

2025

SUPPLEMENTAL HEALTH,  
DI & LTC CONFERENCE

*Expanding Horizons*

# Foundations of Individual Disability Underwriting





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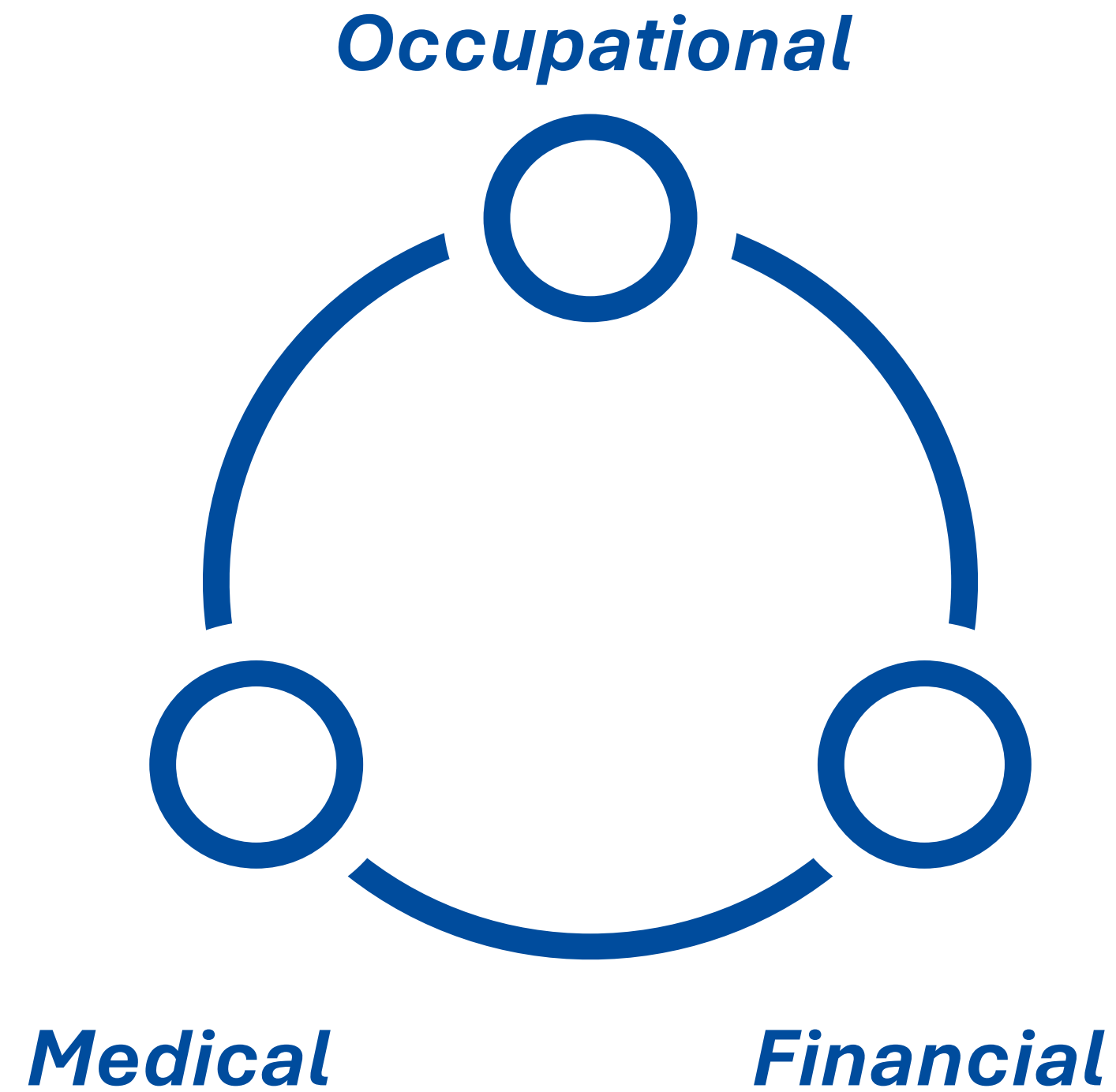


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# The Three Pillars – IDI Underwriting



- Objectives
  - Explore the three pillars
  - Better understand how they are linked
  - Putting the risk puzzle together

# Occupational Underwriting

- **Risk Classes**
  - Occupations are classed (priced) based on the associated risk(s).
  - Experience (company & industry-wide) is a major determining factor in how occupations are classed.
  - Classes can change for the better, or for the worse depending on recent & historical experience.
- **Occupational Risk Varies**
  - Different industries present different risks (manual duties, fine motor skills, market volatility, etc.).
- **Additional Considerations**
  - Education, income, experience, certifications, size of organization, transferrable skills, etc.



# Occupational Underwriting

- High Risk
  - Warehouse worker, Hygienist, Mechanic, etc.
- Low Risk
  - Attorney, Architect, Engineer, etc.
- Military Obligations
  - Variation in how active military is handled.
    - Some carriers will consider (risks with this), some won't.
  - Reservists with no active orders viewed by occ.



# Occupational Underwriting

- **Job Title vs. Job Duties**
  - We don't Underwrite based on a Job Title.
  - Occupational decisions come down to duties.
- **Part-Time & Dual Occupations**
  - Working 30-hours/week is required by most carriers.
    - There are carriers that may require more, or less.
  - Class based on more hazardous occupation.
- **Recent/Upcoming Changes**
  - Could impact the overall risk profile.
  - W2 to 1099, changing employers or occupations.





- ## Issue & Participation Limits

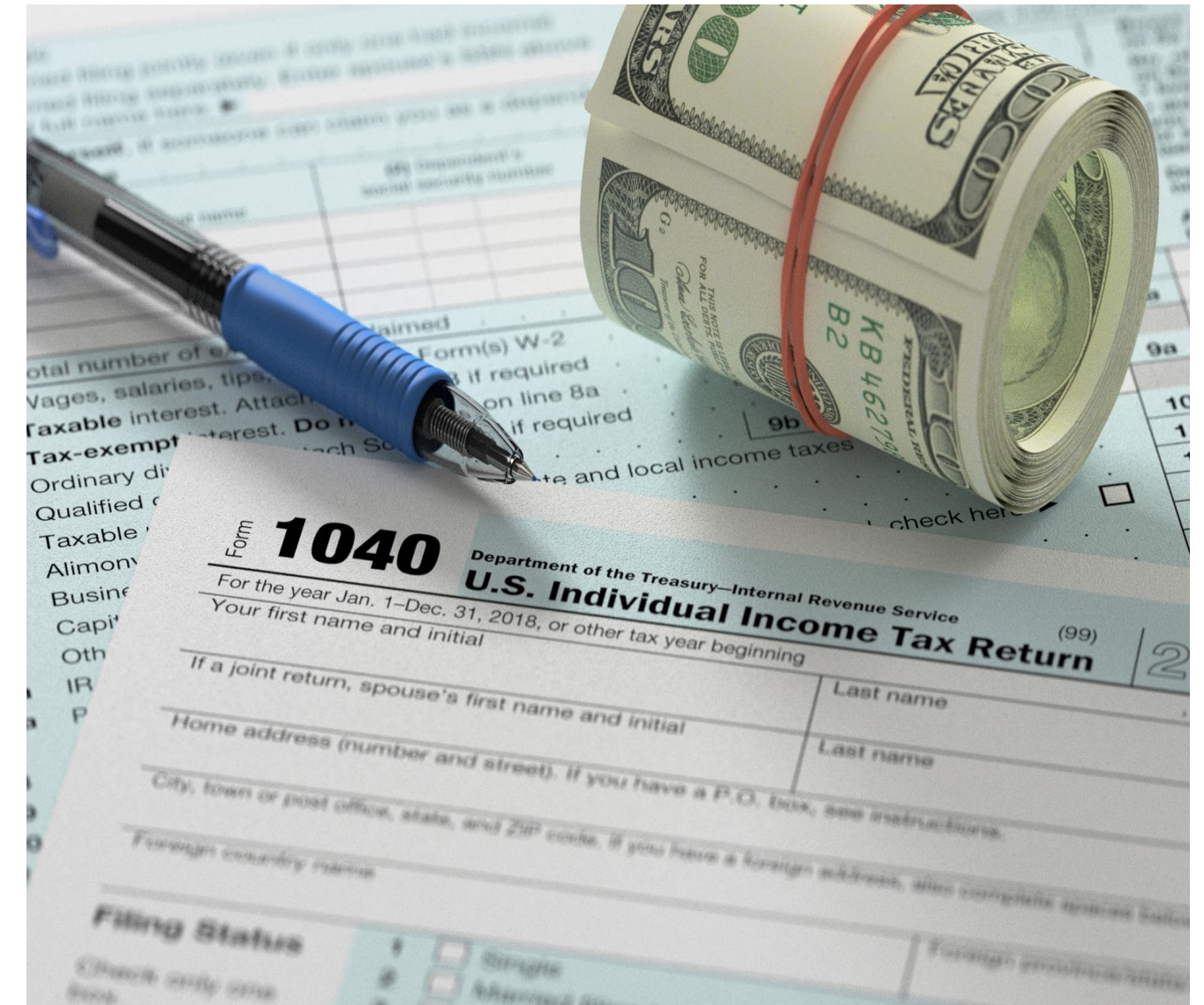
- Financial Underwriting starts with I&P Limits, which correspond with the applicant's annual earned income.
- The higher the earnings, the lower the % of monthly earnings covered – Don't want to incentive people to stay on disability.
- Ex: Will cover approximately 73% of monthly earnings for \$18,000/year – Reduce to 33.5% for someone earning \$1,075M.
- Participation with other carriers.

- ## Determining Earned Income

- Is financial documentation required? Many carriers will base an offer on the application up to certain amounts.
- Many programs centered around new professionals have been created, which do not require documentation.
- If documentation is needed, what are the circumstances of employment (employee, business owner, per-diem, etc.).
- Discerning between passive (rental, capital gains, etc.) & non-passive income.
  - This is handled differently from carrier to carrier (deciding whether to offset or ignore).

# Financial Underwriting

- **Industry Matters**
  - Real Estate & certain Financial Industries tend to be more volatile.
  - Medical & Professional tend to be more predictable.
- **Varying Financial Documentation**
  - W2 (Employment Contract, Paystub, W2).
  - Business Owner (Form 1040, Form 1120S, Form 1065, Form 1120, etc.).
- **Trends**
  - Being mindful of & understanding downward/upward income trends.
  - Varying pay features (bonus, RSU, commission, etc.).



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# Financial Underwriting

- **Long-Term Disability (LTD)**
  - Significant amount of non-disclosure when it comes to LTD.
  - Large employer vs. Small employer.
  - Employer-paid, Employee-paid, Imputed premiums.
- **Product Type**
  - Documentation needed varies by product (IDI, BOE, RPP, DBO).
- **Additional Considerations**
  - Section 179, Carryforward losses, Short-term contracts, Motivation(s), etc.



# Medical Underwriting

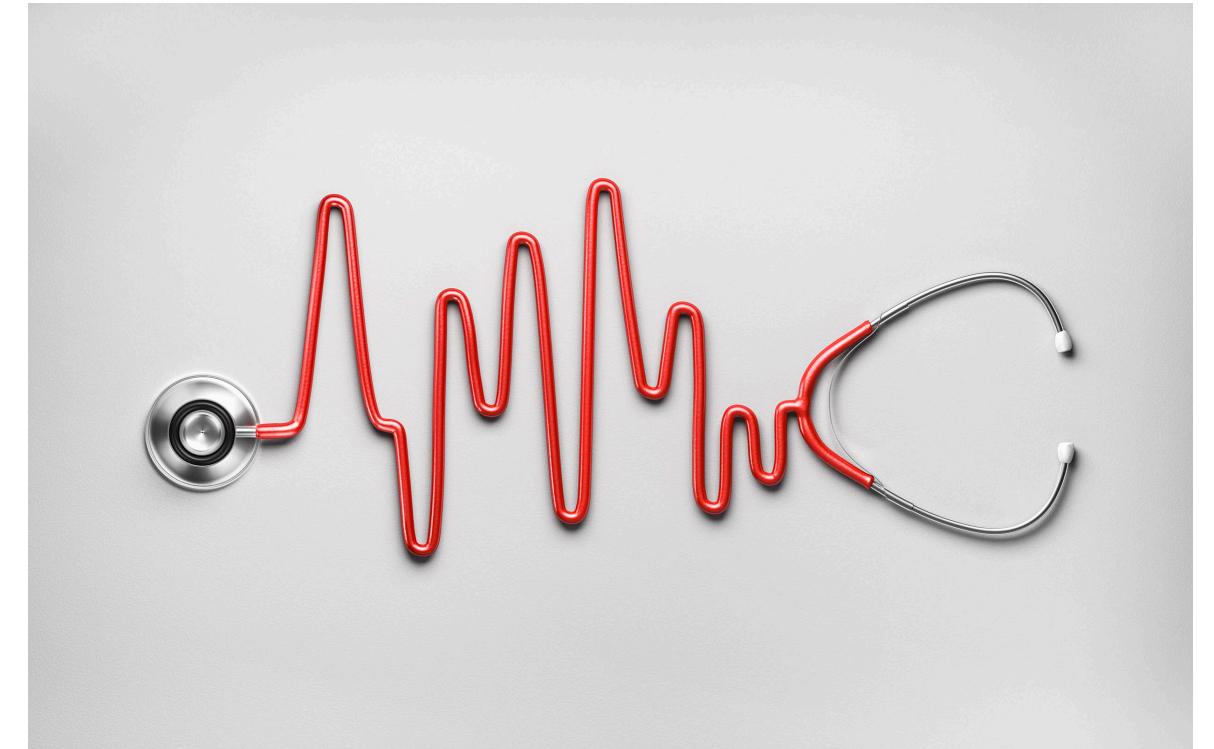
- ## Medical Risk

- Effectively evaluating medical risk is typically the most complex aspect of IDI underwriting.
- So many considerations (age, occupational duties, diagnosis vs. symptoms, evolution of medicine, etc.).
- Weighing factors such as likelihood of recurrence, possibility of progression & pre-disposing factors.

- ## Availability of Information

- We have more information at our fingertips due to the emergence of electronic health data.
- More information is a good thing, but it can also make things more challenging.
- Electronic health data is still evolving and as result, medical pictures are getting clearer at first touch.
- We also receive information from other sources such as MIB.

- **Interpreting/Analyzing the Information**
  - Nobody expects to become disabled, so applicants can downplay severity.
  - Doctors have the option of taking a wait and see approach.
  - As underwriters, we have to side with the risk.
  - The goal is to balance the needs of the client and risk management.
- **Co-morbidity**
  - A major consideration in IDI underwriting.
  - The more conditions that are present, the more concerned we get.
  - Each condition by itself can be fine but together present too much risk.
  - Caps on Exclusions, Ratings and overall modifications.





# Medical Underwriting

- **Customer Focused**
  - Many carriers have made changes to medical requirements.
  - APS & Labs needed for cause, age and sometimes amounts.
  - Expansion of pre-screens.
  - More consideration for accepting records directly from the client.
- **Additional Considerations**
  - Self-prescribed medication & treatment/prescriptions from family.
  - Off-label usage.
  - Illicit substance use.
  - Military disabilities.
  - Abnormal surveillance/follow-up.
  - Genetic testing & Family history.



# Putting The Pieces Together

- ## Links Between Each Pillar

- The occupation can make us less, or more concerned about a medical condition.
- The client's financial situation or occupation can result in medical conditions (stress, fatigue, ETOH abuse, etc.).
- Medical concerns can cause a change in occupation, or a reduction in earnings.
- Financial considerations can make us more, or less likely to upgrade an occupation.

- ## Making a Decision

- As Underwriters we have a number of resources and guidelines, but they really are just that.
- We rely on our experience and discretion when determining if coverage can be offered, and what the offer looks like.
- No case is created equally, which is why each case is handled on the merit(s) of that specific case.
- Final decisions (modified offers, declines, etc.) and the basis for same need to be clearly communicated.

# Other Aspects of Underwriting

- **Communication and Partnership**
  - We evaluate risk, but we also have internal & external partners.
  - Our field partners rely on consistent & clear communication.
  - We partner with internal parties to improve guidelines & programs.
  - Other carriers rely on our reporting of accurate information.
- **Investigative Responsibilities**
  - Be mindful of history not disclosed on prior cases.
  - Determining if undisclosed history warrants further review.
  - Working with the Claims & Legal Departments.
  - Reaching an outcome.







Questions?

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(no ratings yet)

**Sean O' Donnell, LLIF**

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# Thank You



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