



Re-flections

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LETTER FROM THE EDITOR

Dear Readers:

The theme of this edition of *Re-flections* is "Underwriting the Elderly". In this edition I would also like to introduce a new contributor. Mark Dion, Director of Underwriting Technology, will provide you with some insight into the non-medical factors of underwriting the elderly. In addition, I have put together some of my own thoughts on the medical approach to old-age underwriting.

The aging demographics of North America and current marketing strategies make it difficult to ignore this important market segment. For some time now, I have been asked to help our underwriters understand how to assess elderly life insurance applicants, and even more importantly, how this might differ from underwriting middle-aged applicants.

Prior to entering the field of insurance medicine, I was privileged to manage a great many geriatric patients while engaged as a general practitioner. In doing so, I routinely dealt with a wide range of problems encountered with aging, both in an ambulatory and nursing home setting. As such, I quickly learned that one of the greatest differences between the elderly and younger people is that the elderly frequently have multiple organ systems that are no longer functioning optimally. Often, the treatment for one problem may exacerbate another condition.

My article dealing with medical issues in the elderly is an outline of the general philosophy I have adopted in assessing the elderly from an insurance medicine standpoint. I hope these opinions will stimulate your own thought processes on this matter.

Sincerely,

J. Carl Holowaty, M.D.

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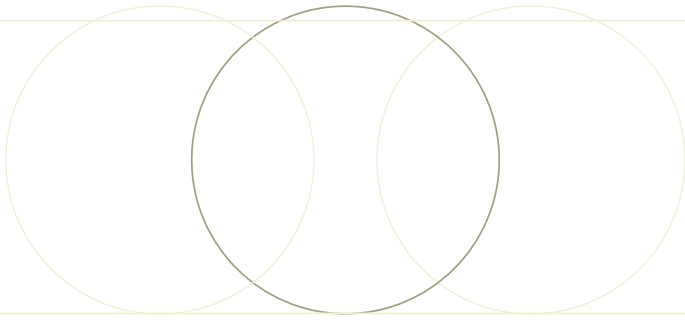
OLD AGE UNDERWRITING LEVEL II

Underwriting older life insurance applicants (those greater than 70 years of age) involves somewhat different concerns than when evaluating younger and middle-aged adults. During most of adult life, the function of the essential organ systems are effectively maintained at a level that allows us to carry on with our routine daily activities without noticeable difficulty. Although adulthood appears to be a largely static period for most people, all of the organ systems are actually slowly declining in their function.

Probably the best-measured organ systems are the lungs and kidneys. Healthy people have a small-but-measurable decline in respiratory and renal function on an annual basis. This decline is substantially linear, and eventually in all people (if they live long enough) will lead to a noticeable loss of function. Factors such as cigarette smoking usually increase the normal rate of loss of respiratory function.

As yet, there is no obvious way to arrest or reverse this normal vital organ degeneration. Fortunately, most of us are born with organs that far exceed the basic functions that are necessary to sustain life. This excess capacity may be considered **reserve function**. Even with the normal loss of organ function during the aging >>>

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Blood Pressure

Hypertension is associated with extra mortality at all ages, however it is more prevalent in the elderly. It is not only of concern in CAD and renal disease, but increasingly so in cerebrovascular disease, particularly stroke. Wide-pulse pressure poses a threat to the relatively fragile cerebral blood vessels of the elderly.

Medications

Many elderly persons under the care of a physician eventually wind up taking multiple prescription and non-prescription medications. In addition, it is also common to document use of non-regulated herbal and homeopathic medica-

Laboratory Values

The significance of lab values in the elderly may on occasion give rise to more concern than in the young population. Although it is impossible to give a brief description of all the differences, these are a few values to pay attention to:

Albumin

Low serum albumin is a marker for advanced liver malfunction and death.

Cholesterol

High cholesterol in general is of less mortality concern in the elderly than in the young. On the other hand, low cholesterol is a marker for stroke, and in combination with other risk factors for stroke, should not be ignored.

White Blood Count

Whereas younger people often have an elevated WBC in response to bacterial infections, elderly people often do not elevate their WBC very readily. When the WBC is elevated, extra concern should be focused on the possibility of the existence of leukemia.

Social Function

Apart from a past medical history and physical, the social function of the elderly gives important insight into their likelihood of long-term survival. Whenever possible, it is advantageous to determine the IADL and AADL of the elderly. For instance, are they active in hobbies, sports, volunteer work, pet ownership, family life, personal finances, etc.? Interest in these activities implies a higher level of mental and physical competence, as opposed to those who are primarily engaged in the vegetative functions of living. Highly functioning elderly are often free from the serious degenerative diseases that are associated with extra mortality and morbidity.

Although difficult to measure, social isolation is common in the elderly, often secondary to sensory impairment, physical disability, or loss of family. Despondency and abuse of alcohol or tranquilizer/sedatives are not uncommon results of this isolation.

SUMMARY

It is always rare to be provided with all the desired information when assessing life insurance applicants, and assessing medical risk in the elderly can be particularly challenging. However, there are usually clues hidden in even the most brief of application forms and interview statements. I hope this article will provide you with some beneficial ideas and indicators that will be useful in your underwriting of the elderly.

J. Carl Holowaty M.D.

LOOKING BEYOND HEALTH IN THE OLDER AGE MARKET

“Man fools himself. He prays for a long life, and he fears an old age.”

-- Chinese Proverb

It's no surprise—older-age applicants will continue to be a growing demographic for several decades, and with that comes the need for underwriters to become even more aware of the often complicated task of assessing the associated risk in underwriting the elderly.

Medical assessment of the elderly can be difficult in itself, but assessing the associated risk presents other challenges including posing the fundamental question of ‘why get insurance now?’ The life underwriter will face a growing challenge of assessing these risks and justifying the need for life insurance. For the applicant, the traditional need of income is substituted by the need to cover final expenses and estate transfer. Late entrants into the insured pool should cause the underwriter to pause, at least briefly, to consider the motivations involved in the insurance purchase.

THE INFLUENCE OF HEALTH, WEALTH, & SELF

Underwriting older-age applicants presents obvious medical underwriting challenges, as well as not-so-obvious non-medical challenges. >>>

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principle question remains: If no life insurance is in force at this time, why is the applicant interested now? Is there a life event (e.g., marriage, divorce, death of a spouse) that has caused the insured to reconsider life insurance? Perhaps the proposed insured is merely updating a policy. Even so, putting off buying life insurance to “the last minute” when the number of years remaining are short may be a good plan for the proposed insured, but could lead to serious anti-selection against the company.

Is the insurance part of a complete financial plan, or is it the primary vehicle? Is the premium being paid at the expense of other financial investments, or even day-to-day living expenses? If the elderly applicant has suddenly decided to move funds from interest bearing vehicles used for, or planned for, living expenses to life insurance plans that will benefit heirs, underwriters have to consider why and to what extent.

Is the proposed insured pursuing, or already in possession of Long Term Care Insurance or an annuity? A proposed insured that is building a complete plan to cover risks, including the risk of outliving current financial resources, may be a better candidate for life insurance.

What financial need is being served?

There exists a lingering issue of surviving elderly widows that did not spend as much time in the job market, and have fewer retirement benefits. Income is often fixed, with residual income generally coming from “unearned” sources, retirement accounts, investments, and social security.



Key financial questions and concerns in the seniors market

The underwriter should consider the following key questions and concerns:

- > What is the purpose of the insurance?
- > What is the annual income and source(s)? Current savings?
- > Is there an estate tax problem?
- > Any indication of degree of recent medical expenses as percentage of income? Generally, it is accepted that the majority of medical expenditures in one's lifetime occur in the last year of life. Sharp increases in medical expenditures should be investigated thoroughly.
- > Are there any recent loans? Second mortgages? Loans and new mortgage debt can indicate recent financial challenges, including increased medical expenses.
- > Is there recent history of financial difficulty, even short of bankruptcy?
- > What percentage of fixed income is being spent on premiums?

OWNERSHIP

Children or grandchildren must show good reason to be policy owner and beneficiary. If the proposed insured is not capable of controlling finances they fail at one of the primary IADLs.

Children and grandchildren will often shoulder much of a deceased's final expense burden. If they see warning signs that the proposed insured's health has begun to deteriorate, or has taken a sudden turn for the worst, they may have opportunity for significant anti-selection. Changes in health, mood, behavior, or cognitive status may be obvious to loved ones and family members before the personal physician, or the proposed insured, is aware.

MIDDLE INCOME AND WEALTHY CLIENTS: NEEDS BASED SALES

While wealth tends to aggregate in the elderly population, there is a need for continuing income (not necessarily 'income replacement') and a reliance on "unearned" income.

The elderly also have needs in terms of estate and tax planning, and view life insurance as a means to help provide estate money and pay for final expenses. Underwriters, therefore, must be very cautious of the scheme known as "Estate Doubling", whereby the proposed insured will develop a program to donate the equivalent of the estate to a charity, while also leaving the full value of the estate to heirs.

LOWER INCOME CLIENTS: NEEDS BASED SALES

There is still a substantial portion of the senior population that lives near the poverty level—by some estimates 10 percent. Mortality is measurably higher in that group. Lower-income clients, like wealthier ones, are often seeking a means by which to pay for final expenses or to "create" an income stream for loved ones.

CONCLUSION

"I am not young enough to know everything."

-- Oscar Wilde

The life insurance market for older applicants continues to grow. The last decade has already seen the size of this market multiply, and it will continue to do so in the coming years. This population is still underserved by our industry, and provides both challenges and opportunities for our companies. There are resources available for underwriters to expand their knowledge and expertise in this market, and I hope this article has provided you with some new food for thought as you approach your next elderly applicant case.

After all, "Old age comes to he that waits." I'm expecting it to hit me sometime after lunch.