

# **“Getting Old Is Not For Sissies.” Art Linkletter**

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## A Classification and Count of Seniors.

(Source 2000 Census, numbers in 000s)

"The Golden Years" - High Activity:			
Age	Number	% of Population	% Female
55 to 59	13,469	4.80%	51.70%
60 to 64	10,805	3.80%	52.50%
65 to 69	9,534	3.40%	53.80%
70 to 74	8,857	3.20%	55.90%
Subtotal	42,575	15.20%	

"The Retiring Years" - Passive Activity:			
Age	Number	% of Population	% Female
75 to 79	7,416	2.60%	59.00%
80 to 84	4,945	1.80%	62.90%
Subtotal	16,273	4.40%	

"Hard Time" - Final Stages:			
Age	Number	% of Population	% Female
85 & older	4,240	1.50%	71.10%

## **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”**
- **Giftng – 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**

- **“Who’s Money Is It Anyway” – The Future Heirs (Usually Children) Have Strong Opinions About How “Their” Money Is Spent**
- **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**