

Swiss Re



The spectra of claims in the 21st Century

Lorraine van Eeden, Poland, 7 May 2013

SWISS RE
150
YEARS

Insurance view

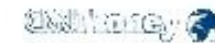
There are many reasons for the increase in disability claims:

- most notably *the recession*,
- an aging population,
- advances in *medical technology*
- a decade of war.

"During the 2001 recession, disability claims from those who used to have a steady job shot up 13%..."

".... growth in claims slowed during the subsequent boom years, but then skyrocketed during the most recent recession. In 2009, claims jumped 21%.

Barry Lundquist, president of the Council for Disability Awareness, an insurance-industry funded organization



Disability claims skyrocket: Here's why



The number of Americans on disability is skyrocketing due to the recession, an aging population and a decade of war.

NEW YORK (CNNMoney)

The number of Americans getting some type of disability check from the federal government is soaring.

Since 2005, there's been a 23% jump in Americans with little or no work experience getting disability payments, according to the Social Security Administration. Over the same time, there's been a 44% increase in disability claims by people formerly in the workplace.

Disability claims among veterans are up 28% since 2006, according to the Department of Veterans Affairs.

All told, the federal government spent nearly \$250 billion in 2011 paying more than 23 million Americans some type of disability claim. That's about 7% of the overall population, and 16% of the workforce.

Those numbers don't even include people out on worker compensation claims — which are mostly paid for by private companies. Five states also offer short-term disability, and there are nearly 1 million workers receiving private disability insurance.

But the Social Security-administered program that pays disability claims will likely run out of money by 2016, forcing politicians to either cut Social Security benefits, raise taxes or, most likely, dip into general Social Security funds for the money.

There are many reasons for the increase in disability claims, most notably the recession, an aging population, advances in medical technology and a decade of war.

The recession: The economic downturn in 2008 and early 2009 is thought to be the major reason for the jump in disability payments to people who were formerly working.

"With every recession, we see a rise in the number of applicants," said Andrew Hostenville, an economics professor at the University of New Hampshire's Institute on Disability. "People are looking for options in terms of income support."

Related: Seniors would see smaller Social Security checks under Obama budget.

During the 2001 recession, disability claims from those who used to have a steady job shot up 13%, said Barry Lundquist, president of the Council for Disability Awareness, an insurance-industry funded organization. The growth in claims slowed during the subsequent boom years, but then skyrocketed during the most recent recession. In 2009, claims jumped 21%.

Lundquist said it is simplistic to characterize the jump in claims as people simply looking to substitute disability payments for unemployment.

"Most people really do want to work," said Lundquist.

But for some, it's really just not an option.

<http://money.cnn.com/2013/04/11/news/economy/disability-payments/index.html?sect...> 2013/04/28

Case study

- 34 year old secretary
- Slipped on a wet floor at work and broke her right ankle
- Booked off work for 12 weeks to undergo surgery and rehabilitation
- Has an income protection policy with a 12-week waiting period

Scenario 1

Health Care System

- Recovers within the waiting period, however requires further rehab
- Receives compensation for medical costs and income protection
- Allocated a case manager – not motivated to return to work
- Receives supported rehabilitation
- Returns to work successfully

Scenario 2

Socio-economic system

- Recovers within the waiting period
- Undergoes surgery & rehab
- Receives compensation for medical costs and percentage of loss
- Returns to social roles

Scenario 3

The Citizen

- No benefits
- Relies on provincial care
- No rehabilitation structures – delayed recovery
- Government grant
- Re-entry into social roles negatively impacted
- Ultimately perceived handicapped by society

Disability benefits in Poland

The disability pension in respect of accident at work or occupational disease is awarded irrespective of the duration of accident insurance period and irrespective of the date of occurrence of incapacity for work due to accident at work or occupational disease.

An **accident at work** means a sudden occurrence associated with work, arising out of external cause and resulting in injury or death.

An **occupational disease** means a disease specified in a list of occupational diseases, which was caused by harmful agents in the working environment or by a manner in which the work was performed.

Pension in respect of complete incapacity for work amounts to:

24% of the base amount + 1.3% of the assessment basis for each contributory year + 0.7% of the assessment basis for each non-contributory year⁷ + 0.7% of the assessment basis for each year short of full 25 years of contributory and non-contributory periods, from the day of claiming the benefit to the day when the pensioner would reach 60 years of age.

The pension for a person who is partly incapable of work is payable at a rate of 75% of pension for a person completely incapable of work.

The person entitled to the pension who has been recognised as completely incapable of work and of independent existence is awarded the nursing supplementary allowance (see: item 5.14).

Amount of a pension in respect of accident at work or occupational disease is calculated in the same way as the disability pension, and it may not be lower than:

- 60% of the pension assessment basis – for a person partly incapable of work,
- 80% of the pension assessment basis – for a person completely incapable of work,
- 100% of the pension assessment basis – for a person eligible for the training pension.

⁷ Non-contributory periods are taken into account at a rate not exceeding 1/3 of proved contributory periods.

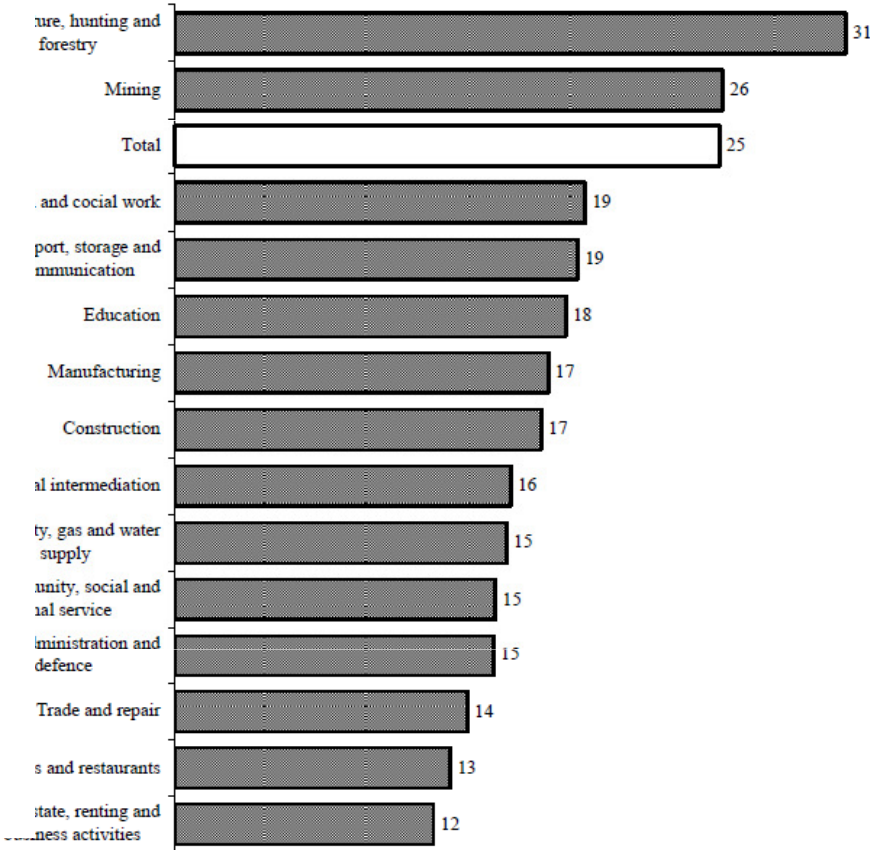
Market Challenges

Work related health problems in Poland (2007)

Table 1.2. Persons suffered health problems by types of complaint and economic activity

Specification		Persons by current economic activity in II quarter 2007			
		total	employed	not employed who during the last 8 years	
				were employed	were not employed
		in thousands			
Total		6661	3031	1079	2551
Bone, joint or muscle problem which mainly affects:	neck, shoulder or arm	949	511	164	274
	hips, legs, feet	1481	583	224	674
	back	1703	926	264	512
Breathing or lung problem		211	66	32	113
Skin problem		45	27	.	15
Hearing problem		141	34	20	87
Stress, depression or anxiety		355	235	61	58
Headache and/or eyestrain		439	289	61	89
Heart disease or attack, or other problems in the circulatory system		977	187	185	605
Infectious disease		35	26	.	6
Other types of complaint		326	146	63	117

Chart 1.3. Persons suffered health complaints by NACE sections-- in %





Expenditure of the Social Insurance Fund in the years 2010-2011
by kinds (in million PLN)
based on the audited financial statement
of the Social Insurance Fund

	2010	2011
TOTAL EXPENDITURE, of which:	160 842.3	166 672.8
■ Cash benefits	156 898.7	162 721.1
— pensions	143 442.7	149 265.4
— sickness allowances	6 820.8	7 223.4
— maternity allowances	2 938.8	3 018.9
— care allowances	489.1	543.0
— funeral grants	1 950.1	1 385.0
— rehabilitation benefits	924.4	960.8
— post-accident compensations	322.0	322.9
— other benefits	10.9	1.8
■ Pension prevention	164.8	166.7
■ Work accident prevention	3.2	3.2
■ Deduction for ZUS current operation	3 773.6	3 773.6
■ Other expenditure	93.0	8.1

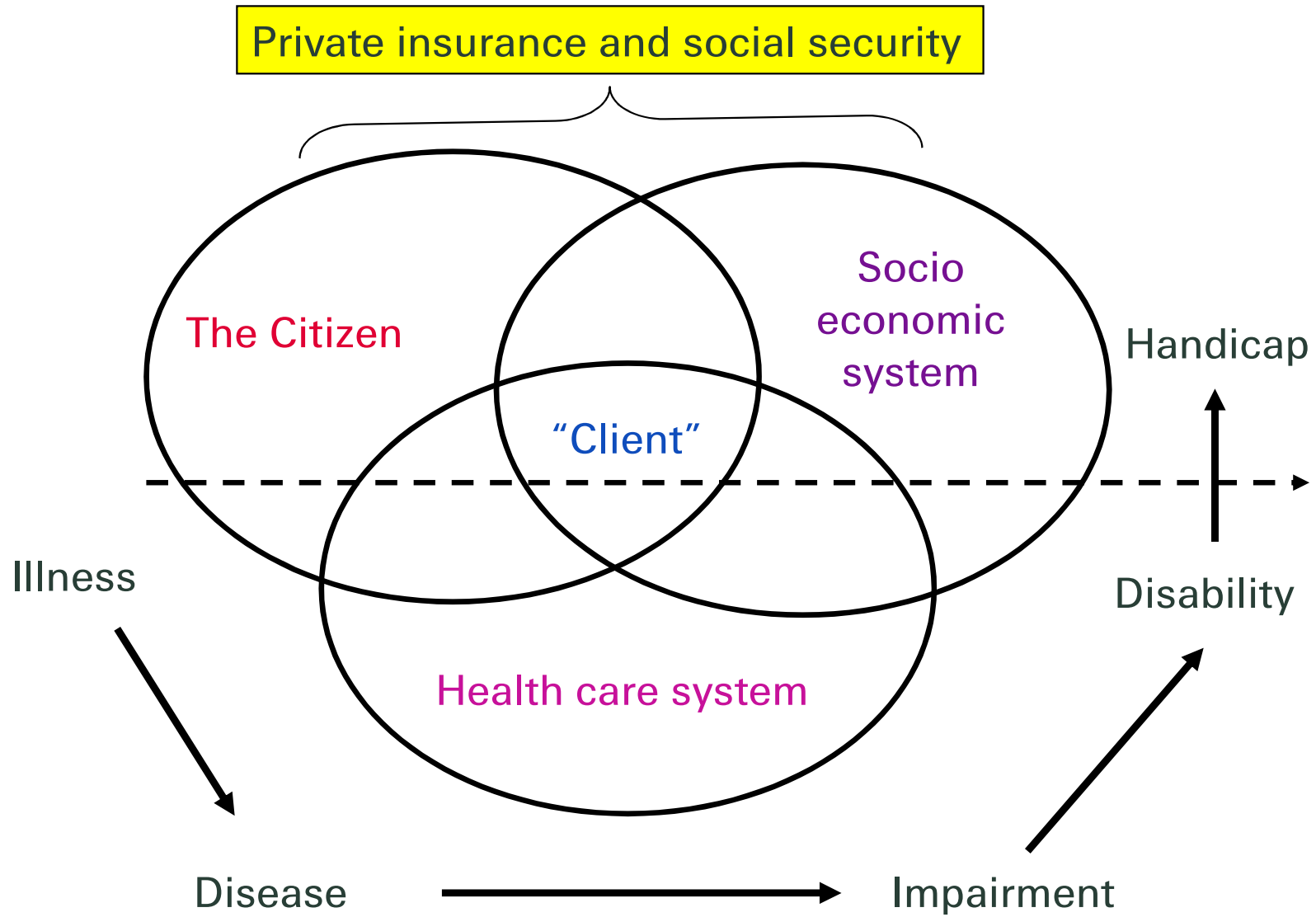


Investment in prevention
of disability

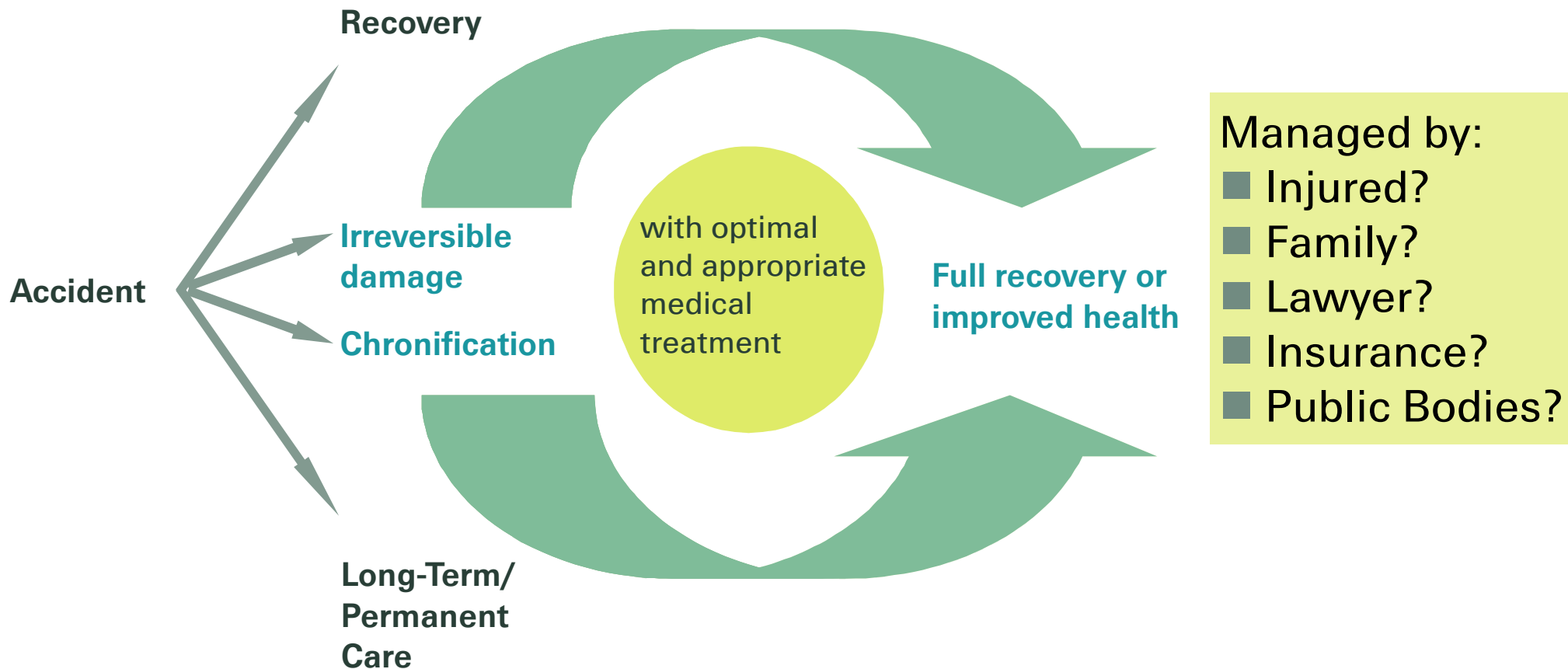
Payment of cash benefits from the Social Insurance Fund
in 2011 by funds' types

	in million PLN	in %
TOTAL	162 893.6	100.0
of which:		
Old-age pension fund	106 243.4	65.22
Disability pension fund	40 399.2	24.80
Sickness fund	11 124.7	6.83
Work accident fund	5 126.3	3.15

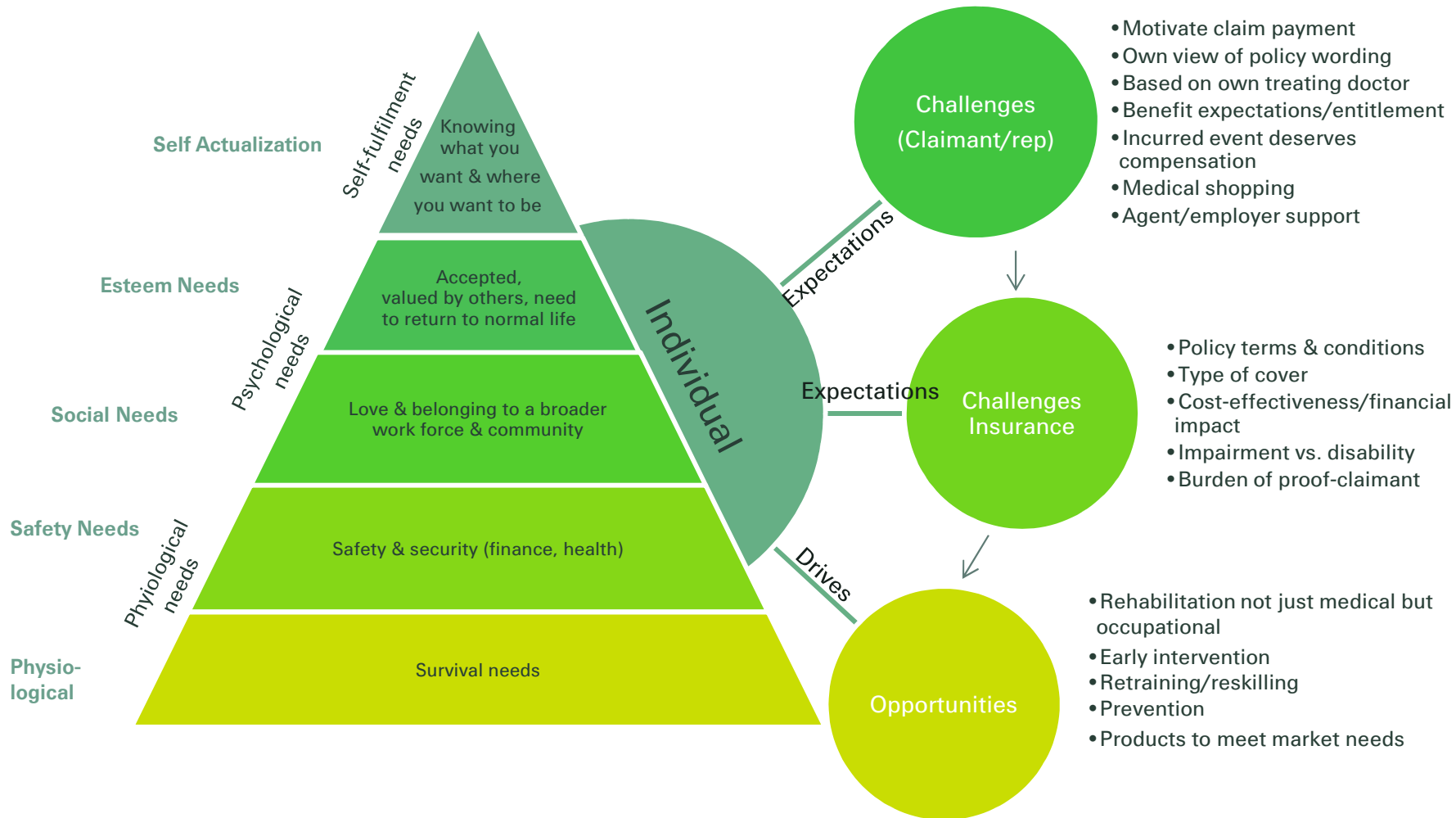
Complex system



Back to the claim



Key aspects for the injured/ill



Compensation drives behaviour



Key challenges to social reintegration

Insurance

Expectations
Payments in cases involving coverage or liability Issues
Financial quantification of success

Lawyers

Lack of experience and trust
Suspicion of claims steering by insurers
Legal fees

Social Security System

Medical care system
Social welfare institutions
Employers' liability insurance associations (WCA)
Public authorities

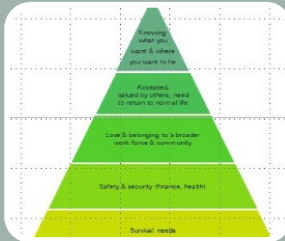
Injured

Type of injury
Stability of the condition
Social environment
Compensation
Expectations

Social integration vs. rehabilitation approach of the injured

What is in it for me?

Social



- Social support structures
- Medical resources
- Community education
- Habits & hobbies
- Family unit
- Financial impact

Insurance



- Rehabilitation initiatives
- Re-skilling
- Vocational training
- Return to work support (full or part-time)
- Financial support

Injured

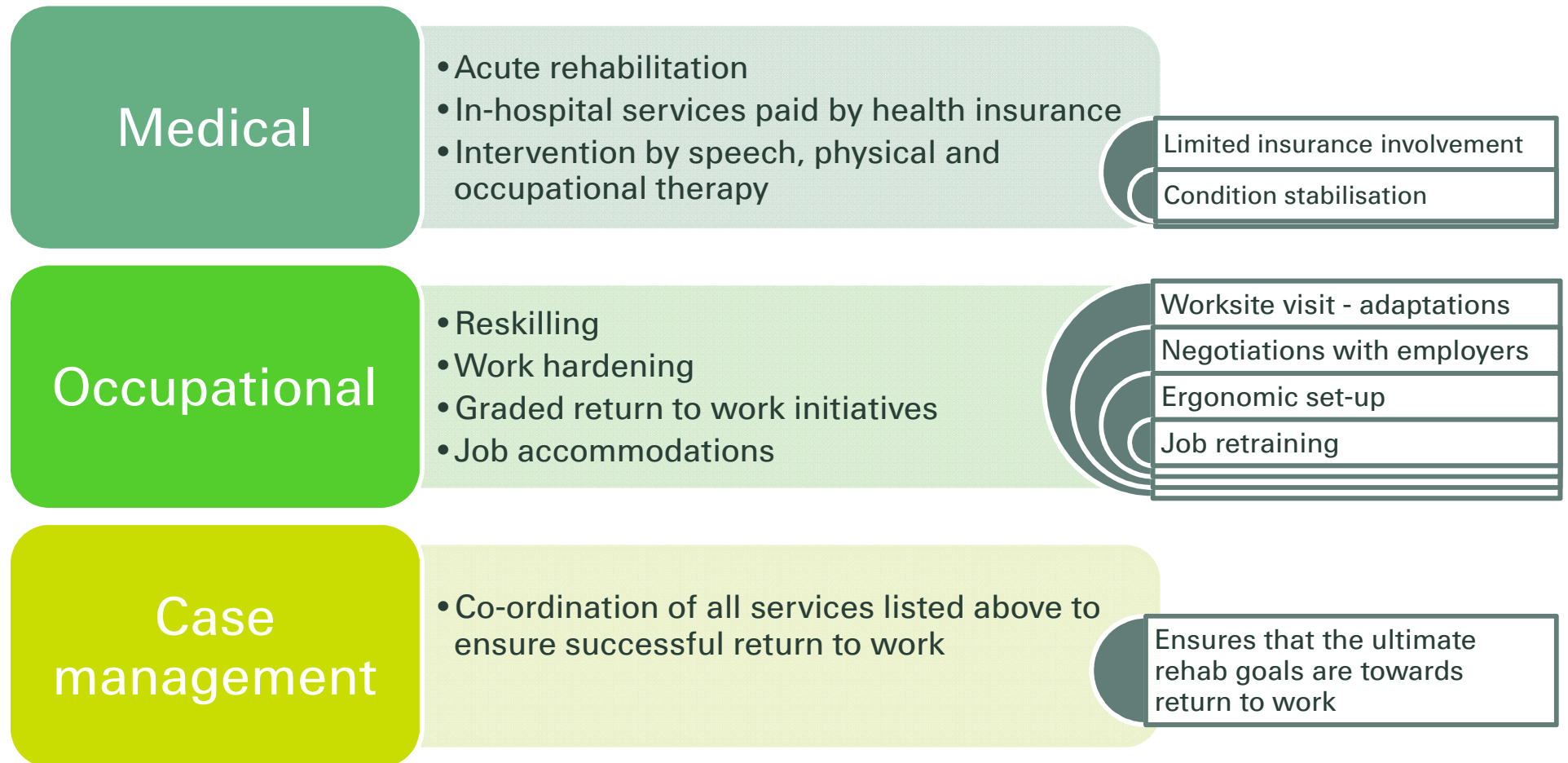


- Manage perceptions & stigma related to impairment
- Understand compensation types/level/duration
- Reintegrate into pre-injury social roles
- Enabled vs. disabled mind-set





Types of rehabilitation





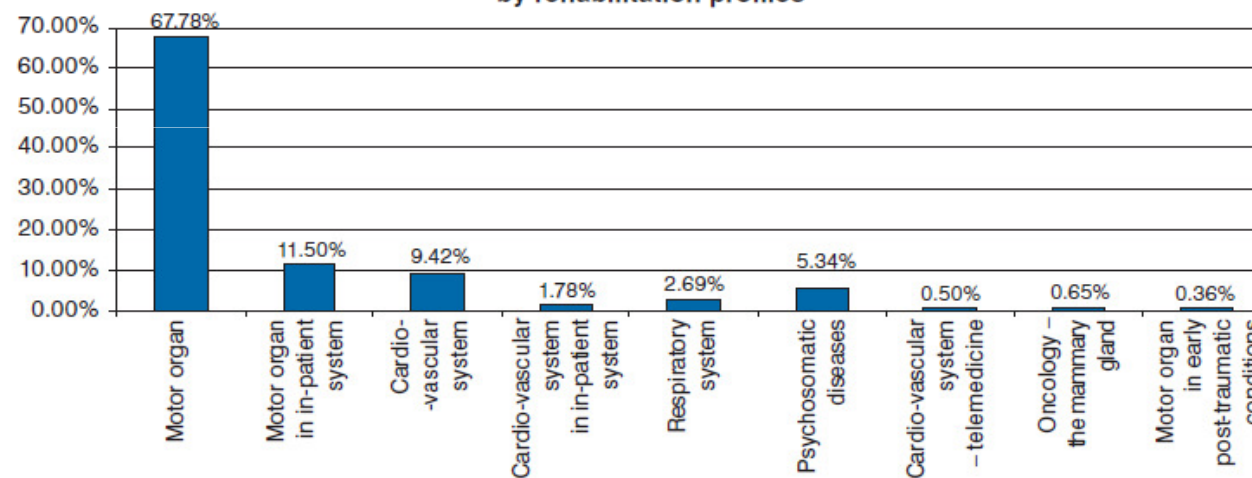
Social Security and Rehabilitation

Referral to medical rehabilitation. The Social Insurance Institution refers to rehabilitation centres, selected by means of a competition, persons at risk of the long-term incapacity for work in the following groups of diseases:

- in an in-patient system:
 - motor system diseases,
 - cardio-vascular system diseases,
 - respiratory system diseases,
 - psychosomatic diseases,
 - oncological diseases – after the mammary gland surgery,
- in an out-patient system:
 - motor system diseases,
 - cardio-vascular system diseases, including telemedically monitored diseases.

In 2011 the medical rehabilitation programme was completed by 73 828 persons. Costs of rehabilitation (including local payment and refund of travel costs) equalled PLN 166 438 thousand.

Medical rehabilitation carried out in 2011
by rehabilitation profiles





Utilizing Network structures

- Absenteeism management
- Accidental Insurance
- Rehabilitation centers
- Social Insurers
- Functional Assessments
- Facilities retraining reskilling
- Investigation Forensic Consulting.



Pro-active approach to rehabilitation and reintegration

Rehabilitation has to commence immediately

- Identifying potential candidates
- Case managers/occupational experts
- Actuaries support Cost Benefit analysis
- Collaboration employers/stakeholders/communities
- Return to work strategies
- Stepped approach to reintegration to business or society



In Summary

In 2011 the rehabilitation benefit was paid to a monthly average of 63.0 thousand persons, and its average monthly amount was PLN 1270.41.

Expenditure on rehabilitation benefits in 2011 amounted to PLN 960.8 million, which accounted for 0.5% of total FUS expenditure.

Rehabilitation benefits are payable by ZUS or by employers (employing more than 20 persons) or by the Social Insurance Institution, and are financed by the Social Insurance Fund.

Clear focus is required to ensure the success of rehabilitation and reintegration into the workplace and society

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Thank you

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