupations to $30,000 since the last survey.

FIGURE 30: MAXIMUM ISSUE LIMITS, 2021 AND 2022

	TOP NONMEDICAL OCCUPATION CLASS		TOP MEDICAL OCCUPATION CLASS	
Measure	**2021**	**2022**	**2021**	**2022**
Highest Limit	$35,000	$35,000	$30,000	$30,000
Median Limit	$20,000	$20,000	$20,000	$20,000
Lowest Limit	$6,000	$6,000	$10,000	$10,000
# Companies at Highest Limit	1	1	2	3

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 12 contributors in 2021 and 2022 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 seven 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, 2021 AND 2022

	TOP NONMEDICAL OCCUPATION CLASS		TOP MEDICAL OCCUPATION CLASS	
Measure	**2021**	**2022**	**2021**	**2022**
Highest Limit	$35,000	$35,000	$30,000	$30,000
Median Limit	$27,500	$30,000	$30,000	$30,000
Lowest Limit	$6,000	$6,000	$12,000	$12,000
# Companies at Highest Limit	2	3	7	7

Figure 32 compares the highest, median, and lowest participation limits, when group LTD is present, among the 12 contributors in 2021 and 2022 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 to $35,000. There was no change for the maximum participation limit when group LTD is present for the top medical occupation classes.

FIGURE 32: MAXIMUM PARTICIPATION LIMITS WHEN GROUP LTD IS PRESENT, 2021 AND 2022

	TOP NONMEDICAL OCCUPATION CLASS		TOP MEDICAL OCCUPATION CLASS	
Measure	**2021**	**2022**	**2021**	**2022**
Highest Limit	$35,000	$35,000	$35,000	$35,000
Median Limit	$32,500	$35,000	$35,000	$35,000
Lowest Limit	$6,000	$6,000	$12,000	$12,000
# Companies at Highest Limit	6	7	7	7

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 12 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 2022 replacement limits measure the closeness of the median limits to the maximum limits. The 2022/2021 ratios compare the median and maximum replacement limits in 2022 to those in 2021 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 2022 MONTHLY REPLACEMENT LIMITS BY ANNUAL EARNED INCOME, FOR EMPLOYEE-PAY POLICIES WHEN NO GROUP LTD IS PRESENT

	2022 MONTHLY REPLACEMENT LIMIT			2022 / 2021	
ANNUAL EARNED INCOME	**MEDIAN**	**MAXIMUM**	**RATIO: MAXIMUM TO MEDIAN**	**MEDIAN**	**MAXIMUM**
$20,000	$1,290	$1,400	1.09	100%	100%
$40,000	$2,430	$2,525	1.04	100%	100%
$60,000	$3,408	$3,700	1.09	100%	100%
$80,000	$4,270	$4,700	1.10	100%	100%
$100,000	$5,170	$5,500	1.06	101%	100%
$125,000	$6,163	$6,600	1.07	101%	100%
$150,000	$7,210	$7,700	1.07	100%	100%
$175,000	$8,239	$8,900	1.08	100%	100%
$200,000	$9,455	$9,900	1.05	101%	100%
$250,000	$11,581	$12,000	1.04	101%	100%
$300,000	$13,150	$13,800	1.05	101%	100%
$350,000	$14,858	$15,600	1.05	100%	100%
$400,000	$16,165	$16,500	1.02	100%	100%
$450,000	$17,075	$18,225	1.07	101%	100%
$500,000	$18,000	$19,890	1.11	100%	100%
$550,000	$19,000	$20,000	1.05	100%	100%
$600,000	$20,000	$20,150	1.01	100%	100%
$650,000	$20,250	$21,150	1.04	101%	100%
$700,000	$20,500	$22,150	1.08	103%	100%
$750,000	$20,725	$23,150	1.12	100%	100%

FIGURE 34: MEDIAN AND MAXIMUM 2022 MONTHLY REPLACEMENT LIMITS BY ANNUAL EARNED INCOME, FOR EMPLOYEE-PAY POLICIES WHEN GROUP LTD IS PRESENT

	2022 MONTHLY REPLACEMENT LIMIT			2022 / 2021	
ANNUAL EARNED INCOME	MEDIAN	MAXIMUM	RATIO: MAXIMUM TO MEDIAN	MEDIAN	MAXIMUM
$20,000	$1,290	$1,400	1.09	100%	100%
$40,000	$2,450	$2,700	1.10	100%	100%
$60,000	$3,575	$4,000	1.12	100%	100%
$80,000	$4,575	$5,335	1.17	101%	100%
$100,000	$5,680	$6,665	1.17	102%	100%
$125,000	$7,160	$8,225	1.15	101%	100%
$150,000	$8,570	$9,000	1.05	101%	100%
$175,000	$9,700	$10,300	1.06	101%	100%
$200,000	$11,035	$11,700	1.06	100%	100%
$250,000	$13,600	$14,600	1.07	100%	100%
$300,000	$16,235	$17,400	1.07	101%	100%
$350,000	$18,830	$20,100	1.07	101%	100%
$400,000	$21,650	$22,600	1.04	101%	100%
$450,000	$23,950	$25,100	1.05	101%	100%
$500,000	$26,630	$28,625	1.07	101%	100%
$550,000	$29,050	$30,043	1.03	101%	100%
$600,000	$30,250	$32,000	1.06	101%	100%
$650,000	$31,225	$34,400	1.10	102%	100%
$700,000	$31,625	$35,000	1.11	104%	100%
$750,000	$34,250	$35,000	1.02	108%	100%

FIGURE 35: MEDIAN AND MAXIMUM 2022 MONTHLY REPLACEMENT LIMITS BY ANNUAL EARNED INCOME, FOR EMPLOYER-PAY POLICIES WHEN NO GROUP LTD IS PRESENT

	2022 MONTHLY REPLACEMENT LIMIT			2022 / 2021	
ANNUAL EARNED INCOME	**MEDIAN**	**MAXIMUM**	**RATIO: MAXIMUM TO MEDIAN**	**MEDIAN**	**MAXIMUM**
$20,000	$1,393	$1,830	1.31	100%	100%
$40,000	$2,803	$3,545	1.26	100%	100%
$60,000	$4,115	$4,855	1.18	100%	100%
$80,000	$5,368	$6,070	1.13	101%	100%
$100,000	$6,500	$7,200	1.11	100%	100%
$125,000	$7,843	$8,630	1.10	100%	100%
$150,000	$9,153	$9,900	1.08	101%	100%
$175,000	$10,555	$11,785	1.12	101%	100%
$200,000	$11,960	$13,355	1.12	101%	100%
$250,000	$14,600	$16,200	1.11	100%	100%
$300,000	$16,200	$18,215	1.12	100%	100%
$350,000	$18,050	$20,000	1.11	101%	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%	100%
$550,000	$21,000	$23,550	1.12	100%	100%
$600,000	$21,450	$24,250	1.13	100%	100%
$650,000	$21,950	$25,050	1.14	100%	100%
$700,000	$22,300	$26,100	1.17	100%	100%
$750,000	$22,500	$27,375	1.22	100%	100%

FIGURE 36: MEDIAN AND MAXIMUM 2022 MONTHLY REPLACEMENT LIMITS BY ANNUAL EARNED INCOME, FOR EMPLOYER-PAY POLICIES WHEN GROUP LTD IS PRESENT

	2022 MONTHLY REPLACEMENT LIMIT			2022 / 2021	
ANNUAL EARNED INCOME	MEDIAN	MAXIMUM	RATIO: MAXIMUM TO MEDIAN	MEDIAN	MAXIMUM
$20,000	$1,423	$1,830	1.29	100%	100%
$40,000	$2,825	$3,545	1.25	101%	100%
$60,000	$4,225	$4,900	1.16	100%	100%
$80,000	$5,645	$6,300	1.12	100%	100%
$100,000	$7,025	$7,500	1.07	100%	100%
$125,000	$8,675	$9,300	1.07	100%	100%
$150,000	$10,435	$11,025	1.06	100%	100%
$175,000	$12,050	$12,625	1.05	100%	100%
$200,000	$13,875	$14,300	1.03	100%	100%
$250,000	$17,305	$18,070	1.04	101%	100%
$300,000	$20,750	$21,370	1.03	101%	100%
$350,000	$23,558	$25,000	1.06	100%	100%
$400,000	$26,610	$27,720	1.04	100%	100%
$450,000	$29,100	$31,000	1.07	100%	100%
$500,000	$30,000	$33,660	1.12	100%	100%
$550,000	$31,111	$36,340	1.17	103%	100%
$600,000	$32,288	$37,500	1.16	105%	100%
$650,000	$33,329	$38,500	1.16	108%	100%
$700,000	$33,468	$39,500	1.18	108%	100%
$750,000	$35,000	$40,500	1.16	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 37 shows the factors that 10 of the 12 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%	60%	1
70%	70%	1
70%	100%	1
100%	70%	5
100%	80%	2

UNDERWRITING REQUIREMENTS: INDIVIDUALLY SOLD MARKET

Figures 38, 39, and 40 show the blood testing, financial documentation, and paramedical examination requirements, respectively, for 12 contributors' normal underwriting rules in 2022. One company does not submit any underwriting requirements because it no longer sells IDI products in the individually sold market. A number in parentheses in any response indicates how many companies have this requirement. Of the 12 companies responding, six reported changes this year to their blood testing limits. Three of the 12 companies reported changes in their financial documentation requirements since last year's IDI Market Survey.

FIGURE 38: BLOOD TESTING LIMITS IN 2022

$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 2022

All cases
All employees current paystub, W-2 and/or latest 1040 and self-employed individuals latest 1040 and current P & L statement.
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.
Amounts of $3,000 and higher.
Monthly benefits greater than $3,000 require appropriate verification of income.
Amounts over $5,000 (4).
$6,100
When benefit applied and inforce (excl. LTD) exceeds $10,000 per mo.

FIGURE 40: PARAMEDICAL EXAMINATION LIMITS (FOR AGE 40-49) IN 2022

Amounts over $2,000
Amounts of $3,000 and higher.
Amounts over $5,000 (2).
Amounts over $6,000.
Amounts over $6,000 and age 51 and up.
Required only when traditional paper Part B completed on benefit amounts $7,501 and greater.

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 12 companies. All 12 of the IDI companies utilize pharmaceutical databases in their underwriting. All companies also utilize motor vehicle records. One company pointed out that its use of motor vehicle records was subject to the discretion of the underwriter. Eight 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 they use 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	8	0	1	3
Pharmaceutical databases	12	0	0	0
Motor vehicle records	12	0	0	0
Electronic underwriting engines	5	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.

Since the last IDI Market Survey, one company decided to exit both the employee-pay (voluntary) and employer-pay (mandatory) market, while another company significantly increased its maximum issue amounts on employer-pay (mandatory) cases for cases under 200 lives.

FIGURE 42: EMPLOYEE-PAY (VOLUNTARY) GSI REQUIREMENTS, 2022

	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	xxx	$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
75	NA	NA	$10,000	$10,000	NA	NA	30%	25%
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 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 $10,000 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. The only change from the voluntary GSI requirements reported in 2022 was that one company increased its minimum number of lives from 15 to 30.

FIGURE 43: EMPLOYER-PAY (MANDATORY) GSI REQUIREMENTS, 2022

	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	$5,000	$8,500	$10,000	$10,000
5	NA	NA	NA	NA
5	$2,500	$10,000	$10,000	$10,000
5	$10,000	$12,500	$15,000	$15,000
10	$10,000	$15,000	$15,000	$15,000
10	$10,000	$17,500	Case by case	Case by case
None	$5,000	$5,000	$5,000	$0

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.

Figure 44 shows the distribution of ESML new premium for issue years 2017 through 2021 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 2017 through 2021, GSI business averaged 52% of the employee-pay ESML new premium and 92% of the employer-pay ESML new premium.

FIGURE 44: DISTRIBUTION OF ESML NEW ANNUALIZED PREMIUM BY TYPE OF UNDERWRITING, ISSUE YEARS 2017 THROUGH 2021

	EMPLOYEE-PAY			EMPLOYER-PAY		
ISSUE YEAR	GSI	GTI	NORMAL AND SIMPLIFIED ISSUE	GSI	GTI	NORMAL AND SIMPLIFIED ISSUE
2017	49%	0%	51%	93%	0%	7%
2018	55%	0%	44%	92%	0%	8%
2019	52%	0%	48%	93%	0%	7%
2020	49%	0%	51%	92%	0%	8%
2021	52%	0%	48%	92%	0%	8%
Average	52%	0%	48%	92%	0%	8%

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 2021 and 2022 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 2021 IDI Market Survey.

FIGURE 45: COMPANY RATINGS OF THEIR VOLUNTARY GSI MORBIDITY

RATING	2021	2022
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.

Eight companies described the simplified underwriting programs that they used in 2022. Figure 46 provides their responses.

FIGURE 46: SIMPLIFIED UNDERWRITING PROGRAMS IN 2022

We have a simplified IDI plan which uses a shortened application., We do not order exam or labs and limit the face amount to $3,000 and the BP 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 EHR's for our Term IDI product.
Certain ages and case sizes require less information.
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 paramedical are required.
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 $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 and participation limits with financial documentation.
In California, we require financial documentation if applying for the BIR through simplified underwriting. This is not a new program.
We require the use of our TeleApp application and process for simplified underwriting.

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. Only one company responded. Figure 47 lists the one reported change.

FIGURE 47: CHANGES IN UNDERWRITING PROGRAMS SINCE THE LAST SURVEY

We have increased our mini-exam limits (mini-exam defined as height/weight, blood pressure readings, blood and urine testing) when using our tele-underwriting process, which accounts for 90 to 95% of our fully underwritten business. We have added new tools such as ExamOne's Labpiq and medical claims data given the higher mini-exam limits.

INDIVIDUAL UNDERWRITING DECISIONS

Companies were asked to provide the distribution of their individual underwriting decisions for years 2020 and 2021 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. Twelve of the 13 companies submit data for this analysis, as one company sells only in the ESML market. The wastage category includes withdrawn, incomplete, and not taken after approved applications. One of the 12 companies does not submit wastage for this analysis. Wastage for the remaining 11 companies has averaged 14% of submitted business in both 2020 and 2021.

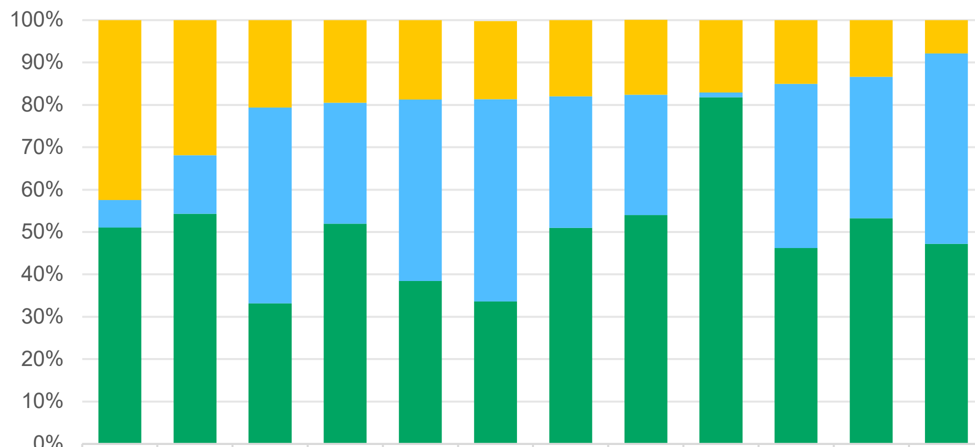
Figure 48 shows the weighted averages of the various underwriting decisions in years 2020 and 2021 as a percentage of submitted business, net of wastage. The weights are based on new IDI premium in the individually sold market in years 2020 and 2021. There was very little change in the distribution of underwriting decisions between years 2020 and 2021.

FIGURE 48: DISTRIBUTION OF INDIVIDUAL UNDERWRITING DECISIONS IN 2020 AND 2021, AS PERCENTAGES OF SUBMITTED APPLICATIONS, NET OF WASTAGE

Underwriting Decisions	2020	2021
Issued as applied	45%	45%
Rated, waivered or modified	37%	38%
Declined	17%	18%
Total	**100%**	**100%**

Figure 49 shows the distribution of underwriting decisions, net of wastage, in 2021 by company. The 11 companies have been ordered by their decline percentages from highest to lowest.

FIGURE 49: DISTRIBUTION OF 2021 UNDERWRITING DECISIONS BY COMPANY, AS PERCENTAGE OF SUBMITTED APPLICATIONS NET OF WASTAGE



	1	2	3	4	5	6	7	8	9	10	11	12
Declined	42%	32%	21%	19%	19%	18%	18%	18%	17%	15%	13%	8%
Rated, waiv or modified	7%	14%	46%	29%	43%	48%	31%	28%	1%	39%	33%	45%
Issued as applied	51%	54%	33%	52%	38%	34%	51%	54%	82%	46%	53%	47%

The percentage of declines by company in 2021 ranged from 8% 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.

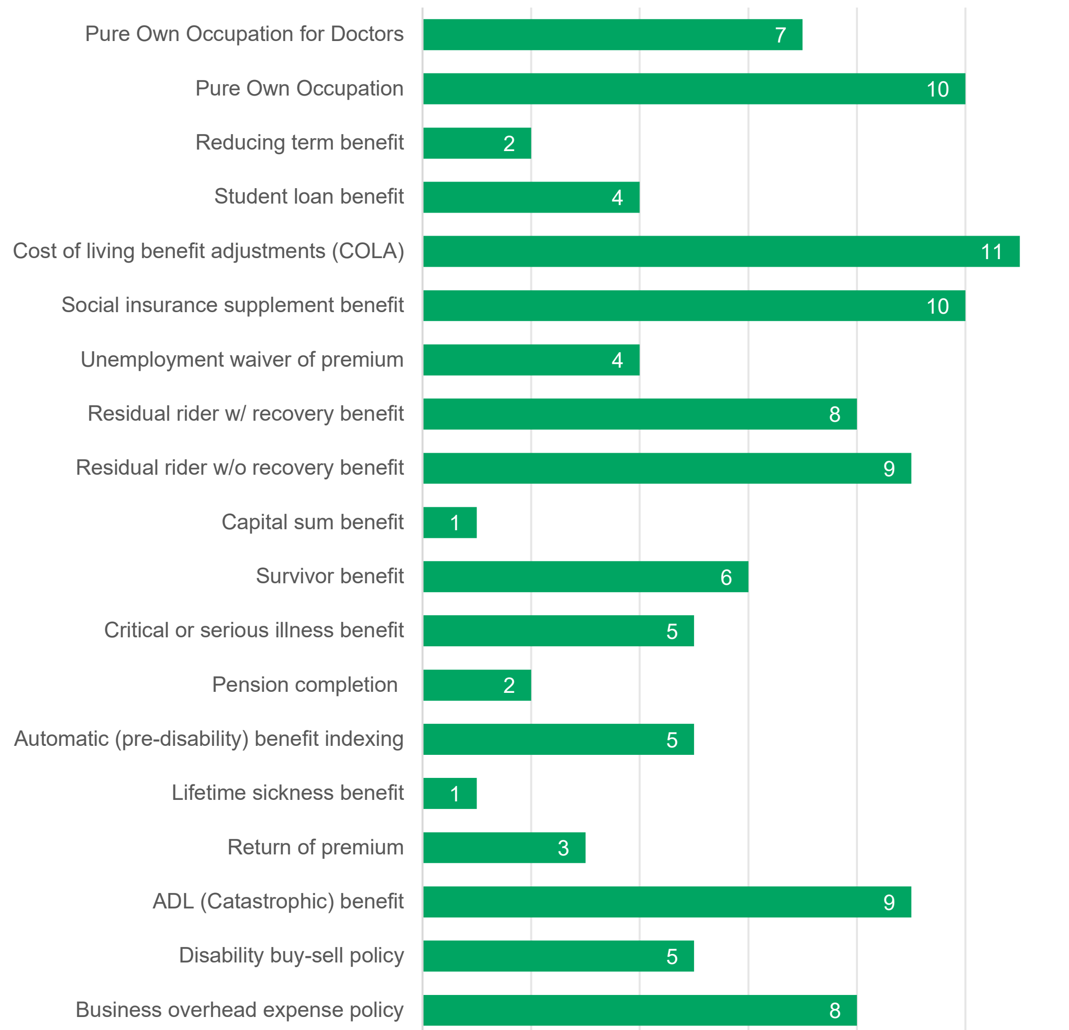
Section V: Product and pricing

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. Twelve of the 13 surveyed companies responded to the product-related section of the survey.

CURRENT PRODUCT FEATURES

Figure 50 shows how many of the 12 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 12 companies although some products, such as COLA (11), pure own occupation (10), and social insurance benefits (10), 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 11 companies offering COLAs.

FIGURE 51: COLA OPTIONS

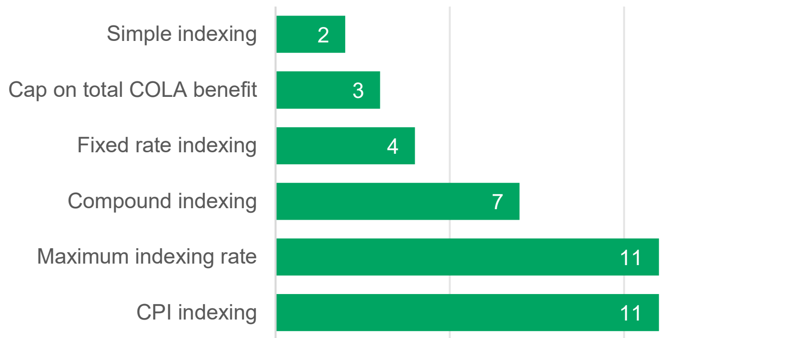


Figure 52 lists the various COLA indexing options among the 11 companies offering COLAs. The numbers in the parentheses indicate how many companies offer those options.

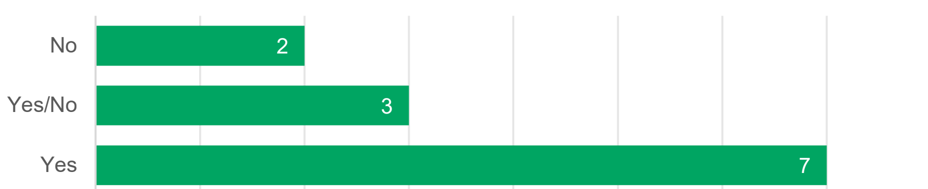
FIGURE 52: COLA INDEXING MAXIMUM

6% max (4)
3% and 6% options (5)
5% max
Rate selected at issue, 3%-10%, capped at CPI with 3% floor

MENTAL/NERVOUS LIMITATIONS

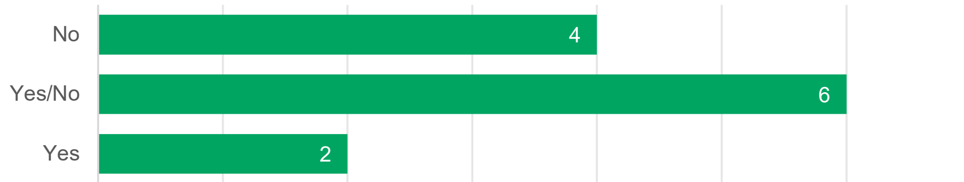
Figure 53 shows how many of the 12 companies include a 24-month mental/nervous (MN) limitation in their base IDI policies. Seven of the 12 companies have a 24-month MN limitation in their base policies, and two companies do not. Three companies have the 24-month MN limitation in some but not all base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



The reasons for restricting full MN coverage vary among the companies. Figure 55 lists the conditions cited by nine companies for making full MN coverage available.

FIGURE 55: 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.
Some state specific and occupational restrictions.
Not available for blue-grey occupation and lower medical occupation classes.
Not available for select medical occupations.
Only available on GSI with 20+ lives.
Not available to anesthesiologists and emergency room physicians.

NEW PRODUCT AND PREMIUM RATE CHANGES SINCE THE LAST SURVEY

Three 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 2021 IDI MARKET SURVEY

Continued to expand new product in approved states.
New product introduced in 46 states in September 2021. Eliminated limited pure own occ (5 year & 2 year) coverage options, started offering Pure Own Occ to 3A and 3M, expanded availability and length of Future Purchase Option, general price reductions that varied by occ class and coverage options
- Expanded Preferred Occupation discount - Increased maximum GSI case-level discount from 35% to 45% - Transitioned additional states from state-specific to Compact Form - Launched current product in Wyoming.

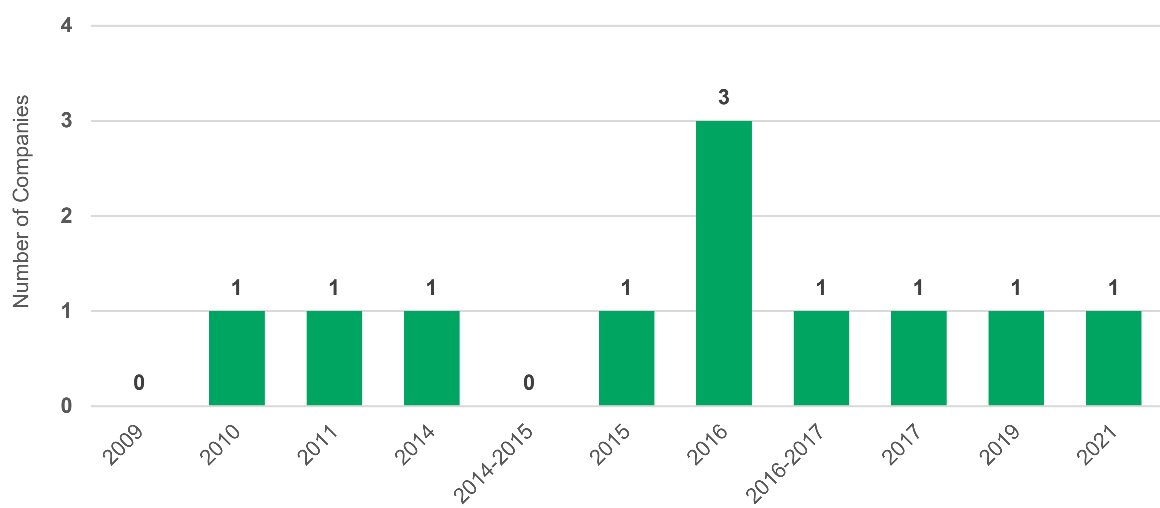
Two companies reported premium rate changes since the last IDI Market Survey. These changes are summarized in Figure 57.

FIGURE 57: PREMIUM RATE CHANGES SINCE THE 2021 IDI MARKET SURVEY

Expanded Preferred Occupation discount; increased maximum GSI case-level discount from 35% to 45%.
Will be reclassifying certain occupations later this year.

Figure 58 shows the years in which companies released their current IDI portfolios. Eleven of the 12 companies responded. Seven of the 11 companies released their current IDI products in 2016 and later.

FIGURE 58: RELEASE YEARS OF CURRENT IDI PORTFOLIOS



PLANNED PRODUCT AND PREMIUM RATE CHANGES FOR 2022

Two companies reported product changes that they are planning to release in 2022. These changes are shown in Figure 59.

FIGURE 59: PLANNED PRODUCT CHANGES FOR 2022

New product similar to prior product with new assumptions, a few new riders and new discounts
Preparing to launch a new IDI product that 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.

Two companies reported planned premium rate changes in 2022. Their responses are listed in Figure 60.

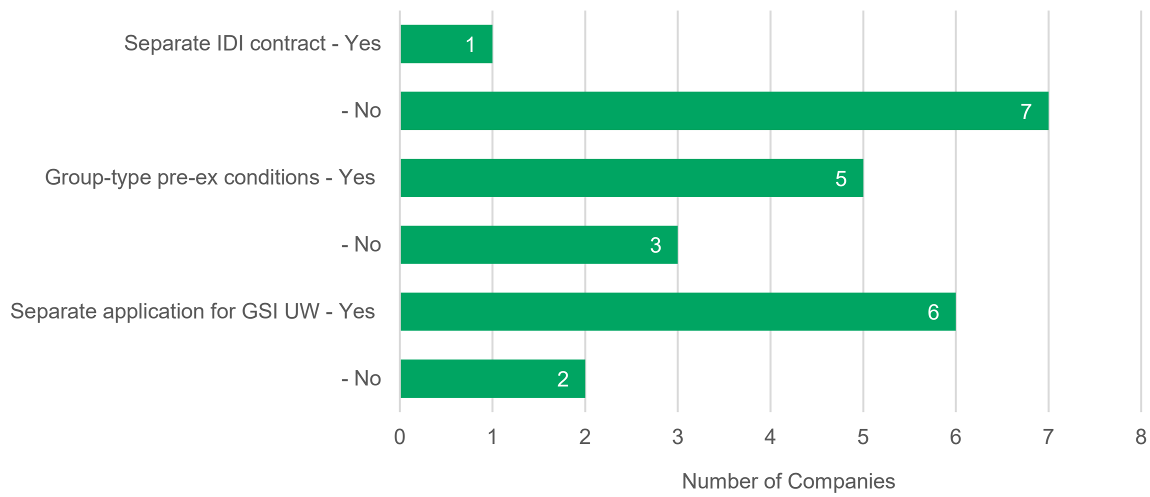
FIGURE 60: PLANNED PREMIUM RATE CHANGES FOR 2022

Premium rates will change with new product release.
Will reclassify certain occupation classes later this year

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 61 shows what eight companies that are active in the ESML market do.

FIGURE 61: PRODUCTS SPECIFIC TO THE ESML MARKET



Only one of the eight companies has 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. Eleven of the 12 companies responded. Figure 62 lists the 16 states for which at least one of the 11 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 2021 IDI annual premiums for each of the 11 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. Nine of the 11 companies have premium surcharges in California, and eight have premium surcharges in Florida. Three companies have surcharges in both Arizona and Nevada.

FIGURE 62: PREMIUM SUCHARGES BY STATE

State	NUMBER OF COMPANIES	MINIMUM	MAXIMUM	MEDIAN	WEIGHTED AVERAGE
CA	9	0.0%	90.0%	30.0%	29%
FL	8	0.0%	20.0%	10.0%	9%
AZ	3	0.0%	20.0%	0.0%	8%
NV	3	0.0%	20.0%	0.0%	10%
LA	2	0.0%	10.0%	0.0%	3%
NM	2	0.0%	10.0%	0.0%	3%
AR	1	0.0%	10.0%	0.0%	3%
DE	1	0.0%	10.0%	0.0%	0%
HI	2	0.0%	10.0%	0.0%	3%
NH	1	0.0%	10.0%	0.0%	0%
NJ	1	0.0%	10.0%	0.0%	0%
NY	1	0.0%	30.0%	0.0%	1%
RI	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%

PREMIUM SURCHARGE FOR TOBACCO USE

All 11 companies that responded have a premium surcharge for tobacco use. Figure 63 shows the range of premium surcharges for tobacco use among the 11 companies. The weighted average is based on companies' 2021 IDI annual premium.

FIGURE 63: RANGE OF PREMIUM SURCHARGES FOR TOBACCO USE

MINIMUM	20%
MAXIMUM	35%
MEDIAN	25%
WEIGHTED AVERAGE	27%

Figure 64 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 64: VARIATIONS IN THE DEFINITIONS OF TOBACCO USE

Tobacco use (6)
Nicotine use
Tobacco or nicotine use
Tobacco or other nicotine-based products
Cigarette, electronic cigarette, nicotine cessation products, chewing tobacco, cigars

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 65 compares this year’s responses with the responses from last year’s survey. Eleven companies responded. There was relatively little change from the last survey in companies’ assessments of their overall profitability and sales results.

FIGURE 65: COMPANIES’ SATISFACTION WITH THEIR PROFITABILITY AND SALES RESULTS

	OVERALL PROFITABILITY		OVERALL SALES RESULTS	
RANKING	2021 SURVEY	2022 SURVEY	2021 SURVEY	2022 SURVEY
1 (Very dissatisfied)	0	0	0	1
2	1	1	8	6
3	5	4	1	2
4	5	6	1	2
5 (Very pleased)	0	0	1	0
AVERAGE	3.4	3.5	2.5	2.5
MEDIAN	3	4	2	2

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 66. The focus of many companies over the last year has been on implementing or improving underwriting processes and requirements.

FIGURE 66: 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 67 lists their responses. There were six observations pertaining to improving claim experience. There were six observations pertaining to favorable sales trends, particularly with respect to GSI sales. Some companies mentioned continuing favorable claim experience in spite of COVID-19. The other observations pertained to underwriting, policy persistency, administrative issues, the market and product, and the economy.

FIGURE 67: OBSERVED FAVORABLE TRENDS IN THE IDI MARKET

CLAIM EXPERIENCE
Reduction on number of low COVID claims
Pandemic recovery
Lower claims incidence
Higher claims terminations
Claim terminations are up in 2022 vs prior 2 years
Claims experience has been positive

SALES
Strong GSI sales (4)
Strong dental IDI sales
Strong business product sales

UNDERWRITING
Use of automatic underwriting system
Increased non-medical limits
Increased limits not requiring financial documentation
Continued progress toward simplified/accelerated underwriting

POLICY PERSISTENCY
Policies persisting well
Persistency has been stable
Lapses remain low

ADMINISTRATIVE
Work environment flexibility
Technological innovation /fintech/ online distribution
Expanded digital tools & platforms

MARKETING AND PRODUCT
Expanding market reach through expanded rider and benefit offerings

ECONOMY
Rising interest rates

UNFAVORABLE TRENDS IN THE IDI MARKET

Companies listed the unfavorable trends that they are seeing in the IDI market. Figure 68 shows the various responses. Nine observations pertained to unfavorable trends in the IDI market and sales. Five observations pertained to unfavorable trends regarding claims, largely related to COVID-19.

FIGURE 68: OBSERVED UNFAVORABLE TRENDS IN THE IDI MARKET

MARKET AND SALES
Underwritten sales are down vs prior year
Slight decrease in medical market sales
Sales growth continues to be a challenge
Non-medical/dental sales continue to drop
Lower Sales
Declining white collar FUW sales
Physician business is still over concentrated
Overall stagnation of the IDI market
Lack of market penetration

CLAIM EXPERIENCE
Pandemic affecting middle income prospective applicants
New claims reported remain high vs pre-pandemic
More year-to-year claim volatility
Long-COVID claim impact unknown
Lingering effects of pandemic/unknown and emerging morbidity impacts of COVID & Long COVID

DISTRIBUTION
Producer recruitment is a challenge
Lack of experienced distribution/understanding need
Lack of distribution focusing on middle income DI clients
Lack of distribution asking consumers about income protection

ECONOMY
Low interest rate environment
Inflation
High inflation environment
Economic turndown

ADMINISTRATIVE
System limitations
Higher staff turnover
Administrative system upgrade straining resources

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 69 shows their various responses. Observations about obstacles were relatively split between the IDI market (e.g., medical occupation concentration, lack of product awareness), distribution (e.g., aging producers, lack of good training), the economy (e.g., low interest rates and high inflation), and competitive pressures (e.g., ongoing product and underwriting liberalization). Interestingly, there was only one observation pertaining to the potential impact of COVID-19 on claim experience.

FIGURE 69: OBSTACLES TO THE LONG-TERM FINANCIAL HEALTH OF THE IDI MARKET

MARKET
Slow overall market growth
Over concentration of doctors remains a risk
Lack of product awareness
Industry reliance on medical market
Educating consumers about IDI and raising awareness
Consumer education for the need.
Concentration of risk in medical occupations

DISTRIBUTION
Sales channels where lowest price or highest limit wins
Lack of agent training for DI
Aging producers, young producers focusing on asset management
Aging distribution with inadequate succession planning
Aging and declining sales force
Agent education is a challenge

ECONOMY
Unemployment levels
Sluggish economy
Low interest rates remain a challenge
Low interest rates
Low interest rate environment
Inflation is limiting the disposable income and our customers are challenged to afford IDI
Expenses associated with underwriting and claims review

COMPETITIVE PRESSURES
Loosening of underwriting rules due to competitive pressures
Liberalization of underwriting
Increase in Issue and Participation Limits
Carriers fighting for market share making risk decisions uninformed by data
Aggressive underwriting and product design

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

FIGURE 70: OPPORTUNITIES FOR GROWTH IN THE IDI MARKET

MULTI-LIFE GSI
Multi-life GSI sales (3)
GSI combination sales with group LTD
MEDICAL MARKET
Medical market (2)
Student and resident programs
Medical and dental sales will continue to grow slowly
NONMEDICAL MARKET
Worksite markets
White collar market
Non-medical markets (2)
MIDDLE INCOME MARKET
Middle income market
Middle market with accelerated underwriting
Middle-income market
Higher income market
OTHER
Skilled trades
Self-employed
Millennials
Simplified Issue IDI
Females
Expansion into New York
Digital consumers
Non-traditional distribution channels

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 71 lists the various responses. Observations were slotted into favorable and unfavorable trends. There were eight unfavorable claim trends observed versus three favorable claim trends.

FIGURE 71: CHANGING CLAIM PATTERNS IN THE IDI MARKET OBSERVED SINCE THE 2021 IDI MARKET SURVEY

UNFAVORABLE
While new COVID claims continue, they have declined significantly
Continued influx of COVID-related claims
Volatility of both open and closed claims IS up.
Overall, claim volume is higher, primarily driven by dental occupations
More claim volatility
Lower claim terminations
Increase occurrence of policyholders changing careers at the time of claim.
Increase in cancer claims

FAVORABLE
Increased claim termination rates
Decreased incidence rates
Continue to see positive claim experience

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