

## DISABILITY RISK MANAGEMENT

The joint meeting of the Assurance Medical Society and Select 74 held in Cardiff in May 2006 was a useful day in a number of ways. But it scored particularly via the morning session which contained some thought-provoking lectures on disability.

If you were in any doubt that disability claim management is getting increasingly difficult, consider the following insights from Professor Peter Halligan and Professor Martin Underwood:

- 'Bio-social' illnesses are increasing as causes of disability. These are illnesses featuring pain syndromes, unexplained pain, symptoms of unclear aetiology, etc, as opposed to *biomedical* illnesses for which investigations can provide objective evidence for diagnosis and management. Examples are chronic fatigue syndrome, fibromyalgia, irritable bowel, non-ulcer dyspepsia and some cases of back and facial pain.
- In the UK neurologists fail to find a physiologically based explanation of symptoms in 20% to 40% of cases.
- In Norway a study found that half of sickness certification is in respect of diagnostic groups based on subjective statements from the patient.
- Whiplash features in 85% of motor insurance claims in respect of road traffic accidents.
- In an informal survey of surgeons attending a conference, 86% thought that whiplash does not exist. Yet 75% treated it (and charged £500 to £600 each time...).
- NHS prescription fraud seems to be rife: 90% of patients do not pay for their medicines...

It seems pretty plain that people, consciously or unconsciously, choose to be off work. And, of course, the mere existence of insurance or state disability/incapacity benefits encourages sickness absence. In Germany, when social insurance was introduced, sickness absence rose sharply - and has been rising ever since. Experienced claims assessors know that what might be termed environmental factors - for example financial difficulties, family problems, relationships with work colleagues and performance at work - can be significant in precipitating and prolonging a claim.

What should we make of all this? There is a 'disability paradox'. We are an increasingly healthy society, as evidenced by improving mortality, yet the level of disability is rising. It seems that as our prosperity rises, our tolerance of adversity decreases. In the past, and especially 40 or more years ago, life was hard, both day-to-day and economically, and if one didn't struggle to survive, it was harder still - much harder. Today, maybe we feel we are entitled to an easier life. And it seems that if we have symptoms they deserve a diagnosis and some treatment - and we in turn deserve to be off work.

At any rate, the number of days' Incapacity Benefit (or equivalent) claimed is on the rise - up by a third among men between 1991 and 2001, and doubling among women over the same period. According to Department for Work and Pensions figures published in *Social Trends 36* the number of people claiming long-term Incapacity Benefit or Severe Disablement Allowance rose from 747,000 in 1981/2 to 1,274,000 in 2004/5. But in contrast the number of *short-term* Incapacity Benefit claimants fell over the same period, from 369,000 to 74,000.

How to manage the disability risk better in these modern times?

1. Underwriting needs to be smarter. Underwriters need to be better at spotting poor-risk cases - especially those marked by psychosomatic symptoms, frequent GP attendances for what turn out to be trivial illnesses, and what might be termed 'comfort' prescriptions.
2. Better risk information needs to be obtained at outset. How often does the underwriter really know enough about what *exactly* a job entails in terms of physical activity, responsibilities, hours spent at work, business travelling or on/off-site work? Or the applicant's absence/sickness record and frequency of job changes, and what the wider 'work environment' is like, particularly as it varies by industry?
3. Make more use of tele-interviewing at application stage; you can get much better information via a conversation than via an application form.
4. Handle claims better, with more detailed evaluation using new tools and techniques as necessary - and of course a lot of work is being done in this area.

How realistic is item 2, above? But these are the factors that influence the risk in a big way? How else can premiums be charged that are fair to both insureds and insurer? Perhaps the best way of approaching the problem, though, is to re-define disability covers. This is especially relevant to income protection: as it stands this is a product that worked well enough when life was a struggle, but is ill-suited to modern attitudes to work, illness and disability.

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