

UNDERWRITING

MEDICAL UNDERWRITING HIGHLIGHTER

What Is Medical Underwriting?

Medical underwriting is the evaluation of a proposed insured's medical history, general health, occupation, avocations, and lifestyle characteristics that may affect life expectancy. The extent of this evaluation depends on the proposed insured's age, medical history, and the amount of insurance applied for.

Why Is Medical Underwriting Important?

This evaluation enables an insurance company to determine the appropriate risk classification in providing life insurance, and thereby offering a fair price for the risk it assumes.

Insurance Company vs. Physician Evaluation

While the same medical information is of interest to both physicians and insurance companies, they view the information from a different perspective. A physician diagnoses and treats a condition. The evaluation often occurs over time. Reassessments can be made, and treatment regimens adjusted. An insurance company evaluates risk. They assess a proposed insured at one point in time but set their rate for the life of the policy.

Insurance companies begin with a basic or standard rate, and add to it or subtract from it based on the information uncovered during the underwriting process. Additions can be made by adding special class ratings, permanent flat extras, or temporary extras.* Better-than-standard rates can be obtained by moving to preferred categories. Since a life insurance policy involves a long-term commitment, the insurer must base its decision on the information it has at the current time. Should the condition worsen, the insurance company cannot go back and charge the insured more.

If, for example, a patient has an abnormal electrocardiogram (ECG), the physician may not be concerned if the patient isn't complaining of chest pain. If, down the road, the patient develops symptoms, the physician will reevaluate the situation and determine a course of treatment, if necessary. However, from the insurance company's perspective, even in the absence of symptoms, mortality statistics show that a percentage of individuals who have an abnormal ECG develop heart disease. This puts them at a higher mortality rate.

It is important to keep in mind that each proposed insured is placed in a pool or group of people with similar risk characteristics. Not every risk in the pool will have the same life span, but overall, the group will follow a fairly predictable mortality curve.

Asking Medical and Lifestyle Questions

The amount of premium an insured will pay for insurance depends on the final rating classification. This begins with the answers to some basic health and lifestyle questions (e.g., tobacco use, occupation, avocations, etc.). An individual's final rating class will not be determined until the underwriting process is complete, including the evaluation of any required exams and tests.

Understanding why the company needs this information will help you prepare your clients for these questions. If you explain why this information is needed and how it will be used, it will be easier to ask for it. Make sure you tell your clients that the information provided is completely confidential, and that the rate you quote is based on a number of factors that can only be verified after the appropriate evaluation. You can help your clients prepare by providing them with a copy of the *Preparing for the Telephone Interview* brochure (1011194).

The Paramedical Exam and Lab Tests

The basic information which is required for medical underwriting is gathered during the underwriting interview or application, and a visit from a paramedical examiner. The paramedic visits the proposed insured, if necessary, at his or her home or business and completes the exam. The paramedic checks and records blood pressure, pulse, height and weight, asks for a urine sample, and may draw a vial of blood which will be sent to the lab for analysis. The urinalysis will screen for indications of nicotine and certain drugs, elevated sugar levels, and signs of kidney conditions. Blood tests will screen for indications of a variety of medical conditions, including kidney or liver disorders or HIV infection. They are also used to assess the current status of known medical conditions such as diabetes. Senior assessments (cognitive function, mobility, and frailty) will be included for all proposed insured age 71 and older.

Smoking History

Smoking history is an important factor for underwriting to evaluate since smoking may contribute to conditions such as heart disease, emphysema, or cancer. An individual who currently smokes cigarettes is generally felt to present a greater mortality risk than one who uses other forms of tobacco such as cigars, pipes, or chewing tobacco. Many insurance companies, including Prudential, distinguish the various forms of tobacco use in their rating classes and price them accordingly.

Personal Medical History

Underwriting takes your client's both current health status and medical history into consideration when determining which underwriting category is appropriate. However, there are many medical conditions, including cancer and heart disease, which are insurable. Prudential encourages this special risk business—approximately 14% of the business Pru issues is rated. This can be good news for those clients who think that having a medical condition makes them uninsurable. Only about 9% of the business Prudential Underwriters evaluate is rejected. Refer to the *Substandard Underwriting Highlighter* (1002361) for more information on this subject.

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*Special class ratings are additional premiums added to the base policy premium. They are expressed as a percentage of the base premium. Permanent flat extras are expressed as a dollar amount per thousand dollars of coverage and are applied to the policy permanently or until a request for a rating change, with appropriate evidence of insurability, is submitted and approved. A temporary extra is also a flat extra expressed as a dollar amount per thousand dollars of coverage; however, it is applied for a specified limited period of time.



Family History

Family history also plays a role in the risk selection process. A family history of longevity is a factor taken into account in most preferred underwriting categories. Even for an impaired risk, a good family history can help offset the effect of the impairment on the overall rating.

Blood Pressure

Elevated blood pressure indicates that the heart is working harder than normal to pump blood, adding stress to the heart and arteries. An individual with high blood pressure has a greater risk of heart attack, stroke, and kidney failure, and will be rated according to their levels of blood pressure elevation.

Cholesterol

Cholesterol is a measure of fatty substances (lipids) found normally in the blood. Two types of lipids are measured: Low-Density Lipoproteins (LDL) and High-Density Lipoproteins (HDL). LDLs promote the deposit of cholesterol on artery walls, which keeps oxygen-carrying blood from getting to the heart muscle. HDL has been referred to as the “good cholesterol.” It is thought to carry cholesterol away from the tissues, and may help to protect against heart disease. A higher percentage of HDL can lower the risk of heart disease.

Elevated cholesterol is a major risk factor for coronary artery disease and can result in an extra premium based on the level of elevation.

Physical Measurements (Height and Weight)

Physical measurements are among the basic and most common life risk characteristics measured by insurance companies. Both extremely overweight and underweight individuals have increased mortality. Significantly overweight individuals have an increased risk of heart disease, diabetes, high blood pressure, and high cholesterol levels. Being significantly underweight may indicate an eating disorder or an acute/chronic illness.

Insurance companies have developed height and weight (build) tables which can be used to determine the level of risk. If the proposed insured is within the acceptable weight range for his or her height, he or she is considered a standard risk. Individuals outside the range will be evaluated and rated accordingly, depending on how far outside the range they are. Refer to the Build Tables in the *Underwriting Overview* (1000321) for more information.

Occupation

The type of job and the environment in which an individual works are other factors insurance companies evaluate. Risk of accidents and exposure to carcinogens are the major factors considered in determining if an occupation is hazardous. It is important to note that most occupations do not present an added risk. Occupations such as bridge and skyscraper builders put the employee at greater risk of accidents. Individuals who remove hazardous waste are at greater risk of illness due to exposure to harmful materials. Refer to the *Occupations Rating Schedule* (1013789) for additional information.

A job which requires a great deal of overseas travel may also subject the individual to a greater degree of risk, depending on the country or countries visited.

Aviation

Pilots are exposed to varying degrees of accidental risk. Certain medical conditions and personal factors may impact a pilot's performance and increase the risk of accidents. When evaluating the aviation risk, underwriting considers factors such as the number of hours flown, flying experience, the type of aviation activity, and the overall health and habits of the individual. Additional information can be found in the rating schedules for *Civilian Aviation* (1010609) and *Military Aviation* (1008218).

Foreign Travel and Residence

In developing premium rates for products offered in the United States, insurance companies generally use mortality assumptions based on U.S. residence. Individuals living or traveling in other countries may be exposed to health risks not usually encountered in the United States. Their life expectancy may be affected by poor economic conditions, widespread disease, lower standards of public health and sanitation, lack of proper medical facilities, and different cultural attitudes toward personal health and safety. Continued or repeated exposure to such conditions may increase the risk of contracting a serious disease.

In addition to those health considerations, individuals traveling to, or residing in, certain areas may also be at a greater risk of accidental death. For example, the risk of motor vehicle accidents may be increased because of careless driving or the lack of control authorities (e.g., police) in certain countries. Terrain, the quality of transportation, and potential exposure to natural disasters (e.g., volcanoes, earthquakes, severe weather, etc.) can also increase the risk of accidental death. Kidnapping and terrorism are more common in some areas of the world, and socially or political prominent figures are at high risk.

For additional information, refer to the *Non-U.S. Residents Highlighter* (1002952) and *Foreign Travel Highlighter* (1002951).

Drug and Alcohol History

Individuals who abuse alcohol or drugs, or binge drink have a higher incidence of violent death, including deaths from accidents, suicides, and homicides. Potentially harmless activities can become hazardous when drugs and alcohol diminish mental and physical capacities (e.g., driving, swimming, etc.).

Chronic abusers are at risk not only from violent death, but also from death due to physical disorders that result from years of abuse. Alcohol abuse most often affects the gastrointestinal tract, the liver, and the heart. It also affects the nervous system and increases the risk of cancer. The long-term use of many drugs has been implicated as a cause of kidney and liver damage, hypertension, heart disease—and occasionally—seizures and psychosis.

Avocation

There are some hobbies or avocations such as scuba diving, sky diving, mountain climbing, etc., which may put individuals at greater risk of accidental death. The risks associated with most hazardous avocations and sports relate to both the nature of the avocation/sport, and the participant's qualifications to successfully undertake those activities. Please refer to the *Avocations Guidelines* (1012888) for additional information.

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Driving Record

Prudential's approach to underwriting driving history uses statistical evidence as well as other key factors that impact mortality. The underwriter will take into account many factors when making a final decision, including:

- ▶ Age of the proposed insured (especially younger and older ages)
- ▶ Moving vs. non-moving violations
- ▶ Frequent and consistent offenders
- ▶ Occupation involving a significant amount of driving
- ▶ Alcohol and/or drug criticism
- ▶ Lab abnormalities
- ▶ Combination with hazardous avocations and/or aviation
- ▶ Medical history—while there is a statistical connection between certain medical histories (e.g., seizure disorders, psychiatric problems, sleep apnea) and fatal accidents, the effect of the impairment is greatly reduced if it is well controlled through medication

Additional Information

It is also important to note that some health histories uncovered during the underwriting process may require additional information, such as an Attending Physician's Statement (APS), electrocardiogram (ECG), or Pharmaceutical database check. The additional information allows underwriting to make a more informed evaluation of the risk, and can impact the overall rating in a positive or negative way. Many times the additional information received provides sufficient detail to allow underwriting better assess the risk.

To be competitive in impaired risk underwriting, Prudential continually expands its repertoire of underwriting credits. Underwriting credits are available for any face amount, issue age, product, and table rating. Credits are also available for smokers and non-smokers and are designed to apply to far more of the business you submit to us and, therefore, generate more placed cases.

Crediting decisions are evidence-based decisions, using underwriting credits to offset "like" debits. These credits are based on test results or other favorable criteria specific to a given applicant. For example, we may use treadmill credits to offset overweight and blood pressure debits, or good blood sugar control to offset debits for diabetes. The result can be improvement on a standard or substandard offer, or possibly even improvement from a low substandard offer to a Non-smoker Plus offer.

There are more than two dozen impairments eligible for credits. Eligible impairments include: Atrial Fibrillation, Blood Pressure, Breast Cancer, Build, Coronary Artery Disease, Crohn's Disease/Ulcerative Colitis, Diabetes, ECGs, Elevated Liver Enzymes, Family History, Lipids, Malignant Tumors, Pacemaker, Rheumatoid Arthritis, and Sleep Apnea. Credits are also provided for new and innovative testing such as Electron Beam Computed Tomography (EBCT). Refer to the *Underwriting Overview* (1000321) for more complete information.

Overall Profile

Underwriting considers all the criteria discussed above when determining the final underwriting classification. While any one factor may affect the overall rating, some factors pose a greater risk when combined. For example, an individual with high blood pressure, who smokes, and is overweight, is generally a greater risk than someone who is overweight, but does not smoke, and has normal blood pressure.

Summary

Quality underwriting allows us to offer the best possible rates to those most healthy. Prudential offers a wide selection of rating classifications to meet most customer profiles. Regardless of the customer's overall rating, don't lose sight of the reason he or she is making the purchase—the need for life insurance.

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Availability of insurance and rates will vary based on the satisfaction of underwriting criteria.

Underwriting rules are subject to change at our discretion.

Life insurance is issued by The Prudential Insurance Company of America and its affiliates, Newark, NJ.

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