



# Genetic Testing and Life Insurance

Presentation to Vermont House Health Care Committee

S.247

Jill Rickard

Regional Vice President- State Relations  
American Council of Life Insurers (ACLI)

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## Life, Long-Term Care & Disability Income Insurance

- Voluntary
- Long-term
- One opportunity for insurer to evaluate risk
- Insurer cannot cancel





Employer Coverage



Guaranteed Issue



Individual Coverage

# Coverage for Almost Everyone

# Differences Between Coverage Types

	INDIVIDUAL	GUARANTEED ISSUE	GROUP
Application Process	Depth of medical review varies	Few questions	Election through employer
Decision to buy	Buyer chooses when and how much to buy	Limited amounts of coverage available	Employer determines amount offered
Underwriting	Individually underwritten	Limited to no underwriting	Based on the group
Pricing	Customized based on underwriting	Based on age and gender	Everyone pays same
Coverage	Lasts decades to a lifetime	Term of coverage varies	Term of coverage varies

	LIFE, DISABILITY & LTC (individual)	HEALTH (typically group)
Decision to buy	Buyer chooses when and how much to buy	Annual open enrollment
Underwriting	Done once at time of application	Generally none
Rates	Set <b>once</b> at time of issue; changes in policyowner's health cannot affect rates	Reset <b>annually</b> based on claims by insured group
Coverage	<b>Decades</b> to a lifetime	One year; renews <b>annually</b>

## Why Life Insurers Underwrite

- Maintain financial strength
  - Pay claims
  - Provide liquidity
- Protect **affordability**
- Fulfill state laws



# Sources of Information for Medical Underwriting

	SELF-REPORT	INSURANCE LABS	INSURANCE EXAM	MEDICAL RECORDS
BMI	X		X	
Routine Chemistry		X		If indicated
Family History	X		X	If indicated
Medical History	X		X	If indicated
Tobacco Use	X	X		
Older Age/Higher Amount	X	X	X	X

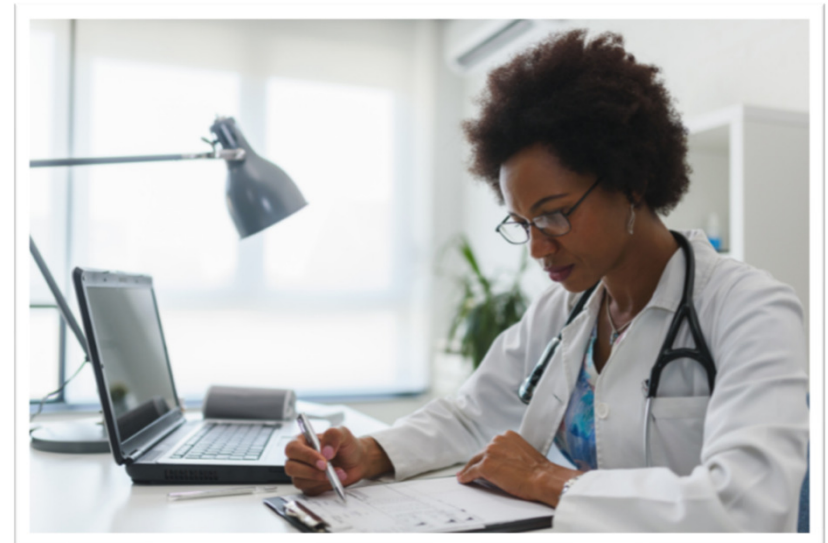


## Underwriting Based on Genetic Test Results

- Genetic test results are not definitive
- Holistic approach to underwriting

“Taking a patient’s genetic information is no different than taking her blood pressure, temperature, heart rate, height and weight.”

Dr. Debra Leonard, “UVM Medical Center blazes genetic mapping trail,” Burlington Free Press (June 7, 2016)





# Medical Care Does Influence Underwriting

## MEDICAL FACTORS

## POTENTIAL UNDERWRITING OUTCOMES

Family history breast cancer

May pay slightly increased premium

BRCA test performed

If negative, generally no increased premium  
If positive, increased premium

MRI, mammograms and  
ovarian ultrasounds

Compliant patients pay less than non-compliant  
patients

Prophylactic action  
(surgery, Tamoxifen, etc.)

Often no increased premium

## Shared Responsibilities

- Honesty is the essence of a fair contract between two parties



- Life insurers & applicants need to be on the same page

## Adverse Selection

- May lead to increased premiums for all risk classes and decreased availability of coverage

“Where there is unequal information between buyers and sellers leading to market failure.”



**Illustration of adverse selection:** 100 25 year-old men each buy a \$100,000, 20-year term life insurance policy for \$200 per year.



*\*Premiums in this & later slides are hypothetical but roughly representative. Prices & terms will vary across companies & rate classes.*



10 years later, one of the men has died. Insurer has collected \$170,000 in premiums and paid out \$100,000 in death benefits.



*\*Premiums collected reflects an assumed lapse rate.*



20 years later, two more have died (a total of three). Insurer has collected \$350,000 in premiums and paid out \$300,000 in death benefits.

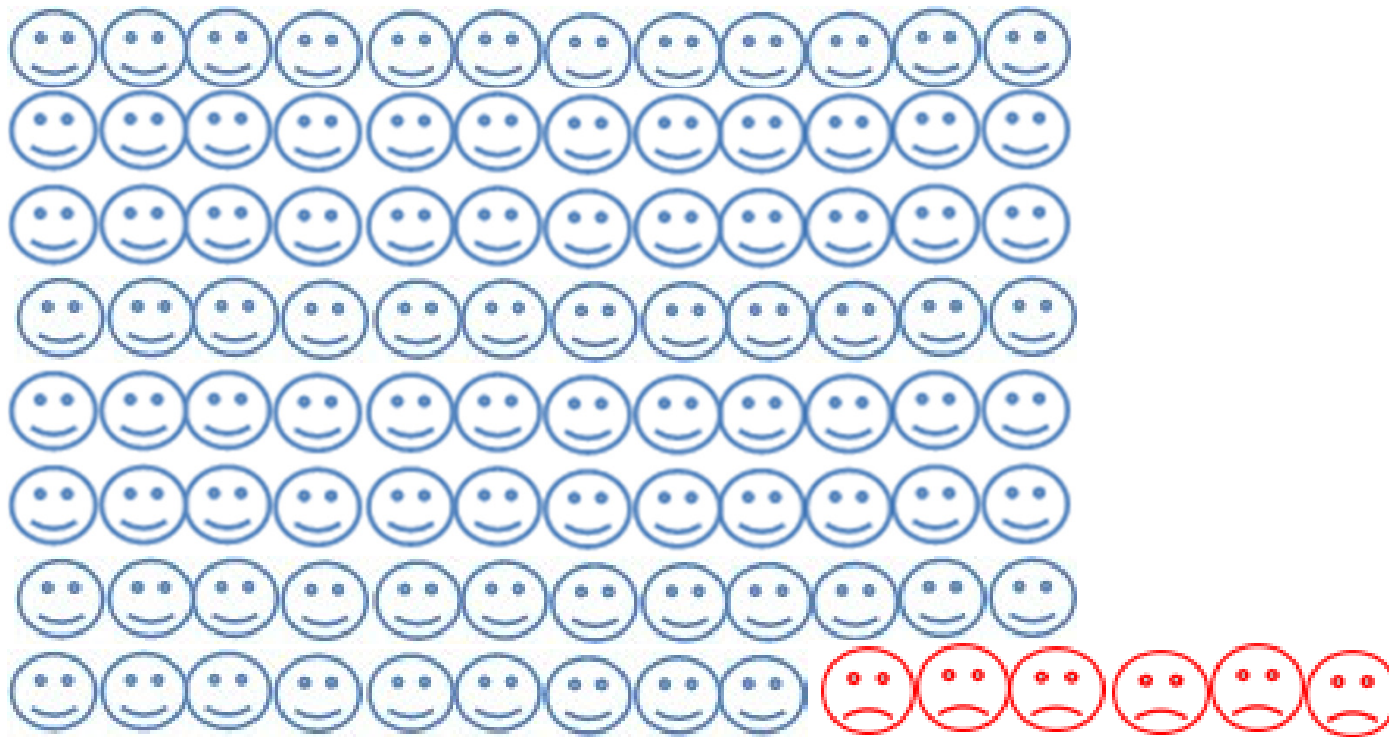




- ▶ Now suppose a group of 100 25 year-old men has a higher mortality rate than anticipated by Insurer (2x the average mortality rate) because they have withheld medical information. So three additional people die than expected (total of six) but Insurer has charged the same premium as the previous group.



20 years later, six people have have died. Insurer has collected \$350,000 in premiums and paid out \$600,000 in death benefits.



- ▶ What if... the group were 1,000 instead of 100?  
... 20 years later, 60 would have died.

Total premium received = \$3,500,000

Death benefit paid = \$6,000,000

Variance = **\$2,500,000**

- ▶ What if... the group were 10,000 instead of 1000?  
... 20 years later, 600 would have died.

Total premium received = \$35,000,000

Death benefit paid = \$60,000,000

Variance = **\$25,000,000**

# Genetic Information Non-Discrimination Act of 2008

- Applies to health insurance and employment
- Life and disability insurance specifically excluded due to their unique products and markets
- LTC excluded based on subsequent review of HHS in 2010



Do NOT support restrictions such as S.247:

American College of Medical Genetics and Genomics

*Points to consider to avoid unfair discrimination and the misuse of genetic information (2022)*

National Society of Genetic Counselors

*Use of Genetic Information in Insurance and Employment Decisions (2020)*



Questions? Comments?



Thank You!