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Underwriting Osteoporosis

It is not unusual for a DI insurance underwriter, when looking at an application for a female over the age of 40, to see a mention of osteoporosis. There has been an emphasis on early diagnosis so that proper treatment can be started. Since the screening test is simple and inexpensive, more women are having the test done.

Osteoporosis is defined as a decrease in bone mass (bone density) with abnormal skeletal micro architecture that increases the risk of fractures. The World Health Organization has established criteria that define osteoporosis as when the bone density is decreased more than 2.5 standard deviations below that of a normal young population. Osteopenia is a precursor to osteoporosis, with the bone density falling between 1.0 and 2.4 standard deviations below normal.

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News You Can Use

- **Principal lowers rates in Washington State for:**
  - Benefit periods to age 67 and to age 70
  - Regular Occupation and Transitional Occupation riders

- **Guaranteed Issue DI is now available for physician groups -**
  Please call for details.

- **John Hancock's Custom Care II Enhanced now available in Oregon -**
  Compound inflation is available on this product.

- **Union Central will no longer offer Individual DI or Disability Overhead Expense coverage to chiropractors.**

- **LifeSecure LTC - no more paper applications* -**
  Call today for more details on how you can submit applications online.
  *Pending approval in Washington State.

- **John Hancock and Kiplinger's LTC workbooks -**
  Many of you have asked for it so call today to get a free copy of "Help You Plan Ahead for LTC" if you have not yet received one.

- **November is Long-Term Care Awareness Month. -**
  Use this as a reason to visit or revisit the topic with clients and prospects. Contact us for sample marketing pieces to use.

Inside this issue:

If there are specific topics you'd like to see covered in future newsletters, please contact:

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The Impact of a Disability

The Life and Health Insurance Foundation for Education (LIFE) and America's Health Insurance Plans (AHIP) engaged Milliman, Inc. to prepare a report examining the impact of disability on individuals in the United States. Following is the conclusion of their findings:

The American public underestimates the risk associated with experiencing a disability that eliminates the ability to work. As a consequence, most American workers have a poor understanding of the full impact a disability can have on an individual's life. The financial cost a person faces as the result of a disability—equal to lost income and increased expenses—is extremely high, often many multiples of a worker's annual pre-disability income or annual household income. For example, a 40 year old single male earning $50,000 per year who experiences a long-term disability lasting until age 65 faces a total cost of disability of nearly $1 million, or about 20 times pre-disability earnings. While the greatest contributor to this cost is the income that is lost when an individual is unable to work because of an illness or accident, the expenses that can arise for healthcare and other items related to the disability can add significantly to the cost. The costs are also quite significant for short-term disabilities. The financial impact of a disability lasting two years is, on average, one to two times annual household income.

The costs associated with disability affect some more than others. The hardest hit include single individuals, who do not have a second household income they can rely on; lower-income individuals, because added expenses are greater relative to pre-disability income; and those who experience longer-term disabilities, because both income and expenses tend to increase with inflation, raising the cost of disability over time. Few individuals are fortunate enough to be able to cover these costs through personal savings alone, even for a short period of time. In the absence of any disability insurance, the financial costs associated with disability can quickly accumulate, forcing those with a disability and their families to make difficult financial decisions, or even drastic lifestyle changes.

A disability not only affects finances, but also quality of life, posing obstacles to returning to work and raising the risk of mental health issues and divorce. While difficult to quantify, these circumstances can be exacerbated by the financial strain that occurs when a person with a disability is overwhelmed by expenses in the absence of sufficient income.

Disability insurance provides valuable income replacement to help cover these costs and keep life on track for people who have become ill or injured and are unable to work. Private disability insurance plans (group or individual provided by an insurance company) can reduce the cost of a disability by 70%-80%. Supplemental individual disability coverage, in combination with employer-sponsored or government-provided insurance programs, can reduce the financial cost of disability by 80%-95%. Financial help from the government is a possibility, but by no means a guarantee. State workers' compensation insurance covers disabilities that are work-related, but a vast majority of disabilities leading to lost income occur outside of work. The Social Security Disability Insurance program (SSDI) uses a strict definition of disability, which makes it more difficult to qualify for benefits. The average monthly payment award to workers who are disabled in 2007 was $1,054. Although the segment of the population that purchases private disability insurance can expect to receive higher SSDI benefits based on their earnings history, the portion of lost income covered by the SSDI program is typically lower because of the progressive nature of the SSDI benefit formula. Thus, the relative value of the SSDI benefit is greater at lower income levels. The most effective way that working Americans can ensure they are adequately protected is to take full advantage of coverage options offered by their employers or consider purchasing disability insurance on their own.

The risks and consequences of experiencing a disability are real. It is important that working Americans take the time to investigate their disability insurance options and ensure they are protected from the financial and non-financial impact of a disability. For more details please visit our website or contact us at 1-877-455-9580.

2009 Small Business Survey on Long-Term Care

A recent summary conducted by Mathew Greenwald & Associates of Washington, D.C and sponsored by John Hancock, found that employer misconceptions have resulted in a reluctance to offer long-term care insurance despite a perception of employee need. The study, conducted as part of John Hancock's "Know Your Options" long-term care education campaign, surveyed more than 500 benefits decision makers at companies with 10 to 1,000 employees.

According to the survey, six in ten small businesses think that employees are concerned about their ability to afford long-term care. Of the organizations that responded, more than half of those with 500 to 1,000 employees, reported negative impact due to employees dealing with long-term care issues. Yet, few small businesses currently offer long-term care insurance to their employees.

When asked to rank employee concerns, the ability to afford long-term care for themselves or other family members was second only to that of not having enough money for a financially secure retirement (63% versus 84%). The perception of need was more pronounced among companies with 500 to 1,000 employees, with 72 percent viewing long-term care as an employee concern.

The survey also showed that employers are beginning to feel the effects of long-term care at the workplace, with more than a quarter of small businesses (including more than half of the businesses with 500 to 1,000 employees) saying that their companies have been negatively impacted in terms of productivity loss or increased absences by employees who are dealing with long-term care issues.

Despite these concerns and the actual impact on business, only one-fifth of the companies surveyed offered long-term care insurance plans as a benefit to employees.

The intent of this survey was to gauge the attitudes of smaller employers in order to better understand and serve this important market segment. The outcome, however, was that small employers hold a number of misconceptions about both the need for care and long-term care insurance itself.

When small employers were asked why they do not offer long-term care insurance, two leading reasons cited were the perceived cost to implement a plan (66 %) and a perceived lack of interest on the part of employees (63%). A third (33%) also mentioned that they thought it would be too time consuming to implement a plan. These results contrast with the actual experience of respondents who offer LTC insurance to their employees and felt the implementation and cost of an LTC plan was rarely a problem: very few (5%) had a poor experience with cost or ease of implementing a plan. The perceived lack of employee interest is curious and may reflect a lack of cohesive thinking about long-term care in general because the same percentage of respondents (63%) also reported that their employees are concerned about the ability to fund future long-term care.

In looking at why companies chose to offer long-term care insurance, survey respondents indicated that the four leading reasons important in their decision were attraction and retention of key employees (47%), tax advantages to the business or business owner (43%), employee demand (43%), and exposure to first-hand experiences dealing with long-term care issues (42%). When asked about choosing a carrier, leading responses cited as important included the rating of carrier (82%) and being offered by a well-known carrier (77%).

We already know that education is the key to convincing employers that long-term care insurance can be an important addition to their benefits portfolio. Because more than half the respondents indicated that they have not been approached by a benefits broker or financial advisor about this coverage, the small business market represents a tremendous opportunity for our industry in terms of education and sales.

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An individual's peak bone mass occurs in her 20's, and thereafter gradually decreases. In women at the onset of menopause, there is a greatly accelerated rate of bone loss, as high as 4% per year, which is 10 to 20 times faster than the decrease prior to menopause. The risk factors for osteoporosis are female gender, advancing age, post menopausal status, a family history of osteoporosis, Caucasian or Asian race, and a low body weight. Minor risk factors include the use of cigarettes, alcohol abuse, decreased physical exercise, and inadequate intake of dietary calcium. As noted, it is easily diagnosed with the use of various scans. The most common one is the DEXA scan.

Once diagnosed, osteoporosis can be treated. The first step is to take vitamin D along with adequate amounts of calcium. If this does not slow progression of osteoporosis, then there are other medications. Estrogen has been used, but it does have an increased risk of cardiovascular side effects. There are also anti-resorbtive drugs and selective estrogen receptor modulators. They work well, but they do so slowly and the medication must be taken for years.

As noted, if present it does increase risk of fractures, and the fractures may be serious and lead to disability. This is the reason underwriters are concerned. As long as the osteoporosis is not severe and the person has begun appropriate treatment, no adverse action is needed. It is pertinent to have information in the medical records regarding the scans and the DEXA scores, but in the vast majority of cases, the underwriting decision is favorable with standard issue.