

Insurance Times: Consumer awareness of need for DI poses hurdle for industry
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HARTFORD — Consumers are generally less aware of their need for disability insurance as they are for life and medical insurance, a perception that poses one of the biggest hurdles to the disability insurance industry's long-term growth, according to a new study by Conning Research.

In the study "Disability Income Insurance; The Long Voyage To Profitability" Conning cites two other challenges for disability insurers: the continually expanding definition of disability and the economic downturn/slowdown that began in late 2000 and has continued into 2002. Historically, disability insurers faced higher losses in periods of sustained economic turmoil, and also have been adversely impacted by reduced levels of investment income.

"Consumer awareness and attitude are focused on life and medical insurance and retirement planning, not disability income protection," said Jim Smith, Assistant Vice President at Conning Research and author of the study entitled. "Low consumer awareness has hampered sales particularly to medium and small business and their employees. Group disability writers have not effectively penetrated these segments because smaller businesses are not hearing pressure to do so from their employees."

But the risks for consumers are real. For example, the Conning Research study found that thirty-year-old women have a 57% chance of becoming disabled and only a 16% chance of dying before age 65. Yet female employees often overlook the need for disability income benefits, asking instead for improved medical and life insurance benefits.

The ever-changing legal definitions of what constitutes a disability will impact disability insurers as well. Stress-related disabilities, 9/11-related or otherwise, are becoming more common. Disability advocacy campaigns and recently passed laws, such as The Americans with Disabilities Act, have sensitized employers to disability issues and made them more accepting of mental conditions as well as physical ailments.

Disability insurers face these challenges in the context of an extremely concentrated marketplace. The five largest insurers accounted for more than half of the industry's written premium in 2000.

Conning Research suggests that successful disability insurers will focus on four critical success factors:

- * Product enhancement and underwriting improvement
- * Improved marketing strategies and distribution mediums
- * Improved and expanded case management
- * Prudent investment and expense management.