

Testimony before the Senate Health Education Labor and Pensions
Committee, Thomas R. Watjen, CEO Unum Group
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Introduction

Mr. Chairman, members of the Committee, thank you for the opportunity to testify before you today. Unum employs approximately 10,000 people with major operations in Tennessee, Maine, Massachusetts and South Carolina. We are a market leader in employer-sponsored disability, life, critical illness, and accident protection with more than 160 years experience.

Although as noted Unum provides an array of workplace benefits, given the subject of this hearing, my comments today will address disability income protection only. In the United States, we provide our disability products to approximately 60,000 companies – from Fortune 500 companies to small businesses – protecting more than 8.5 million people and their families. In 2011, we paid our US customers approximately \$3.8 billion in disability benefits alone.

The Committee's focus today on the private income protection industry is very important because it helps highlight how surprisingly common a work limiting illness or injury is and how to minimize the impact when this occurs.

Income protection insurance policies generally replace about 60 percent of a person's income should he or she become unable to work due to injury or illness. Typically payment begins within a week or two after someone leaves his or her job for short term disability claims and within 3-6 months for long term disability claims. A key component of income protection insurance is the immediate assistance provided by experienced specialists, which reduces the impact of disability and maximizes the chances of someone returning to work. Approximately 96 percent of our customers are on claim for fewer than two years.

I will focus on three main points in my testimony today. First, the value of income protection insurance to individuals, employers and the government. Second, the approach the private sector takes in assisting someone when they become disabled. Third, the opportunities the private and public sector have to work together to expand these important protections.

Value of Private Income Protection Coverage

Consumers

Sixty-one percent of Americans live paycheck to paycheck. At the same time, few understand that the average worker has a one in three chance of becoming disabled for six months or more during his or her working life. Despite this statistic, most Americans are unprepared for the consequences of losing an income even for a short period of time. The result is that a disability can cause real financial hardship for many individuals and their families, and often their only recourse is to draw upon scarce public safety net programs that may only replace a modest portion of their earnings.

Income protection insurance can provide the financial resources to allow individuals and their families to retain an adequate standard of living. This coverage also offers

important benefits beyond income replacement. People covered by this protection enjoy the benefit of many support services, including experts whose goal it is to help claimants understand and deal with the onset of disability. This support in turn maximizes the potential for someone to return to work.

Employers

There is considerable value for employers who make income protection coverage available to their employees, particularly with regard to workforce recruitment and retention. Studies consistently demonstrate that employees care about these types of benefits and are more loyal to companies that offer them.

The workplace is an effective way to ensure consumers can access, afford and understand the need for income protection. Ninety percent of income protection insurance is sold through the workplace, providing access to a broad range of employees at differing income levels. Income protection insurance is affordable with premiums often as low as just \$20 to \$30 per month. Most of the time, income protection premiums are paid by the employer or the cost is shared with the employee. The workplace also serves as an important place for employers to educate consumers about the need for this type of financial protection, particularly given the trusting relationship that most employees share with their employers.

Private income protection insurers also help employers better manage their business by maximizing productivity and minimizing absence. Studies show that disabilities can cost employers upwards of 15 percent of payroll. By increasing the potential for returning to work after illness or injury, employers can save on the expense of recruiting and training replacements, and can reduce health care costs as well.

Unum often collaborates with employers to help them understand and manage the impacts to their business of lost time due to disability. Small employers especially can benefit from the expertise offered by companies like Unum because they are less likely than larger employers to have experience in dealing with employees who become disabled.

The Government

Individuals with private income protection coverage that become disabled are much less likely to require support through government assistance programs, greatly benefiting taxpayers.

Last year, Unum commissioned a study by Charles River Associates to assess the value of employee benefits with a specific focus on disability protection provided in the workplace. The study found that the industry saves taxpayers up to \$4.5 billion per year by eliminating the need to rely on public assistance programs such as Temporary Assistance for Needy Families, the Supplemental Nutrition Assistance Program, and other related welfare programs. The industry prevents 575,000 families from becoming impoverished. The study shows that poverty among working adults who become disabled during their working careers could be virtually eliminated if all workers had some form of standard employer-sponsored income protection insurance.

Private income protection insurance offers access to resources that help get people back into the labor force. This in turn has a positive impact on public sector disability related programs.

Private Sector Assistance to Disabled Employees

Private income protection provides a disabled worker with about 60 percent of his or her regular income. With this assistance, the employee can maintain a basic standard of living while focusing on recovering, and then returning to work. In most cases, covered employees who become disabled are able to return to work within two years, in part because of our efforts.

As soon as a disabled employee files a claim, Unum begins discussions with that employee and his or her medical provider, as well as the employer. By far the most important communication, however, is with the employee directly. Unum claims professionals are trained to have collaborative dialogues with claimants that include understanding the motivational aspects related to returning to work and the anticipated length of a person's recovery. The world of disability is uncharted territory for most employees, and Unum guides them through this difficult landscape by building a trusting and supportive relationship with the common goal of helping the employee recover and return to work.

Through this approach we can proactively triage claims and effectively direct appropriate professional resources on an individual basis. At Unum we have almost 1,000 physicians, nurses, and vocational rehabilitation consultants and claims specialists in place to provide this assistance. When hiring and training our professionals, we pay special attention to ensure they reflect our high standards of customer service.

For example, we have developed a detailed hiring profile which allows us to target the most appropriately skilled and suitable candidates for claims handling positions. Once we hire a suitable candidate, we build expertise through ten weeks of comprehensive classroom learning. Upon completion of this training, each claims specialist is assigned an experienced mentor for another 18 months during which time they undergo advanced skill training. We also provide ongoing career development and training focused on all important elements of the claim review process, including medical, vocational, regulatory, and customer relationships. In sum, our employees receive intensive initial and ongoing training to ensure they are as prepared as possible to support the customer in their time of need.

Early intervention and timely communications are critical to successful return to work outcomes. The frequency and the nature of these conversations are examples of the industry's evolution as well as our own focus on customer service. In recent years, changes have been driven in part due to advances in adaptive technology, as well as a focus on accommodation required by legislation such as the Americans with Disabilities Act.

The level of support a claimant requires can vary significantly based on need. Often, the only professional resource that is needed to assist a claimant in their desire to return to work is communication between the claimant and the claims representative. In many cases, it is enough to help him or her establish a return to work plan, then periodically follow-up with the claimant as they recover. When appropriate, our physicians speak with the claimant's medical provider and discuss their potential work capacity. In other instances, we help, with the involvement of the employer, to create job modifications such as a change in working conditions and ergonomic improvements as well as rehabilitation and career assistance.

The consistent rise in healthcare costs has also contributed to the development of comprehensive health and productivity strategies. Health plans, prevention programs and disability insurers can no longer afford to exist in silos. High incidents of disability often result in higher health care costs and reduced productivity. As a result, if an employer can decrease the frequency and length of disability claims, it will also have an opportunity to reduce medical costs.

Reducing disability claim incidence and length can include strategies that may begin before an employee leaves the workforce as well as return to work efforts for those who are absent from work. Effective strategies include condition management, absence management, and disability management.

Condition management keeps employees with disabilities on the job. Typically, these services are provided to employees who have not yet filed a claim and continue to work, but whose future attendance and/or job performance may be at risk. In some cases, services are designed not only to help the employee remain in their occupation, but to help the employee consider a job change with the same employer if appropriate. Examples of these types of services involve working with the employer's human resources department or front line managers by providing training and reasonable accommodations.

Absence management includes developing transitional return to work and stay at work plans. These programs are designed to gradually transition a worker from a less than full capacity work status to a full duty work status by modifying tasks and/or hours so that he is able to incrementally heal and increase productivity during the recovery process from an illness or injury.

With regard to disability management, for those employees who do experience an absence from work, Unum specializes in assisting an individual's rehabilitation, when appropriate, by helping them develop a return to work plan. Factors considered in developing the plan include age, type of disability, work history, education, job preferences, and return to work opportunities.

We use many tools to develop individually-tailored return to work plans, including:

- Regular telephone contact with the individual needing the services by one of Unum's claim representatives and/or by one of Unum's certified rehabilitation counselors;
- A detailed job analysis of the tasks the individual is or was performing;
- A functional capacity evaluation designed to determine the level of recovery/medical improvement, in order to better understand which work tasks the employee is capable of performing;
- Medical records and focused return to work planning discussions with the employee's treating medical provider; and
- Partnering with state based job placement and vocational assistance programs.

A customized support plan may include the following services:

- Coordination with the employer to help the employee return to work;
- Identification of adaptive equipment or job accommodations that could enable the employee to resume job duties;

- A vocational evaluation to determine how the employee's disability may affect his or her employment options;
- Job placement services;
- Resume preparation; and
- Job-seeking skills training.

As part of the return to work plan, Unum provides a designated vocational professional to help coordinate all of its aspects. Often modifications that have been agreed to by the employer, employee and Unum before implementation need to be monitored and adjusted to help ensure a successful re-integration into the workforce.

It is also important to note that our insurance contracts generally contain additional benefit provisions which can directly assist a successful return to the workforce. Examples of these provisions include providing enhanced financial support to employees returning to work on a gradual basis, dependent care benefits, immediate resumption of benefits if there is a recurrence of disability within a specified timeframe, and educational/training benefits. All of these contractual features are designed specifically to give insured employees support beyond direct vocational assistance.

Opportunities for Public / Private Partnership in Dealing with Disability in the Workforce

The private income protection insurance industry and the government have opportunities to work together on the shared objective of making financial protection more accessible and affordable for American workers.

Government can play an important role by helping to raise awareness with consumers, employers, and others about the risks and consequences of disability. The evolution of the private sector tracks advances in public policy as well. Most notably, the Americans with Disabilities Act and the 2008 amendments have prompted employers to move beyond providing reasonable accommodations to programs and policies that involve a more interactive process. More employers are offering workplace flexibility through transitional return to work and are refraining from inflexible termination policies in order to ensure that they do not create the unfortunate situation in which loss of employment occurs without proper consideration of the insured's condition.

In addition, the industry must continue to do its part by helping to educate consumers about the need for coverage but also continuing to seek ways to simplify our products and make these more affordable to all Americans.

Conclusion

Mr. Chairman, let me conclude by reemphasizing the crucial role that private income protection insurers serve in protecting American families and maximizing the potential for someone in the workforce who experiences a work limiting illness or injury to return to their job.

Although each case is unique, and while there is no one solution that works for everyone, we have found that the best recipe for successful return to work is a committed insurer with superior claims handling and support, an employer committed to its workforce, and an individual motivated to return to productivity.

Too few Americans are covered by private income protection. A worker is three times more likely to become disabled than to die before retirement, yet is much more likely to have life insurance than income protection insurance. Our experience is that the lack of awareness of the risk of disability and the affordable ways to insure against the risk are the biggest impediments to more Americans being protected. That is why this hearing is so important.

I would be happy to answer any questions the Committee may have.