

Liberty Mutual - Inkling Habitat Import Document How-To Reference

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NOTE: Below are the edits required after importing the file Reference Manual Sample.docx" into Inkling Habitat.

In addition to completing these edits, the user must add multiple horizontal-ruler lines to the document by using the pattern "Im-und hr line 75pct" located in the pattern drawer.

1.

1) Change paragraph tag
to to heading 4 tag
2) Unlink

It is necessary to add a few
Patterns from Pattern Drawer

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2.

Section A - Product Overview

Liberty Mutual Group Benefits offers group life and disability insurance to large and national companies. Employers sponsor the plans to provide coverage to their employees as part of the employee benefits package.

3.

Group disability plans are designed to provide reasonable income replacement to employees in the event of a disabling injury or illness. There are two main types:

4.

Short Term Disability (STD)

- provides coverage for shorter duration claims; generally those lasting up to 13 or 26 weeks.

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5.

Long Term Disability (LTD)

- provides coverage for longer duration claims; generally those lasting to age 65 or to normal retirement age.

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6.

With group disability insurance, premiums are relatively inexpensive and claims could be high liability. For example, LTD monthly costs typically range from .2% to 1% of monthly payroll and the liability of a single claim could exceed \$1 million.

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7.

Group life plans are designed to reduce financial hardship in the event of an

employee's death. We offer group term life insurance, which is the most

common form of group insurance. The term is the employee's length of

employment. Coverage continues as long as the employee remains an eligible

employee and premium payments continue.

Combine multiple lines into
one "" tag. Do this by
positioning the cursor at the
end of each line then press the
"delete" key.

8.

Section B - About Group Disability Insurance

9.

The ability to earn a living is the most important financial resource for most workers. A disabling illness or injury stops earnings, imposes additional costs and prevents saving for retirement. Most workers exhaust their savings after only a few months of disability.

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10.

Though the financial risk of disability is at least as great as other risks which are routinely insured (i.e. home, car, life), many individuals do not consider disability coverage a priority. Workers and employers place the financial risk of disability a distant fourth on the list of risks addressed by employee benefits--behind health, life and dental insurance. However, the risk of becoming disabled is greater than most people think:

11.

The risk of disability exceeds the risk of premature death

12.

• There are currently over 1.5 million people who have left the U.S. workforce due to disability^[1]

13.

• At age 30, workers face a one in three chance of suffering a disability lasting at least three months at some point in their working careers^[2]

• A 45 year old earning \$50,000/yr who suffers a permanent disability could lose \$1,000,000 in future earnings

14.

Some workers may go without private disability insurance because of the help that is available through public disability insurance programs. Public programs--namely Social Security Disability Insurance (SSDI), state workers' compensation, and state-mandated short-term disability programs--do provide some protection against lost income due to disability. However, we may overestimate the value of these programs and their adequacy.

While these programs provide some safety net of protection, they come with restrictions and limitations. Let's review each briefly:

15.

•Social Security Disability Insurance

16.

• restrictive definition of disability (must be unable to perform any substantial, gainful occupation; disability must be expected to last at least one year or result in death)

17.

• lengthy approval process that could take many months or years

18.

• limited number of applicants receive approval

19.

• limited benefit amount and duration

20.

•State Temporary Disability Programs

21.

• only a handful of states have these programs (California, Hawaii, New Jersey, New York, Rhode Island and Puerto Rico)

22.

• when available, they offer limited benefits (short benefit duration, restrictive caps on maximum benefits)

23.

Private disability insurance can be used to supplement public programs and provide more comprehensive income protection. Disability insurance can be purchased on a group basis through an employer (which we provide), or purchased individually. Individual disability insurance is much more expensive than group insurance, and typically medical evidence of insurability is required. Group disability insurance is designed to coordinate with both the public programs and individual disability plans.

24.

•Short Term Disability

Employers generally have some type of short term disability coverage in their employee benefits package. This could be in the form of a formal short term disability plan, a state mandated plan, worker's compensation plan or sick leave plan.

25.

Historically, adjudication of short term disability claims focused on speed and accuracy of benefit payments. The employee, in conjunction with his or her physician, controlled the claim duration. STD costs were often paid from the employer's general fund and there was little or no awareness of the costs associated with disability.

26.

In recent years, employers are becoming more aware of the direct and indirect costs of STD claims. Indirect costs include hiring and training costs, overtime, morale issues, and the cost of continuing other benefits. The emphasis is shifting away from just processing and paying the STD claim toward clinical duration management, early intervention and minimizing cost.

27.

•Long-term Disability

This product was initially marketed to highly professional, administrative, white collar employees. The perception was that higher paid employees had the most to protect and would elect coverage. In addition, these individuals were seen as lower risk due to their job duties and career orientation. Coverage started out as basic but adequate, and insurers realized strong profits. Over time, insurers found that by developing rich plan designs such as high maximums, they could retain their white collar markets and increase revenues.

Many insurers then expanded to the blue collar market, finding these employees also needed LTD protection since they had less discretionary income for savings. Long term disability plans are now a standard component of the employee benefits package that large employers offer to their employees.

28.

As with STD, insurers are shifting their LTD claims philosophy from "pay the claim" to "manage the claim from day one", and trying to shift the employee's attitude from one of entitlement to one of enablement.

29.

Competition in the group disability market has intensified over the years. Severe price cutting is taking place and carriers are struggling to differentiate themselves from the competition. Employers are also structuring their plans differently to offer more choices for employees and shift more of the cost from the employer to the employee.

30.

Today, nearly all large employers offer group life insurance as part of their benefits package. In recent years, two trends have been emerging: lower rates and a shift in type of benefits requested.

31.

In recent years, group life premiums have decreased but covered volumes have increased. A slight drop in rates may be attributable to improving life expectancy in this country, and also because more women are enrolled in the plans. However, market competition seems to be a primary driver of the low rates.

32.

Like with group disability, insurers are seeing a shift in the type of life benefits being requested. There is a keen interest in "in-life" benefits such as the accelerated death benefit, which pays the benefit in advance of the employee's death. Insurers are adding more provisions to their life contract and making product enhancements to optional and voluntary plans. The focus is shifting from the employee to the survivor, with increased emphasis on provisions for survivor planning and bereavement counseling.

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