“Getting Old Is Not For Sissies.” Art Linkletter

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A Classification and Count of Seniors.

(Source 2000 Census, numbers in 000s)

<table>
<thead>
<tr>
<th>“The Golden Years” - High Activity:</th>
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<tbody>
<tr>
<td>Age</td>
<td>Number</td>
<td>% of Population</td>
<td>% Female</td>
</tr>
<tr>
<td>55 to 59</td>
<td>13,469</td>
<td>4.80%</td>
<td>51.70%</td>
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<tr>
<td>60 to 64</td>
<td>10,805</td>
<td>3.80%</td>
<td>52.50%</td>
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<tr>
<td>65 to 69</td>
<td>9,534</td>
<td>3.40%</td>
<td>53.80%</td>
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<tr>
<td>70 to 74</td>
<td>8,857</td>
<td>3.20%</td>
<td>55.90%</td>
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<tr>
<td>Subtotal</td>
<td>42,575</td>
<td>15.20%</td>
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<tr>
<th>“The Retiring Years” - Passive Activity:</th>
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<tbody>
<tr>
<td>Age</td>
<td>Number</td>
<td>% of Population</td>
<td>% Female</td>
</tr>
<tr>
<td>75 to 79</td>
<td>7,416</td>
<td>2.60%</td>
<td>59.00%</td>
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<tr>
<td>80 to 84</td>
<td>4,945</td>
<td>1.80%</td>
<td>62.90%</td>
</tr>
<tr>
<td>Subtotal</td>
<td>16,273</td>
<td>4.40%</td>
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<tr>
<th>“Hard Time” - Final Stages:</th>
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<tbody>
<tr>
<td>Age</td>
<td>Number</td>
<td>% of Population</td>
<td>% Female</td>
</tr>
<tr>
<td>85 &amp; older</td>
<td>4,240</td>
<td>1.50%</td>
<td>71.10%</td>
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</table>
Observations.

- 12.4% of the population are 65 or over.
- One in six adults (18 or over) are 65 or over.
- 88% of those 65 or over are not yet 85 or over.
- By 2020, another 22% of the population will turn 65 (or die, etc.).
- The National Center for Health Statistics estimates that 20% will be 65 or over by 2030.
- 75% of seniors’ income are above 150% of the poverty level (HHS, 1998).
- “Hard time” is no overstatement – 25% are in nursing homes, 88% of persons living alone are women, in an average week – 23% did not visit with friends and 17% did not leave home.
Some Common Characteristics Of Seniors

- They Have “Fixed Incomes”, Saving Money Is Important And They Can’t Start Over
- Lots Of Free Time, A Sense Of Entitlement And They Vote
- They Are Independent And Want To Keep Control Of Their Lives And Their Money
- Females In This Group Are Frequently Naïve About Money
- Their Social Cohorts Are Shrinking And Many Are Lonely
- Their Health And Mental Acuity Are Deteriorating
- Their Friends and Children Have A Lot Of Influence
- They Have A Lot of Champions For Their Interests And Use Them
- Their Life Insurance Needs Are Unique
The Market – High To Low

The Estate Planners Market – CPAs and CFAs and Others

- Reason Suggests That Near Retirement, Sophisticated Planning Is Done – Wrong!
- Various Kinds Of Sophisticated Planning Is Being Done At Advanced Ages
- Most Of The Usual Players Offer Products In This Market Issuing To 90
- Full Underwriting Is Done – Complaints About Conservative Financial Underwriting
- Attractive Products Are Required As Several Options Are Usually Considered
- There Is One Player Who Is Aggressively Pursuing This Market
- This Is An Expansion Market, Not An Entry Market
- Recent Tax Law Uncertainty Has Hurt This Market
- A $500,000 Policy For An Age 70 Female Non-Smoker In Good Health Is About $17,500 Per Annum
- Need A Good Second To Die Policy With Issue On One Healthy Life.
Estate Planning For Everyman (Everyperson)

- Three Basic Reasons For Life Insurance – Income Replacement, Major Debt Repayment, Estate Tax Management
- “Feed Them And They Will Come” – Lots Of Seminar Selling –Establish A Need And A Solution – Find A Sponsor
- “One Can’t Live As Cheaply As 50% Of Two”
- Gifting – Continue Helping Various Persons Financially, Send Grandchildren To College, Help Church, Favorite Charity Or Institution
- “Asset Maximization” – Moving Annuity Funds To Life Insurance To Increase Estate And Reduce Taxes To Heirs
- Guaranteed Values ( Or Good E&O) Are Important, Accelerated Death Benefits, Attractive SPIAs As Transition Products, Good Loan and Surrender Values
- Policy Size Is $50,000 To $250,000 – A Product Expansion Market
- Underwriting Is Less Stringent Than Above But Not Simplified Issue, Premiums Are 25% to 50% Higher
“A Policy For All Reasons” – Final Expense Policies

- Policy Size is $2,000 to $50,000
- One Application For Modified Benefit Policy and Simplified Issue Policy
- Four To Twelve Health Questions
- Some Are Guaranteed Issue With Return Of Premium Plus Interest For Two to Three Years And Then Full Benefits With Health Questions For Full Benefits At Issue
- Some Are Modified Death Benefit With A Two or Three Health Question Section And Then Four To Eight More Questions.
- First Health Questions Are Typically Aids, ARC, Dementia, Confinement To Bed, Nursing Home, Wheelchair, Recent Hospitalization etc.
- No APSs, Should Collect Medications Information, Home Telephone Underwriting Calls Are Common
- Some Final Expense Policies Are Sold For Final Expenses
- Companion Sales – Other Senior Sales Such As LTC, HHC Or Med Sup Offer Opportunity For Sales – Sometimes Piggyback Underwriting And Offer Life Product At Delivery Of Other Policy
- “Consumer Product Improvement Opportunity” - Replacing Veterans’ Insurance or Industrial Insurance – Making Sure It Is An Improvement
- Premiums Are Roughly Twice The Estate Planning Products
- This Is Not An Illustration Market, It Is A Rate Card Sale
Distribution Systems For Final Expense Products

- Direct Mail, TV, Newspaper Inserts, etc. – Heavy Telemarketing Required – Expense Control Is Crucial – Try, Try Again – Involve An Agent – Broad Age Appeal (50 to 85)
- Natural Expansion To Existing Agency Force – Expand Markets, Reinvent Products, New Needs Selling
- Brokerage Market Is Principal – MGAs Market Product Downline
- Super Broker – Marketing Consultant Or Product Tout To Big National Or Regional MGAs
The Seniors’ Protectors

- The Departments Of Insurance Have A Strong Interest In These Products And How They Are Sold Or Even If They Should Be Sold To These Senior Voters
- Ethical Marketing Is Essential Today And Market Conduct Examinations Are Significant In These Markets
- State Legislatures Are Enacting Abuse Of The Elderly Statues That May Upgrade Misdemeanors To Felonies
- “Everyone Is An Expert” - Friends And Other Interested Professionals Are Often Asked Their Opinions Or Volunteer Them
- “Channel 10 Is In The Parking Lot” –How Agents Or Insurers Are Messing Over Grandma Is Good Local News
- The Lawyers Are Every Ready To Write A Heart Breaking Letter For $150 – They Might Even Get In The Papers
Marketing, Underwriting And Actuarial Considerations For Final Expense Policies

- Applications, Marketing Materials, And Policies Should Have Print Size Suitable To Those Reading And Filling Out The Required Materials
- Have Easy To Use Marketing Forms To Illustrate Uses Of The Policy Such As Replacement Comparisons Or Estate Tax Savings – The “Yellow Pad” Illustration Can Be Very Damaging
- “Not Takens” Are High – To Combat This Have Simple Delivery Material Describing The Product Purchased And Its Advantages
- The “Free Look” Period Will Be Extended Upon The Request Of An Attorney, A Relative Or The DOI
- Conduct The Telephone Interview When The Agent Is Not Present
- Review Medications Over The Phone
- Underwrite The Application Signature For Hints About Fragility And Follow Up With Some Mental Acuity Inquires In Telephone Interview
• Inquire About Annual Premium Payments And Basic Understanding Of Product
• Tape Record The Telephone Interview – “Mom Never Lies” or “Mom Had Dementia, Everyone Knows That.”
• Be Careful About Expense Assumptions As A % Of Premium – They Really Add Up – Expenses Are High For These Products
• If Early Mortality Experience Is More Than Assumed Then A Careful Look Is In Order
• Lapses Are Generally Modest After The First Year Provided The Product Is Sensibly Positioned In The Market
• Make Sure The Agent Knows About Ethical Marketing Behavior
• Monitor The Agent – E&O Is Important - If You Find A Problem In One Situation, You Will Find More – Seniors Are Lonely, Need Assistance And Many Agents Are Generous People Offering Help, Sometimes Their Children End Up Beneficiaries Or Agents Borrow Money