LIFE & HEALTH National Underwriter
THE NEWS SOURCE FOR LIFE & HEALTH AGENTS

BREAKING NEWS

Disability Insurance Experts Ponder Recession Impact

By ALLISON BELL
Published 3/5/2009

Return To Article

Bonita Springs, Fla.—Thinking beats cowering, a top disability insurance market watcher says.

Drew King, president of JHA, Portland, Maine, called for a calm, analytical response to the recession here at his firm's annual disability insurance conference.

“I encourage you not to be part of the herd,” King said at the general session that kicked off the conference. “Let's not go in the bunker.”

Instead of adopting a “duck and cover” strategy, disability industry executives need to decide what they think the situation is and make choices based on how they think the recession is going to end, King said.

“And it will end,” King said.

JHA is a disability insurance risk management and consulting arm of General Reinsurance Corp., Stamford, Conn. Its conference draws many of the movers and shakers in the disability market.

This year, because of the economy, “we're a little bit smaller,” King said. But he estimated premiums from in-force coverage increased 2% for group long-term disability in 2008 and 2% for group short-term disability. JHA also surveys the group life market, where in-force revenue may have increased 4%, he said.

Past recessions have led to increases in disability claims. So far, however, the current recession has not had much, if any, effect on claims, several speakers said.

One theory is that policies and claim management strategies have improved. Another is that workers are too worried about job security to file disability claims, Gerard Lynch, president of General Re–New England Asset Management Inc., Farmington, Conn., said at a conference breakout session. His Gen Re unit manages assets for insurers.

A third theory is that, because of challenges such as credit card debt, “people were too leveraged to go out on claim,” Lynch said.

In the future, the recession and government efforts to end the recession could hurt the disability insurance market, Lynch predicted at the general session and the breakout session.

Governments “will throw as much money at this as they possibly can,” Lynch said. “From their point of view, inflation is a small price to pay for political and economic stability.”

That means that, after a year or two, inflation is likely to rise, and asset classes such as oil and grain are likely to do well, Lynch said.

Meanwhile, because companies, individuals and governments will have to reduce use of debt, the employers that will be the best disability insurance prospects probably will be in sectors that have not heavily used debt and other forms of leverage in recent years, Lynch said.

“We’re going to have a blue-collar boom in this country,” Lynch said.

Another speaker, Kevin Riley of JHA, said during a breakout session that the recession could affect disability insurers by reducing the number of workers who need coverage and by reducing the remaining workers’ income.

Some employers are responding to tough times by keeping their most experienced people and laying off newer workers, according to a disability insurance company executive who attended the session. When employers follow that strategy, that can increase the average age and the overall risk level of a group disability case, he said.