

Has COVID Impacted the Way We Look at Disability Insurance?

The COVID-19 pandemic reshaped industries across the globe, and the disability insurance sector was no exception. As the world grappled with unprecedented challenges, carriers in this space were compelled to revolutionize their underwriting procedures and embrace unique work arrangements and digital solutions at a pace not seen before in this industry.

Historically, working from home has been a challenge for disability insurers. When you're working from home you may get up and work out for two hours, start working at 11 in the morning and finish at seven, eight or even nine o'clock at night. You may take a two-hour break to walk the dog in the middle of the day, and travel pressures are greatly reduced if not completely done away with. When you're a disability insurance underwriter, all these things must be taken into account when considering the risk of a potential insured.

"Historically, the disability insurance industry has been concerned by people that work from home, often leading to limited or even declined coverage. The advisor who now has clients working from home who were, in the past, impacted by this underwriting philosophy have options they didn't have before. There are still potential challenges in the adjudication of a claim when they never walk out of their home. Determining if they are working or not, or to what extent, is more difficult," says George Davidson, founder of Secura Consultants, a Minneapolis-based firm that works with insurance advisors assisting in the placement of disability income protection solutions.

According to Matt Riordan, CEO at Secura Consultants, one of the positive changes to come from the COVID-19 pandemic and its impact on work was the forced shift to electronic engagement tools.

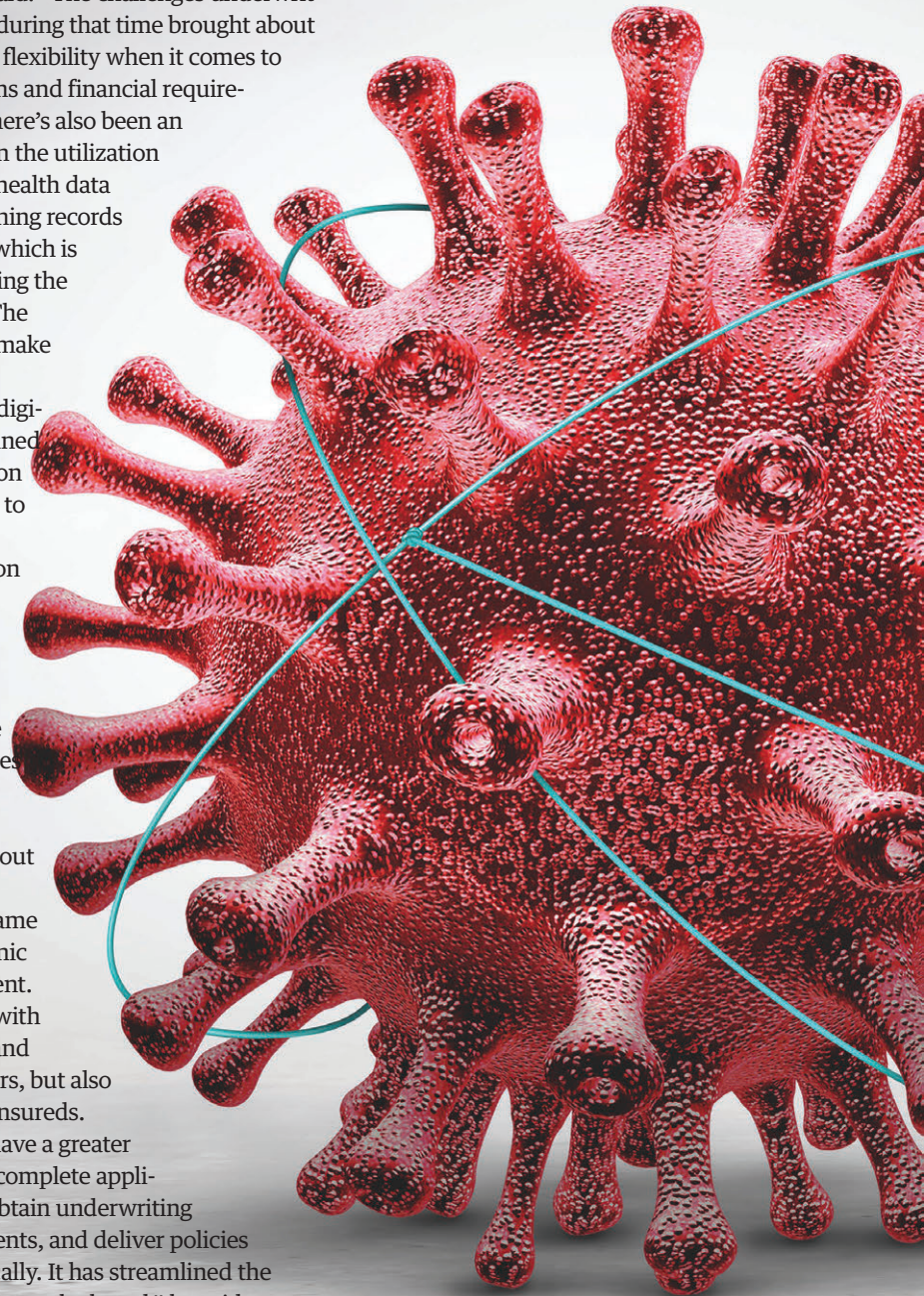


By Chris Lack

"COVID required many tedious procedures to change when more customers began working from home and were no longer able to meet advisors face-to-face," Riordan said. "The challenges underwriters faced during that time brought about increased flexibility when it comes to labs, exams and financial requirements. There's also been an increase in the utilization of digital health data and obtaining records digitally, which is streamlining the process. The ability to make decisions based on digitally obtained information is starting to increase."

Davidson concurs. "What COVID did was accelerate the changes carriers had been talking about for years when it came to electronic engagement. Not only with advisors and distributors, but also with the insureds. We now have a greater ability to complete applications, obtain underwriting requirements, and deliver policies electronically. It has streamlined the process across the board," he said.

In terms of excess lines, coverage has also been impacted to a degree. For instance, if you look at medical insurance during the height of the pandemic, you



would think that the medical insurance carriers got slaughtered, but the opposite happened. Nobody went out to go get their heart examined or followed through on their regular exams; they didn't leave their house. The residual effect was that it was probably a most profitable year for those carriers.

There's little doubt that the medical profession has been especially disrupted during the pandemic. First, there were certain classes of doctors that weren't working during the pandemic, like orthopedic surgeons and plastic surgeons and oral maxillo-facial surgeons, because no one was sticking their face in someone's mouth for the first six months of the pandemic. Second, take the ER doctors and all health-care workers that were on the frontline – not only could they not stop working, but many of them suffered from exhaustion, severe stress, and in many cases, this led to PTSD and depression. They were overwhelmed, overworked and overrun in the early days of the pandemic in certain major metropolitan areas. These factors were problematic for disability insurance carriers, and in many ways, we are still seeing the impact of these early traumatic days as this class of worker heals and recovers.

Although the numbers tell us that the pandemic is in the rear-view mirror for most of us, there are still residual effects that will likely impact the insurance industry down the road. One area where that is being felt is regarding the role COVID plays in professional sports in general, and myocarditis in particular, which is the inflammation of the heart muscle, particularly in young men ages 18 to 30. Case in point is former Red Sox pitcher Eduardo Rodriguez, who missed the entire 2020 season as a result of the disease, brought on by a bout with COVID. This is expected to be an ongoing conversation over the next few years.

Another topic sure to bubble to the surface is what's being labeled as long COVID. This will be a lot harder to nail down for underwriters because it's the new kid on the block and its symptoms can range from physical (muscle pain and overall weakness) to mental (memory loss and stress). This most likely will be a driver of claims moving forward.

Davidson feels a fly in the ointment is that the symptoms are different for each person. "Some people have difficulty thinking or concentrating which is commonly referred to as brain fog, some suffer from extreme fatigue, others have difficulty breathing or episodes of severe coughing; there's not a consistent symptom pattern that a medical professional can definitively say, yes, this is long COVID," Davidson explained. "This is complicated further when you bring an insurance carrier into the mix and they must determine if and when to pay out a claim. I think what we will see is that more and more long COVID cases will end up in the realm of a long-term disability. And that a COVID diagnosis with lingering symptoms may in fact lead to underwriting challenges in the future."


Another area that was devastated in the early days of the pandemic was live sporting events, meetings and concerts, which lost billions of dollars in a segment that earns a couple hundred million in gross

premium in a good year. The only way you're getting major live events insured these days is to have very broad-based communicable disease exclusions. While some of those exclusions did exist in some policies before the COVID outbreak, there was also the ability to buy out coverage for communicable disease. Buying out these exclusions now in 2023 is limited in capacity and cost prohibitive in most cases.

COVID impacted employer-sponsored plans because people were being laid off and things were happening in the workforce that caused a contraction with the premium base. And it was a short-term event, or people were sick, and they passed away.

The life insurance side saw a significant uptick in death claims, thus their results were impacted. However, in the individual long-term disability marketplace, there was virtually no impact.

But long COVID could be the wild card. It is still just being understood and developed. "I've personally had discussions with insurance carriers who were denying suspected long COVID claims because there was no objective medical diagnosis. And without that definitive medical diagnosis of this issue, insurance carriers were having a really hard time approving a claim," Davidson said.

There are clouds on the horizon, and it's not yet known whether the skies will clear or if they'll turn into a hurricane. What's certain is that now more than ever is the time for advisors to have a conversation with their clients about income protection. The pandemic has shifted the earth beneath the insurance industry's feet, and in a lot of ways we are all still struggling to gain our balance in an uncertain world. 

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