

Prognosis vs. Diagnosis

Understanding the Difference Between Insurance Medicine and Clinical Medicine

In the context of life insurance, underwriting is the process of evaluating an individual's medical and non-medical information and determining the impact these factors have (statistically) on life expectancy. This insurance company process of evaluation is referred to as risk classification.

When evaluating a medical history, the insurance company—through its underwriting and medical departments—assesses the risk related to the proposed insured. Through this process, it may be determined that a rating, or increase in premium, is necessary to cover a given risk.

At times this comes as a surprise to the client, who feels that he/she is in excellent health and has been told by their attending physician that he/she is "doing well," "stable," or has "some minor problem that needs follow-up but no current treatment." This difference of perspective regarding medical health and life expectancy can create confusion—and frustration—for clients.

It is important to note that this is not a case of either the attending physician or the insurance company being right or wrong. Instead, it is a difference in perspectives, driven in part by one's need to assess health in the present and another's need to address health well into the future. In short, the insurance company gets one shot to evaluate the client's history (both medical and non-medical factors) and then has to predict the client's health for the future, while the attending physician can assess a patient's health—and prescribe treatment—continuously during the patient's life.

Attending physicians see themselves as patient advocates and generally use positive reinforcement when addressing their patient's medical issues. If the patient has a medical problem that does not require immediate treatment, the physician may not be completely transparent and relay that sentiment to them (even if the condition may cause problems or require treatment in the future). This approach can mitigate a patient's anxiety, particularly as he/she ages and becomes more prone to chronic illness. When the medical condition escalates or complications develop, the attending physician can respond by initiating treatment or ordering further evaluation.

Unlike the physician, insurance companies have a narrow window to evaluate the same medical condition. Underwriters must assess potential risks today with the understanding that if an individual's health deteriorates over the life the insurance contract (which can be decades) they cannot change their assessment. The policy is a guaranteed contract, and once issued, this contract cannot be changed except in the client's favor (possible rating reduction on policy anniversary in some cases). In short, the decisions an insurance company makes today last for the life of the policy they issue.

Take the example of an abnormal electrocardiogram (ECG). While this will receive the attention of the attending physician, if the patient doesn't have any chest pain, the physician may choose to take no action (and declare the patient to be "healthy"). If several years down the road the client has symptoms related to the previous abnormal ECG, the doctor can further evaluate and treat the patient at that time.

From an insurance medicine perspective, a certain percentage of individuals who have abnormal ECGs at the time of underwriting will go on to develop heart disease, which will impact the life expectancy of the group as a whole. When these individuals develop heart disease, the insurance company cannot raise the premium to cover the additional risk. Therefore, because the insurance company does not have the opportunity to monitor and observe insureds on a regular basis (like a physician does), clients with an ECG

Life insurance due care requires an understanding of the factors that impact policy performance and drive product selection.

M Financial Group continues to lead the industry in life insurance due care and client advocacy, providing valuable insight and analysis that delivers significant value to clients.



Prognosis vs. Diagnosis: Understanding the Difference Between Insurance Medicine and Clinical Medicine (continued)

abnormality will typically be rated during underwriting, even if the abnormality poses no immediate risk or the abnormality never develops into heart disease.

Attending physicians and insurance companies also differ in the way they approach future life expectancy. The attending physician thinks in terms of the general population; insurance companies base their mortality assumptions on the life expectancy of the insured population, which assumes at any given age that the individual will live longer than if they followed the general population statistics.

We understand the complexities of the process and our deep, collaborative relationships with M Financial and a select group of Partner Carriers allow us to deliver the most competitive offers to clients. This collaboration supports proprietary underwriting advantages such as reduced or eliminated underwriting requirements which ease the burden on our clients without compromising the value of the underwriting process and still securing the best possible underwriting offer. The combination of expertise, relationships, and shared commitment to collaboration allows us to negotiate effectively on behalf of our clients. Better underwriting provides optimum policy pricing and increased value for our clients.

This material is intended for insurance informational purposes only and is not personal medical advice.

This material is designed to provide general information in regard to the subject matter covered. It should be used with the understanding that we are not rendering legal, accounting, or tax advice. Such services should be provided by the client's own advisor. Accordingly, any information in this document cannot be used by any taxpayer for purposes of avoiding penalties under the Internal Revenue Code.

For More Information

To learn more, please contact:

Scott A. Greenberg, CLU
301.656.0660
sagreenberg@gwellc.com

David A. Wexler, CLU, ChFC
301.656.0660
dwexler@gwellc.com

Keith M. Eig, CLU, CLTC
301.656.0660
kmeig@gwellc.com

Greenberg, Wexler & Eig, LLC
7316 Wisconsin Avenue, Suite 230
Bethesda, MD 20814
301.656.0660
www.gwellc.com