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Lessons for group disability insurers in Canada

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Intermediaries in Canada have been vocal about their concerns with soaring group disability insurance prices and a lack of high-quality disability management, since the start of the Covid-19 pandemic. However, insurers have faced several challenges, including finding the balance between price sustainability and competitiveness as claims rates have grown, and in an environment of low investment returns. Many new health and wellness market developments have also emerged in recent years and communicating carrier offerings, and how they differentiate, has proven difficult.

Against this context, insurers are reviewing their group disability insurance propositions and, in this article, NMG Consulting has marked out three key areas that require focus.

I. Insurers should effectively leverage data and interpersonal relationships for transparent pricing communications

Since the onset of Covid-19, group long-term disability (LTD) insurance rate hikes have been a pain point for the intermediary community (Figure 1). Advisors and consultants have found it challenging to rationalize rate actions with employers, partly because of poor communication. There is no suggestion that the pricing strategy needs to change, however the lack of transparency from insurers in communicating changes has created uncertainty and mistrust between intermediaries and insurance carriers.

Figure 1: Proportion of intermediaries considering Group LTD pricing to be high¹
(2019 - 2022)



Insurers in the UK have experienced similar challenges in recent years, a period when group disability insurance pricing has been fluctuating. Carriers encountered trust issues when they failed to effectively communicate the reason for rate increases. Those who crafted a clear story around their pricing rationale, supported by data sharing and service, have been more successful (Canada Life, Unum, and Aviva). For instance, some insurers have been more open in sharing claims data to facilitate dialogues between intermediaries and plan sponsors.

Based on our learnings in Canada and internationally, NMG Consulting believes Canadian insurers should consider these three elements in pricing communication:

- Review past requests from advisors to **identify the information** they have been asking for to help them and their clients decipher factors influencing pricing (such as reserves, specific industry claim statistics, claim types, and prevalence of claims)
- Ensure this **data is easily accessible** (i.e., removing tedious steps for retrieval and introducing easier self-serve functions), and **content is digestible** (i.e., having both summarized and detailed information available)
- Have **account executives reach out proactively** to support intermediaries and their clients throughout difficult renewal conversations with a partnership mindset (i.e., demonstrating the willingness to help them negotiate or justify pricing)

II. Insurers need to be more proactive in communications with clients around support available for preventative care and disability management

Over the past two years, new market developments related to health and wellness have increasingly attracted the attention of intermediaries (particularly around virtual care, EAP programs, and mental health services). However, employers and members do not always understand which benefit offerings and ancillary services they are entitled to, and how insurers can help employees manage disability and return to work. There is a clear need for insurers to communicate these propositions more effectively (Figure 2).

Figure 2: Canadian group disability insurer opportunities/undelivered client needs¹
(2016 - 2022)



(The size of each bubble is indicative of respondent citations)

This issue is not unique to Canadian insurers. Carriers in Australia are criticized for a lack of clarity as to who has the principal responsibility for identifying at-risk employees and retraining/re-skilling plan members. Some insurers in Australia successfully differentiate by taking a more empathetic approach to claims and rehabilitation management (such as OnePath and AIA), while others have stepped up communication of their mental health philosophy and preventative care support services (such as MLC Life Insurance).

In view of this feedback, Canadian carriers should consider:

- Provide simple product literature and educational **content digitally, complemented with a communication plan** to help employees understand the support available to them. In addition, collaborate with intermediaries, healthcare providers and community groups to deliver **in-person events and online seminars**, focusing on encouraging members to leverage those resources;
- Adopt a more **empathetic approach** to managing member wellbeing, associated claims, and rehab services to address employee needs and help employers reduce absenteeism (e.g. having simple, personable, and compassionate dialogues to understand how claimants are doing and what support they need)
- Engage and communicate with plan sponsors throughout the disability management process, with a **focus on return-to-work strategies** (e.g. keeping employers in the loop on how their employees are doing and understanding what needs can be fulfilled by insurers to help employees return)

III. Flexibility and cost management should be an integral part of future product development, and there is no one size fits all solution

When it comes to LTD products, most carriers in Canada have yet to show adequate differentiation (Figure 3). The current product design, typically covering members until the age of 65, can be expensive. It also lacks the flexibility needed by younger employees and gig economy workers. These findings indicate an opportunity for product evolution and cost management.

**Figure 3: Top reasons for being best-in-class LTD carrier in Canada¹
(2022, % of respondents)**



In the UK, carriers have successfully introduced limited benefit payment terms. This cost saving option allows the employer to choose a 2 to 5 years disability payment period instead of coverage until retirement. Although the traditional LTD product is still more prevalent in the UK, the introduction of this design has made the product more affordable and encouraged members to get back to work sooner with the help of support services.

Considering evolving client needs, insurers should:

- **Stay close to changing market demand** and consider where they can be more flexible in product design as opposed to creating a one size fits all offering;
- **Take a long-term view on cost management.** Despite many insurers introducing rate guarantees and renewal caps, these are tactical solutions without considering long-term risks and opportunities. Changes to cost management should be examined, including but not limited to payment period, disability definition/contract terms, claims adjudication and fraud management

Looking ahead

The challenge of group insurance affordability and evolving member needs will continue to create

pain points as well as opportunities for participants in the Canadian group benefit industry. Insurance companies play a critical role in providing employees with a financial safety net, supporting individual health & wellness, and creating a bridge to strengthen the bond between employers and their talents.

Our evidence suggests that Canadian insurers have an opportunity to better meet plan sponsor and employee needs, through more price transparency, proactive communication and differentiated products. It is pivotal for insurers to continuously adapt their products and services to new market dynamics and client interests, and effectively leverage their data and human capital to communicate clearly and convincingly.

¹Source: NMG Canadian Group Benefits Study

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