



ReFocus2007
SEE THE FUTURE FIRST



Disability Reinsurance Marketplace: Capacity vs Demand

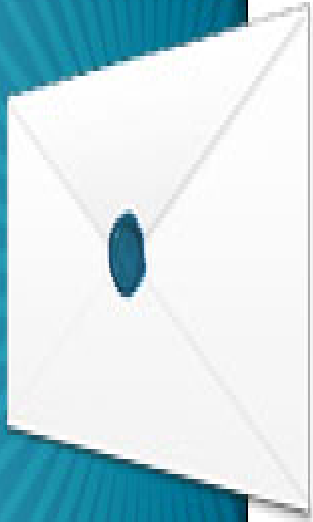
Andy Castillo – VP & Actuary, Munich American Re



ACLI
Financial Security. For Life.



Munich American Reassurance Company (MARC)



- **Life reinsurance is our bread and butter . . .**
however, we reinsure Living Benefits
 - **IDI**
 - **LTD**
 - **CI**
 - **LTC**
 - **STD**



The Individual Disability Market



RIP

Companies that have exited the DI market since 1980



The Individual Disability Market

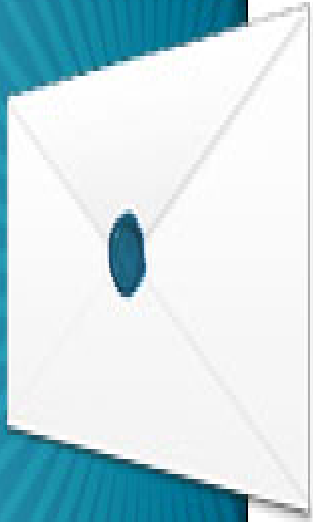


Aetna
American General
American National
American United
BMA
Chubb
Connecticut General
Equitable

General American
Gulf Life
Indianapolis Life
Jefferson Pilot
Liberty Mutual
Lincoln National
Maccabees
Massachusetts Casualty



The Individual Disability Market



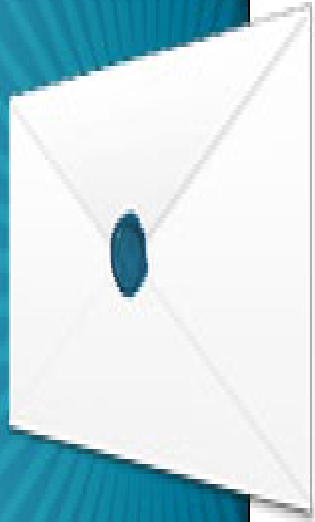
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**Monarch
Mutual Benefit
Mutual of New York
National Life of Vermont
National Guardian
National Travelers
Nationwide
New England Mutual**

**New York Life
Pacific Mutual
Penn Mutual
Safeco
Shenandoah Life
Southwest Life
Travelers
Time Insurance
USAA
Western States Life**



The Individual Disability Market

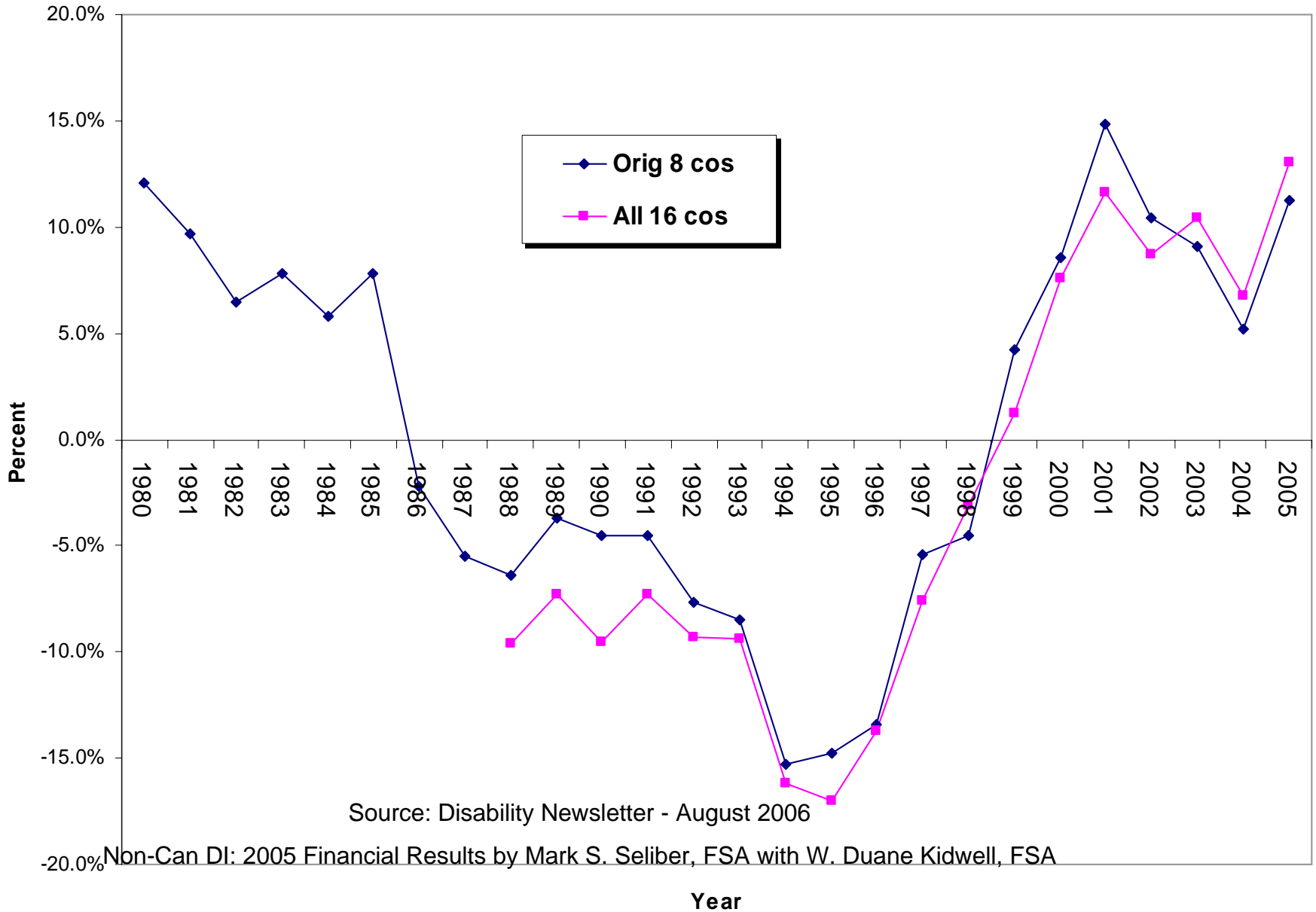


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Reinsurers:
ERC
Lincoln National
Mercantile & General/Swiss Re
Paul Revere



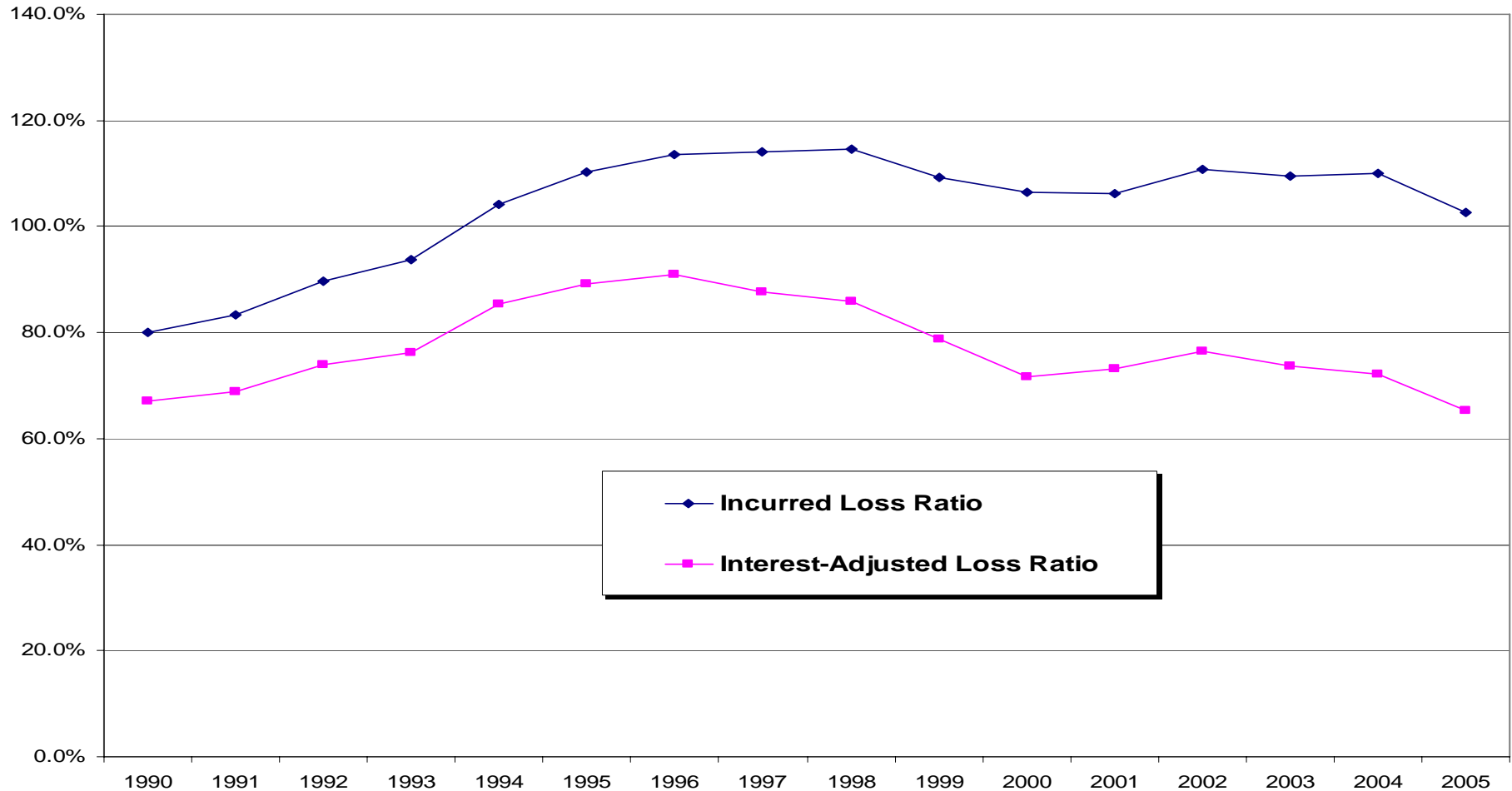
Statutory Pre-tax and Pre-dividend Margin



Source: Disability Newsletter - August 2006

Non-Can DI: 2005 Financial Results by Mark S. Seliber, FSA with W. Duane Kidwell, FSA

STATUTORY INCURRED LOSS RATIOS, 1990-2005



Source: Disability Newsletter - August 2006

Non-Can DI: 2005 Financial Results by Mark S. Seliber, FSA
with W. Duane Kidwell, FSA



Results of companies still selling vs companies not selling

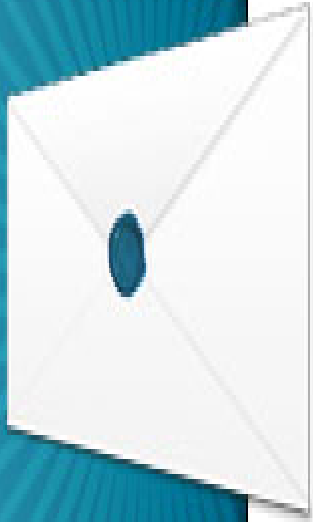
ITEM	2004 RESULTS		2005 RESULTS	
	COMPANIES	COMPANIES NOT	COMPANIES	COMPANIES NOT
	STILL SELLING	STILL SELLING	STILL SELLING	STILL SELLING
EARNED PREMIUM (\$ millions)	\$2,016.2	\$1,650.8	\$2,133.7	\$1,516.8
PREMIUM GROWTH	5.8%	-8.0%	5.8%	-8.1%
MARGIN BEFORE DIVIDENDS	17.3%	-6.0%	21.4%	1.3%
MARGIN AFTER DIVIDENDS	13.6%	-6.0%	16.7%	1.3%
MARGIN AFTER DIVIDENDS & FIT	10.8%	-3.7%	13.1%	1.9%

Source: Disability Newsletter - August 2006

"Non-Can DI: 2005 Financial Results by Mark S. Seliber, FSA with W. Duane Kidwell, FSA



The Individual Disability Market



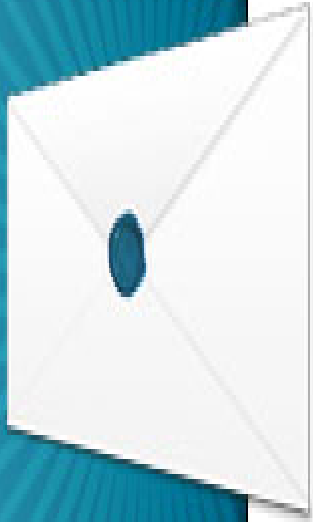
Marketing *Then vs Now*

Target markets - - Medical/Dental

Competitive pricing and liberal benefit offerings



The Individual Disability Market



Product Design *Then vs Now*

Some examples of changes in benefits/features offered

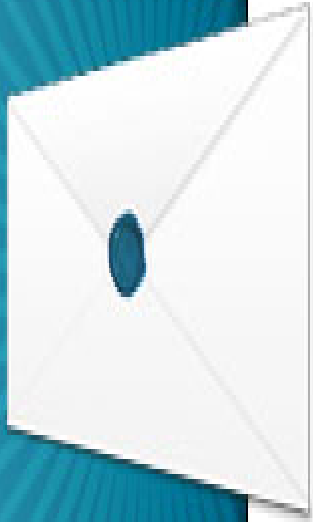
- Residual
- COLA
- FIO

New Designs

- Key Person
- Pension Funding for Defined Contrib Plans
- Loan Liquidation
- Catastrophic Coverage



The Individual Disability Market



Claims *Then vs Now*

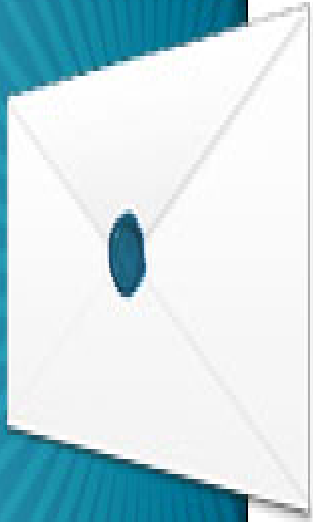
Claims handling

Definition of disability

Mental and Nervous Claims



The Individual Disability Market



Underwriting *Then vs Now*

Financial Documentation

I&P Limits

Lab testing

New Tools

- ***Prescription screening***
- ***Well-scripted Personal History Interviews***
- ***Tele applications***
- ***Internet***



Challenges going forward

- Issue and Participation Limits
- Medical Market
- Specialty markets
- Guaranteed Standard Issue:
 - Mandatory
 - Voluntary
- Risk Concentration / Diversification
- Regulatory Environment



Reinsurance Markets

- **Traditional Reinsurance**
 - **Excess vs Quota Share**
 - YRT vs Coinsurance
 - Extended Wait or Excess \$ loss
 - **Services**
 - Facultative
 - knowledge/risk sharing
- **Nontraditional Coverages**
 - non-proportional covers

