



UPDATE #5 (7/6/2021)

As of my last update, we have some minor changes. Hopefully, these changes will be "like the falling of small stones that starts an avalanche in the mountains," to quote Gandalf in the Two Towers. And I'm very thankful that we don't have the frequency and severity of some of the restrictions we saw a year ago.

1. More underwriting restrictions are loosened. In fact, the insurance company whose COVID restrictions I highlighted in our last posting announced that starting May 12th, "our temporary underwriting restrictions that have been in place since April 2020 will be lifted, and our normal preCOVID-19 underwriting guidelines will be in effect." One more step forward.
2. More accelerated underwriting - one of the life insurance companies we work with added an accelerated underwriting process where the applicant may not need a paramed exam if they meet certain criteria and two others increased their limits from \$1,000,000 to \$2,000,000. I take this to mean that accelerated underwriting is here to stay!

Unfortunately, there is a lot of misinformation on social media that getting the COVID-19 vaccine somehow might cause a life insurance company to deny a death claim. This is entirely false – see this link for more info <https://www.acli.com/Posting/NR21-012>.

Stay safe everyone and enjoy the summer,

Mark



UPDATE #4 (3/18/2021)

Part of me hopes that this may be our last COVID-related update. I'm reminded that we had our Insurance Academy here in Florida in February just over a year ago. And then I think of how we packed everyone up to work-from-home on this week one year ago and we haven't all been together since.

Not much has changed in the last few months because the world hasn't changed much – there may be light at the end of the tunnel, but how far off is it...? Most companies have limits on ages/health classes that they can offer today. One company's life insurance guideline as of the beginning of January:

<i>Ages 70 and up</i>	<i>All cases postponed</i>
<i>Ages 60-69</i>	<i>All cases not approved Standard or better will be postponed</i>
<i>Ages 59 and below</i>	<i>All cases approved at great than Table 4 rates will be postponed</i>

Foreign Travel continues to be an underlying concern - Foreign travel allowed following country codes and U.S. Department of State country-by-country travel guidance.

And co-morbid conditions relative to COVID-19 (such as respiratory conditions) can impact someone's approval.

Now we have seen some movement as it relates to vaccinations. One insurance company has said, "If a proposed insured can provide documentation of full vaccination against COVID-19, normal underwriting rules can be applied". However, this only impacts cases that might otherwise have been postponed (so could now offer coverage to someone over age 70, using the above company's restrictions)

Yet a different company says, "Our underwriting assessment of an applicant's insurability is not impacted by the vaccination status of the individual" but that it "continues to monitor and follow guidance from the CDC and other organizations, and we will continue to provide additional updates to the extent necessary as new information becomes available."

So there may be a light at the end of the tunnel, but we're still in the tunnel...



What else?

In October of 2020, we saw MassMutual decide to exit the Traditional Long Term Care business, focusing instead on Whole Life policies with LTC/Chronic Illness riders.

“MassMutual has made the decision to stop offering for sale its traditional long-term care insurance (LTCi) policies as a result of low traction with its current offering.”

Then in December, Transamerica announced that they were going to exit the traditional LTC arena as well. Similarly, they look to their life insurance portfolio with LTC riders to address the needs of clients.

“In Q1, we will no longer actively sell individual long term care (LTC) solutions; however, we believe there is a need for customers and advisers to plan for LTC needs in retirement and we will continue to distribute combination solutions with long term care riders.”

There are a handful of traditional LTCi companies today, down from dozens of companies just 20 years ago. So we at LLiS will continue to monitor available options for you, including Hybrid Life-LTC policies and Life-Annuity policies.

I also hold out hope that some of the insurance companies that may have gotten out of the traditional LTC space might get back in. Many companies worried about initial premium estimates over the long term and rate stability when it is still a fairly new type of policy compared to life insurance (having hundreds of years of experience in some shape or form). Some companies, rather than continuing to offer plans while uncertain of long term performance, just decided to stop, but still service existing policies.

I would think they still have all the software and processes to start writing policies tomorrow if they wanted. They just need to update the pricing having better/more years of claims experience and base premiums on current interest rates. Like when Willy Wonka just flips the switch, he instantly turns the candy factory back on after shutting it down. In my head, it can be that easy, but I'm sure it's not.

Interest rate pains

Insurance companies at their core collect premiums from policyholders and then invest those premiums to pay out future liabilities/claims. Insurance companies are very limited on what they can invest in; the bulk of it being investment-grade debt instruments. So, the prolonged low-interest rate environment continues to impact companies.



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Premium limits – Some insurance companies have instituted initial premium limits on their permanent life insurance options. Often these are \$500,000 limits, so they may not impact many of your clients, but insurance companies are hesitant to take on too much money today and having to invest at today's low-interest rates for long-term claims or benefits.

Increased Premiums – As my dad would say, sometimes you need to "raise the bridge or lower the river." If you can't change interest rates, then you need to increase premiums. Term policies (being shorter in duration) are less impacted for a shorter term, but when term companies reprice, we see more significant changes to the longer term periods. But overall, term rates change fairly frequently, but often not significantly, and more often than not with a "mixture of decreases and increases," as most of the announcements say.

Stopping coverage – A few companies have decided not to offer the No-Lapse Guarantee policy with the current low-interest rate environment. Like the Willy Wonka factory, if interest rates can increase a bit, I expect some to flip the switch to be back in.

Stay safe everyone and thank you for the last year and all the years before,

Mark



UPDATE #3 (9/24/2020) **A very long update which is amazing for an industry that moves very slow**

As we come to the end of September and over half-a-year of COVID Life, things are loosening up a bit all around us. The insurance industry (which put a hard-stop on many things early on) is no exception.

Older Clients = More Options

At the beginning of COVID-time, many insurance companies limited offers to older clients. In the Long Term Care world, Mutual of Omaha initially stopped accepting applications for all clients age 65 and older as COVID spread.

Then as we knew more, applications were allowed for clients in individual states. Before August 24th, California, Oregon, and Washington were the only three left in the “Not available” status for clients 65 and older. But now applications can be considered for clients 65 and older in all states.

Life insurance companies are also allowing coverage for older clients – maybe not back to pre-COVID levels, but better than March.

Foreign Travel not an automatic “No,” “Nyet,” “Nein,” or “Non.”

Foreign travel underwriting guidelines due to COVID are no longer automatic declines (or automatic postpones until the client is back in the US) with some insurance companies. There may still be some areas of the world that are off-limits for travel, but it’s no longer a “no” across the board.

Expanding E-application forms & policy delivery

Over the last two years or so, many insurance companies used an initial contact form for the application. A telephone interview would then be required where the insured would speak to either an insurance company or exam company representative who was asking reflexive questions about health, hobbies, family history, etc.

But clients generally didn’t like the extended phone interviews, and the insurance companies thought to themselves, “If we’re just typing in answers to questions, why can’t the applicant do it themselves?” So Banner Life was one of the first to do this on a full-scale. Prudential, Principal and Lincoln National now have the option to complete the application online.



So not only will clients not have to be on the phone as long (or at all) there is no longer a need to schedule a time for the interview (which has had its own challenges with work-from-home adjustments and staffing – we had a previous link re: EMSI closing). The internet is open 24/7, so the client can complete the electronic interview at any time!

In addition to the application process becoming more electronic, the policy delivery process has moved in that direction. Most insurance companies now deliver the policy electronically so the client can sign the delivery requirements electronically and pay their premium online, resulting in quicker placement. Due to COVID-19, most insurance companies require a Good Health Statement to be signed at the time of delivery, confirming that there hasn't been a change in health during the application process.

E-Medical records

And insurance companies (who are known for moving at a glacial pace when it comes to changes in underwriting) are throwing themselves into electronic medical records gathering. The big player we see is called Human API, and their name may become “generic” for this process like Kleenex or Xerox.

The medical record process can easily be the longest piece of the application. The average turnaround time is typically about 30 days for the below process to be completed:

- A. Insurance company orders medical records from their service provider (Exam One is one)
- B. Exam One sends a request to the doctor's office
- C. Doctor's office forwards to their copy service
- D. Doctor's copy service tells Exam One there are 142 pages at .49¢ per page, so they need \$69.58 to send the records
- E. Exam One asks the Insurance Company if OK to pay
- F. If yes, pays the copy service
- G. Doctor's copy service processes the payment and sends records to Exam One
- H. Exam One uploads to the Insurance Company where an underwriter can start the review.

Human API allows the client to set up a secure link between the insurance company underwriter and their online records. So it's possible an underwriter could be reviewing medical records the same day the client creates that link. So that means:

- It should be able to shave weeks off the application process when medical records are requested.
- To me, it has the potential for more applications to go through the accelerated process – if the insurance company saves a lot of that \$69.58 on the medical records and can get them in minutes instead of weeks, they may be able to make quicker offers or waive exams (save another \$75 - \$125 per exam) if the client has regular lab work.



How are COVID claims impacting insurance companies?

Overall, I've been told that the low-interest rate environment is a more significant issue to insurance companies long-term than COVID claims. I had a chat with one of our Insurance companies' representatives and their experience so far:

- 150 death claims that were COVID related
- Average age was 86
- Average age of policy: 46 years
- Total amount of claims paid \$15,000,000

Even with that, their overall mortality (what they expect to pay out in claims) has been better for 2020 to date than predicted. Why exactly that is I'm sure we'll be able to figure out in hindsight next year (fingers crossed), but for the moment, no significant impact due to COVID-19, at least for one company.

I hope everyone stays healthy, safe, and sane as we enter the Fall!

Mark
President & CEO
LLIS



UPDATE #2 (6/15/2020)

Cautious optimism. Feels like that's been my mantra for a long time...

What's making me optimistic is that as more things are getting back to "normal", some of the insurance company restrictions in certain areas are loosening. And some of the temporary underwriting guidelines that helped clients get insurance have been extended.

One Long Term Care insurance company had put a moratorium on offering coverage to anyone over age 65 due to the difficulty and of obtaining face-to-face interviews/cognitive screenings. Today we got word that 30 states would be eligible for applications on clients over age 65, presumably because examiners are freer to visit applicants and applicants are more ready to see an examiner.

One Life Insurance company who had previously limited applicants to age 69 or younger will now consider applicants from age 70 – 85, who would be classified at Standard (or better rates).

The most numerous updates are the extensions of temporary guidelines into July:

- Life insurance companies who increased the amounts they can consider through their Accelerated Underwriting process where an exam may not be needed. While the amounts increased with many companies (a positive) the percentage of applicants we see going through lab-free still hovers at about one-third for most.
- Disability insurance companies will order medical records in lieu of the paramed exam in most cases.

Why is it a "cautious optimism"? Here in Florida, COVID cases have jumped for the last week or so. So as some restrictions are relaxed, changes in COVID infections, spread, etc. could make the restrictions reappear.

In the long term, how many of these changes will become permanent? If they make life easier for your clients, I hope all of them!

As always, we are here to assist fee-only advisors and their clients to the fullest extent possible.

Stay safe and healthy everyone,

Mark



UPDATE #1 (3/26/2020)

Updates and information for advisors and their clients currently applying for life insurance

1. Past Travel
 - a. If the proposed insured or any member of his or her household has traveled or resided outside of the United States within the past 30 days, the application will be postponed until 30 days following their return.
 - b. If the proposed insured or any member of his or her household has come into close contact with anyone known to the insured to have tested positive for COVID-19, the application will be postponed until 30 days following their exposure.
 - c. In addition, anyone testing positive for the COVID-19 virus or those who have been hospitalized or quarantined for the virus will have their application postponed for a minimum of 90 days
2. Future Travel: Anyone planning to travel outside the U.S. will be subject to postponement of their application until travel is completed and 30 days has passed since traveling.
3. Anyone who has been tested or been treated for COVID-19 is expected to disclose any tests or treatments on their life insurance application or supplement we provide.
4. Except in certain areas, examiners are still going out for exams and taking precautions
 - a. We're seeing many more clients canceling exams than examiners canceling...
 - b. When scheduling appointments, exam companies are asking about personal (or close contact with someone else with) recent foreign travel, or any signs of fever or respiratory distress
 - c. If "yes" to any of these, appointments are being rescheduled for at least 15 days from the call to protect the applicant and examiner
5. Labs are open and processing samples collected
6. Medical records providers are operational, but some doctor's offices/hospitals have reduced staff

So in the life insurance world:

1. One insurance company will approve up to \$500,000 of coverage without requiring a paramedic exam/lab work.
2. A number of companies will conduct a phone interview, check available data resources like Motor Vehicle Reports, Prescription Database, etc. and see if they can make an offer without lab work (Accelerated Underwriting)
 - Normally up to \$1,000,000 in coverage and works best for clients in better than average health
 - One company announced yesterday they are expanding their Accelerated Underwriting to:
 - \$2,500,000 under age 40 and \$2,000,000 from age 41-60 if
 - the applicant has had a physical with labs within the last 24 months and
 - the insurance company can obtain the necessary records
3. Another insurance company can offer up to \$5M with the possibility of no lab work – according to recent data, 64% of applications are being approved without lab work in a short period of time.

So insurance companies are working to make options available to speed up the process and limit face-to-face contact that comes with a paramed exam. While they may not always be the lowest premiums, they allow all of us to actively take part in social distancing in order to slow the spread of COVID-19.

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Dear Advisors and Clients,

March 17, 2020

We are closely monitoring information concerning coronavirus (COVID-19) and are making adjustments to our procedures to provide as safe of an environment as we possibly can for our employees and those with whom we interact. We have already begun to implement plans to ensure that we can continue to serve you without interruption while protecting the health and safety of our employees and their families, including employees working from home.

We will continue to monitor this evolving situation and associated risks. We remain focused on the health and safety of our people and those around us, as well as continuing to serve the Advisors, new Clients and existing Policyholders who depend on us.

In the insurance world we have seen:

1. Insurance companies scrutinizing upcoming foreign travel more closely than normal, especially to particular regions
 - a. Many companies are recommending to postpone sending in an application (or postponing approvals) until the applicant returns
2. While the assumption was that examiners may be canceling paramed exam appointments, it is more frequent that applicants/clients are postponing the exams
 - a. As we are reminded to practice “social distancing” , we just aren’t wild about introducing a new person to our home/office environment
3. Lots of questions asking if a life insurance policy from 2015 would cover a death from COVID-19
 - a. And yes, it would...

So while there may be some slowdowns in getting policies issued due to postponing exams or travel cautions, we will keep working hard to do all we can to keep the wheels turning.

Thank you to everyone who works with our fantastic LLIS Team and we will push on!

Mark Maurer
President & CEO
LLIS