



Look beyond the price of group disability insurance

Changing the shape of group disability insurance

Group disability insurance in South Africa is highly commoditised. When purchasing group disability insurance, decisions are largely driven by price in many cases.

While premiums for this highly-valued employee benefit have increased over the last two years, in order to unlock the real value of group disability benefits, employers and their financial advisers need to look beyond price.

Choosing security

Over the last few years, many claimants tend to stay on disability longer, choosing the relative security of a generous disability benefit over what they perceive as a less secure return to work in a stagnating economy.

More claims of longer duration inevitably result in higher premiums.

However, in an environment of rising premiums, the focus should not only be on price, but rather on a holistic approach to disability insurance.

Some of the key conversations in the industry should include:

- the changing nature of disabilities; and
- the role that prevention, early detection, rehabilitation and reskilling plays in reducing the direct and indirect costs of disability.

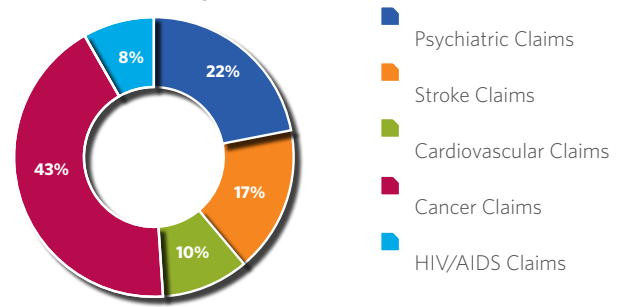
This has an impact for both employer and employee alike. Ultimately, having a more appropriate solution for your needs has more value than simply looking for a lower price on something that you do not need.

Significant role players

A report on global disability from the World Health Organisation and World Bank highlights how non-communicable diseases (or chronic diseases of lifestyle) are playing an increasingly more significant role in disability claims.

As depicted in the graph, an analysis of Momentum's claims experience over the last five years reflects this trend. Only 8% of claims were related to a communicable disease (like HIV/AIDS). In contrast, 43% of disability claims are still related to cancers.

Incidence of disability claim causes



Essential programmes

Given the increasing impact of lifestyle choices on disability, I believe that engagement programmes that encourage healthy lifestyles are an essential preventative building block.

These programmes help to prevent the onset of chronic illnesses, which in turn reduces the risk of a lifestyle related disability.

Early detection of health risks and timeous management also helps to reduce the severity and impact of the disability. For example, health assessments at the workplace or occupational health clinics can help identify individuals with serious health risks

Minimising negative impacts

Rehabilitation is also key in minimising the negative impact on the employer's bottom-line.

Insurers and employers need to work together to aid rehabilitation, reskill if necessary, and facilitate recovery. This paves the way for a successful return to work and reduces the employer's recruitment and skills replacement costs.

The positive results of a close employer-insurer partnership and proactive management are evident in psychiatric-related claims.

The South African insurance industry is currently witnessing a sharp spike in psychiatric claims, largely due to the increasing financial stress employees experience in the current economic climate.

However, thanks to early notification and proactive management, Psychiatric claims have remained relatively stable, with only a small increase. This approach has a significant impact on the amount and duration of the claim.

Intensive engagements

Intensive engagement with disability claimants has given Momentum valuable insights into employees' needs through the various stages of disability.

A holistic approach considers these needs and focuses on keeping the employee's financial wellness intact. For example, many claimants need additional funds during the early stages of disability to cover shortfalls between actual medical costs and what their medical scheme covers. Rather than push already indebted employees towards expensive loans, a cash assistance benefit should be considered to cover these costs.

A more holistic approach also helps to identify areas of insufficient

provision. This could be the result of over-insurance for certain benefits such as disability, and underinsurance for others such as death and retirement.

Reviewing the selection of benefits will facilitate a more optimal balance as funds can be redirected towards areas of under provision.

This is where the financial adviser's role is pivotal. Financial advisers delve deep into employers and employees' needs and use this information, together with their expertise, to recommend a best of advice solution.

If the insurer offers flexibility in the right areas, the financial adviser is able to bring this best advice solution to life.

Detracting from value

A focus on only the price of disability insurance detracts from the real value it offers employers and employees.

The industry needs sustainable solutions that incorporate appropriate pricing and a holistic benefit structure that adds value and is dynamic enough to withstand economic challenges.

A more holistic approach focuses on the employee's overall financial wellness that encourages choices which improve physical and financial health and reduce the risk of disability.

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