



The Nuts and Bolts of Ensuring a Sustainable Product

Take10 Podcast Transcript

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GK

Welcome to the first episode in RGA's Take10 podcast series, disability income claims in under 10 minutes. Over the coming weeks, we'll be bringing you a series of discussions on the characteristics and management of disability income claims and we begin the series at its natural starting point with a discussion around the intent of disability income products and understanding some of the key challenges in terms of managing claims.

I'm Gayle Kanchanapume and with me today is Marilda Kotze, Vice President and Head of Global Claims at RGA.

Disability income products have undergone quite some change in recent years, Marilda I know that you have over 20 years' experience working in a claim setting, so what's your view about some of these changes?

MK

Thanks Gayle, I know its stating the obvious, but I think first off we should be clear what the intent of the product is. So, by design, we should encourage people to return to work as soon as it's medically safe to do so. That is what disability income products are about. However, I do think over time, products have evolved in their design and they have moved away from this initial purpose.

From a claim's management point of view, I think our practices have improved over time. Insurers are supporting various return to work initiatives by focusing on rehabilitation and including various skillsets in our teams to enable that.

GK

So, what are your thoughts as to what features make for a good disability income product?

MK

Most importantly, for me, it is that our clients know what they are buying, and that is more than just knowing that it is an insurance product. I've thought about some of the key features that can help provide certainty to the client, but also provide sustainability to insurers with regards to the product.

Let's look at this. The definition of disability should be clearly defined. The trigger for the claim is an injury or an illness that results in an inability to work. That should be very clear, followed by the actual loss of income that the person suffered should be measurable and undefinable. The benefits that insurer pays should not be more than the loss of income suffered, even when we consider other sources of income or financial support.

Lastly, but very importantly, a financial incentive to return to work should be created. Benefits should not disincentivize people to return to work, but rather motivate them to do so.

GK

Thanks Marilda. I fully agree with you. Do you have any observations on the actual definition of disability and some of the challenges that can arise from this?

MK

Yeah, that's a good question Gayle and when I think back to when I started working in insurance, cover for own occupation was unusual. Most products now cover people for their own occupation, even if it is for an initial period only, maybe lasting between one up to three years, following which a switch to the suited occupation definition is quite common.

Insurers can play quite a critical role to help people return to work in some alternate occupation and allow them to still contribute to the economy and lead a meaningful life rather than enabling a sick role until retirement.

GK

So, do you think that this evolution to own occupation cover has been a positive change?

MK

Yes, I do think it's a positive change. It provides certainty. However, it can extend too far and that creates great claims management challenges. So, covering someone for their specific job, including a very particular set of circumstances or environment can increase the likelihood of a valid claim. As mentioned Gayle, I'm a strong believer that the benefits that work bring to our mental and physical well-being are critical and a more generous product might not always therefore be in the claimants best interest where those benefits are being eroded by the generosity of the product.

GK

Indeed, and that's why a holistic evaluation of both the lost income and the inability to work should go hand in hand. So, outside what we've already discussed, are there some other key areas that you think are important to bear in mind when assessing and managing disability income claims?

MK

Yes, for sure Gayle. We must remind ourselves that disability income is a specialised product, so our assessment teams should be created in such a way to reflect that specialty and complexity. Our claims consultants should be sufficiently skilled and experienced to assess and manage these complex claims scenarios that we've already alluded to.

They require a wide range of skills and expertise such as medical knowledge, financial acumen, the ability to apply contract wording and understanding legal concepts to evaluate the impact that the claim event has on ability to work and then very importantly to clearly communicate with claimants.

The people that we work with at time of claim are often living through quite a traumatic time or experience and that communication ability is key. The insurer should very early on in the claims process, communicate what our expectation is with regards to work and return to work. It shouldn't be a surprise to the claimant, their employer, the doctor or any other stakeholder that the insurer is expecting a return to work.

We should of course also indicate how we will support the process through a customised recovery plan.

GK

Yes, I agree with that and from my own experience, I can confirm that these are really important claims management strategies. I know we plan to discuss these in more detail in follow-up Take10 episodes, so keep listening.

For some final thoughts Marilda, can you share with us a few insights on some of the universal claim's challenges?

MK

The one global and concerning trend is the increase in mental health claims. There are various studies that confirm mental health to be in the top three claim conditions and that was before the pandemic, so it's certainly not boding well for us going forward.

And the reason is that mental health conditions are complex in nature, they can become protracted claims and therefore really require the specialist skillset that we spoke about earlier, to manage. Also the changing world of work is relevant to mention Gayle. When I think again, back to when I started working in insurance, occupations like bloggers, drone pilots and influencers they did not exist and now not only do those occupation exist, but they are really part of the insurance environment.

These are less conventional or traditional occupations that are performed in a less formal or structured way with more flexible working hours and people may even have two or three jobs. To determine how disability affects multiple occupations and actually quantify the subsequent financial loss can be really tricky and time consuming.

I would finally also mention technology. Universally or globally, we see that the application of technology in life insurance claims is still limited. There may be an interest to improve customer experiences and create efficiencies with regards to the claim's adjudication process, but the actual investment in that technology to enable

this has been lacking to date. Let's hope that that's something that will change in the near future for us.

GK

I hope so too.

I just want to say thank you Marilda for sharing your insights today and for reminding us what this complex product of disability income is all about. I'm sure that many of the challenges we've discussed today will sound familiar to our listeners.

That's all we have time for. Thank you for listening and please do join us for future episodes of Take10, where we'll discuss these challenges and some potential claims management strategies in more detail.

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