

Underwriting the Older Ages

THE CASE

STUDY FOR

THIS MONTH

By Robert Quinn, MD



Dr. Robert Quinn
VP and Medical Director

An 80 year old woman is looking for \$100,000 of life insurance. She has had angina for the past ten years and is being treated for coronary artery disease (CAD). She experiences chest pains once a month in the same pattern. Her blood pressure and cholesterol are well controlled and she has a daily walking program. The EKG, laboratory tests and exam are normal. Lung functions are normal. An accompanying agent cover letter indicates that she is active at home, independent, and socializing mostly at church functions.

The older age market place is growing. Older people often have considerable wealth, independence, (some still working) and need for coverage. This makes them an important population to consider for life insurance. Today this group comprises almost 15 percent of the general population and this number is increasing yearly (see graph). Multiple impairments are common and underwriting takes a different approach than at younger ages.

Underwriting expectation is that an older age applicant lives considerably beyond average life expectancy to be a "standard" risk. In the case study above, the applicant's life expectancy is another 15 years.

In underwriting the older age applicants the usual criteria don't necessarily apply. Some impairments can have a greater affect on mortality than at younger ages, i.e. some lung diseases, kidney diseases, fractures, surgeries, pneumonias, depression.

Some impairments can have less impact on mortality at the older ages than the younger ages, for example high cholesterol, obesity, and even the CAD disease as present in the case study.

The independence and activities of the older age person are important to evaluate in the assessment of the risk. These can be more important than just looking at the specific disease alone. Independent living includes all personal care such as bathing, grooming, eating, and managing finances (bills and banking). Activities can indicate involvement in the

act of living that improves the mortality risk. Such simple daily activities such as reading the newspaper, cooking, housekeeping, laundry, driving and shopping are important indicators of a lack of risk.

Recreation (i.e. golf, tennis) and travel (i.e. cruises, trips) signal to the underwriter that the risk is better. An older person getting out of the house sends a strong message. Socialization is also an important clue to health; when people are involved with others and more involved outside the home the risk is lower. Participation in clubs, church, politics, volunteer work, and community functions are important matters to consider in assessing mortality. Withdrawal of an older age person is a bad sign.

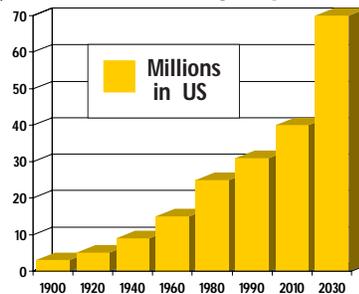
Walking programs are particularly advantageous in lowering the risk of anyone with CAD. But the risk assessment of all older age applicants, even those without impairments, is generally improved with exercise programs.

Lung function assessments are often required by insurers for older age applicants because this is the one test which correlates best of all tests with overall mortality. It is not a search for lung disease. No matter what the impairment, if the condition lowers the breathing capacity, the risk to life is more.

In the case described above, the underwriting assessment would most likely be standard class. Even though the applicant has angina and coronary artery disease, at this age it is usually less aggressive. The risk factors for progression of this disease are controlled. The normal lung function test supports this opinion as lung function can drop with deteriorating CAD. And, a good exercise program is beneficial at any age.

A good agent's cover letter outlining all the applicant's activities, behaviors, recreation, and interests could go a long way in facilitating the underwriting of the older age client. Many times, doctor's reports do not contain this valuable information and the broker may be the best source.

Growth of Elderly Population



This material is intended for informational purposes for contracted agencies only and may not be distributed as personal advice for clients. Products are not available in all states. For agent/broker use only. Dr. Quinn can be reached at rquinn@LGAmerica.com. Doug Harmelink can be reached at dharmelink@LGAmerica.com.

The Legal & General America Companies: Banner Life • William Penn Life Insurance Company of New York • www.LGAmerica.com